

LAM RESEARCH CORP
Form 424B3
March 05, 2015
Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-202110

The information in this preliminary prospectus supplement and accompanying base prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying base prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS SUPPLEMENT DATED MARCH 5, 2015

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 13, 2015)

LAM RESEARCH CORPORATION

\$ % Senior Notes due
\$ % Senior Notes due

We are offering \$ million aggregate principal amount of our % Senior Notes due (the Notes) and \$ million aggregate principal amount of our % Senior Notes due (the Notes, and together with the Notes, the notes). We will pay interest semi-annually on the Notes on and of each year, beginning on , 2015. We will pay interest semi-annually on the Notes on and of each year, beginning on , 2015. The Notes will mature on , and the Notes will mature on .

In the event of a change of control triggering event with respect to each series of notes, as defined in this prospectus supplement, the holders of the applicable series may require us to purchase for cash all or a portion of their notes at a purchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest, if any. We may redeem all or some of each series of notes at our option and from time to time at the applicable redemption prices described under Description of Notes Optional Redemption in this prospectus supplement.

The notes will be our unsecured senior obligations and will rank equally with all of our other existing and future unsecured senior indebtedness. Each series of notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes are not and will not be listed on any securities exchange or any automated quotation system.

See **Risk Factors** beginning on page S-6 of this prospectus supplement for a discussion of certain risks you should consider in connection with an investment in these notes.

		Public Offering Price	Underwriting Discount	Proceeds, Before Expenses, to Us
Per	Note ⁽¹⁾	%	%	%
Total		\$	\$	\$
Per	Note ⁽¹⁾	%	%	%
Total		\$	\$	\$

(1) Plus accrued interest, if any, from March , 2015, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *soci t  anonyme*, and Euroclear Bank, S.A./N.V., as operator for the Euroclear System, on or about March , 2015.

Joint Book-Running Managers

BofA Merrill Lynch

J.P. Morgan

The date of this prospectus supplement is March , 2015.

Table of Contents

You should carefully read this prospectus supplement, the accompanying prospectus and any free writing prospectus we have authorized. You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, the notes only in jurisdictions where such offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement or the date of the accompanying prospectus and the information in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date of those respective documents, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of the notes. If the information varies between this prospectus supplement and the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

TABLE OF CONTENTS**Prospectus Supplement**

	Page
<u>About This Prospectus Supplement</u>	S-i
<u>Forward-Looking Statements</u>	S-i
<u>Where You Can Find More Information</u>	S-ii
<u>Incorporation by Reference of Certain Documents</u>	S-ii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-6
<u>Use of Proceeds</u>	S-12
<u>Capitalization</u>	S-13
<u>Description of Notes</u>	S-15
<u>Material United States Federal Income Tax Considerations</u>	S-33
<u>Underwriting</u>	S-39
<u>Legal Matters</u>	S-43
<u>Experts</u>	S-43

Prospectus

	Page
<u>About this Prospectus</u>	1
<u>Forward-Looking Statements</u>	1
<u>Where You Can Find More Information</u>	2
<u>Incorporation By Reference of Certain Documents</u>	2
<u>Lam Research Corporation</u>	3
<u>Use of Proceeds</u>	4
<u>Ratio of Earnings to Fixed Charges</u>	4
<u>Description of Debt Securities</u>	5
<u>Description of Common Stock</u>	13
<u>Description of Preferred Stock</u>	16

<u>Description of Depositary Shares</u>	17
<u>Description of Warrants</u>	18
<u>Description of Rights</u>	19
<u>Description of Purchase Contracts</u>	20
<u>Description of Units</u>	21
<u>Material Federal Income Tax Consequences</u>	22
<u>Plan of Distribution</u>	22
<u>Legal Matters</u>	23
<u>Experts</u>	23

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is comprised of two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes and other information. The second part is the accompanying prospectus dated February 13, 2015, which is part of our Registration Statement on Form S-3 and contains more general information, some of which does not apply to this offering.

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in [Where You Can Find More Information](#) and [Incorporation of Certain Documents by Reference](#) in this prospectus supplement and the accompanying prospectus.

No person is authorized to give any information or to make any representation that is different from, or in addition to, those contained or incorporated by reference into this prospectus supplement, the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this prospectus supplement, the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference into this prospectus supplement or the accompanying prospectus is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or an invitation on our behalf or the underwriters or any of them, to subscribe for or purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See [Underwriting](#).

In this prospectus supplement, unless otherwise stated or the context otherwise requires, references to [Lam Research](#), [Lam](#), [we](#), [us](#), [our](#) and [company](#) refer to Lam Research Corporation, a Delaware corporation. If we use a capitalization term in this prospectus supplement and do not define the term in this document, it is defined in the accompanying prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus may include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain, but not all, of the forward-looking statements in this prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus are specifically identified as forward-looking, by use of phrases and words such as [believe](#), [anticipate](#), [expect](#), [may](#), [should](#), [could](#) and other future-oriented terms. The identification of certain statements as forward-looking is not intended to mean that other statements not specifically identified are not forward-looking. Forward-looking statements include, but are not limited to, statements that relate to: trends in the global economic environment and the semiconductor industry; the anticipated levels of, and rates of change in, future shipments, margins, market share, capital expenditures, revenue and operating expenses generally; management's

plans and objectives for our current and

S-i

Table of Contents

future operations and business focus; volatility in our quarterly results; customer and end user requirements, and our ability to satisfy those requirements; our ability to address critical steps in the fabrication process; our ability to develop technologies and productivity solutions that benefit our customers, and to facilitate our customers' ability to meet more stringent performance or design standards; customer capital spending and their demand for our products, the reliability of indicators of change in customer spending and demand; and the effect of variability in our customers' business plans on demand for our equipment and services; changes in demand for our products and in our market share resulting from, among other things, increases in our customers' proportion of capital expenditures (with respect to certain technology inflections); our ability to defend our market share and to gain new market share; factors that affect our tax rates; anticipated growth in the industry and the total market for wafer-fabrication equipment and our growth relative to such growth; levels of research and development expenditures; outsourced activities; the estimates we make, and the accruals we record, in order to implement our critical accounting policies (including but not limited to the adequacy of prior tax payments, future tax liabilities and the adequacy of our accruals relating to them); our access to capital markets; our intention to pay quarterly dividends and the amounts thereof, if any; our ability and intention to repurchase our shares; our ability to manage and grow our cash position; and the sufficiency of our financial resources to support future business activities (including but not limited to operations, investments, debt service requirements and capital expenditures). Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value, and effect, including without limitation those discussed under the heading "Risk Factors" in our most recent quarterly report on Form 10-Q and other documents we file from time to time with the SEC, such as our most recent annual report on Form 10-K and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value, and effect could cause our actual results to differ materially from those expressed in this prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus, and in ways not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on information currently and reasonably known to us. We do not undertake any obligation to release the results of any revisions to these forward-looking statements, which may be made to reflect events or circumstances that occur after the date hereof or to reflect the occurrence or effect of anticipated or unanticipated events.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, and in accordance with these requirements file reports, proxy statements and other information with the SEC. The reports, proxy statements and other information we file may be inspected and copied at the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The SEC file number for documents filed by us under the Exchange Act is 000-12933. Our SEC filings are also available to the public at the SEC's Web site at www.sec.gov.

INCORPORATION BY REFERENCE OF CERTAIN DOCUMENTS

We incorporate by reference into this prospectus supplement and the accompanying prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement or the accompanying prospectus, as applicable, and information in documents that we file later with the SEC will automatically update and supersede information contained in documents filed earlier with the SEC or contained in this prospectus supplement or the accompanying prospectus, as applicable. In other words, in the case of a conflict or inconsistency between information set forth in this prospectus supplement or the accompanying prospectus and information incorporated by reference into this prospectus supplement or the accompanying prospectus, you should rely on the information contained in this prospectus supplement or the

Table of Contents

accompanying prospectus unless the information incorporated by reference was filed after the date of this prospectus supplement or the accompanying prospectus. We incorporate by reference:

our annual report on Form 10-K for the fiscal year ended June 29, 2014;

our quarterly report on Form 10-Q for the quarterly period ended September 28, 2014, and our quarterly report on Form 10-Q for the quarterly period ended December 28, 2014;

our current reports on Form 8-K filed on November 12, 2014 and January 16, 2015;

portions of our definitive proxy statement on Schedule 14A filed on September 23, 2014 that are incorporated by reference into Part III of our annual report on Form 10-K for the fiscal year ended June 29, 2014; and

the description of our common stock contained in our registration statement on Form 8-B dated April 11, 1990, including any amendment or report updating such description.

To the extent that any information contained in any current report on Form 8-K, or any exhibit thereto, was furnished to, rather than filed with, the SEC, such information or exhibit is specifically not incorporated by reference in this prospectus supplement or the accompanying prospectus unless specifically stated otherwise.

We also incorporate by reference any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, until we sell all of the securities we are offering with this prospectus supplement.

We will provide to you a copy of any or all of the above filings that have been incorporated by reference into this prospectus supplement and the accompanying prospectus, excluding exhibits to those filings, upon your request, at no cost. Any request may be made by writing or calling us at the following address or telephone number:

Lam Research Corporation

4650 Cushing Parkway

Fremont, California 94538

Attn: Investor Relations

Telephone: (510) 572-0200

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information from, or incorporated by reference in, this prospectus supplement or the accompanying prospectus, but does not contain all the information that may be important to you. You should carefully consider all of the information set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to this offering filed by us with the SEC and the documents incorporated by reference herein and therein, including the Risk Factors and the financial statements and the related notes, before making an investment decision.

Lam Research Corporation

Lam Research is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. Our market-leading products are designed to help our customers build smaller, faster and more power-efficient devices that are used in a variety of electronic products, including cell phones, tablets, computers, storage devices and networking equipment. Our customer base includes leading semiconductor memory, foundry and integrated device manufacturers that make products such as DRAM, NAND memory and logic devices. We design, manufacture, market, refurbish and service semiconductor processing equipment used in the fabrication of integrated circuits.

Our principal executive offices are located at 4650 Cushing Parkway, Fremont, California 94538, and our telephone number is (510) 572-0200. We maintain a Web site at www.lamresearch.com. Except for documents filed with the SEC that are incorporated by reference into this prospectus supplement or the accompanying prospectus, no information contained in, or that can be accessed through, our Web site is to be considered as part of this prospectus supplement or the accompanying prospectus.

Table of Contents**The Offering**

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.

Issuer	Lam Research Corporation, a Delaware corporation.
Notes Offered	<p>\$ aggregate principal amount of % Senior Notes due 20 (the Notes).</p> <p>\$ aggregate principal amount of % Senior Notes due 20 (the Notes and, together with the Notes, the notes).</p>
Maturity	<p>The Notes will mature on , .</p> <p>The Notes will mature on , .</p>
Interest	Interest on the Notes will accrue at the rate of % per year, payable semi-annually in arrears on and , beginning on , 2015. Interest on the Notes will accrue at the rate of % per year, payable semi-annually in arrears on and , beginning on , 2015.
Ranking	The notes will be the senior unsecured obligations of Lam Research Corporation and will rank equally with all of our existing and future senior indebtedness from time to time outstanding and will be effectively subordinated in right of payment to any future secured indebtedness to the extent of the assets securing such indebtedness. All existing and future liabilities of subsidiaries of Lam Research Corporation will be effectively senior to the notes.
Use of Proceeds	We intend to use the net proceeds from the sale of the notes for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds for repayment of indebtedness, to acquire other businesses, products or technologies, or to repurchase shares of our common stock under our stock repurchase program. See "Use of Proceeds."

Further Issuances

Lam Research Corporation may create and issue additional notes of a series ranking equally and ratably with a particular series of notes offered by this prospectus supplement in all respects, so that such additional notes will be consolidated and form a single series with the notes of the applicable series offered by this prospectus supplement; provided that if such additional notes are not fungible with such notes for U.S. federal income tax purposes, the additional notes will have a separate CUSIP number.

Sinking Fund

None.

Table of Contents

Covenants	The notes and the indenture, including the supplemental indenture applicable to the notes (which together we refer to in this prospectus supplement as the indenture), contain certain covenants applicable to us. See Description of Notes.
Optional Redemption	Lam Research Corporation may redeem some or all of either series of notes at any time and from time to time at the redemption prices indicated under the heading Description of Notes Optional Redemption.
Purchase Upon a Change of Control	Upon the occurrence of a Change of Control Triggering Event, we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase. See Description of Notes Purchase of Notes upon a Change of Control Triggering Event.
Trading	The notes are new issues of securities with no established trading market. We do not intend to apply for listing of the notes on any securities exchange.
Form and Denomination	The notes of each series will be issued in the form of one or more fully registered global securities, without coupons, in denominations of \$2,000 in principal amount and integral multiples of \$1,000 in excess thereof. These global securities will be deposited with the trustee as custodian for, and registered in the name of, a nominee of The Depository Trust Company, or DTC. Except in the limited circumstances described under Description of Notes Book-Entry Delivery and Form, notes in certificated form will not be issued or exchanged for interests in global securities.
Governing Law	The notes and the indenture will be governed by the laws of the State of New York.
Trustee	The Bank of New York Mellon Trust Company, N.A.
Risk Factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus and the documents incorporated herein by reference. In particular, you should evaluate the information set forth under Forward-Looking Statements and Risk Factors in this prospectus supplement and in our annual report on Form 10-K for the fiscal year ended June 29, 2014, which is incorporated by reference herein, before deciding whether to invest in the notes.

S-3

Table of Contents**Summary Consolidated Financial Data**

The following table summarizes our consolidated financial data. We have derived the following consolidated statement of operations data for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012 and the consolidated balance sheet data as of June 29, 2014 and June 30, 2013 from our audited consolidated financial statements, incorporated by reference into this prospectus supplement. We have derived the consolidated balance sheet data as of June 24, 2012 from our audited consolidated financial statements, which have not been incorporated by reference in this prospectus supplement. We have derived the summary consolidated statement of operations data for the six months ended December 28, 2014 and December 29, 2013 and the summary consolidated balance sheet data as of December 28, 2014 from our unaudited consolidated financial statements, incorporated by reference into this prospectus supplement. We have derived the consolidated statement of operations data for the twelve months ended December 28, 2014 by adding our financial data for the year ended June 29, 2014 to the financial data for the six months ended December 28, 2014 and subtracting the financial data for the six months ended December 29, 2013. Results for the six months ended December 28, 2014 are not necessarily indicative of results to be expected for the full fiscal year. You should read the consolidated financial data provided below in conjunction with our consolidated financial statements and accompanying notes which are incorporated by reference into this prospectus supplement.

	Six Months Ended		Twelve Months Ended	Fiscal Year Ended		
	December 28, 2014	December 29, 2013	December 28, 2014	June 29, 2014	June 30, 2013	June 24, 2012
	(unaudited)		(unaudited)			
(in thousands, except per share data)						
Consolidated Statement of Operations Data:						
Revenue	\$ 2,384,609	\$ 2,131,120	\$ 4,860,798	\$ 4,607,309	\$ 3,598,916	\$ 2,665,192
Cost of goods sold	1,342,413	1,211,473	2,730,768	2,599,828	2,195,857	1,581,123
Gross margin	1,042,196	919,647	2,130,030	2,007,481	1,403,059	1,084,069
Research and development	385,702	345,044	757,129	716,471	683,688	444,559
Selling, general and administrative	299,455	304,721	608,075	613,341	601,300	401,777
Total operating expenses	685,157	649,765	1,365,204	1,329,812	1,284,988	846,336
Operating income	357,039	269,882	764,826	677,669	118,071	237,733
Gain on sale of real estate			83,090	83,090		
Other expense, net	(15,447)	(18,099)	(34,744)	(37,396)	(51,413)	(33,315)
Income before income taxes	341,592	251,783	813,172	723,363	66,658	204,418
Income tax expense	23,571	17,285	97,360	91,074	(47,221)	35,695

(benefit)

Net income	\$ 318,021	\$ 234,498	715,812	\$ 632,289	\$ 113,879	\$ 168,723
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S-4

Table of Contents

	As of December 28, 2014 (Unaudited)	As of June 29, 2014	As of June 30, 2013	As of June 24, 2012
(In thousands)				
Consolidated Balance Sheet Data:				
Working capital	\$ 3,206,156	\$ 3,201,661	\$ 2,389,354	\$ 2,988,181
Total assets	8,110,689	7,993,306	7,250,315	8,004,652
Total liabilities	2,928,749	2,780,222	2,574,523	2,682,528
Total stockholders equity	5,000,435	5,029,735	4,488,872	5,131,781

S-5

Table of Contents

RISK FACTORS

*Investing in the notes involves risks. In considering whether to purchase the notes, you should carefully consider all of the information set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to this offering filed by us with the SEC and the documents incorporated by reference herein and therein. In particular, you should carefully consider the specific risks described below in addition to the risks described under the heading **Risk Factors** contained in our annual report on Form 10-K for the fiscal year ended June 29, 2014, which is incorporated by reference herein. You could lose part or all of your investment.*

The risks and uncertainties discussed in this prospectus supplement and in the documents incorporated by reference herein are those we currently believe may materially affect us. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial also may materially and adversely affect our business, financial condition and results of operations.

Your ability to transfer the notes may be limited since there is no public market for the notes and we do not know if an active trading market will ever develop, or, if a market does develop, whether it will be sustained.

The notes will constitute a new issue of securities for which there is no existing trading market, and no trading market might ever develop. If the notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the ratings of our indebtedness assigned by the various credit rating agencies, our performance and other factors. To the extent that an active trading market does not develop, the liquidity and trading prices for the notes may be harmed.

We do not intend to apply for listing or quotation of the notes on any securities exchange or stock market. We cannot assure you as to the development or liquidity of any trading market for the notes. The underwriters have advised us that they currently intend to make a market in the notes, as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice. If no active trading market develops, you may be unable to resell your notes at any price or at their fair market value.

The liquidity of any market for the notes will depend on a number of factors, including:

the number of holders of the notes;

our results of operations and financial condition;

our credit ratings with major credit rating agencies;

the prevailing interest rates being paid by other companies similar to us;

the overall condition of the financial markets; and

the interest of securities dealers in making a market for the notes.

An active or liquid trading market for the notes may not develop. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the notes. Therefore, we cannot assure you that you will be able to sell your notes at a particular time or the price that you receive when you sell your notes will be favorable.

Changes in our credit ratings may adversely affect the value of the notes.

In connection with this offering, we expect to receive credit ratings for the notes from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services. Such ratings are limited in scope, and do not address all

Table of Contents

material risks related to structure, market or other factors related to the value of the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Increases in the level of our outstanding indebtedness, repurchases of our equity by us, or other events could cause the rating agencies to downgrade, place on negative watch or change their outlook on our debt credit rating generally, and the ratings on the notes, which could adversely impact the trading prices for, or the liquidity of, the notes. Additionally, credit rating agencies evaluate the industries in which we operate as a whole and may change their credit rating for us based on their overall view of such industries. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

We may be unable to generate the cash flow to service our debt obligations, including the notes.

We cannot assure you that our business will generate sufficient cash flow to enable us to service our indebtedness, including the notes, or to make anticipated capital expenditures. Our ability to pay our expenses and satisfy our debt obligations, refinance our debt obligations and fund planned capital expenditures will depend on our future performance, which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond our control. Based upon current levels of operations, we believe cash flow from operations and available cash will be adequate for the foreseeable future to meet our anticipated requirements for working capital, capital expenditures and scheduled payments of principal and interest on our indebtedness, including the notes. However, if we are unable to generate sufficient cash flow from operations or to borrow sufficient funds in the future to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt (including the notes) or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or borrow more money on terms acceptable to us, if at all.

We may still be able to incur substantially more debt.

We may be able to incur substantial indebtedness in the future. The terms of the indenture governing the notes will not prohibit us from doing so. If we incur any additional indebtedness that ranks equally with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company.

The limited covenants in the indenture for the notes and the terms of the notes do not provide protection against some types of important corporate events and may not protect your investment.

The indenture for the notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;

limit our subsidiaries' ability to incur indebtedness, which could effectively rank senior to the notes;

limit our ability to incur substantial secured indebtedness that would effectively rank senior to the notes to the extent of the value of the assets securing the indebtedness;

limit our ability to incur indebtedness that is equal in right of payment to the notes;

restrict our subsidiaries' ability to issue securities or otherwise incur indebtedness that would be senior to our equity interests in our subsidiaries;

S-7

Table of Contents

restrict our ability to repurchase or prepay our securities;

restrict our ability to enter into highly leveraged transactions; or

restrict our ability to make investments or to repurchase or pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes.

Furthermore, the indenture for the notes contains only limited protections in the event of a change in control. We could engage in many types of transactions, such as certain acquisitions, refinancings or recapitalizations that could substantially affect our capital structure and the value of the notes. For these reasons, you should not consider the covenants in the indenture as a significant factor in evaluating whether to invest in the notes.

The provisions of the notes will not necessarily protect you in the event of a highly leveraged transaction.

The terms of the notes will not necessarily afford you protection in the event of a highly leveraged transaction that may adversely affect you, including a reorganization, recapitalization, restructuring, merger or other similar transactions involving us. As a result, we could enter into any such transaction even though the transaction could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or credit ratings or otherwise adversely affect the holders of the notes. These transactions may not involve a change in voting power or beneficial ownership or result in a downgrade in the ratings of the notes, or, even if they do, may not necessarily constitute a Change of Control Triggering Event (as defined under Description of the Notes Purchase of Notes Upon a Change of Control Triggering Event in this prospectus supplement) that affords you the protections described in this prospectus supplement. If any such transaction should occur, the value of your notes may decline.

The negative covenants in the indenture that govern the notes may have a limited effect.

The indenture governing the notes contains covenants limiting our ability and the ability of our subsidiaries to create certain liens on principal property or the capital stock of subsidiaries, enter into certain sale and leaseback transactions with respect to principal property, and consolidate or merge with, or convey, transfer or lease all or substantially all our assets, taken as a whole, to, another person. The covenants limiting liens and sale and leaseback transactions contain exceptions that will allow us and our subsidiaries to incur liens with respect to material assets. See Description of Notes Certain Covenants in this prospectus supplement. In light of these exceptions and other factors described above, holders of the notes may be structurally or contractually subordinated to new lenders.

The notes will be effectively subordinated in right of payment to any future secured indebtedness to the extent of the assets securing such indebtedness.

The notes are our senior unsecured general obligations and will be effectively subordinated in right of payment to any future secured indebtedness to the extent of the assets securing such indebtedness. As of December 28, 2014, we had no secured indebtedness. Although the indenture limits our ability to incur liens on any of our Properties (as defined under Description of the Notes Certain Covenants in this prospectus supplement) or Properties of our subsidiaries, the notes will be effectively subordinated to any future debt secured by our Properties or Properties of our subsidiaries to the extent permitted by the indenture or by any of our other assets. In the event of our liquidation or insolvency or other events of default on any such future secured debt or upon acceleration of the notes in accordance with their terms, we will be permitted to make payment on the notes only after any such future secured debt has been paid in full. After paying any such future secured debt in full, we may not have sufficient assets remaining to pay any or all amounts due on the notes. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the

notes, payment on the notes could be less, ratably, than on any such future secured debt.

S-8

Table of Contents

The notes are our obligations exclusively and a substantial portion of our operations are conducted through, and a substantial portion of our consolidated assets are held by, our subsidiaries. The notes will be structurally subordinated to any indebtedness of our subsidiaries. Structural subordination increases the risk that we will be unable to meet our obligations on the notes.

The notes are our obligations exclusively and are not guaranteed by any of our subsidiaries. A substantial portion of our consolidated assets are held by our subsidiaries. Accordingly, our ability to service our debt, including the notes, depends on the results of operations and cash flows of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. As a result, claims of holders of the notes will be effectively subordinated to the indebtedness and other liabilities of our subsidiaries. In addition, dividends, loans or other distributions to us from such subsidiaries may be subject to contractual and other restrictions and are subject to other business considerations. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interests in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us and may otherwise be subordinated to other indebtedness and payables due to equitable or other considerations.

In addition to the notes offered hereby, the indenture for the notes permits us and our subsidiaries to incur additional indebtedness. The notes will be structurally subordinated to any indebtedness incurred by our subsidiaries, including approximately \$710 million of indebtedness of our subsidiaries outstanding as of December 28, 2014. See Capitalization.

We may not be able to purchase the notes upon a Change of Control Triggering Event.

Upon the occurrence of a Change of Control Triggering Event, we will be required to offer to purchase all outstanding notes at a purchase price in cash equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (subject to the right of holders of notes on the relevant interest record date to receive interest due on the relevant interest payment date). However, we may not be able to purchase the notes upon a Change of Control Triggering Event because we may not have sufficient funds to do so. In the event we are required to purchase outstanding notes pursuant to a Change of Control Triggering Event, we expect that we would seek third party financing to the extent we do not have available funds to meet our purchase obligations. However, we cannot assure you that we would be able to obtain such financing. In addition, our ability to purchase the notes for cash may be limited by law or the terms or other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the notes upon a Change of Control Triggering Event would cause a default under the indenture that will govern the notes, which could result in defaults under our other debt agreements and have material adverse consequences for us and the holders of the notes.

You may not be able to determine when a Change of Control Triggering Event has occurred and may not be able to require us to purchase the notes as a result of a change in the composition of the directors on our board.

The definition of change of control, which is a condition precedent to a Change of Control Triggering event, includes a phrase relating to the sale, lease or transfer of all or substantially all of our assets. There is no precisely established definition of the phrase substantially all under applicable law. Accordingly, your ability to require us to repurchase your notes as a result of a sale, lease or transfer of less than all of our assets to another individual, group or entity may be uncertain.

S-9

Table of Contents

In addition, a Delaware Chancery Court decision found that incumbent directors are permitted to approve as a continuing director any person, including one nominated by a dissident stockholder and not recommended by the board, as long as the approval is granted in good faith and in accordance with the board's fiduciary duties. Accordingly, you may not be able to require us to purchase your notes as a result of a change in the composition of the directors on our board unless a court were to find that such approval was not granted in good faith or violated the board's fiduciary duties. The court also observed that certain provisions in indentures, such as continuing director provisions, could function to entrench an incumbent board of directors and could raise enforcement concerns if adopted in violation of a board's fiduciary duties. If such a provision were found unenforceable, you would not be able to require us to purchase your notes upon a change of control resulting from a change in the composition of our board. See [Description of Notes](#) [Purchase of Notes upon a Change of Control Triggering Event](#).

The notes contain restrictive covenants that may adversely affect our ability to operate our business.

The indenture that will govern the notes contains various covenants that limit our ability and the ability of our subsidiaries to, among other things:

incur liens; and

consolidate or merge with or into, or sell substantially all of our assets to, another person.

As a result of these covenants, we will be limited in the manner in which we can conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. Accordingly, these restrictions may limit our ability to successfully operate our business. A failure to comply with these restrictions could lead to an event of default, which could result in an acceleration of the indebtedness. Our future operating results may not be sufficient to enable compliance with these covenants to remedy any such default. In addition, in the event of an acceleration, we may not have or be able to obtain sufficient funds to make any accelerated payments, including those under the notes. See [Description of Notes](#) [Certain Covenants](#).

We have a substantial amount of indebtedness, which could limit our financing and other options and adversely affect our ability to make payments on the notes.

We have a substantial amount of indebtedness. As of December 28, 2014, we had \$1,610 million of total debt, including \$710 million of debt of our consolidated subsidiaries. See [Capitalization](#). Our level of indebtedness could have important consequences to holders of the notes. For example, it may limit:

our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes, particularly if the ratings assigned to our debt securities by rating organizations were revised downward; and

our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors.

There are various financial covenants and other restrictions in our debt instruments. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to

its stated maturity, and we may not be able to repay the indebtedness that becomes due. A default under our debt instruments may also significantly affect our ability to obtain additional or alternative financing.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

S-10

Table of Contents

Redemption may adversely affect your return on the notes.

We have the right to redeem some or all of the notes prior to maturity, as described under Description of the Notes Optional Redemption in this prospectus supplement. We may redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

S-11

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds of the offering will be approximately \$ million after deducting the underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from the sale of the notes for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds for repayment of indebtedness, to acquire other businesses, products or technologies, or to repurchase shares of our common stock under our stock repurchase program. We do not have agreements or commitments for any specific acquisitions at this time.

S-12

Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of December 28, 2014 on (1) an actual basis and (2) on an as adjusted basis to give effect to the sale of the \$ principal amount of notes offered hereby and the net proceeds therefrom.

You should read this information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, included in our annual report on Form 10-K for the year ended June 29, 2014, and our quarterly report on Form 10-Q for the quarter ended December 28, 2014, each of which is incorporated by reference herein.

	As of December 28, 2014	
	Actual	As adjusted
	(Unaudited)	
	(in thousands, except per share data)	
Cash and cash equivalents	\$ 981,275	\$
Short-term debt:		
2.625% convertible senior notes due 2041 ⁽¹⁾	\$ 518,430	\$
Total short-term debt	518,430	
Long-term debt:		
Unsecured Credit Facility ⁽²⁾		
0.50% convertible senior notes due 2016 ⁽³⁾	427,443	
1.25% convertible senior notes due 2018 ⁽⁴⁾	394,732	
% senior notes due offered hereby		
% senior notes due offered hereby		
Total long-term debt	822,175	
Stockholders' equity:		
Preferred stock, at par value of \$0.001 per share; authorized 5,000 shares; none outstanding		
Common stock, at par value of \$0.001 per share; authorized 400,000 shares; issued and outstanding 159,294 shares	159	
Additional paid-in capital	5,328,767	
Treasury stock, at cost; 97,545 shares	(4,118,752)	
Accumulated other comprehensive loss	(45,391)	
Retained earnings	3,835,652	
Total stockholders' equity	5,000,435	
Total capitalization	\$ 6,341,040	\$

- (1) Represents \$699.9 million of principal amount, net of unamortized debt discount of \$181.5 million. In June 2012, in connection with our acquisition of Novellus, we assumed \$700.0 million in aggregate principal amount of 2.625% convertible senior notes due 2041. During the quarters ended December 28, 2014 and September 28, 2014, the market value of our common stock was greater than or equal to 130% of the conversion price under the 2.625% convertible senior notes due 2041 for 20 or more trading days of the 30 consecutive trading days preceding the quarter end. As a result, the 2.625% convertible senior notes due 2041 are convertible at the option of the holders. The carrying amount of the 2.625% convertible senior notes due 2041 was classified in current liabilities and the excess of the amount of cash payable, if converted, over the carrying amount of the 2.625% convertible senior notes due 2041 was classified as temporary equity in our consolidated balance sheets as of December 28, 2014 and September 28, 2014. Upon closure of a conversion period, all 2.625% convertible senior notes due 2041 not converted will be reclassified back to noncurrent liabilities and the temporary equity will be reclassified to permanent equity.

S-13

Table of Contents

- (2) In March 2014, we entered into a \$300.0 million revolving unsecured credit facility with a syndicate of lenders that matures on March 12, 2019. We have an option under the credit facility to, subject to certain requirements, request an increase in the facility of up to an additional \$200.0 million, for a potential total commitment of \$500 million. Proceeds from the credit facility can be used for general corporate purposes. As of December 28, 2014, we had no borrowings outstanding under the credit facility.
- (3) Represents \$450.0 million of principal amount, net of unamortized debt discount of \$22.6 million. In accordance with ASC 470-20, the allocated value of the feature to convert our 0.50% convertible senior notes due 2016 into common stock is reported as a component of capital in excess of par value. The debt is reported at a discount to the face amount. The amount of debt reported will accrete up to the face amount over the expected term of the debt. ASC 470-20 does not affect the actual amount that we are required to repay.
- (4) Represents \$450.0 million of principal amount, net of unamortized debt discount of \$55.3 million. In accordance with ASC 470-20, the allocated value of the feature to convert our 1.25% convertible senior notes due 2018 into common stock is reported as a component of capital in excess of par value. The debt is reported at a discount to the face amount. The amount of debt reported will accrete up to the face amount over the expected term of the debt. ASC 470-20 does not affect the actual amount that we are required to repay.

S-14

Table of Contents**DESCRIPTION OF NOTES**

The following description of certain material terms of the notes offered hereby does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the indenture, including definitions therein of certain terms. This description adds information to the description of the general terms and provisions of the debt securities in the accompanying prospectus. To the extent this summary differs from the summary in the accompanying prospectus, you should rely on the description of notes in this prospectus supplement.

The notes will be issued under and governed by an indenture, dated as of February 13, 2015, as supplemented by a supplemental indenture for the notes, to be dated as of _____, 2015 (as so supplemented, the indenture _____), between us and The Bank of New York Mellon Trust Company, N.A., as trustee (the trustee _____).

As used in the following description, the terms Lam Research, we, us, our and Company refer to Lam Research Corporation, a Delaware corporation, and not any of its subsidiaries, unless the context requires otherwise.

We urge you to read the indenture (including definitions of terms used therein) because it, and not this description, defines your rights as a beneficial holder of the notes. You may request copies of the indenture from us at our address set forth under "Where You Can Find More Information" in this prospectus supplement.

General

The notes are our general unsecured senior debt securities issued under the indenture. The trustee will also act as registrar, paying agent and authenticating agent and perform administrative duties for us, such as sending out interest payments and notices under the indenture.

The aggregate principal amount of the notes offered hereby will initially be limited to \$ _____ comprised as follows:

\$ _____ initial aggregate principal amount of _____ % Notes due _____, maturing on _____, with interest payable semiannually on each _____ and _____, beginning on _____, 2015, to holders of record on the preceding _____ and _____; and

\$ _____ initial aggregate principal amount of _____ % Notes due _____, maturing on _____, with interest payable semiannually on each _____ and _____, beginning on _____, 2015, to holders of record on the preceding _____ and _____.

The notes of each series will be issued only in fully registered form without coupons, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes are general unsecured senior obligations of Lam Research and will rank equally in right of payment with all of our other unsecured senior indebtedness, whether currently existing or incurred in the future, including our 0.5% convertible senior notes due 2016 and our 1.25% convertible senior notes due 2018. The notes will be senior in right of payment to our subordinated indebtedness, and be effectively junior in right of payment to our secured indebtedness to the extent of the value of the collateral securing that indebtedness. As of December 28, 2014 we had no secured indebtedness outstanding. The notes will not be guaranteed by any of our subsidiaries and thus will be effectively subordinated to any existing or future indebtedness or other liabilities, including trade payables, of any of our subsidiaries. As of December 28, 2014, our subsidiaries had approximately \$710 million of indebtedness outstanding, including the 2.625% convertible senior notes due 2041 we assumed in June 2012 with the acquisition of Novellus Systems, Inc. See "Capitalization." As

discussed below, the indenture for the notes does not restrict us or our subsidiaries from incurring any additional unsecured indebtedness, and restricts but does not prohibit us or our subsidiaries from incurring additional secured indebtedness. The notes are not subject to, and do not have the benefit of, any sinking fund.

S-15

Table of Contents

The Notes will bear interest at a fixed rate per year of %, starting on , 2015 and ending on ,
 . The Notes will bear interest at a fixed rate per year of %, starting on , 2015 and ending on

Interest on the notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. All dollar amounts resulting from this calculation will be rounded to the nearest cent.

Each series of notes will initially be evidenced by one or more global notes deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company (DTC). Except as described herein, beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. We do not intend to list the notes on any national securities exchange or include the notes in any automated quotation systems.

Payments of principal of and interest on the notes issued in book-entry form will be made as described below under Book-Entry Delivery and Form Depository Procedures. Payments of principal of and interest on the notes issued in definitive form, if any, will be made as described below under Book-Entry Delivery and Form Payment and Paying Agents.

Interest payable on any interest payment date or the maturity date will be the amount of interest accrued from, and including, the next preceding interest payment date in respect of which interest has been paid or duly provided for (or from and including the issue date, if no interest has been paid or duly provided for with respect to the notes) to, but excluding, such interest payment date or maturity date, as the case may be. If an interest payment date or the maturity date falls on a day that is not a business day, the related payment of principal or interest will be made on the next succeeding business day as if made on the date the payment was due. No interest will accrue on such payment for the period from and after such interest payment date or the maturity date, as the case may be, to the date of such payment on the next succeeding business day. The term business day means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York or the city where the corporate trust business of the trustee is principally administered at any particular time are required or authorized to close or be closed.

We may, without notice to or consent of the holders or beneficial owners of the notes, issue additional notes of a particular series having the same ranking, interest rate, maturity and/or other terms as a series of notes offered hereby; provided that if such additional notes are not fungible with such notes for U.S. federal income tax purposes, the additional notes will have a separate CUSIP number. Any such additional notes issued could be considered part of the same series of notes under the indenture as the applicable notes offered hereby.

The indenture does not contain any provisions that would limit our ability to incur additional unsecured indebtedness or require the maintenance of financial ratios or specified levels of net worth or liquidity.

Optional Redemption**General**

Prior to , (one month prior to their maturity date), the Notes may be redeemed in whole or in part at our option at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the aggregate principal amount of the notes to be redeemed and (2) the sum of the present values of the Remaining Scheduled Payments of the notes to be redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus basis points, plus accrued and unpaid interest thereon to the redemption date.

Table of Contents

At any time on or after _____, _____ (one month prior to their maturity date), the _____ Notes may be redeemed, in whole or in part at our option at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued interest thereon to the redemption date.

Prior to _____, _____ (three months prior to their maturity date), the _____ Notes may be redeemed in whole or in part at our option at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the aggregate principal amount of the notes to be redeemed and (2) the sum of the present values of the Remaining Scheduled Payments of the notes to be redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus _____ basis points, plus accrued and unpaid interest thereon to the redemption date.

At any time on or after _____, _____ (three months prior to their maturity date), the _____ Notes may be redeemed, in whole or in part at our option at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued interest thereon to the redemption date.

Comparable Treasury Issue means the U.S. Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes to be redeemed.

Comparable Treasury Price means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

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

Reference Treasury Dealer means (1) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC (or their respective affiliates that are primary U.S. Government securities dealers, referred to as Primary Treasury Dealers), and their respective successors, or, if at any time any of the above is not a Primary Treasury Dealer, any other Primary Treasury Dealer selected by us and (2) three other Primary Treasury Dealers selected by us.

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

Remaining Scheduled Payments means, with respect to each note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date for such redemption; provided that if such redemption date is not an interest payment date with respect to such note, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding such redemption date) of the applicable Comparable Treasury Issue. In determining this rate, the Company will assume a price for the applicable Comparable

Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

Except as described above, the notes will not be redeemable by us prior to maturity. The trustee will not be responsible for calculating the redemption price.

S-17

Table of Contents

Selection and Notice of Redemption

The notice of redemption will state any conditions applicable to a redemption and the amount of notes to be redeemed. In the event that we choose to redeem less than all of the applicable notes, selection of the notes for redemption will be made in accordance with DTC's procedures.

No notes of a principal amount of \$2,000 or less shall be redeemed in part. Notice of redemption will be sent electronically or mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address (with written notice to the trustee no less than 15 days (or such shorter period as agreed by the trustee) prior to the sending of such redemption notice). On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as we have deposited with the paying agent funds in satisfaction of the applicable redemption price. Additionally, at any time, we may repurchase notes in the open market and may hold such notes or surrender such notes to the Trustee for cancellation in accordance with its applicable procedures.

Purchase of Notes upon a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event with respect to the notes of a series, unless we have exercised our right to redeem the notes of such series as described above under **Optional Redemption**, each holder of notes of such series will have the right to require that we purchase all or a portion (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such holder's notes pursuant to the offer described below (the **Change of Control Offer**), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the date of purchase, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

With respect to the notes of each series, within 30 days following the date upon which the Change of Control Triggering Event occurred, we must send, electronically or by first class mail, a notice to each holder of notes of the applicable series, with a copy to the trustee, which notice shall govern the terms of the Change of Control Offer. Such notice shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is sent, other than as may be required by law (the **Change of Control Payment Date**). Holders of definitive notes electing to have a note purchased pursuant to a Change of Control Offer will be required to surrender the note, with the form entitled **Option of Holder to Elect Purchase** on the reverse of the note completed, to the paying agent at the address specified in the notice, or holders of global notes must transfer their notes to the paying agent by book-entry transfer pursuant to the applicable procedures of the paying agent, prior to the close of business on the third business day prior to the Change of Control Payment Date.

If a Change of Control Offer is made, we cannot assure you that we will have available funds sufficient to pay the Change of Control purchase price for all the notes that might be delivered by holders seeking to accept the Change of Control Offer. In the event we are required to purchase outstanding notes pursuant to a Change of Control Offer, we expect that we would seek third party financing to the extent we do not have available funds to meet our purchase obligations. However, we cannot assure you that we would be able to obtain such financing.

We will not be required to make a Change of Control Offer if a third party makes such an offer in the manner and at the times required and otherwise in compliance with the requirements for such an offer made by us, and such third party purchases all notes properly tendered and not withdrawn under its offer.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the purchase of notes

pursuant to a Change of Control Offer. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Triggering Event provisions of the indenture, we will comply with those securities laws and regulations and shall not be deemed to have breached our obligations under the Change of Control Triggering Event provisions of the indenture by virtue thereof.

S-18

Table of Contents

Capital Stock means:

- (1) in the case of a corporation, any and all shares, interests, participations, rights or other equivalents (however designated and whether or not voting) of corporate stock, including each class of common stock and preferred stock of such person;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated and whether or not voting) of such person; and
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited).

Change of Control means the occurrence of any one or more of the following events:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act) other than to us or one or more of our direct or indirect subsidiaries;
- (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group of related persons (as such terms are used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a majority of the total voting power of our Voting Stock;
- (3) we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction;
- (4) the first day on which the majority of the members of our board of directors cease to be Continuing Directors; or
- (5) the adoption of a plan relating to our liquidation or dissolution.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Event; provided, that no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

Continuing Director means, as of any date of determination, any member of our board of directors who:

- (1) was a member of our board of directors on the date of the indenture; or
- (2) was nominated for election, elected or appointed to our board of directors with the approval of a majority of the Continuing Directors who were members of our board of directors at the time of such nomination, election or appointment.

Investment Grade means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's) and a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P); or,

if applicable, the equivalent investment grade credit rating from any Substitute Rating Agency.

S-19

Table of Contents

Moody's means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

Rating Agency means each of Moody's and S&P, and if either of Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a Substitute Rating Agency in lieu thereof.

Rating Event means with respect to any series of notes, such notes cease to be rated Investment Grade by both Rating Agencies, in each case, on any day during the period (the *Trigger Period*) commencing on the earlier of (a) the first public notice of the occurrence of a Change of Control or (b) the public announcement by us of our intention to effect a Change of Control, and ending 60 days following consummation of such Change of Control (which period shall be extended so long as the rating of the notes is under publicly announced consideration for a possible rating downgrade by either of the Rating Agencies). If either Rating Agency is not providing a rating of the applicable series of notes on any day during the Trigger Period for any reason, the rating of such Rating Agency shall be deemed to have ceased to be rated Investment Grade during the Trigger Period. In no event will the trustee be responsible for monitoring or be charged with knowledge of a Rating Event.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Substitute Rating Agency means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, selected by us (as certified by a resolution of our board of directors) as a replacement agency for Moody's or S&P, or both of them, as the case may be.

Voting Stock of any specified person as of any date means the Capital Stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Certain Covenants

The indenture will contain the following covenants:

Limitation on Liens

We will not (nor will we permit any of our subsidiaries to) create or incur any Lien on any of our Principal Properties or upon any of the Capital Stock of any of our subsidiaries (whether such Principal Property, or Capital Stock, is now existing or owned or hereafter created or acquired), without effectively providing that the notes shall be equally and ratably secured until such time as such Indebtedness is no longer secured by such Lien, except Permitted Liens.

Notwithstanding the foregoing, we and our subsidiaries may, without securing the notes, create or incur Liens that would otherwise be subject to the restrictions set forth in the preceding paragraph, if after giving effect thereto, Aggregate Debt does not exceed 20% of Consolidated Net Tangible Assets calculated as of the date of the creation or incurrence of the Lien.

Aggregate Debt means the sum of the following as of the date of determination:

- (1) the aggregate principal amount of our and our subsidiaries' Indebtedness incurred after the issue date and secured by Liens not permitted by the first paragraph under *Limitation on Liens*; and
- (2) our or our subsidiaries' Attributable Debt in respect of Sale and Lease-Back Transactions entered into after the issue date pursuant to the second paragraph of *Limitation on Sale and Lease-Back Transactions*.

Attributable Debt means, in connection with a Sale and Lease-Back Transaction, the lesser of:

(1) the fair market value of such Principal Property (as determined in good faith by our board of directors); and

S-20

Table of Contents

(2) the present value (discounted at a rate per annum equal to the average interest borne by all outstanding debt securities issued under the indenture (which may include debt securities in addition to the notes) determined on a weighted average basis and compounded semi-annually) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended); provided that, in the case of any lease that is terminable by the lessee upon payment of a penalty, the Attributable Debt shall be the lesser of the Attributable Debt determined assuming termination on the first date such lease may be terminated (in which case the Attributable Debt shall also include the amount of the 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) or the Attributable Debt determined assuming no such termination.

Capital Lease means any Indebtedness represented by a lease obligation of a person incurred with respect to Property acquired or leased by such person and used in its business that is required to be recorded as a capital lease in accordance with GAAP.

Consolidated Net Tangible Assets means, as of any date on which we effect a transaction requiring such Consolidated Net Tangible Assets to be measured hereunder, the aggregate amount of assets (less applicable reserves) after deducting therefrom: (a) all current liabilities, except for current maturities of long-term debt and obligations under Capital Leases; and (b) intangible assets, to the extent included in said aggregate amount of assets, all as set forth on our most recent consolidated balance sheet and computed in accordance with GAAP applied on a consistent basis.

Hedging Obligations means, with respect to any specified person, the obligations of such person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements, interest rate lock agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk;
- (3) other agreements or arrangements designed to protect such person against fluctuations in currency exchange rates or commodity prices; and
- (4) other agreements or arrangements designed to protect such person against fluctuations in equity prices.

Indebtedness of any specified person means, without duplication, any indebtedness, whether or not contingent, in respect of borrowed money or that is evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements with respect thereto) or representing the balance deferred and unpaid of the purchase price of any Property (including pursuant to Capital Leases), except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness would appear as a liability upon an unconsolidated balance sheet of such person (but does not include contingent liabilities which appear only in a footnote to a balance sheet). In addition, the term *Indebtedness* includes all of the following items, whether or not any such items would appear as a liability on a balance sheet of the specified person in accordance with GAAP:

- (1) all Indebtedness of others secured by a Lien on any asset of the specified person (whether or not such Indebtedness is assumed by the specified person); and
- (2) to the extent not otherwise included, any guarantee by the specified person of Indebtedness of any other person.

Lien means any lien, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

S-21

Table of Contents

Permitted Liens means:

- (1) Liens on any of our or our subsidiaries' assets, created solely to secure obligations incurred to finance the refurbishment, improvement or construction of such asset, which obligations are incurred no later than 18 months after completion of such refurbishment, improvement or construction, and all renewals, extensions, refinancings, replacements or refundings of such obligations;
- (2) (a) Liens given to secure the payment of the purchase price incurred in connection with the acquisition (including acquisition through merger or consolidation) of Property (including shares of stock), including Capital Lease transactions in connection with any such acquisition, and (b) Liens existing on Property at the time of acquisition thereof or at the time of acquisition by us of any person then owning such Property, whether or not such existing Liens were given to secure the payment of the purchase price of the Property to which they attach; provided that, with respect to clause (a), the Liens shall be given within 18 months after such acquisition (or be a Lien securing a renewal, extension, refinancing, replacement or refunding of such an obligation and for which a Lien was previously given in accordance with this subsection (2)) and shall attach solely to the Property acquired or purchased and any improvements then or thereafter placed thereon;
- (3) Liens in favor of customs and revenue authorities or financial institutions in respect of customs duties in connection with the importation of goods;
- (4) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on our or our books or the books of any of our subsidiaries in conformity with GAAP;
- (5) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other Property relating to such letters of credit and the products and proceeds thereof;
- (6) Liens encumbering customary initial deposits and margin deposits and other Liens in the ordinary course of business, in each case securing Hedging Obligations and forward contracts, options, futures contracts, futures options, equity hedges or similar agreements or arrangements designed to protect us from fluctuations in interest rates, currencies, equities or the price of commodities;
- (7) Liens in our favor or in favor of any of our subsidiaries;
- (8) inchoate Liens incident to construction or maintenance of Property, or Liens incident to construction or maintenance of Property, now or hereafter filed of record for sums not yet delinquent or being contested in good faith, if reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made therefor;
- (9) Liens consisting of easements, zoning restrictions, rights-of-way and similar encumbrances on Property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected Property or interfere with the ordinary conduct of our or our subsidiaries' business;
- (10) statutory Liens arising in the ordinary course of business with respect to obligations that are not delinquent by more than 30 days or are being contested in good faith, if reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made therefor;

(11) Liens consisting of deposits of Property to secure our statutory obligations or those of any of our subsidiaries in the ordinary course of our or their business;

(12) Liens incurred or deposits made by us or our subsidiaries in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or similar

S-22

Table of Contents

legislation or regulation, including Liens of judgments thereunder that are not currently dischargeable, or to secure the performance of tenders, statutory obligations, bids, leases, government contracts, performance and return-of-money bonds or other similar obligations (exclusive of obligations for the payment of borrowed money);

(13) Liens securing Specified Non-Recourse Debt, so long as the aggregate outstanding amount of the obligations secured thereby does not exceed \$75 million at any one time;

(14) Liens on Property incurred in Sale and Lease-Back Transactions permitted under the indenture;

(15) Liens (a) of a collection bank on the items in the course of collection in the ordinary course of business, (b) in favor of a banking or other financial institution arising as a matter of law encumbering deposits or other funds maintained with a financial institution (including the right of set off) and that are customary in the banking industry and (c) attaching to other prepayments, deposits or earnest money in the ordinary course of business;

(16) Liens created by or resulting from any litigation or other proceeding that is being contested in good faith by appropriate proceedings, including Liens arising out of judgments or awards against us or any of our subsidiaries with respect to which we or any of our subsidiaries is in good faith prosecuting an appeal or proceedings for review for which the time to make an appeal has not yet expired, and Liens relating to final unappealable judgments that are satisfied within 60 days of the date of judgment or Liens incurred by us or any of our subsidiaries for the purposes of obtaining a stay or discharge in the course of any litigation proceeding to which we or any of our subsidiaries is a party;

(17) Liens existing as of the issue date of the notes;

(18) Liens granted after the issue date, created in favor of the holders of the notes; and

(19) Liens securing our Indebtedness or the Indebtedness of any of our subsidiaries that are incurred to extend, renew, refinance, replace or refund Indebtedness that is secured by Liens permitted to be incurred under the indenture so long as the Property encumbered by any such Lien is substantially the same as or similar in nature to the Property that secured the Liens extended, renewed, refinanced, replaced or refunded and the amount of Indebtedness secured is not increased (other than by the amount equal to any costs and expenses (including any premiums, fees or penalties) incurred in connection with any extension, renewal, refinancing or replacement).

Principal Property means the land, improvements, buildings, fixtures and equipment (including any leasehold interest therein) constituting the principal corporate office, any manufacturing, assembly or test plant, or any manufacturing, assembly, test, distribution or research facility (in each case, whether now owned or hereafter acquired), that is owned or leased by us or any of our subsidiaries unless our board of directors has determined in good faith that such office, plant or facility is not of material importance to the total business conducted by us and our subsidiaries, taken as a whole. With respect to any Sale and Lease-Back Transaction or series of related Sale and Lease-Back Transactions, the determination of whether any property is a Principal Property shall be determined by reference to all properties affected by such transaction or series of transactions.

Property means any property or asset, whether real, personal or mixed, or tangible or intangible, including shares of capital stock.

Sale and Lease-Back Transaction means any arrangement with any person providing for the leasing by us or any of our subsidiaries of any Principal Property, whether now owned or hereafter acquired, which Principal Property has been or is to be sold or transferred by us or such subsidiary to such person or its predecessor in interest.

Specified Non-Recourse Debt means any account or trade receivable factoring, securitization, sale or financing facility, the obligations of which are non-recourse (except with respect to customary representations, warranties, covenants and indemnities made in connection with such facility) to us.

S-23

Table of Contents

subsidiary means any corporation, limited liability company or other similar type of business entity in which we and/or one or more of our subsidiaries together own more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors or similar governing body of such corporation, limited liability company or other similar type of business entity, directly or indirectly.

Limitation on Sale and Lease-Back Transactions

We will not (nor will we permit any subsidiary of ours to) enter into any Sale and Lease-Back Transaction with respect to any Principal Property, other than any such Sale and Lease-Back Transaction between us and one of our subsidiaries or between our subsidiaries, unless:

- (1) (a) such transaction was entered into prior to the issue date of the notes and (b) any extension, renewal, refinancing, replacement, amendment or modification of such transaction so long as the affected Principal Property is substantially the same as or similar in nature to the Principal Property subject to the Sale and Lease-Back Transaction extended, renewed, refinanced, replaced, amended or modified;
- (2) such transaction involves a lease for less than three years;
- (3) we or such subsidiary would be entitled to incur Indebtedness secured by a Lien on the Principal Property to be leased in an amount equal to the Attributable Debt with respect to such Sale and Lease-Back Transaction without equally and ratably securing the notes pursuant to the first paragraph of *Limitation on Liens* above; or
- (4) the proceeds of such Sale and Lease-Back Transaction are at least equal to the fair market value of the affected Principal Property (as determined in good faith by our board of directors) and we apply an amount equal to the net proceeds of such Sale and Lease-Back Transaction within 270 days of such Sale and Lease-Back Transaction to any (or a combination) of (a) the prepayment or retirement (other than any mandatory retirement, mandatory prepayment or sinking fund payment or by payment at maturity) of Indebtedness that is *pari passu* with or senior to the notes and that matures more than 12 months after its creation (including, for avoidance of doubt, the notes), provided that, in lieu of applying such amount to the prepayment or retirement of such Indebtedness, we may deliver notes to the trustee for cancellation, such notes to be credited at the cost thereof, or (b) the purchase, construction, development, expansion or improvement of other comparable Property.

Notwithstanding the foregoing, we or any of our subsidiaries may enter into any Sale and Lease-Back Transaction that would otherwise be subject to the foregoing restrictions if, after giving effect thereto and at the time of determination, Aggregate Debt does not exceed 20% of Consolidated Net Tangible Assets calculated as of the closing date of the Sale and Lease-Back Transaction.

Limitation on Mergers and Other Transactions

We may not merge or consolidate with any other person or persons (whether or not affiliated with us), and we may not sell, convey, transfer, lease or otherwise dispose of all or substantially all of our property or assets to any other person or persons (whether or not affiliated with us), unless:

- (1) either (a) the transaction is a merger or consolidation, and we are the surviving entity; or (b) the successor person (or the person which acquires by sale, conveyance, transfer or lease all or substantially all of our property or assets) is a corporation, limited liability company, partnership, trust or other entity organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes, if required by law to effectuate the

assumption, by a supplemental indenture, all of our obligations under the notes and the indenture;

S-24

Table of Contents

(2) immediately after giving effect to the transaction and treating our obligations in connection with or as a result of such transaction as having been incurred as of the time of such transaction, no event of default (and no event or condition which, after notice or lapse of time or both, would become an event of default) shall have occurred and be continuing under the indenture; and

(3) an officer's certificate is delivered to the trustee to the effect that both of the conditions set forth above have been satisfied and an opinion of counsel has been delivered to the trustee to the effect that condition (1) set forth above has been satisfied and/or that any conditions precedent in connection with any applicable supplemental indenture have been satisfied in accordance with the terms of the base indenture.

In the event of any of the above transactions, if there is a successor person as described in paragraph (1)(b) immediately above, then the successor will expressly assume all of our obligations under the indenture and automatically be substituted for us in the indenture and as issuer of the notes and may exercise every right and power of ours under the indenture with the same effect as if such successor person had been named in our place in the indenture. Further, if the transaction is in the form of a sale or conveyance, after any such transfer (except in the case of a lease), we will be discharged from all obligations and covenants under the indenture and all notes issued thereunder.

Events of Default

Each of the following is an event of default with respect to either series of the notes:

(1) default in paying interest on the notes of such series when it becomes due and the default continues for a period of 30 days or more;

(2) default in paying principal, or premium, if any, on the notes of such series when due;

(3) failure to make the required payment in connection with a Change of Control Triggering Event when due and payable in accordance with the terms of the indenture;

(4) default in the performance or breach of any other covenant by us relating to the notes of such series, and the default or breach continues uncured for a period of 90 days or more after we receive written notice from the trustee or we and the trustee receive written notice from the holders of at least 25% in aggregate principal amount of the outstanding notes of the applicable series as provided in the indenture;

(5) (a) a failure to make any payment at maturity, including any applicable grace period, of any of our Indebtedness (other than Indebtedness we owe to any of our subsidiaries) in an amount in excess of \$100 million and continuance of this failure to pay or (b) a default on any of our Indebtedness (other than Indebtedness we owe to any of our subsidiaries), which default results in the acceleration of the maturity of such Indebtedness in an amount in excess of \$100 million without such Indebtedness having been discharged or the acceleration having been cured, waived, rescinded or annulled, in the case of clause (a) or (b) above, for a period of 30 days after written notice thereof to us by the trustee or to us and the trustee by the holders of not less than 25% in aggregate principal amount of the outstanding notes of the applicable series as provided in the indenture; provided, however, that if any failure, default or acceleration referred to in clause (a) or (b) above ceases or is cured, waived, rescinded or annulled, then the event of default will be deemed cured; and

(6) certain events of bankruptcy, insolvency or reorganization with respect to us.

If an event of default with respect to the notes of any series occurs and is continuing, then the trustee or the holders of not less than 25% in aggregate principal amount of the notes of such series may, by a notice in writing to us (and to the trustee if given by the holders), declare to be due and payable immediately the principal of, and accrued and unpaid interest, if any, on all the notes of such series. In the case of an event of default resulting

S-25

Table of Contents

from certain events of bankruptcy, insolvency or reorganization, the principal (or such specified amount) of and accrued and unpaid interest, if any, on all outstanding notes of any series will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of notes. At any time after a declaration of acceleration with respect to the notes of any series has been made, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in aggregate principal amount of the outstanding notes of such series may rescind and annul the acceleration if all events of default, other than the non-payment of accelerated principal and interest, if any, with respect to such notes, have been cured or waived as provided in the indenture. The holders of a majority in aggregate principal amount of the outstanding notes of any series also have the right to waive existing defaults, other than the nonpayment of principal or interest, if any, on any outstanding note, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the notes of such series.

The indenture provides that the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless the trustee receives indemnity satisfactory to it against any loss, liability or expense. Subject to certain rights of the trustee, the holders of a majority in principal amount of the outstanding notes of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the notes of that series.

No holder of any note of a series will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture or for the appointment of a receiver or trustee, or for any remedy under the indenture, unless:

that holder has previously given to the trustee written notice of a continuing event of default with respect to the notes of that series; and

the holders of at least 25% in aggregate principal amount of the outstanding notes of the applicable series have made written request, and offered indemnity reasonably satisfactory to the trustee, to the trustee to institute the proceeding as trustee, and the trustee has not received from the holders of a majority in aggregate principal amount of the outstanding notes of such series a direction inconsistent with that request and has failed to institute the proceeding within 60 days.

Notwithstanding the foregoing, the holder of any note of a series will have an absolute and unconditional right to receive payment of the principal of, premium and any interest on that note on or after the due dates expressed in that note and to institute suit for the enforcement of such payment.

The indenture requires us, within 120 days after the end of our fiscal year, to furnish to the trustee a statement as to compliance with the indenture. The indenture provides that the trustee may withhold notice to the holders of notes of any series of any default or event of default (except in payment on any notes) with respect to such notes if it, in good faith, determines that withholding notice is in the interest of the holders of such notes.

Defeasance

Legal Defeasance

The indenture provides that, in certain circumstances, we may be discharged from any and all obligations in respect of the notes of any series (except for certain obligations to register the transfer or exchange of notes, to replace stolen,

lost or mutilated notes, and to maintain paying agencies and certain provisions relating to the treatment of funds held by paying agents). We will be so discharged upon the deposit with the trustee, in trust, of money and/or U.S. government obligations that, through the payment of interest and principal in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay and discharge each installment of principal, premium and interest in accordance with the terms of the indenture and the notes of that series.

S-26

Table of Contents

This discharge may occur only if, among other things, we have delivered to the trustee an opinion of counsel stating that we have received from, or there has been published by, the United States Internal Revenue Service a ruling or, since the date of execution of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the notes of the applicable series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge had not occurred.

Covenant Defeasance

The indenture provides that, upon compliance with certain conditions, we may omit to comply with certain covenants set forth in the indenture, and any omission to comply with those covenants will not constitute a default or an event of default with respect to the notes of the applicable series, or covenant defeasance.

The conditions include:

depositing with the trustee money and/or U.S. government obligations that, through the payment of interest and principal in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay and discharge each installment of principal of, premium and interest in accordance with the terms of the indenture and the notes of the applicable series; and

delivering to the trustee an opinion of counsel to the effect that the beneficial owners of the notes of the applicable series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the deposit and related covenant defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if the deposit and related covenant defeasance had not occurred.

Modification and Waiver

We may amend or modify the indenture without the consent of any holder of notes of either series in order to:

cure any ambiguity, defect or inconsistency, provided that the interests of the holders are not adversely affected;

conform the text of the indenture or the notes to any corresponding provision of this Description of Notes, as evidenced by an officer's certificate;

add events of default;

provide for the issuance of additional notes;

provide for the assumption of our obligations in the case of a merger or consolidation and our discharge upon such assumption provided that the provision under the Limitation on Mergers and Other Transactions covenant is complied with;

add covenants or make any change that would provide any additional rights or benefits to the holders of the notes;

add guarantees with respect to the notes;

secure the notes;

add or appoint a successor or separate trustee;

make any change that does not adversely affect the interests of any holder of notes; and

obtain or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended.

S-27

Table of Contents

Other amendments and modifications of the indenture or the notes issued may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding notes of the affected series, and our compliance with any provision of the indenture with respect to the notes may be waived by written notice to the trustee by the holders of a majority of the aggregate principal amount of the outstanding notes of the affected series. However, no modification or amendment may, without the consent of the holder of each outstanding note of the affected series:

reduce the principal amount, any premium or change the fixed maturity of the notes, or alter or waive the redemption provisions of the notes;

change the place of payment or currency in which principal, any premium or interest is paid;

impair the right to institute suit for the enforcement of any payment on the notes;

waive a payment default with respect to the notes;

reduce the interest rate or extend the time for payment of interest on the notes;

adversely affect the ranking of the notes as the Company's senior unsecured indebtedness;

make any change to the amendment and modification provisions in the indenture; or

reduce the percentage in principal amount outstanding of notes, the consent of the holders of which is required for any of the foregoing modifications or otherwise necessary to modify, supplement or amend the indenture or to waive any past default.

Except for certain specified provisions, the holders of at least a majority in principal amount of the outstanding notes of an affected series may, on behalf of the holders of all notes of such series, waive our compliance with provisions of the indenture. The holders of a majority in aggregate principal amount of the outstanding notes of such series may, on behalf of the holders of all the notes of such series, waive any past default under the indenture with respect to such notes and its consequences, except a default in the payment of the principal of, or premium or any interest on, any note or in respect of a covenant or provision that cannot be modified or amended without the consent of all of the holders of the outstanding notes of the affected series; provided, however, that the holders of a majority in aggregate principal amount of the outstanding notes of such series may rescind and annul an acceleration and its consequences, including any related payment default that resulted from the acceleration.

Book-Entry Delivery and Form

General

The notes of each series will be issued in registered, global form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Initially, the notes of each series will be represented by one or more permanent global certificates (the "global notes") in definitive, fully registered form without interest coupons. The global notes will be issued on the issue date only against payment in immediately available funds.

The global notes will be deposited upon issuance with the trustee as custodian for DTC in New York, New York, and registered in the name of Cede & Co. (DTC's partnership nominee) or another DTC nominee for credit to an account of a direct or indirect participant in DTC, as described below under "Depository Procedures."

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below under "Exchange of Book-Entry Notes for Certificated Notes."

Table of Contents

Transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear System (Euroclear) and Clearstream Banking S.A. (Clearstream)), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to changes by it. We do not take any responsibility for these operations and procedures and urge investors to contact DTC or its participants directly to discuss these matters.

DTC has advised us that it is a limited-purpose trust company created to hold securities for its participating organizations, referred to as participants, and to facilitate the clearance and settlement of transactions in those securities among DTC's participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations some of whom (and/or their representatives) own DTC. Access to DTC's system is also available to other entities such as banks, brokers, dealers, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly, which entities are referred to as indirect participants. Persons who are not DTC participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of its participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of DTC's participants and indirect participants.

Pursuant to the procedures established by DTC:

upon deposit of the global notes, DTC will credit the accounts of its participants designated by the underwriters with portions of the principal amount of the global notes; and

ownership of such interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations which are participants in such system. Euroclear and Clearstream may hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in the global notes, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in the global notes to such persons will be limited to that extent. Because DTC can act only on behalf of its participants, which in turn act on behalf of indirect participants, the

ability of beneficial owners of interests in the global notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the indenture for any purpose.

Table of Contents

Payments in respect of the principal of, and interest and premium, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, we and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes.

Consequently, neither we nor the trustee nor any of our respective agents has or will have any responsibility or liability for:

any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global notes, or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. The account of each relevant participant is credited with an amount proportionate to the amount of its interest in the principal amount of the global notes as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices, and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the trustee or us. Neither we nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will