

UNUMPROVIDENT CORP

Form 424B5

April 28, 2003

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

FILED PURSUANT TO

RULE 424 (B) (5)

REGISTRATION NOS. 333-43808,

333-100953

Subject to Completion. Dated April 25, 2003.

Prospectus Supplement to Prospectus dated April 9, 2003.

20,000,000 Units

## UnumProvident Corporation

### % Adjustable Conversion-Rate Equity Security Units

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This is an offering of % Adjustable Conversion-Rate Equity Security Units of UnumProvident Corporation. Each equity security unit has a stated amount of \$25 and will initially consist of (a) a contract pursuant to which you agree to purchase, for \$25, shares of common stock of UnumProvident on , 2006 and (b) a  $\frac{1}{40}$ , or 2.5%, ownership interest in a senior note of UnumProvident with a principal amount of \$1,000. The ownership interest in the senior note will initially be held as a component of your unit and will be pledged to secure your obligation to purchase our common stock under the related purchase contract.

We will make quarterly contract adjustment payments to you under the purchase contract at the annual rate of % of the stated amount of \$25 per purchase contract. In addition, we will make quarterly interest payments on the senior notes at the initial annual rate of %. We have the right to defer the contract adjustment payments on the purchase contracts, but not the interest payments on the senior notes. The interest rate on the senior notes will be reset and the senior notes will be remarketed. The senior notes are unsecured and rank equally with all of our other unsecured and unsubordinated debt. The units will be sold initially by the underwriters in a minimum number of 40 units.

In addition to offering these units, we are concurrently offering 43,800,000 shares of our common stock, plus up to an additional 6,570,000 shares if the underwriters for that offering exercise their option to purchase additional shares. The completion of this offering of units is subject to the completion of the common stock offering.

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Our common stock is listed on the New York Stock Exchange under the symbol UNM . The last reported sale price of our common stock on April 25, 2003 was \$9.12 per share. We will apply to list the normal units on the New York Stock Exchange, but no assurances can be given that the application for listing will be approved. Prior to this offering, there has been no public market for the units.

See Risk Factors beginning on page S-29 to read about certain factors you should consider before buying units.

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Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

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	Per Unit	Total
Initial price to public	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to UnumProvident	\$	\$

The initial public offering price set forth above does not include accumulated contract adjustment payments and accrued interest, if any. Contract adjustment payments on the purchase contracts and interest on the senior notes will accrue from the date of initial issuance of the units, expected to be , 2003.

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The underwriters expect to deliver the units in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about , 2003.

**Goldman, Sachs & Co.**

**Banc of America Securities LLC**

**Morgan Stanley**

**Deutsche Bank Securities**

**Merrill Lynch & Co.**

**SunTrust Robinson Humphrey**

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Prospectus Supplement dated , 2003.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

You should read this prospectus supplement along with the accompanying prospectus carefully before you invest. Both documents contain important information you should consider when making your investment decision. This prospectus supplement contains specific details regarding this offering and the accompanying prospectus contains information about our securities generally, some of which does not apply to this offering. This prospectus supplement may add, update or change information in the accompanying prospectus. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference in the accompanying prospectus, on the other hand, the information contained in this prospectus supplement shall control. The information contained in our website, [www.unumprovident.com](http://www.unumprovident.com), is not a part of this prospectus supplement or the accompanying prospectus.

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**Table of Contents****PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before investing in our units. You should read carefully this entire prospectus supplement, including the Risk Factors section, and the accompanying prospectus, and the information incorporated by reference, which are described under Where You Can Find More Information in the accompanying prospectus. In this prospectus supplement, UnumProvident, we, our, ours and us refer to UnumProvident Corporation unless the context otherwise requires.*

**UnumProvident Corporation**

We are the surviving corporation in the merger on June 30, 1999 of Provident Companies Inc., the leading individual income protection insurance provider in North America, with Unum Corporation, the leading group income protection insurance provider. We are the parent holding company for a group of insurance and non-insurance companies that collectively operate throughout North America and in the United Kingdom and Japan. We, through our subsidiaries, are the largest provider of group and individual income protection insurance in North America and the United Kingdom. We also provide a complementary portfolio of other insurance products, including long-term care insurance, life insurance, employer- and employee-paid group benefits, and related services.

Effective January 1, 2003, we adjusted our reporting segments to more closely reflect the manner in which we manage our business internally and will be reporting on this new segment basis beginning with the first quarter of 2003. The income protection segment includes insurance for loss of income due to either sickness or injury or the loss of two or more activities of daily living, disability management services, and customized disability programs. Included within this segment are group long-term and short-term income protection insurance, individual income protection insurance, and group and individual long-term care insurance, as well as various disability management services and programs. The products are marketed primarily to employers and multi-life employee groups by our sales force and national practice groups, working in conjunction with independent brokers and consultants. The life and accident segment includes insurance for life, accidental death and dismemberment, cancer, and critical illness marketed primarily to employers and multi-life employee groups by our sales force through independent brokers and consultants. The Colonial segment includes insurance for life, income protection, accident and sickness, cancer, and critical illness issued by Colonial Life & Accident Insurance Company and marketed primarily to employees through our agency field sales force. The other segment includes products that we no longer actively market. The corporate segment includes investment income on corporate assets not specifically allocated to a line of business, corporate interest expense, and certain corporate expenses not allocated to a line of business.

In 2002, we had net income of \$401.2 million, or net income per diluted common share of \$1.65. The following table sets forth certain operating data for each segment for the year ended December 31, 2002 (in millions of dollars).

<u>Income Protection</u>	<u>Life and Accident</u>	<u>Colonial</u>	<u>Other</u>	<u>Corporate</u>	<u>Total</u>
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Operating revenue excluding net realized investment loss	\$ 6,908.6	\$ 2,031.8	\$ 720.0	\$ 232.0	\$ 35.6	\$ 9,928.0
Benefits and expenses	<u>6,266.6</u>	<u>1,776.5</u>	<u>582.5</u>	<u>186.4</u>	<u>190.1</u>	<u>9,002.1</u>
Operating income (loss) before net realized investment loss, federal income tax and cumulative effect of accounting principle change	<u>\$ 642.0</u>	<u>\$ 255.3</u>	<u>\$ 137.5</u>	<u>\$ 45.6</u>	<u>\$ (154.5)</u>	<u>\$ 925.9</u>

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In the foregoing table, Operating revenue includes premium income, net investment income, and other income, but excludes net realized investment gains and losses. Operating income

(loss) excludes net realized investment gains and losses, federal income tax and cumulative effects of accounting principle changes. These alternative measures of revenue and income or loss differ from revenue and income (loss) before federal income tax as presented in our statements of income prepared in accordance with accounting principles generally accepted in the United States (GAAP) due to the exclusion of before-tax realized investment gains and losses. The following table presents a reconciliation of each of the non-GAAP financial measures set forth in the preceding table to the most directly comparable GAAP financial measure for the year ended December 31, 2002 (in millions of dollars).

Operating revenue (excluding net realized investment loss)	\$ 9,928.0
Net realized investment loss	(315.0)
	<hr/>
Revenue	\$ 9,613.0
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Operating income before net realized investment loss, federal income tax and cumulative effect of accounting principle change	\$ 925.9
Net realized investment loss	(315.0)
Federal income tax	202.6
Cumulative effect of accounting principle change, net of tax	(7.1)
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Net income	\$ 401.2
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We believe operating revenue and operating income or loss excluding realized investment gains and losses are useful measures of performance. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains and losses, and a long-term focus is necessary to maintain profitability over the life of the business. Realized investment gains and losses are dependent on market conditions and not necessarily related to decisions regarding underlying business. However, income excluding realized investment gains and losses does not replace net income as a measure of our profitability. Due to our exposure to below-investment-grade fixed maturity securities, and other factors discussed under Risk Factors in this prospectus supplement, we may experience realized investment losses. The realization of investment gains and losses will affect future earnings levels as the underlying business is long-term in nature and requires that we be able to sustain the assumed interest rates in our liabilities.

**Business Strategies**

Our objective is to grow our business and further enhance our profitability by providing:

***Comprehensive Solutions for Income Protection and Related Needs***

We offer a comprehensive portfolio of income protection products and services. These coverage choices, available primarily in the income protection and Colonial market segments, seek to meet the diverse needs of the marketplace. We seek to achieve a

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competitive advantage by offering our products to employers and other multi-life employee groups so they can be combined with other coverages to provide integrated product solutions for customers.

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Employees are increasingly turning to the workplace for access to quality insurance protection. Through return-to-work expertise and a comprehensive portfolio of basic employee benefits, as well as supplemental, voluntary, and executive product offerings, we offer businesses of all sizes highly competitive benefits to protect the incomes and lifestyles of employees and their families. Income protection solutions include integrated short-term and long-term disability income protection plans with flexible coverage and funding options.

Our broad portfolio also includes individual income protection products marketed increasingly to multi-life employee groups that help protect individual customers and their families from the financial effects of accidents or illnesses. The products feature choices suited to different ages, incomes, family needs, and lifestyles. We also offer long-term care insurance as a lifestyle protection product.

We have national practice groups that specialize in employer-provided plans for employees, executive benefit plans for multi-life employee groups, and products sold to groups of employees through payroll deduction at the workplace. These national practice groups partner with our sales force and representatives from claims, customer service, and underwriting who work in conjunction with independent brokers and consultants to present coverage solutions to potential customers and to manage existing customer accounts. We also utilize an agency field sales force to market the products offered by our Colonial segment.

### ***Benefits Emphasizing Return to Work***

Our organization and range of offerings are designed to help employers better manage lost time from the workplace and improve productivity.

***Impairment-Based Claims Management With a Clinical Focus.*** We have made considerable investments in clinical resources and created a specialty process for handling long-duration claims based on the type of injury or illness. This process, along with our extensive clinical and vocational resources, is designed to promote return-to-work and absence management.

***Return-to-Work Program Planning.*** We offer a combination of web-based resources and access to return-to-work planners to provide employers opportunities to impact their workplace productivity by strategically designing and formalizing return-to-work programs. Some customers using our customized return-to-work program have experienced a significant reduction in lost work days and medical costs.

***Family and Medical Leave Act Absence Management.*** We offer administration and compliance for complex Family and Medical Leave Act and state leave regulations. Our Family and Medical Leave Act services unit can help employers improve absence management.

***Integrated Disability Management.*** By combining our early intervention, rehabilitation, and cost containment resources with the worker's compensation provider chosen by the customer, employers are offered the benefit of common occupational and non-occupational case management and integrated reporting.



**Comparative Reporting and Analysis.** With web-based access to our private disability database, customers can compare their claim results with those of peer companies to allow analysis of trends in their claim experience with others in their industry. This provides them with a tool to focus on changes in plan design or internal corporate policies needed to promote return-to-work.

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### ***Highly Responsive Service for Customers and their Advisors***

We are committed to providing a high quality service experience for all customers and their advisors. Through a variety of technology tools and trained service professionals, we offer a service environment designed to be responsive, timely, and committed to service excellence.

A suite of services is in place to support customers and their advisors. For advisors, we offer Internet-based portal access to work in process and marketing materials. Dedicated service professionals respond to requests for individual sales proposals. Dedicated account management service professionals in local sales offices assist both advisors and customers in plan design, contract implementation, and service delivery. For advisors, we offer technology and call center supported contracting and compensation administration services that are designed to make it easier to do business.

Our employer customers are assigned service professionals in local sales offices to support and address their implementation and ongoing service needs. Larger employer customers are also assigned customer care (claims management and return-to-work services) account managers located in the home office who can provide support for several ongoing programs. We have regional service teams that manage the administration of the account, including contracts, booklets, and billing. We offer a wide array of electronic services, including our Benefit Manager web page, electronic booklets and billing, enrollment options, including the Internet and interactive voice response, and call centers dedicated to enrollment support. Employer customers have access to a local service specialist regardless of size. Larger cases with more than 2,000 insured lives have a wider array of technology tools as well as dedicated national practice account managers available to service the account in the local sales office. The national practice account managers are complemented with home office based account managers when the needs of the customer dictate this solution. We also offer technology enabled call center access to service professionals who are connected via a common voice technology network. Our offering includes web-enabled, self-service benefit administration solutions for employers and their employees.

### **Recent Developments**

#### ***First Quarter 2003 Results Of Operations***

We reported a net loss of \$246.4 million (\$1.02 per diluted common share) for the first quarter of 2003, compared to net income of \$87.9 million (\$0.36 per diluted common share) for the first quarter of 2002.

The first quarter of 2003 net loss includes an increase in our group long-term income protection GAAP reserves of \$454.0 million before tax, or \$295.1 million after tax. In April 2003, we completed an analysis of our assumptions related to our group long-term income protection claim reserves. We initiated this analysis based on a trend in lower net claim recovery rates observed during the first quarter of 2003. Claim recovery rates during the first quarter of 2003 were below expected levels and lower than those experienced in the past three years. The analysis of emerging net claim recovery rates and the reasons driving the changes resulted in a reduction in our long-term expectations. Based on this analysis, we increased our long-term income protection reserves as of March 31, 2003 to reflect our current estimate of future benefit obligations. This analysis indicated not only a decrease in overall claim recovery rates, but a change in claim recovery rates by claim duration. The reserve increase represents a

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6.2% increase in our total net group long-term income protection GAAP reserves, which prior to this increase at March 31, 2003 were \$7.34 billion.

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Also included in the net income (loss) for the first quarter are net realized after-tax investment losses of \$57.6 million (\$0.24 per diluted common share) in the first quarter of 2003 compared to \$56.1 million (\$0.23 per diluted common share) in the first quarter of 2002. Included in the first quarter of 2002 net income is a write-down of goodwill of \$11.0 million before tax, or \$7.1 million after tax (\$0.03 per diluted common share). We adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, in the first quarter of 2002. The transitional impairment tests of goodwill resulted in the write-down, which was reported as a cumulative effect of accounting principle change. Excluding the net realized investment losses and the first quarter of 2002 cumulative effect of accounting principle change, the after-tax operating loss for the first quarter of 2003 totaled \$188.8 million (\$0.78 per diluted common share) compared to after-tax operating income of \$151.1 million (\$0.62 per diluted common share) for the first quarter of 2002.

A reconciliation from after-tax operating income (loss), excluding net realized investment losses and the cumulative effect of accounting principle change, to net income (loss) is as follows:

	Three Months Ended	
	March 31,	
	2003	2002
	(\$ in millions,	
	except per share data)	
Operating income (loss) before net realized investment loss and cumulative effect of accounting principle change	\$ (188.8)	\$ 151.1
Net realized investment loss, net of tax	(57.6)	(56.1)
Income (loss) before cumulative effect of accounting principle change	(246.4)	95.0
Cumulative effect of accounting principle change, net of tax		(7.1)
Net income (loss)	\$ (246.4)	\$ 87.9
<b>Per Diluted Common Share</b>		
Operating income (loss) before net realized investment loss and cumulative effect of accounting principle change	\$ (0.78)	\$ 0.62
Net realized investment loss, net of tax	(0.24)	(0.23)
Income (loss) before cumulative effect of accounting principle change	(1.02)	0.39
Cumulative effect of accounting principle change, net of tax		(0.03)
Net income (loss)	\$ (1.02)	\$ 0.36

*Results by Segment*

As stated previously, effective January 1, 2003, we adjusted our reporting segments to more closely reflect the manner in which we manage our business internally. Beginning with the first quarter of 2003, we will report results for the following five segments: income protection, life and accident, Colonial, other and corporate. See UnumProvident Corporation .

The income protection segment reported an operating loss before net realized investment gains and losses and federal income taxes, or operating loss, of \$353.8 million, including the reserve increase of \$454.0 million for the group long-term income protection line of business. This compares to operating income before net realized investment gains and losses and federal income taxes, or operating income, of \$163.5 million in the first quarter of 2002.

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Within the segment, the group income protection line reported an operating loss of \$423.7 million in the first quarter of 2003, compared to operating income of \$87.0 million in the prior year first quarter and \$75.6 million in the fourth quarter of 2002. The lower earnings in the quarter relative to a year ago are the result of a decline in net claim recoveries in the long-term income protection line of business, as well as lower earnings in the short-term income protection line of business.

Also within this segment, the individual income protection line of business reported operating income of \$60.2 million, compared to operating income of \$67.5 million in the first quarter of 2002 and \$64.7 million in the fourth quarter of 2002. The decline in earnings was primarily the result of lower net claim recoveries in the quarter. Our income protection segment was also adversely affected by adverse publicity, which caused reduced sales of our long-term, short-term and individual income protection products. We have begun to report separately the results of our recently issued income protection business from our closed block of individual income protection business. Operating income in the recently issued individual income protection business totaled \$44.4 million in the first quarter of 2003 compared to \$41.6 million in the first quarter of 2002. Operating income in the closed block of individual income protection business totaled \$15.8 million in the first quarter of 2003 compared to \$25.9 million in the first quarter of 2002.

The long-term care line of business, which includes the results of both the group and individual long-term care lines of business, reported operating income of \$5.8 million in the first quarter of 2003, compared to \$4.8 million in the first quarter of 2002 and \$6.0 million in the fourth quarter of 2002. Finally, the disability services line of business reported operating income of \$3.9 million in the first quarter of 2003, compared to \$4.2 million in the first quarter of 2002 and \$5.6 million in the fourth quarter of 2002.

Premium income for the income protection segment increased 6.8% to \$1,295.0 million in the first quarter of 2003, compared to \$1,212.0 million in the first quarter of 2002. Within this segment, premium income for the group income protection line of business increased 6.4% to \$762.1 million in the first quarter of 2003 from \$716.4 million in the first quarter of 2002. The premium income growth in this line is due to new sales submitted in 2002 and favorable renewal activity and improved persistency on the existing block of business. Premium income for the individual income protection line of business increased 4.1% to \$437.8 million in the first quarter of 2003 from \$420.4 million in the first quarter of 2002. Premium income growth in this line is due to a 20.3% growth of premium income in the recently issued income protection line, driven by strong sales growth in the brokerage voluntary and United Kingdom income protection business. Premium income in the closed block of individual income protection insurance declined 4.0% to \$268.6 million in the first quarter of 2003 from \$279.7 million in the first quarter of 2002. Within this segment, premium income for the long-term care line of business increased 26.5% to \$95.1 million in the first quarter of 2003 from \$75.2 million in the first quarter of 2002 due to solid sales growth along with stable persistency.

New annualized sales (submitted date basis) for group long-term income protection fully-insured products declined 14.1% to \$67.9 million in the first quarter of 2003, from \$79.0 million in the first quarter of 2002 due to a decline in North American brokerage sales, while group long-term income protection administrative services only (ASO) premium equivalents decreased 45.8% to \$1.3 million in the first quarter of 2003, from \$2.4 million in the first quarter of 2002. New annualized sales (submitted date basis) for group short-term income protection fully-insured products declined 26.3% to \$26.9 million in the first quarter of 2003, from \$36.5 million in the first quarter of 2002, consistent with our strategy to shift sales from large case fully insured business to ASO, while group short-term income protection ASO premium equivalent sales increased 88.3% to \$22.6 million in the first quarter of 2003, from \$12.0 million in the first quarter of 2002. New annualized sales (paid for basis) for individual income

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protection increased 17.7% to \$41.2 million in the first quarter of 2003 from \$35.0 million in the first quarter of 2002 due to strong sales growth in brokerage voluntary and United Kingdom income protection sales.

Premium persistency in our long-term income protection block improved to 87.0% for the first quarter of 2003 compared to 86.6% in the first quarter of 2002. Persistency also improved in our short-term income protection line of business to 85.2% in the first quarter of 2003 compared to 83.4% in the first quarter of 2002.

The life and accident segment reported operating income of \$63.8 million in the first quarter of 2003, compared to \$44.4 million in the first quarter of 2002 and \$87.3 million in the fourth quarter of 2002. The improvement in results relative to the year ago quarter was primarily the result of improved experience in our group life line of business.

Premium income in this segment increased 6.4% to \$476.8 million in the first quarter of 2003, from \$448.0 million in the first quarter of 2002 due to strong sales in the brokerage voluntary life line and favorable renewal activity and improved persistency in the group life and accidental death and dismemberment business. New annualized sales (submitted date basis) in the group life line increased to \$54.3 million in the first quarter of 2003, from \$53.3 million in the first quarter of 2002. New annualized sales in the accidental death and dismemberment line of business decreased to \$6.7 million in the first quarter of 2003, from \$9.9 million in the first quarter of 2002. New annualized sales in the brokerage voluntary life and other lines increased to \$34.9 million in the first quarter of 2003 from \$20.5 million in the first quarter of 2002.

Premium persistency in our group life business improved to 83.1% for the first quarter of 2003 compared to 81.4% in the first quarter of 2002.

The Colonial segment reported operating income of \$35.2 million in the first quarter of 2003, compared to \$33.0 million in the first quarter of 2002 and \$36.2 million in the fourth quarter of 2002. Premium income for this segment increased 9.1% to \$170.6 million in the first quarter of 2003, from \$156.3 million in the first quarter of 2002. New annualized sales in this segment increased 8.8% to \$59.6 million in the first quarter of 2003, from \$54.8 million in the first quarter of 2002.

The other segment reported operating income of \$11.7 million in the first quarter of 2003, compared to \$9.5 million in the first quarter of 2002 and \$8.5 million in the fourth quarter of 2002.

The corporate segment reported a loss of \$54.2 million in the first quarter of 2003, compared to losses of \$29.0 million in the first quarter of 2002 and \$50.9 million in the fourth quarter of 2002. The results in this segment for the first quarter of 2003 include \$15.0 million related to the before-tax severance and retirement benefits discussed below in Management Changes .

Our net realized after-tax investment losses of \$57.6 million in the first quarter of 2003 consisted of gross realized before-tax investment losses and write-downs of \$140.6 million and gross realized before-tax investment gains of \$52.4 million, for net realized before-tax investment losses of \$88.2 million. For the first quarter of 2002, our net realized after-tax investment losses of \$56.1 million consisted of gross realized before-tax investment losses and write-downs of \$196.1 million and gross realized before-tax investment gains of \$110.4 million, for net realized before-tax investment losses of \$85.7 million.

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As of March 31, 2003, book value per common share was \$27.09, compared to \$28.33 as of December 31, 2002 and \$23.58 as of March 31, 2002. Book value per share excluding net unrealized gains and losses on securities was \$23.15 as of March 31, 2003 and \$24.25 as of December 31, 2002 and \$23.84 as of March 31, 2002.

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***Financial Restructuring Plan***

On April 25, 2003, we also announced a series of actions to increase our financial strength and improve the predictability of our business. We expect the restructuring to improve our Risk Based Capital ( RBC ) position, reduce our leverage, reduce the amount we owe to our insurance company subsidiaries and improve the risk profile for our investment portfolio. We expect to complete most of the restructuring plan by the end of the second quarter of 2003. There is a risk, however, that we may not be able to complete our plan in its entirety.

We developed the financial restructuring plan to respond specifically to issues raised by rating agencies and investors. The plan also reflects a continued refinement of our strategic direction. The principal components of the plan include the following:

*Equity Offerings.* The issuance of units in this offering for an aggregate offering price of \$500.0 million and the issuance of shares of our common stock in the concurrent offering for an aggregate offering price of approximately \$400.0 million. See Concurrent Offering .

*Dividend Reduction.* A reduction in the annual dividend on our common stock from \$.59 per share to \$.30 per share, commencing with the dividend payable on May 16, 2003. We believe this change will make our dividend payout and yield more comparable to our peer companies and will reduce and potentially eliminate the need for our insurance company subsidiaries to pay any dividends to us during the remainder of 2003, thereby retaining higher levels of capital in our insurance company subsidiaries.

*Internal Reorganization.* We are contributing to our insurance company subsidiaries certain of our assets to better align our businesses, which we believe will increase the statutory capital of certain of our insurance company subsidiaries by approximately \$285.0 million. The assets that we propose to contribute consist of GENEX Services, Inc., which provides specialized skills in disability case management and vocational rehabilitation to assist disabled claimants to return to work, and a corporate-owned life insurance asset.

*Changes to Investment Portfolio.* At December 31, 2002, approximately 10% (market value basis) of our investment portfolio consisted of below-investment-grade fixed maturity securities. During the first quarter of 2003, we sold 760.9 million (market value) of our below-investment-grade fixed maturity securities. This reduced our below-investment grade exposure to approximately 8.4% of the market value of our investment portfolio, excluding ceded policy loans, as of March 31, 2003.

*Other Initiatives.* We are taking a number of business and financial actions to respond to the present business environment, which we do not anticipate will materially improve in 2003. These actions include further lowering the discount rate on new claim incurrals to reflect the continued low interest rate environment and the expectation of a more challenging claims environment, which is expected to result in higher levels of claims incidence and lower net recovery results. We are taking actions to partially offset these changes through continued improvements in productivity and a heightened emphasis on expense management.

Assuming the issuance of \$500.0 million of units in this offering and 43,800,000 shares of our common stock in the concurrent offering (without exercise of the underwriters' option to purchase additional shares of common stock), the anticipated application of the estimated net proceeds as described under Use of Proceeds and the completion of the internal reorganization described above, we will have:

increased the RBC of our insurance company subsidiaries, calculated on a weighted average basis using the National Association of Insurance Commissioners, or NAIC, Company Action

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Level formula, from 210% at December 31, 2002, to 244% on a pro forma basis as of that date, through a combination of \$195.0 million in cash, \$170.0 million in reduced dividends from our insurance company subsidiaries, and the contribution of \$285.0 million in assets to our insurance company subsidiaries,

reduced inter-company loans from our insurance company subsidiaries by \$535.0 million from \$694.6 million at December 31, 2002, to approximately \$160.0 million, and

reduced our leverage (giving 50% credit for company-obligated mandatorily redeemable preferred securities of a subsidiary trust holding solely our junior subordinated debt securities and 80% equity credit for the equity security units we are issuing concurrently) from 27.7% at December 31, 2002 to 25.3% on a pro forma basis as of that date.

**Restatement of Financial Statements**

On March 24, 2003, we announced that we had recently resolved various accounting and disclosure comments from the Securities and Exchange Commission's Division of Corporation Finance. One of the comments addressed the fair value used to determine the amount of other than temporary impairments on fixed maturity securities. During 2001 and 2000, we recorded other than temporary impairments on certain of our fixed maturity securities based on values that included their quoted market prices, as well as to give effect to our analysis with respect to certain issuers of securities that perhaps was not reflected in those market prices. After discussions with the SEC, we concluded that not relying solely on quoted market prices for our other than temporary impairment charges was an erroneous interpretation of Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. We restated our financial statements (including relevant schedules and exhibits) for the affected periods and included the restated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2002. The non-cash adjustments did not impact our total stockholders' equity in any period because we had already recorded the unrealized effect of the decreased market value of our fixed maturity securities through stockholders' equity in the appropriate periods. In addition, these adjustments had an immaterial effect on the statutory surplus of our insurance company subsidiaries.

The effect on net income and net income per share (assuming dilution) was as follows (dollars in millions, except per share data):

	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Net Income</b>			
As Reported	\$ 367.0	\$ 579.2	\$ 564.2
As Restated	401.2	541.2	538.9
Change	<u>\$ 34.2</u>	<u>\$ (38.0)</u>	<u>\$ (25.3)</u>
<b>Net Income Per Share</b>			
As Reported	\$ 1.51	\$ 2.38	\$ 2.33
As Restated	1.65	2.22	2.23
Change	<u>\$ 0.14</u>	<u>\$ (0.16)</u>	<u>\$ (0.10)</u>

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***Management Changes***

On March 31, 2003, we announced several senior management changes. Thomas R. Watjen, who was previously Vice Chairman and Chief Operating Officer, was appointed to serve as President and Chief Executive Officer (CEO) on an interim basis. Mr. Watjen replaced J. Harold Chandler, who previously served as Chairman, President and CEO. F. Dean Copeland, who was previously Senior Executive Vice President and General Counsel, assumed the additional position of Chief Administrative Officer.

Outside directors C. William Pollard, retired Chairman and CEO of The ServiceMaster Company, and Lawrence R. Pugh, retired Chairman and CEO of V.F. Corporation, are now serving as Co-Chairmen in a newly created Office of the Chairman of the Board, which will serve as the focal point for interaction between the board of directors and senior management.

The board of directors also named outside director John W. Rowe, Chairman, President and CEO of Exelon Corporation, to lead a search committee, which will be assisted by a national executive recruiting firm in seeking a new CEO. The search began on March 31, 2003, and the board of directors will consider Mr. Watjen as well as external candidates.

Pursuant to his current employment contract dating from 1999, Mr. Chandler will receive severance of approximately \$8.5 million, which represents a payment of three times base salary and bonus. In addition, under the terms of his contract, he will receive the present value of a retirement benefit (approximately \$8.5 million). These charges reduced our first quarter of 2003 net income by approximately \$9.8 million, or \$0.04 per diluted common share.

**Table of Contents****Ratings**

Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's), Fitch, Inc. (Fitch), and A.M. Best Company (AM Best) are among the third parties that provide assessments of our overall financial position. In the fourth quarter of 2002 and subsequently (including S&P and AM Best on April 25, 2003), the rating agencies have downgraded our senior debt ratings and the financial strength ratings of our insurance company subsidiaries. Currently, each of the rating agencies has our insurance company subsidiaries' financial strength ratings and our senior debt ratings under review with negative implications principally due to concerns regarding our ability to raise a significant amount of capital, our earnings outlook given our focus on income protection insurance and challenges in the income protection insurance market as environmental conditions continue to put pressure on claims incidence and recoveries, the level and quality of the statutory capital of our insurance company subsidiaries and our exposure to below-investment-grade securities. The table below reflects our senior debt ratings and the financial strength ratings for our U.S. domiciled insurance company subsidiaries as of April 25, 2003.

	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>AM Best</b>
<b>UnumProvident Corporation</b>				
Senior debt	BBB (Good)	Baa3 (Medium Grade)	BBB (Good)	bbb
Commercial paper	A-3 (Good)	Prime-3 (Acceptable)	F2 (Good Credit Quality)	AMB-3 (Acceptable)
<b>U.S. Insurance Subsidiaries</b>				
Provident Life and Accident	A (Strong)	A3 (Good Financial Security)	A (Strong)	A (Excellent)
Provident Life and Casualty	Not Rated	Not Rated	Not Rated	A (Excellent)
Unum Life of America	A (Strong)	A3 (Good Financial Security)	A (Strong)	A (Excellent)
First Unum Life	A (Strong)	A3 (Good Financial Security)	A (Strong)	A (Excellent)
Colonial Life & Accident	A (Strong)	A3 (Good Financial Security)	A (Strong)	A (Excellent)
Paul Revere Life	A (Strong)	A3 (Good Financial Security)	A (Strong)	A (Excellent)
Paul Revere Variable	A (Strong)	A3 (Good Financial Security)	A (Strong)	A (Excellent)

These ratings are not directed toward the holders of our securities and are not recommendations to buy, sell or hold the units offered by this prospectus supplement. Each rating is subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

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**The Offering**

**What are the equity security units?**

Each equity security unit, which we refer to as a unit, will initially consist of and represent:

- (1) a purchase contract pursuant to which:

you will agree to purchase, and we will agree to sell, for \$25, a number of shares of our common stock on \_\_\_\_\_, 2006 (the stock purchase date) to be determined based on the average trading price of our common stock for a period preceding that date, calculated in the manner described below; and

we will pay you contract adjustment payments on a quarterly basis at the annual rate of \_\_\_\_\_ % of the stated amount of \$25, subject to our right to defer such payments, as specified below; and

- (2) a  $\frac{1}{40}$ , or 2.5%, ownership interest in a senior note due \_\_\_\_\_, 2008 of UnumProvident with a principal amount of \$1,000, on which we will pay interest at the initial annual rate of \_\_\_\_\_ % until a successful remarketing of the senior notes and at the reset rate (as described below) thereafter. Interest will be payable quarterly in arrears through and including the stock purchase date and, thereafter, semi-annually in arrears.

The ownership interests in the senior notes that are a component of your units will be owned by you, but will initially be pledged to the collateral agent for our benefit to secure your obligations under the related purchase contracts. We refer in this prospectus supplement to the purchase contracts, together with the pledged ownership interest in the senior notes (or, after a successful remarketing or a special event redemption, the pledged treasury securities), as normal units.

Each holder of normal units may elect at any time on or before the seventh business day prior to the stock purchase date (subject to certain exceptions) to withdraw from the pledge the pledged ownership interest in the senior notes (or, after a successful remarketing or special event redemption described below, the pledged treasury securities) underlying the normal units, thereby creating stripped units. To create stripped units, the holder must substitute, as pledged securities, specifically identified treasury securities that will pay \$25 (the amount due under the purchase contract) per unit on the stock purchase date, and the pledged ownership interest in the senior notes or treasury securities will be released from the pledge and delivered to the holder. Holders of stripped units may recreate normal units by re-substituting the senior notes (or, after a successful remarketing or a special event redemption, the applicable treasury securities) for the treasury securities underlying the stripped units.

If the senior notes are successfully remarketed or a special event redemption occurs, in each case as described in this prospectus supplement, the applicable ownership interest in the treasury securities will replace the ownership interest in a senior note as a component of each unit and will be pledged to the collateral agent for our benefit to secure your obligations under the purchase contract.

**What are the purchase contracts?**

The purchase contract underlying a unit obligates you to purchase, and us to sell, for \$25, on the stock purchase date, a number of newly issued shares of our common stock equal to the settlement rate described below. The settlement rate will be based on the average trading price of the common stock for a period preceding that date, calculated in the manner described below.

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### **What payments will we make to holders of the units and the senior notes?**

If you hold normal units, we will pay you (a) quarterly contract adjustment payments on the underlying purchase contracts at the annual rate of % of the \$25 stated amount through and including the stock purchase date, and (b) quarterly interest payments on the ownership interests in senior notes that are pledged in respect of your normal units at the initial annual rate of % through and including , 2006, the last quarterly payment date before the stock purchase date. On the stock purchase date, you will also receive a cash payment in respect of each of your normal units, equal to  $\frac{1}{40}$ , or 2.5%, of the quarterly interest payment payable on the \$1,000 principal amount of a senior note at the initial annual rate of %.

If you hold stripped units and do not separately hold senior notes, you will receive only the quarterly contract adjustment payments at the annual rate of % of the \$25 stated amount.

The contract adjustment payments on normal and stripped units are subject to our deferral right as described below. We are not entitled to defer interest payments on any senior notes, whether held as part of, or separately from, the units.

If you hold senior notes separately from the units and do not separately hold stripped units, you will receive only the interest payable on the senior notes. The senior notes, whether held separately from or as part of the units, will initially pay interest at the annual rate of %. If the senior notes are successfully remarketed, however, the rate of interest payable from the settlement date of the successful remarketing until their maturity on , 2008 will be the reset rate, which will be a rate established by the remarketing agent that meets the requirements described in this prospectus supplement. If the remarketing agent cannot establish a reset rate on a remarketing date, the remarketing agent will not reset the interest rate on the senior notes and the interest rate will continue to be the initial annual rate of %, until the remarketing agent, on a later remarketing date prior to the stock purchase date, can establish a reset rate meeting the requirements described in this prospectus supplement.

We are a holding company with no operations of our own. Our ability to pay our obligations under the purchase contracts and senior notes depends on our ability to obtain cash dividends or other cash payments or obtain loans from our subsidiaries, which are separate and distinct legal entities that will have no obligations to pay any dividends or to lend or advance us funds and which may be restricted from doing so by other financing arrangements, charter provisions or regulatory requirements. Our obligations under the purchase contracts and the senior notes will be effectively subordinated to the obligations of our subsidiaries.

### **What are the payment dates?**

Subject to our deferral right in respect of the contract adjustment payments described below, we will make contract adjustment payments quarterly in arrears on each , , and , commencing on , 2003 and ending on the stock purchase date. We will initially make interest payments on the senior notes quarterly in arrears on each , , and , commencing on , 2003, and, following the stock purchase date, semi-annually in arrears on each and until maturity on , 2008.





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**When can we defer payments?**

We can defer payment of all or part of the contract adjustment payments on the purchase contracts until no later than the stock purchase date. Additional contract adjustment payments will accrue on any deferred installments of contract adjustment payments at a rate of % per year until paid, compounded quarterly, to but excluding the stock purchase date, unless your purchase contract has been early settled or terminated. We are not entitled to defer interest payments on the senior notes.

**What is the reset rate?**

To facilitate the remarketing of the senior notes at the remarketing price described below, the remarketing agent will reset the rate of interest on the senior notes, effective from the settlement date of a successful remarketing until their maturity on , 2008. The reset rate will be the rate sufficient to cause the then current market value of each outstanding senior note to be equal to at least 100.25% of the remarketing value described below. Resetting the interest rate on the senior notes at this rate is designed to enable the remarketing agent to remarket the senior notes in the remarketing and purchase the necessary treasury securities, the proceeds of which will be applied in settlement of the purchase contracts and to provide funds for the cash payment on the normal units due on the stock purchase date.

The reset rate will be determined by the remarketing agent on the third business day (as defined below) prior to , 2006, the last quarterly payment date before the stock purchase date. If the remarketing agent cannot establish a reset rate meeting these requirements on the remarketing date and, as a result, the senior notes cannot be remarketed as described below, the interest rate will not be reset and will continue to be the initial rate of the senior notes. However, the remarketing agent may thereafter attempt to establish a reset rate meeting these requirements, and the remarketing agent may attempt to remarket the senior notes, on the subsequent dates described below. If a reset rate cannot be established on a given date, the remarketing will not occur on that date. If the remarketing agent fails to remarket the senior notes that form part of the normal units by the end of the third business day immediately preceding the stock purchase date, we will be entitled to exercise our rights as a secured party with respect to such senior notes and, subject to applicable law, may retain the pledged senior notes or sell them in one or more public or private sales to satisfy in full such holder's obligation to purchase shares of common stock under the related purchase contracts.

The reset of the interest rate on the senior notes in connection with a successful remarketing will not change the amount of the cash payment due to holders of normal units on the stock purchase date, which, as described above, will be an amount per normal unit equal to  $\frac{1}{40}$ , or 2.5%, of the quarterly interest payment payable on \$1,000 principal amount of a senior note at the initial annual rate of %.

Business day means any day that is not a Saturday, Sunday or day on which banking institutions and trust companies in the State of New York or at a place of payment are authorized or required by law, regulation or executive order to close.

The reset rate may not exceed the maximum rate, if any, permitted by applicable law.



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**Table of Contents****What is remarketing?**

The remarketing agent will attempt to remarket the senior notes of holders of normal units and will use the proceeds to purchase treasury securities, which the participating holders of normal units will pledge to secure their obligations under the related purchase contracts. Holders of normal units may elect not to participate in any remarketing by following the procedures described below. The cash paid upon maturity of the pledged treasury securities underlying the normal units of such holders will be used to satisfy such holders' obligations to purchase shares of common stock on the stock purchase date, as well as to provide funds to make the cash payment to holders of normal units due on the stock purchase date. This will be one way for holders of normal units to satisfy their obligations to purchase shares of common stock under the related purchase contracts. The remarketing agent will attempt to remarket the senior notes that are included in normal units on one or more occasions starting on the remarketing date, which will be the third business day prior to \_\_\_\_\_, 2006 or, if the remarketing agent fails to remarket the senior notes on that date, a later date as described below. As described below, a holder of a senior note in which interests are not held as part of normal units may elect to have the separately held senior note remarketed along with the senior notes in which interests are held as part of the normal units.

We will enter into a remarketing agreement with a nationally recognized investment banking firm that will act as remarketing agent. The remarketing agent will agree to use commercially reasonable best efforts to remarket the senior notes that are included in normal units (or separately held senior notes) that are participating in the remarketing, at a price per senior note equal to at least 100.25% of the remarketing value. The remarketing value of a senior note will be equal to the sum of:

- (1) the value at the remarketing date (or any subsequent remarketing date) of such amount of treasury securities that will pay, on or prior to the stock purchase date, an amount of cash equal to the interest payment scheduled to be payable on the senior note on that date, assuming for this purpose, even if not true, that the interest rate on the senior notes remains at the initial rate; and
- (2) the value at the remarketing date (or any subsequent remarketing date) of such amount of treasury securities that will pay, on or prior to the stock purchase date, an amount of cash equal to the principal amount of the senior note.

The remarketing agent will use the proceeds from a successful remarketing of the senior notes included in normal units to purchase, in its discretion, the amount and the types of treasury securities described in (1) and (2) above in respect of each such senior note that has been remarketed. The remarketing agent will purchase such treasury securities in open market transactions or at treasury auction and deliver them through the purchase contract agent to the collateral agent to secure the obligations under the related purchase contracts of the holders of the normal units whose senior notes participated in the remarketing. The remarketing agent will deduct out of the proceeds in excess of the remarketing value as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the total proceeds from such remarketing. The remarketing agent will remit the remaining portion of the proceeds, if any, for payment to the holders of the normal units participating in the remarketing.

A holder of normal units may elect not to participate in any remarketing and, instead, retain the ownership interests in senior notes underlying those normal units by delivering, in respect of each senior note to be retained, the treasury securities having the value described in (1) and (2) above, in the amount and the types specified by the remarketing agent, to the purchase contract agent on the fourth business day prior to the first day of a remarketing period (as defined below) to satisfy its obligations under the related purchase contracts. Whether or not a holder of normal units participates



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in the remarketing, the interest rate on the senior notes in which interests are included in those units will nevertheless be reset if the remarketing is successful.

Prior to any remarketing, we plan to file and obtain effectiveness of a registration statement if so required under the U.S. federal securities laws at the time.

### **What happens if the remarketing agent does not successfully remarket the senior notes on the remarketing date?**

If the remarketing agent cannot establish a reset rate meeting the requirements described above on the remarketing date and therefore cannot remarket the senior notes participating in the remarketing on the remarketing date at a price per senior note equal to at least 100.25% of the remarketing value, the remarketing agent will attempt to establish a reset rate meeting these requirements on each of the two business days immediately following the initial proposed remarketing date. If the remarketing agent cannot establish a reset rate meeting these requirements on either of those days, it will attempt to establish such a reset rate on each of the three business days immediately preceding \_\_\_\_\_, 2006. If the remarketing agent cannot establish such a reset rate during that period, it will further attempt to establish such a reset rate on the third business day immediately preceding the stock purchase date. We refer to each of these periods as a remarketing period. Any subsequent remarketing will be at a price per senior note equal to at least 100.25% of the remarketing value on the subsequent remarketing date. If the remarketing agent fails to remarket the senior notes underlying the normal units at that price by the end of the third business day immediately preceding the stock purchase date, any holder of normal units that has not otherwise settled its purchase contracts in cash on the business day immediately preceding the stock purchase date (but without regard to the notice requirements otherwise applicable to cash settlement) will be deemed to have directed us to retain the securities pledged as collateral in satisfaction of the holder's obligations under the related purchase contracts and we will exercise our rights as a secured party and may, subject to applicable law, retain or dispose of such securities to satisfy in full such holder's obligation to purchase our common stock under the related purchase contracts on the stock purchase date. In no event will a holder of a purchase contract be liable for any deficiency between such proceeds and the purchase price for the shares of common stock under the purchase contract.

### **If I am not a party to a purchase contract, may I still participate in a remarketing of my senior notes?**

Holders of senior notes in which interests are not included as part of normal units may elect to have their senior notes included in the remarketing in the manner described in Description of the Equity Security Units Optional Remarketing. The remarketing agent will use commercially reasonable best efforts to remarket the separately held senior notes included in the remarketing at a price per senior note equal to at least 100.25% of the remarketing value, determined on the same basis as for the other senior notes being remarketed. After deducting as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the total proceeds from such remarketing, the remaining portion of the proceeds, if any, will be remitted for payment to the holders whose separate senior notes were remarketed in the remarketing. If a holder of senior notes elects to have its senior notes remarketed during any remarketing period but the remarketing agent fails to remarket the senior notes during such remarketing period, the senior notes will be promptly returned to the custodial agent for release to the holder at the end of that period.

### **What is the settlement rate?**

The settlement rate is the number of newly issued shares of common stock that we are obligated to sell and you are obligated to purchase upon settlement of a purchase contract on the stock purchase date.



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The settlement rate for each purchase contract, subject to adjustment under specified circumstances, will be as follows:

if the applicable market value, determined as described below, of our common stock is equal to or greater than \$ \_\_\_\_\_, the settlement rate will be \_\_\_\_\_ shares of common stock per purchase contract;

if the applicable market value of our common stock is less than \$ \_\_\_\_\_ but greater than \$ \_\_\_\_\_, the settlement rate will be equal to \$25 divided by the applicable market value of our common stock per purchase contract; or

if the applicable market value of our common stock is less than or equal to \$ \_\_\_\_\_, the settlement rate will be \_\_\_\_\_ shares of common stock per purchase contract.

Applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

At the option of each holder, a purchase contract may be settled early by the early delivery of cash to the purchase contract agent, as described below, in which case the settlement rate will be \_\_\_\_\_ shares of common stock per purchase contract.

**Besides participating in a remarketing, how else can I satisfy my obligations under the purchase contract?**

Besides participating in the remarketing, your obligations under the purchase contract may also be satisfied:

if you have created stripped units or elected not to participate in the remarketing, by delivering and pledging specified treasury securities in substitution for your senior notes and applying the cash payments received upon maturity of those pledged treasury securities;

through the early delivery of cash to the purchase contract agent on or prior to the seventh business day prior to the stock purchase date in the manner described in Description of the Equity Security Units Early Settlement ;

by delivering cash on the business day prior to the stock purchase date for settlement of the purchase contracts in the manner described in Description of the Equity Security Units Notice to Settle with Cash ; or

if we are involved in a merger, acquisition or consolidation prior to the stock purchase date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, through an early settlement of the purchase contract as described in Description of the Equity Security Units Early Settlement Upon Cash Merger.

If a holder of a unit elects not to participate in a remarketing and does not give notice to the purchase contract agent that it intends to settle the purchase contract with cash on the stock purchase date, we will exercise our rights as a secured party in respect of the



pledged securities to satisfy the holder's obligation to purchase our common stock.

In addition, the purchase contracts, our related rights and obligations and those of the holders of the units, including their rights to receive accumulated contract adjustment payments or deferred contract adjustment payments and obligations to purchase our common stock, will automatically

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terminate upon our bankruptcy, insolvency or reorganization. Upon such a termination of the purchase contracts, the pledged senior notes or treasury securities will be released and distributed to you. If we become the subject of a case under the federal bankruptcy code, a delay may occur as a result of the imposition of an automatic stay under the bankruptcy code and continue until the automatic stay has been lifted. The automatic stay will not be lifted until such time as the bankruptcy judge agrees to lift it and allows your collateral to be returned to you.

If the purchase contract is settled early or is terminated as the result of our bankruptcy, insolvency or reorganization, a holder will have no further right to receive any accrued contract adjustment payments or deferred contract adjustment payments.

### **Under what circumstances may we redeem the senior notes before they mature?**

If the tax laws change or are interpreted by the tax authorities or the courts in a way that adversely affects our tax consequences with respect to the senior notes, or if the accounting rules change in a way that adversely affects our accounting treatment of the purchase contracts or the units, then we may elect to redeem the senior notes. If the senior notes are redeemed before a successful remarketing, the money received from the redemption will be used by the collateral agent to purchase a portfolio of zero-coupon U.S. treasury securities that mature on or prior to each payment date of the senior notes through the stock purchase date, in an aggregate amount equal to the principal on the senior notes included in normal units and the interest that would have been due on such payment date on the senior notes included in normal units. For a holder of normal units, these treasury securities will replace the senior notes as the collateral securing such holder's obligations to purchase shares of common stock under the purchase contracts. If your senior notes are not components of normal units, you, rather than the collateral agent, will receive the related redemption payment. If the senior notes are redeemed, then each unit will consist of a purchase contract for shares of common stock and an ownership interest in the portfolio of treasury securities.

### **What is the maturity of the senior notes?**

The senior notes will mature on \_\_\_\_\_, 2008.

### **What are the U.S. federal income tax consequences related to the equity security units and senior notes?**

If you purchase units in the offering, you will be treated for U.S. federal income tax purposes as having acquired purchase contracts and ownership interests in the senior notes constituting those units, and by purchasing the units you agree to treat the purchase contracts and ownership interests in the senior notes in that manner for all tax purposes. In addition, you agree to treat the senior notes as indebtedness of UnumProvident for all tax purposes. You must allocate the purchase price of the units between purchase contracts and ownership interests in the senior notes in proportion to their respective fair market values, which will establish your initial tax basis in each component of the units. We expect to report the fair market value of each purchase contract as \$ \_\_\_\_\_ and the fair market value of each senior note as \$ \_\_\_\_\_ (or \$ \_\_\_\_\_ for each  $\frac{1}{40}$ , or 2.5%, ownership interest in a senior note included in a normal unit).

For U.S. federal income tax purposes, we intend to treat the senior notes as contingent payment debt instruments subject to the noncontingent bond method of accruing original issue discount. As discussed more fully under U.S. Federal Income Tax

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Consequences Senior Notes Original Issue Discount, the effects of this method will be (1) to require you, regardless of your usual method of tax

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accounting, to use an accrual method with respect to interest on the senior notes, (2) to require you, for all accrual periods through \_\_\_\_\_, 2006, and possibly thereafter, to accrue interest income in excess of distributions actually received by you, and (3) generally to result in ordinary rather than capital treatment of any gain or loss on the sale, exchange or disposition of an ownership interest in the senior notes or the units to the extent attributable to the senior notes.

Because there is no statutory, judicial or administrative authority directly addressing the tax treatment of units or instruments similar to units, you are urged to consult your own tax advisor concerning the tax consequences of an investment in units. For additional information, see U.S. Federal Income Tax Consequences.

### **What are the ERISA considerations?**

Plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, or ERISA, or Section 4975 of the Internal Revenue Code of 1986, as amended, may invest in the units subject to the considerations set forth in ERISA Considerations.

### **Will the equity security units be listed on a stock exchange?**

We will apply to list the normal units on the New York Stock Exchange, but no assurances can be given that the application for listing will be approved. We have no obligation and do not currently intend to apply for any separate listing of either the stripped units or the senior notes on any stock exchange.

### **What are the expected uses of proceeds from the offerings?**

We estimate that we will receive net proceeds from the offering of approximately \$ \_\_\_\_\_ million. We estimate that we will receive net proceeds from the concurrent common stock offering of approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ million if the underwriters' option to purchase additional shares of common stock is exercised in full.

We intend to use the net proceeds from this offering and the concurrent offering of our common stock to increase the capitalization of our insurance company subsidiaries, and to reduce inter-company loans from our insurance company subsidiaries. We intend to use the remainder of the net proceeds, if any, for other general corporate purposes.

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**The Offering Explanatory Diagrams**

The following diagrams demonstrate some of the key features of the purchase contracts, normal units, stripped units and senior notes, and the transformation of normal units into stripped units and senior notes. The following diagrams assume that the senior notes are successfully remarketed, the interest rate on the senior notes is reset, there is no early settlement and the payment of contract adjustment payments is not deferred.

**Purchase Contracts**

Normal units and stripped units both include a purchase contract under which you agree to purchase shares of common stock on the stock purchase date.

The number of shares of common stock to be purchased under each purchase contract will depend on the applicable market value. The applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

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(1) The reference price is \$ . The closing price of shares of our common stock on April 25, 2003 was \$9.12.

(2) The threshold appreciation price is \$ , which is % of the reference price.

(3) For each of the percentage categories shown, the percentage of the shares of common stock to be delivered on the stock purchase date to a holder of normal units or stripped units is determined by dividing

the related number of shares of common stock to be delivered, as indicated in the footnote for each such category, by

an amount equal to \$25, the stated amount of the unit, divided by the reference price.

(4) If the applicable market value of our common stock is less than or equal to the reference price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of \$25 by the reference price.

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- (5) If the applicable market value of our common stock is between the reference price and the threshold appreciation price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of \$25 by the applicable market value.
- (6) If the applicable market value of our common stock is greater than or equal to the threshold appreciation price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of \$25 by the threshold appreciation price.

**Normal Units**

A normal unit will consist of two components as illustrated below:

After a successful remarketing or special event redemption, the normal units will include specified treasury securities in lieu of the senior notes.

If you hold a normal unit, you will hold an ownership interest in a senior note and, after a successful remarketing or special event redemption, an ownership interest in specified treasury securities, but will pledge that interest to the collateral agent for our benefit to secure your obligations under the purchase contract.

If you hold a normal unit, you may also substitute a specified amount of treasury securities for the ownership interest in a senior note if you decide not to participate in the remarketing.

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**Stripped Units**

A stripped unit consists of two components as illustrated below:

If you hold a stripped unit, you own a  $\frac{1}{40}$ , or 2.5%, interest in the treasury security but will pledge it to the collateral agent for our benefit to secure your obligations under the purchase contract. The treasury security is a zero coupon U.S. treasury security (CUSIP No. ) that matures on , 2006.

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**Senior Notes**

Senior notes will have the terms illustrated below:

If you hold an ownership interest in a senior note that is a component of a normal unit, you have the option to either:

allow the ownership interest in the senior note to be included in the remarketing process, the proceeds of which will be used to purchase treasury securities, if the remarketing is successful, which will be applied to settle the purchase contract; or

elect not to participate in the remarketing by delivering treasury securities in substitution for the ownership interest in the senior note, the proceeds of which will be applied to settle the related purchase contract.

If you hold a senior note that is not a component of a normal unit, you have the option to either:

continue to hold the senior note the rate of which will be reset, effective from the settlement date of a successful remarketing of the senior notes; or

deliver the senior note to the remarketing agent to be included in the remarketing.



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**Transforming Normal Units into Stripped Units and Senior Notes**

To create stripped units, you must substitute for the pledged ownership interest in the senior note (or, after a successful remarketing or special event redemption, the pledged treasury securities) the specified zero coupon U.S. treasury security that matures on \_\_\_\_\_, 2006.

The pledged senior note or the pledged treasury securities will be released from the pledge and delivered to you.

The zero coupon U.S. treasury security together with the purchase contract would then constitute a stripped unit. The senior note (or, after a successful remarketing or special event redemption, treasury securities), which was previously a component of normal units, is tradable as a separate security.

The transformation of normal units into stripped units and senior notes and the transformation of stripped units and senior notes into normal units may generally be effected only in integral multiples of 40 units, as more fully described in this prospectus supplement. If, however, the senior notes constituting a part of the normal units have been replaced with treasury securities due to a successful remarketing or special event redemption, the transformation of normal units into stripped units and the recreation of normal units from stripped units may be effected only in integral multiples of units such that both the treasury securities to be deposited and the treasury securities to be released are in integral multiples of \$1,000, as more fully described in this prospectus supplement.

The following illustration depicts the transformation of 40 normal units into 40 stripped units and one \$1,000 principal amount senior note.

After remarketing, the normal units will include ownership interests in specified U.S. treasury securities in lieu of an ownership interest in senior notes.

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You can also transform stripped units and senior notes (or, after a successful remarketing or special event redemption, treasury securities) into normal units. Following that transformation, the specified zero coupon U.S. treasury security, which was previously a component of the stripped units, is tradable as a separate security.

**Concurrent Offering**

In addition to the units offered by this prospectus supplement, we are concurrently offering, by means of a separate prospectus supplement, 43,800,000 shares of our common stock for an aggregate offering price of \$400.0 million, plus up to an additional 6,570,000 shares of our common stock for an aggregate offering price of \$60.0 million if the underwriters for that offering exercise their option to purchase additional shares of our common stock.

The completion of this offering of units is subject to the completion of the common stock offering.

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**Table of Contents****Selected Consolidated Financial Data**

The following is our selected consolidated financial data. The financial position and statement of operations data as of and for each of the years ended December 31, 1998 through 2002 are taken from our audited consolidated financial statements as of the end of and for each such year. You should read this selected consolidated financial data in conjunction with our consolidated financial statements and notes that are contained in our Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated by reference into the accompanying prospectus. We have restated our previously issued financial statements as of and for the years ended December 31, 2001 and 2000. See Note 1 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2002 and Prospectus Supplement Summary Restatement of Financial Statements for further information concerning the restatement.

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
		(Restated)	(Restated)		
	(in millions of dollars, except share and per share data)				
<b>Statement of Operations Data</b>					
Premium income	\$ 7,453.1	\$ 7,078.2	\$ 7,057.0	\$ 6,843.2	\$ 6,129.0
Net investment income	2,085.7	2,002.9	2,060.4	2,059.7	2,035.4
Net realized investment gain (loss)	(315.0)	(99.1)	(53.5)	87.1	55.0
Other income	389.2	354.3	329.5	339.6	299.9
<b>Total revenue</b>	<b>9,613.0</b>	<b>9,336.3</b>	<b>9,393.4</b>	<b>9,329.6</b>	<b>8,519.3</b>
Benefits and change in reserves for future benefits	6,582.4	6,234.3	6,407.5	6,787.6	5,449.7
Interest and debt expense	162.4	169.6	181.8	137.8	119.9
Deferral of policy acquisition costs, net of amortization	(295.4)	(263.2)	(139.2)	(334.5)	(325.8)
Amortization of value of business acquired and goodwill	42.1	75.0	67.3	120.9	66.6
Other expenses	2,510.6	2,354.0	2,049.3	2,783.3	2,288.7
<b>Total benefits and expenses</b>	<b>9,002.1</b>	<b>8,569.7</b>	<b>8,566.7</b>	<b>9,495.1</b>	<b>7,599.1</b>
Income (loss) before federal income tax, extraordinary loss, and cumulative effect of accounting principle change	610.9	766.6	826.7	(165.5)	920.2
Federal income tax	202.6	222.5	287.8	17.4	302.8
<b>Income (loss) before extraordinary loss and cumulative effect of accounting principle change</b>	<b>408.3</b>	<b>544.1</b>	<b>538.9</b>	<b>(182.9)</b>	<b>617.4</b>
Extraordinary loss, net of tax		(2.9)			
Cumulative effect of accounting principle change, net of tax	(7.1)				
<b>Net income (loss)</b>	<b>\$ 401.2</b>	<b>\$ 541.2</b>	<b>\$ 538.9</b>	<b>\$ (182.9)</b>	<b>\$ 617.4</b>
<b>Common Share Data</b>					
Net income (loss) basic	\$ 1.66	\$ 2.24	\$ 2.24	\$ (0.77)	\$ 2.60
Net income (loss) assuming dilution	\$ 1.65	\$ 2.22	\$ 2.23	\$ (0.77)	\$ 2.54
Common stockholders' equity at end of year	\$ 28.33	\$ 24.52	\$ 23.12	\$ 20.73	\$ 25.89

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Cash dividends	\$ 0.59	\$ 0.59	\$ 0.59	\$ 0.58	\$ 0.57
Weighted average common shares outstanding (000s)					
Basic	242,032.9	241,824.9	240,880.4	239,080.6	236,975.2
Assuming dilution	243,070.1	243,608.7	242,061.0	239,080.6	242,348.9
<b>Financial Position Data (at end of year)</b>					
Assets	\$ 45,259.5	\$ 42,442.7	\$ 40,363.9	\$ 38,447.5	\$ 38,602.2
Long-term debt and subordinated debt	\$ 2,214.0	\$ 2,304.2	\$ 1,915.5	\$ 1,466.5	\$ 1,525.2
Stockholders' equity	\$ 6,843.2	\$ 5,939.9	\$ 5,575.5	\$ 4,982.2	\$ 6,146.2

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**RISK FACTORS**

*Investing in the units involves risk. In deciding whether to invest in the units, you should carefully consider the following risk factors, in addition to the other information contained in this prospectus supplement and the accompanying prospectus and the information incorporated by reference herein. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the value of the units and your investment could decline.*

**Risk Factors Related to Our Business**

**We may not be successful in implementing all elements of our proposed restructuring plan, and assuming it is successfully implemented, the plan may not provide us with an appropriate level of capital or sufficiently decrease our business risks under all operating scenarios and business and regulatory environments.**

Our financial restructuring plan is designed to enhance our financial strength and flexibility, reduce our leverage, refine our focus around our stronger product lines, and generally decrease the risk of our business plan. Our current financing plans, which involve this offering of units and a concurrent offering of common stock, are designed to raise net proceeds of approximately \$ million. However, we may not be able to sell all the units included in this offering or shares of common stock included in the concurrent offering or raise the amount of capital contemplated. Furthermore, even if we are successful in raising this amount of capital, there can be no assurance that the restructuring plan will provide us with an appropriate level of capital under all operating scenarios and the business, investment (including the risks in our below-investment-grade fixed-income securities portfolio), regulatory and litigation risks to which we are subject. Our ability to successfully implement other elements of the restructuring plan depends on a number of variables beyond our direct control, including the reactions of customers, competitors, rating agencies and our sales forces.

**Our financial restructuring plan may adversely affect our growth.**

Implementation of our financial restructuring plan may adversely affect our growth because the steps designed to reduce our leverage and generally decrease the risk of our business plan may reduce growth in premium and investment income, although we believe that these steps will improve our long-term profitability and financial condition.

**The ratings of our senior debt the financial strength of our insurance company subsidiaries are under review, with negative implications. A further decline in these ratings could adversely affect our business.**

Our senior debt and the financial strength of each of our insurance company subsidiaries are rated by four nationally recognized ratings agencies (S&P, Moody's, Fitch, and AM Best). The ratings assigned to our senior debt and the financial strength of each of our subsidiaries reflect the agency's view of the overall financial strength (capital levels, earnings, growth, investments, business mix, and market position) of the entity and its ability to meet its financial obligations, including those to its policyholders. In the fourth quarter of 2002 and subsequently (including S&P and AM Best on April 25, 2003), these rating agencies have downgraded

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our senior debt ratings and the financial strength ratings of our insurance company subsidiaries, and these ratings are under review by each of these agencies, with negative implications principally due to concerns regarding our ability to raise a

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significant amount of capital, our earnings outlook given our focus on income protection insurance and challenges in the income protection insurance market as environmental conditions continue to put pressure on claims incidence and recoveries, the level and quality of the statutory capital of our insurance company subsidiaries and our exposure to below-investment-grade securities. Further changes in these ratings may have an effect on our insurance company subsidiaries' abilities to grow sales and renew existing business. If we continue to experience negative operating trends, it could result in a downgrade of our current ratings, which might affect our ability to sell our products, and accordingly impact our revenues and profitability negatively.

**The recent downgrades of our credit ratings have adversely affected our access to the capital markets, resulting in our funding cash requirements in part through loans from our insurance company subsidiaries.**

As of December 31, 2002, we had total debt of \$2.17 billion and \$300.0 million of company-obligated mandatorily redeemable preferred securities of a subsidiary trust holding solely our junior subordinated debt securities. In addition, we will issue \$500.0 million of senior notes as part of this offering of units and commit to pay contract adjustment payments relating to the units. Over the past three years, we have accessed the commercial paper markets and utilized borrowings from our insurance company subsidiaries for short-term liquidity needs and the public debt markets for long-term capital needs. The recent reductions in our credit ratings have effectively precluded us from borrowing in the commercial paper markets and limited our access to the public debt markets. As a result, we have increased our use of loans from our insurance company subsidiaries. Further, since the primary function of our bank credit facility is to provide support for our commercial paper program, and we have been unable to access the commercial paper markets, we intend to terminate this facility in connection with this offering. As of March 31, 2003, no borrowings were outstanding under this facility. Our loans from our insurance company subsidiaries are inter-company in nature and as such are eliminated in the preparation of our consolidated financial statements. As of December 31, 2002, we owed \$694.6 million to our insurance company subsidiaries. These amounts represent claims on our assets that are entitled to repayment before holders of our common stock are entitled to receive any amounts.

**The termination of our bank credit facility will limit our liquidity sources and may increase our use of inter-company loans.**

Unless we replace the bank credit facility referred to above or arrange for other sources of stand-by liquidity, our sources of liquidity would be limited to dividends from our insurance company subsidiaries, if any, or inter-company loans received from our insurance company subsidiaries and financings in the public securities markets. We may not be able to obtain financing on appropriate terms in the public markets and our insurance company subsidiaries are subject to regulatory limitations on the payment of dividends and other transfers of funds to affiliates. Accordingly, we may need to arrange for other sources of liquidity and, depending on our results of operations and financial condition at the time, we may be unable to do so on favorable terms, if at all.

**Our ability to write new business and our profitability are affected by the size and adequacy of our insurance company subsidiaries' capital base. This may require us to access the capital markets again in the future, resulting in dilution for our equity holders.**

The level of business that our insurance company subsidiaries are able to write depends on the size and adequacy of their capital base. Many state insurance laws impose RBC requirements for purposes of regulating insurer solvency. Insurers having less statutory surplus than that required by the RBC model formula are generally subject to varying degrees of regulatory scrutiny and intervention depending on their level of capital. Since the rating agencies also regard as important the levels of statutory surplus, failure to maintain adequate levels of statutory surplus could result in a downgrade of our ratings.





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Effective in 1993, the NAIC adopted a RBC formula, which prescribes a system for assessing the adequacy of statutory capital and surplus for all life and health insurers. The basis of the system is a risk-based formula that applies prescribed factors to the various risk elements in a life and health insurer's business to report a minimum capital requirement proportional to the amount of risk assumed by the insurer. The life and health RBC formula is designed to measure annually (i) the risk of loss from asset defaults and asset value fluctuation, (ii) the risk of loss from adverse mortality and morbidity experience, (iii) the risk of loss from mismatching of asset and liability cash flows due to changing interest rates, and (iv) business risks. The formula is to be used as an early warning tool to identify companies that are potentially inadequately capitalized. The formula is intended to be used as a regulatory tool only and is not intended as a means to rank insurers generally. The RBC ratio for our U.S. insurance company subsidiaries, calculated on a weighted average basis using the NAIC formula, was 210% at the end of 2002 and 250% at the end of 2001. The individual RBC ratios for our principal operating subsidiaries ranged from 193% to 262% at December 31, 2002. Although the individual RBC ratio for each insurance company subsidiary continues to be above the range that would require state regulatory action, we continue to review various alternatives to increase the RBC ratios for our insurance company subsidiaries. If the NAIC adopts revisions to the RBC formula, our insurance company subsidiaries may require additional capital. The additional capital required, either as a result of changes in methodology discussed above or as a result of poor operating performance, may not be available on favorable terms, if at all. If we raise capital through the sale of equity, this may result in dilution to our stockholders, including investors in this offering.

**Our subsidiaries may be unable to pay dividends to us, which may impair our ability to make dividend payments on our common stock and meet our other obligations.**

We are a holding company and a legal entity separate and distinct from our subsidiaries. Our rights to participate in any distribution of assets of any subsidiary, including upon its liquidation or reorganization, are subject to the prior claims of creditors of that subsidiary, except to the extent that we ourselves may be a creditor of that subsidiary and our claims are recognized.

We primarily rely, as a holding company, on dividends or extensions of credit from our insurance company subsidiaries to make dividend payments on our common stock, meet debt payment obligations and meet our other obligations. On April 25, 2003, we announced as part of our financial restructuring plan that we intend to reduce our annual dividend on our common stock from \$0.59 per share to \$0.30 per share, commencing with the dividend payable on May 16, 2003, which we believe will make our dividend payout and yield more comparable to our peer companies and reduce and potentially eliminate any need for our insurance company subsidiaries to pay any dividends to us during the remainder of 2003.

Our insurance company subsidiaries are subject to regulatory limitations on the payment of dividends and on other transfers of funds to affiliates. Based on restrictions under current law, during 2003, \$328.5 million would be available for the payment of ordinary dividends to us from our domestic insurance company subsidiaries, of which \$113.1 million would be conditional on approval from the Maine Bureau of Insurance. The maximum dividend permitted by law does not necessarily indicate an insurer's actual ability to pay dividends. The actual ability to pay dividends may be further constrained.

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by business and regulatory considerations, such as the impact of dividends on surplus that could affect an insurer's ratings, risk-based capital ratios, funding growth objectives, competitive position, the amount of premiums that can be written, and its ability to pay future dividends. In addition, state regulators have broad discretion to limit the payment of dividends by insurance companies, which could impair our ability to make future dividend payments on our common stock. Furthermore, a prolonged, significant decline in our insurance company subsidiaries' profits or regulatory action limiting dividends could subject us to shortages of cash because our subsidiaries will not be able to pay us dividends.

**During 2002 we reported a before-tax net realized investment loss of \$315.0 million and anticipate additional investment losses will occur during 2003.**

During 2002 we reported a before-tax net realized investment loss of \$315.0 million, consisting of gross gains of \$208.2 million and gross losses of \$523.2 million, of which \$454.4 million related to write-downs on carrying values of securities and the balance of \$68.8 million related to disposition losses. For the quarter ended March 31, 2003, we reported a before-tax net realized investment loss of \$88.2 million, consisting of gross gains of \$52.4 million and gross losses of \$140.6 million, of which \$106.5 million related to write-downs on carrying values of securities and the balance of \$34.1 million related to disposition losses. These write-downs were recognized as a result of our management's determination that the value of certain fixed maturity and equity securities had other than temporarily declined during the applicable period, as well as the result of further declines in the values of fixed maturity and equity securities that had initially been written down in a prior period. The value of the securities was determined to have other than temporarily declined or to have further declined from the initial impairment based on a number of factors. Due to the current negative credit market environment and the associated economic uncertainty, we anticipate that we will incur additional investment losses during the remainder of 2003, which could be material.

**The performance of our portfolio of fixed-income securities may affect our financial performance and our ability to conduct our business.**

We maintain an investment portfolio that consists primarily of fixed-income securities. The quality and/or yield of the portfolio may be affected by a number of factors, including the general economic and business environment, changes in the credit quality of the issuer of the fixed-income securities, changes in market conditions, changes in interest rates, changes in foreign exchange rates, or regulatory changes. These securities are issued by both domestic and foreign entities and are backed either by collateral or the credit of the underlying issuer. Factors such as an economic downturn or political change in the country of the issuer, a regulatory change pertaining to the issuer's industry, a significant deterioration in the cash flows of the issuer, or a change in the issuer's marketplace may adversely affect our ability to collect principal and interest from the issuer.

The investments our insurance company subsidiaries hold are highly regulated by specific legislation in each state that governs the type, amount, and credit quality of allowable investments. Legislative changes could force us to restructure the portfolio in an unfavorable interest rate or credit environment, with a resulting adverse effect on profitability and the level of statutory capital.

We use derivative instruments that are hedging in nature. Although we regularly require that our counterparties' obligations in excess of certain thresholds be cross-collateralized, our profitability may be adversely affected if a counterparty to the derivative instrument defaults in its payment.

**At December 31, 2002, a substantial portion of our fixed maturity investment portfolio had been in an unrealized loss position for more than 90 days.**

At December 31, 2002, approximately 11.4% of our fixed maturity investment portfolio had been in an unrealized loss position for more than 90 days, that is, its fair value had been below the recorded amortized historical book value of such securities for more than that period of time. We report the book

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value of these assets on our balance sheet in one of two ways. If we believe the unrealized loss is temporary, then we record an unrealized investment loss that is not recognized in our income statement, but is included as a separate component, Net Unrealized Gain or Loss on Securities, in our Stockholders' Equity. If we believe the unrealized loss is other than temporary, then we record a realized loss which is reported as a loss in our income statement and ultimately as a reduction of our retained earnings. We also record realized losses if we dispose of the security at below its amortized book value. For statutory accounting purposes, a realized loss reduces statutory capital whereas unrealized losses generally do not reduce statutory capital. Although we utilize a formal, well-defined, and disciplined process to monitor and evaluate our fixed maturity securities portfolio, this process is inherently subjective. Typically, the longer a security has a fair value that is below its amortized book value, the more likely it is that we may realize a loss on such security resulting in a reduction of our statutory capital and RBC.

### **Approximately 10% of the market value of our invested assets (excluding ceded policy loans) at December 31, 2002 represented, less liquid, higher risk, below-investment-grade fixed maturity securities.**

Historically, we have allocated a portion of our fixed maturity investment portfolio to below-investment-grade fixed maturity securities. In addition, due to the current negative credit market environment and the associated economic uncertainty, a portion of our existing securities that were previously investment-grade were downgraded. As a result, the relative size of this portion increased in 2002 even though we had curtailed the purchase of additional below-investment-grade securities. Approximately 10% of the market value of our invested assets at December 31, 2002 represented below-investment-grade fixed maturity securities. Below-investment-grade bonds are inherently more risky than investment-grade bonds since the risk of default by the issuer, by definition and as exhibited by bond rating, is higher. Also, the secondary market for certain below-investment-grade issues can be highly illiquid. During the first quarter of 2003, we sold approximately \$760.9 million in market value of below-investment-grade fixed maturity securities. As of March 31, 2003, the market value of below-investment-grade fixed maturity securities was less than 8.4% of invested assets.

### **Actual persistency may be lower than projected persistency, due to a number of reasons, resulting in higher than expected amortization of deferred policy acquisition costs.**

We defer certain costs incurred in acquiring new business and amortize (expense) these costs over the life of the related policies. Our major classes of products are classified as long-duration or short-duration contracts in accordance with Statement of Financial Accounting Standards No. 60, *Accounting and Reporting by Insurance Enterprises*. Long-term individual and group accident and health contracts include non-cancelable, collectively renewable and guaranteed renewable contracts. For contracts that are renewable at our option, we may consider them to be long-term, if we can demonstrate that they are likely to remain in force for a reasonable period of time.

We use our historical experience and expectations of the future performance of our business in determining the expected life of the policies, like most insurance companies. We defer policy acquisition costs for group long-term and short-term income protection and group life coverage unlike some of our principal competitors, who expense these costs immediately. Approximately 7% of our total assets and 43% of total stockholders' equity at December 31, 2002 consisted of deferred policy acquisition costs for our consolidated products, including deferred policy acquisition costs for individual income protection, brokerage voluntary life, and products marketed through our Colonial segment.

Amortization of deferred costs is adjusted to reflect the actual policy persistency as compared to the anticipated experience. We expect that persistency for the foreseeable future may continue to be lower than historical levels, particularly in certain issue years, as we place increased emphasis on retaining profitable business. Persistency may also decline for other reasons, such as

increased competition, a decline in the financial strength or debt ratings assigned to our insurance company

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subsidiaries or us by the rating agencies or media stories about the nature and extent of the regulatory examinations and litigation that we are party to. If actual persistency is less than our estimated persistency of our existing business, we may be required to accelerate the amortization of these costs, which will reduce our profitability and stockholders' equity.

**A portion of our assets consists of goodwill. If these assets become impaired, our net income and stockholders' equity will be adversely affected.**

As of December 31, 2002, our assets included \$666.4 million of goodwill. Effective January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Other Intangible Assets*, which requires us to subject goodwill and other intangible assets to annual impairment tests. Transition to the provisions of SFAS 142 required us to complete, within the year of adoption, an impairment test of goodwill existing at January 1, 2002. We had previously, prior to the adoption of SFAS 142, used undiscounted cash flows to determine if goodwill was recoverable. Under the provisions of SFAS 142, goodwill impairment occurs if the net book value of a reporting unit exceeds its estimated fair value. Our reporting units are generally our operating segments. We completed the required transitional impairment tests and determined that the carrying value of our goodwill should be reduced by \$11.0 million, or \$7.1 million net of the related tax benefit. If we decide to exit certain lines of business, or otherwise determine that our goodwill or other intangible assets are impaired going forward, the impairment of these assets will result in a corresponding reductions in our net income and stockholders' equity.

**If actual claims exceed our reserve for losses and loss expenses, our financial condition and results of operations could be adversely affected.**

We maintain reserves for future policy benefits and unpaid claims expenses which include policy reserves and claim reserves established for our individual income protection insurance, group income protection insurance, and group and individual life and accident and health insurance products. Policy reserves represent the accumulation of the premiums received that are set aside to provide for future benefits and expenses. Claim reserves are established for future payments and associated expenses not yet due on claims already incurred, primarily relating to individual income protection and group income protection insurance products. Reserves, whether calculated under generally accepted accounting principles or statutory accounting principles, do not represent an exact calculation of future benefit liabilities, but are instead estimates made by us using actuarial and statistical procedures. These reserves may not be sufficient to fund our future liabilities in all circumstances. For example, as described under Prospectus Supplement Summary Recent Developments First Quarter 2003 Results of Operations in April 2003, upon completion of our analysis of our assumptions related to our group long-term income protection reserves, we increased our long-term income protection GAAP reserves as of March 31, 2003 by \$454.0 million before-tax, or \$295.1 million after-tax, to reflect our current estimate of future benefit obligations. Future loss developments could require reserves to be further increased, which would adversely affect earnings in current and future periods. We may have to adjust our reserve amounts in the event of changes from the assumptions regarding future morbidity (the incidence of claims and the rate of recovery, including the effects thereon of inflation and other societal and economic factors), persistency, mortality, and interest rates used in calculating the reserve amounts.

**Demand for, and claims related to, our income protection insurance products are subject to a number of social and economic factors, and we cannot always reprice our products in response to these factors.**

Income protection insurance may be affected by a number of social, economic, governmental, legislative, competitive, and other factors. Changes in societal attitudes, work ethics, motivation, stability, and mores can significantly affect the demand for and underwriting results from income protection products. The climate and the nature of competition in income protection insurance

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have also been markedly affected by the growth of social security, worker s compensation, and other governmental programs in the workplace. Legislative or regulatory changes may affect claim payments practices or the rate of litigation.

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Both economic and societal factors can affect claim incidence for income protection insurance. The relationship between these factors and overall incidence is very complex and will vary due to contract design features and our ability to price, underwrite, and adjudicate the claims effectively. Within the employee benefits market, pricing and renewal actions can be taken to react to higher claim rates. However, these actions take time to implement, and there is a risk that the market will not sustain increased prices. In addition, changes in economic and external conditions may not manifest themselves in claims experience for several quarters.

The pricing actions available in the individual income protection market differ between product classes. For that portion of our outstanding insurance business that consists of individual noncancelable income protection policies, whereby the policy is guaranteed to be renewable through the life of the policy at a fixed premium, we cannot adjust our premiums on in-force business due to changes resulting from such factors. Guaranteed renewable contracts can be repriced to reflect external factors, but rate changes cannot be implemented as quickly as in the employee benefits market.

Income protection insurance products are important products for us. To the extent that income protection products are adversely affected in the future as to sales or claims, our business or results of operations could be materially adversely affected.

### **The profitability of our group life insurance business depends on our risk selection process.**

Group life insurance may be affected by many factors, including the characteristics of the employees insured, the amount of insurance employees may elect voluntarily, our risk selection process, our ability to retain employer groups with lower claim incidence rates, and the geographical concentration of employees. Claim incidence is also influenced by events such as the September 11, 2001 tragedy, which may affect the availability of reinsurance coverage. Changes in any of these factors may adversely affect our results of operations.

### **During the past year state insurance regulators in a number of states have conducted or are conducting market conduct examinations of our claims handling practices. Some of these examinations could result in fines, changes to our claims handling practices and/or injury to our reputation, ability to sell new policies and retain existing policies.**

Our insurance company subsidiaries are subject to comprehensive regulation and oversight by insurance departments in jurisdictions in which they do business, primarily for the protection of policyholders. These insurance departments monitor the manner in which an insurance company offers, sells and administers its products. These market conduct activities include sales practices, such as the advertising and licensing of producers, as well as underwriting, claims and customer service practices. During 2002 and the first quarter of 2003, we have experienced increased market conduct examinations focused specifically on the disability claims handling policies and practices of our insurance company subsidiaries. These examinations generally involve a review of complaints from our policyholders on a range of subjects and a review of disability claim files from our group short-term, group long-term and individual income protection product lines.

Although our examinations historically have resulted in limited findings and minimal fines or other penalties, the Georgia Insurance Commissioner, on March 19, 2003, announced that he had ordered four of our insurance company subsidiaries to pay a monetary penalty totaling \$1 million and to make certain changes to their claims handling practices. The order also placed the four companies on probation for two years, during which period certain Georgia claims and complaints will be reviewed on a quarterly



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basis. The order did not cite any violations of Georgia law or regulations. We have recently closed examinations in four other states with minimal or no fines. However, examinations are pending in over a dozen other states, including California, Massachusetts, New York, and Tennessee. Additional state market conduct examinations may be commenced.

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Although we do not expect these regulatory examinations to affect materially our results of operations or financial position directly, these examinations could result in fines, changes in our claims handling practices, injury to our reputation, negative publicity, and harm to our ability to sell or retain insurance policies. Determinations by regulatory authorities that we have engaged in improper conduct also could adversely affect our defense of various lawsuits discussed below.

**We have received considerable adverse publicity regarding our disability claims processing, which may adversely affect our persistency and ability to sell new policies and which our board of directors is investigating.**

Beginning in October 2002, we became the subject of a number of media stories, including televised segments on *Dateline* and *60 Minutes*, that criticized our processing of disability claims. It is possible that these or future stories have had or will have a detrimental impact on the confidence that individuals and groups that purchase income protection and other insurance products have in us. If this occurs, it will adversely impact our ability to sell and retain insurance policies and adversely impact our results of operations. In addition, as a matter of corporate policy, we investigate material allegations of legal impropriety, including media allegations, and our board of directors has commenced its own inquiries regarding these allegations with the assistance of an outside law firm. These activities are ongoing. To the extent these activities reveal that there have been improprieties in our claims handling practices, this could impact negatively the resolution of the regulatory examinations and civil litigation referred to in this prospectus supplement. In response to litigation, regulatory examinations and press inquiries, we have denied and continue to consistently deny that our claims handling practices involve the improper denial of claims. To date, the board of directors' inquiries have not resulted in findings which cause us to change this view although future findings could result in a different conclusion.

**We and/or our directors and officers have been sued in over 15 purported class action lawsuits alleging various theories of misconduct, principally related to our claims handling practices, and this and other litigation could materially reduce our results of operations, statutory surplus and stockholders' equity and limit our ability to write new business.**

Following and in connection with the adverse publicity referred to above, we and/or our directors and officers have been sued in over 15 purported class action and stockholder derivative lawsuits alleging various theories of misconduct, principally related to our claims processing practices, as well as our accounting for impaired investments. A number of these lawsuits allege wrongful denial or termination of benefits under various legal theories, including RICO, breaches of fiduciary duties in connection with claims handling and improper disclosure in marketing policies. Other lawsuits allege we violated federal and state securities laws by failing to disclose our allegedly improper claims handling practices, issuing misleading financial statements and improperly accounting for impaired investments. These lawsuits may be amended following the announcement of our decision to restate our financial statements in connection with accounting for certain realized investment losses. See Prospectus Supplement Summary Recent Developments Restatement of Financial Statements on page S-11 for discussion of this restatement. Although these actions generally seek compensatory and punitive damages, in some of the cases the plaintiffs are seeking injunctive or other equitable relief.

These lawsuits are in a very preliminary stage. Reserves have not been established for these matters, and adverse outcomes could materially reduce our results of operations, statutory surplus and stockholders' equity, encourage other litigation, and limit our ability to write new business. For a more detailed discussion of these lawsuits, see Note 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated herein by reference. An additional purported class action lawsuit (principally alleging securities law violations) was filed in early April 2003, and other purported class action and shareholder derivative lawsuits may be filed in the future.

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In addition, as part of our normal operations in managing disability claims, we are engaged in claim litigation typically filed on behalf of a single claimant or policyholder involving denial or termination of benefits, and in some of these individual actions punitive damages are sought and

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awarded. For example, on April 2, 2003, an Arizona jury returned a verdict of \$85.7 million against two of our subsidiary insurance companies and another insurer. The verdict included an award of \$79 million in punitive damages. We are presently preparing a series of post-trial motions. Subsequent to this verdict, the United States Supreme Court in a case entitled, *State Farm Mutual Automobile Insurance Co. v. Campbell*, issued a decision providing guideposts for courts on punitive damages which, in our opinion, will significantly increase our chances of successfully challenging the punitive damages award in this Arizona case. Management expects that the ultimate liability, if any, with respect to these types of claim litigation, will not be material to our consolidated financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a particular reporting period and could encourage other litigation.

### **Our ability to write certain new business and our profitability are affected by the availability of reinsurance.**

We purchase reinsurance for certain of the risks underwritten by our insurance company subsidiaries by transferring part of the risk, referred to as ceding, to a reinsurance company in exchange for part of the premium that we will receive in connection with the risk. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase, which may affect the level of business we are able to write and our profitability. We may not be able to maintain our current reinsurance facilities or be able to obtain other reinsurance facilities in adequate amounts and at favorable rates. If we are unable to maintain adequate reinsurance facilities, either our net exposures would increase or, if we are unwilling to bear an increase in net exposures, we would have to reduce the level of our underwriting commitments. Either of these potential developments could adversely affect our business.

### **If we are unable to collect our reinsurance receivables it could adversely affect our results of operations.**

We are a substantial user of reinsurance in our individual income protection, group life, accidental death and dismemberment, travel accident, group long-term income protection, and group short-term income protection lines of business. We have also used reinsurance to dispose of certain of our discontinued and runoff businesses. Although reinsurance makes the reinsurer liable to us to the extent the risk is transferred, it does not relieve us of our liability to our policyholders. At December 31, 2002, we had approximately \$6 billion in reinsurance receivables, comprised primarily of reserves for future claim payments. Approximately 79% of these receivables were concentrated with five reinsurers, all of which are companies rated A or better by AM Best. Virtually all of the remaining 21% is reinsured with companies rated A- or better by AM Best, or with overseas entities that have equivalent ratings. Two companies with B++ ratings hold less than one percent of the reinsurance receivable. The failure of reinsurers to pay amounts due to us on a timely basis or at all would adversely affect our results of operations.

### **The insurance industry is cyclical, which may impact our results.**

The insurance industry is cyclical. Historically, insurers have experienced significant fluctuations in operating results due to volatile and sometimes unpredictable developments, many of which are beyond the direct control of the insurer, including competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions and other factors. As a result, the insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of underwriting capacity permitted favorable premium levels. In particular, the income protection insurance industry has historically tended to higher incidence of new claims and a disproportionate number of large claims during periods of economic downturn. Approximately 30% of our overall block of group income



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protection business is in the manufacturing and wholesale/retail industry segments, which tend to be economically sensitive. We can be expected to experience the effects of such cyclicity, and changes in premium rates, the frequency or severity of claims or other loss events or other factors affecting the insurance industry generally may have a material adverse effect on our results of operations in future periods.

### **A majority of our individual income protection insurance is noncancelable and subject to premiums that cannot be increased.**

A majority of our in-force individual income protection insurance was written on a noncancelable basis. Under a noncancelable policy, as long as the insured continues to pay the fixed annual premium for the policy's duration, we cannot cancel the policy nor can we raise the premium. Due to the noncancelable, fixed premium nature of the policies we marketed in the past, our profitability in this part of the business largely depends upon achieving our pricing assumptions for morbidity, persistency, interest earned rates and expense levels. If our pricing assumptions were incorrect, our profitability will be adversely affected.

Our individual income protection results are negatively affected by business issued during the mid-1990's and prior years, referred to as the "closed" individual income protection block. The closed individual income protection block generally consists of those policies in force prior to our substantial changes in product offerings, pricing, distribution, and underwriting. The premium income for 2002 in our closed individual income protection block was \$1.1 billion, or approximately 65% of the total individual income protection premium for 2002, which was approximately \$1.70 billion. We continue to review internal and external alternatives for improving the overall results of our individual income protection line of business, particularly as related to the closed individual income protection business, however, such alternatives may not be possible to execute.

### **The regulatory system under which we operate and potential changes to it could have a material adverse effect on our business.**

Our insurance company subsidiaries are subject to regulation under the insurance laws of states in which they operate. These laws provide safeguards for policy-owners. They are not intended to protect the interests of shareholders. State insurance commissioners regulate and supervise each of our insurance company subsidiaries. State insurance commissioners have broad statutory powers to grant and revoke licenses, to investigate and fine insurers, to approve premium rates, forms of insurance contracts, and the types and amounts of business which an insurance company may conduct in light of its statutory capital and surplus.

Our insurance company subsidiaries may not be able to obtain or maintain necessary licenses, permits, authorizations or accreditations, or may be able to do so only at great cost. In addition, we may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to insurance companies and insurance holding companies. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on our ability to do business in one or more of the jurisdictions in which we operate and fines and other sanctions, which could have a material adverse effect on our business.

In 1974 Congress passed the Employee Retirement Income Security Act, or ERISA. The purpose of ERISA was to reserve for federal authority the sole power to regulate the field of employee benefits. ERISA eliminated the threat of conflicting or inconsistent state and local regulation of employee benefit plans. In doing so, ERISA pre-empted all state laws except those that specifically

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regulated the business of insurance. ERISA also provides an exclusive remedial scheme for any action brought by ERISA plan participants and beneficiaries. ERISA has allowed plan administrators and plan fiduciaries to manage efficiently employee benefit plans in the United States. Most group long-term and short-term

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income protection plans administered by us are governed by ERISA. Changes to ERISA enacted by Congress or via judicial interpretations could adversely affect the risk of managing employee benefit plans, increase the premiums associated with such plans, and adversely affect our business.

The modernization of the financial services industry as a result of the Gramm-Leach-Bliley Act of 1999 may also affect our future prospects. This legislation eliminated many federal and state barriers to affiliation among banks and securities firms, insurers, and their financial service providers. At the same time, the legislation increased the separation between financial service providers and other non-financial companies. The major effects, other than the potential for increased competition, included new federal privacy rules, a requirement that states enact uniform laws and regulations governing the licensure of individuals and entities authorized to solicit the purchase of insurance within and outside a state, and authority given to promulgate regulations granted to numerous federal agencies.

The USA Patriot Act of 2001 enacted in response to the terrorist attacks on September 11, 2001, contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside of the United States contain some similar provisions. The increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, require the implementation and maintenance of internal practices, procedures and controls.

Compliance with existing and future laws and regulations could require us to make material expenditures or otherwise adversely affect our business or financial results.

### **We are in an intensely competitive business and compete based on a number of factors.**

There is intense competition among insurance companies for the products we offer. Some of our competitors are larger and have greater financial resources than we. At the end of 2002, there were over 1,800 legal reserve life insurance companies in the United States, many offering one or more insurance products similar to those we market. In the individual and group income protection markets, we compete in the United States and Canada with the largest insurance companies and regionally with other insurance companies offering specialty products. Our principal competitors for group life and long-term care products include the largest insurance companies in the United States.

All areas of the employer provided benefits markets are highly competitive due to the yearly renewable term nature of the products and the large number of insurance companies offering products in this market. We compete with other companies in attracting and retaining independent agents and brokers to actively market our products. The principal competitive factors affecting our business are integrated product choices, price and quality of customer service and claims management.

We also compete based on the financial strength ratings provided by rating agencies. The recent downgrade of our financial strength ratings described under Prospectus Supplement Summary Recent Developments Ratings, could adversely affect us and any further ratings downgrades (or the potential for such downgrades) could, among other things, materially increase surrender levels, adversely affect relationships with distributors of our products and services, negatively impact persistency, adversely affect



our ability to compete and thereby materially and adversely affect our business, financial condition and results of operations.

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**Our disciplined approach in the re-pricing of renewal business may lead to lower profit margins.**

Our renewal programs have generally been successful at retaining business that is relatively more profitable than business that terminated. We expect that the additional premium and related profits associated with renewal activity will continue to emerge. We intend to maintain a disciplined approach in the re-pricing of renewal business, while balancing the need to maximize persistency and retain producer relationships. This disciplined approach may lead to lower profit margins or slower growth in earned premiums on affected renewal cases than we originally planned.

**Our pricing actions cannot entirely respond to changes in claim liabilities.**

We monitor claims experience in group income protection and respond to changes by periodically adjusting prices, refining underwriting guidelines, changing product features and strengthening risk management policies and procedures. We expect to price new business and re-price existing business, at contract renewal dates, in an attempt to mitigate the effect of these and other factors, including interest rates, on new claim liabilities. However, given the competitive market conditions for our income protection products, we do not believe pricing actions can entirely mitigate these effects.

**The sales growth rate in our group life line of business may continue at a lower level than that experienced in recent years.**

We have implemented several actions in the group life line of business, including tighter underwriting guidelines and pricing changes, and are developing case specific remedial plans for this under-performing business. We believe these actions will improve profitability for group life, but it is uncertain whether these actions will restore the profitability that this line of business has historically reported. As a result of these actions, we expect that the sales growth rate in this business may continue at a lower level than that experienced in recent years.

**Our focus on large employers, executive benefits and voluntary benefits may cause our results to fluctuate and slow the rate of our long-term sales growth.**

We have national practice groups that specialize in employer provided plans for employees, executive benefit plans for multi-life employee groups, and voluntary products sold to groups of employees through payroll deduction at the workplace. These national practice groups partner with our sales force and representatives from claims, customer service, and underwriting to present coverage solutions to potential customers and to manage existing customer accounts. We expect that this organizational focus on customers will continue to favorably affect sales growth. However, we intend to maintain pricing discipline to balance our sales growth and profitability, which may slow the rate of our long-term sales growth. Furthermore, our focus on large employers can cause our results to fluctuate since sales related to employer provided benefits can fluctuate significantly due to large case size and timing of sales submissions.

**Changes in federal income tax law could make some of our products less attractive to consumers.**

We market accident and health insurance products that qualify as fringe benefits that can be purchased with pre-tax employee dollars as part of a flexible benefits program pursuant to Section 125 of the Internal Revenue Code. Flexible benefits programs assist employers in managing benefit and compensation packages and provide policyholders the ability to choose benefits that best meet their needs. Although we believe our products provide value to our policyholders which will remain even if the tax advantages are eliminated, a change in the law that limits or eliminates fringe benefits available on a pre-tax basis could adversely affect our ability to market these products and adversely affect our profitability.

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**Risk Factors Related to the Units**

**You will bear the entire risk of a decline in the price of our common stock.**

The market value of the common stock you will purchase on the stock purchase date may be materially lower than the price per share that the purchase contract requires you to pay. If the average of the closing price per share of our common stock over the 20 trading-day period ending on the third trading day immediately preceding the stock purchase date is less than \$      per share, on the stock purchase date, you will be required to purchase shares of common stock at a price per share of \$      . Accordingly, a holder of units assumes the entire risk that the market value of our common stock may decline and that the decline could be substantial.

**You will receive only a portion of any appreciation in the common stock price.**

The aggregate market value of our common stock you will receive upon settlement of a purchase contract generally will exceed the stated amount of \$25 only if the average of the closing price per share of common stock over the 20 trading-day period ending on the third trading day immediately preceding the stock purchase date equals or exceeds \$      , which we refer to as the threshold appreciation price. The threshold appreciation price represents an appreciation of % over \$      . If the applicable average closing price exceeds \$      , which is referred to as the reference price, but falls below the threshold appreciation price, you will realize no equity appreciation on the shares of common stock for the period during which you own a unit. Furthermore, if the applicable average closing price exceeds the threshold appreciation price, the value of our common stock you will receive under the purchase contract will be approximately % of the value of the shares of common stock you could have purchased with \$25 at the time of the offering. During the period prior to settlement, an investment in the units affords less opportunity for equity appreciation than a direct investment in our common stock.

**The trading price of our common stock and the general level of interest rates and our credit quality will directly affect the trading price for the units.**

It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Our operating results and prospects and economic, financial and other factors will affect trading prices of our common stock and the units. In addition, market conditions can affect the capital markets generally, thereby affecting the price of our common stock. These conditions may include the level of, and fluctuations in, the trading prices of stocks generally and sales of substantial amounts of our common stock in the market after the concurrent common stock offering or the perception that those sales could occur. Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common stock underlying the purchase contracts and of the other components of the units. The arbitrage could, in turn, negatively affect the trading prices of the units and our common stock.

**You may suffer dilution of the common stock issuable upon settlement of your purchase contract.**

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The number of shares of our common stock issuable upon settlement of your purchase contract is subject to adjustment only for stock splits and combinations, stock dividends and specified other transactions that significantly modify our capital structure. The number of shares of common stock issuable upon settlement of each purchase contract is not subject to adjustment for other events, including employee stock option grants, ordinary dividends, offerings of shares of common stock for cash, or in connection with acquisitions or other transactions which may adversely affect the price of the shares of common stock. The terms of the units do not restrict our ability to offer shares of common stock in the future or to engage in other transactions that could dilute the shares of common stock. We

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have no obligation to consider the interests of the holders of the units in engaging in any such offering or transaction. If we issue additional shares of common stock, that issuance may materially and adversely affect the price of our common stock and, because of the relationship of the number of shares of common stock holders are to receive on the stock purchase date to the price of our common stock, such other events may adversely affect the trading price of the units.

### **You will have no rights as common shareholders but will be subject to all changes with respect to our common stock.**

Until you acquire shares of common stock upon settlement of your purchase contract, you will have no rights with respect to our common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the shares of common stock. Future dividend payments will depend on our level of earnings, financial requirements and other relevant factors. Only holders of our common stock, not holders of units, will receive such dividends. Upon settlement of your purchase contract, you will be entitled to exercise the rights of a holder of our common stock only as to actions for which the record date occurs after the settlement date.

### **Your pledged securities will be encumbered.**

Although holders of units will hold beneficial ownership interests in the underlying pledged senior notes or treasury securities, the holders will pledge those securities with the collateral agent to secure their obligations under the related purchase contracts. Therefore, for so long as the purchase contracts remain in effect, holders will not be allowed to withdraw their ownership interest in the pledged senior notes or treasury securities from this pledge arrangement, except upon substitution of other securities as described in this prospectus supplement.

### **The purchase contract agreement will not be qualified under the Trust Indenture Act. The obligations of the purchase contract agent will be limited.**

The purchase contract agreement relating to the units will not be qualified under the Trust Indenture Act. The purchase contract agent under the purchase contract agreement, who will act as the agent and the attorney-in-fact for the holders of the units, will not be qualified as a trustee under the Trust Indenture Act. Accordingly, holders of the units will not have the benefits of the protections of the Trust Indenture Act other than to the extent applicable to a senior note included in a unit or as specified in the purchase contract agreement, such as the right to cause the purchase contract agent to be removed for conflicting interests, as defined in the Trust Indenture Act. Under the terms of the purchase contract agreement, the purchase contract agent will have only limited obligations to the holders of the units.

If a security is issued under an indenture, you as a holder would generally have the following additional protections: (1) provisions that obligate an indenture trustee, within 90 days of ascertaining that it has a conflicting interest, to either eliminate the conflicting interest or resign, (2) provisions that prevent an indenture trustee, which is also a creditor of the issuer from improving its own credit position at the expense of you as the security holder immediately before or after an indenture default; and (3) the requirement that the indenture trustee deliver reports at least once a year with respect to the indenture trustee and the securities issued under the indenture.

**The secondary market for the units may be illiquid.**

We are unable to predict how the units will trade in the secondary market or whether that market will be liquid or illiquid. There is currently no secondary market for the units. Although we intend to apply to list the normal units on the New York Stock Exchange, no assurances can be given that the

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application for listing will be approved and we have no obligation or current intention to apply for any separate listing of the stripped units or the senior notes on any stock exchange. We can give you no assurance as to the liquidity of any market that may develop for the normal units, the stripped units or the senior notes, your ability to sell such securities or whether a trading market, if it develops, will continue. In addition, in the event that sufficient numbers of normal units are converted to stripped units, the liquidity of normal units could decrease. It is possible that the normal units, and the stripped units or senior notes if they are ever listed, could be delisted from the New York Stock Exchange or that trading in the normal units, stripped units or senior notes could be suspended as a result of elections to create stripped units or recreate normal units through the substitution of collateral that causes the number of these securities to fall below the applicable requirements for listing securities on the New York Stock Exchange.

### **Holders of senior notes have only limited rights of acceleration.**

Holders of senior notes may accelerate payment of the principal and accrued and unpaid interest on the senior notes only upon the occurrence and continuation of an event of default. An event of default is generally limited to payment defaults, breaches of specific covenants and specific events of bankruptcy, insolvency and reorganization relating to us.

### **Delivery of the securities under the pledge agreement is subject to potential delay if we become subject to a bankruptcy proceeding.**

Notwithstanding the automatic termination of the purchase contracts, if we become the subject of a case under the federal bankruptcy code, the imposition of an automatic stay under Section 362 of the federal bankruptcy code may delay the delivery to you of your securities being held as collateral under the pledge arrangement and such delay may continue until the automatic stay has been lifted. The automatic stay will not be lifted until such time as the bankruptcy judge agrees to lift it and allows your collateral to be returned to you.

### **We may redeem the senior notes upon the occurrence of a special event.**

We have the option to redeem the senior notes, on not less than 30 days nor more than 60 days prior written notice, in whole but not in part, at any time if a special event occurs and continues under the circumstances described in this prospectus supplement. See Description of the Senior Notes Special Event Redemption. If we exercise this option, the senior notes will be redeemed at the redemption price described later in this prospectus supplement. If the senior notes are redeemed, we will pay the redemption price in cash to the holders of ownership interests in the senior notes. If the special event redemption occurs prior to the earlier of the stock purchase date or a successful remarketing of the senior notes, the redemption price payable to you as a holder of the normal units will be distributed to the collateral agent, who in turn will apply an amount equal to the redemption price to purchase a portfolio of zero coupon U.S. treasury securities on your behalf, and will remit the remainder of the redemption price, if any, to you, and these treasury securities will be substituted for the senior notes as collateral to secure your obligations under the purchase contracts related to the normal units. If your senior notes are not components of normal units, you, rather than the collateral agent, will receive the related redemption payments. We can give you no assurance as to the effect on the market prices for the normal units if we substitute the treasury securities as collateral in place of any senior notes so redeemed. A special event redemption will be a taxable event to the holders of the senior notes.



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**Because we are a holding company with no operations of our own, our obligations under the senior notes and the purchase contracts are effectively subordinated to the obligations of our subsidiaries.**

We are a holding company with no operations of our own. Our ability to pay our obligations under the purchase contracts and the senior notes is dependent upon our ability to obtain cash dividends or other cash payments or loans from our subsidiaries. Our operating subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to pay any dividends or make any other distributions (except for payments required pursuant to the terms of inter-company indebtedness) to us. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances.

In addition, because we are a holding company, except to the extent that we have priority or equal claims against our subsidiaries as a creditor, our obligations under the senior notes and the purchase contracts will be effectively subordinated to the obligations of our subsidiaries.

Any deterioration in our financial condition could adversely affect our ability to make quarterly interest payments on and to repay the principal amount of the senior notes, and may also make it more difficult to remarket the senior notes successfully. Unless the purchase contracts are terminated because of our bankruptcy, insolvency or reorganization, on the stock purchase date we will issue the required number of shares notwithstanding any decline in value of the senior notes included in the normal units. Nevertheless, any deterioration in our financial condition would have an adverse impact on the value of separate notes.

**We may defer contract adjustment payments.**

We have the option to defer the payment of all or part of the contract adjustment payments on the purchase contracts forming a part of the units until no later than the stock purchase date. However, deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of % per year (compounded quarterly) until paid. If the purchase contracts are terminated due to our bankruptcy, insolvency or reorganization, the right to receive contract adjustment payments and deferred contract adjustment payments, if any, will also terminate.

**The U.S. federal income tax consequences of the purchase, ownership and disposition of the units are unclear.**

No statutory, judicial or administrative authority directly addresses the treatment of the units or instruments similar to the units for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of the purchase, ownership and disposition of the units are not entirely clear. In addition, if the senior notes are (as we believe they should be) treated as contingent payment debt instruments, any gain on the disposition of a senior note prior to the date on which the interest rate on the senior note is reset generally should be treated as ordinary interest income; thus, the ability to offset such interest income with a loss, if any, on a purchase contract may be limited.

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Assuming the senior notes are classified as contingent payment debt instruments, you will have to include interest in your taxable income in excess of current cash flows, and gain recognized on your disposition of a senior note will generally be treated as ordinary interest income.

Because of the manner in which the interest rate on the senior notes is reset, we believe the senior notes should be classified as contingent payment debt instruments subject to the noncontingent bond method for accruing original issue discount for United States income tax purposes. Assuming

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the senior notes are so treated, original issue discount will accrue from the issue date of the senior notes and will be included in your gross income for United States income tax purposes on a constant yield-to-maturity basis, regardless of your usual method of tax accounting, and adjustments will be made to reflect actual payments on the senior notes. For all accrual periods ending on or prior to \_\_\_\_\_, 2006, and possibly thereafter, the original issue discount that accrues on the senior notes will exceed the stated interest payments on the senior notes. In addition, any gain on the disposition of a senior note before the stock purchase date will generally be treated as ordinary interest income, and the ability to offset this interest income with a loss, if any, on a purchase contract may be limited.

### **The trading price of the senior notes may not fully reflect the value of their accrued but unpaid interest.**

The senior notes may trade at a price that does not fully reflect the value of their accrued but unpaid interest. If you dispose of your senior notes between record dates for interest payments, you will be required to include in gross income the daily portions of original issue discount through the date of disposition as ordinary income, and to add this amount to your adjusted tax basis in the senior notes disposed of. To the extent the selling price is less than your adjusted tax basis, you will recognize a loss. Some or all of this loss may be capital loss. The deductibility of capital losses for U.S. federal income tax purposes is subject to certain limitations.

## **Risks Related to Our Common Stock**

### **The price of our common stock has recently experienced significant volatility, which could adversely affect the value of your investment.**

For the period from January 1, 2002 to April 24, 2003, the high and low prices at which our common stock has traded on the New York Stock Exchange have been \$29.45 and \$5.97, respectively. This volatility in the price of our common stock may continue in the future. To the extent that this volatility continues, investors may perceive our common stock as a less desirable investment, and our common stock may trade at prices lower than those at which it would trade in the absence of this volatility.

### **We may not make dividend payments on our common stock.**

Future dividend payments will depend upon the dividends we receive from our insurance company subsidiaries, our level of earnings, financial requirements and ability to obtain debt or equity financing, and other relevant factors. On April 25, 2003, we announced as part of our financial restructuring plan that we intend to reduce our annual dividend on our common stock from \$.59 per share to \$.30 per share, commencing with the dividend payable on May 16, 2003, which we believe will make our dividend payout and yield more comparable to our peer companies and will reduce and potentially eliminate any need for our insurance company subsidiaries to pay any dividends to us during the remainder of 2003. We cannot assure you that our board of directors will not decide in the future to reduce further the amount of dividends we pay, if they believe it is in our best interests.

### **Regulatory requirements, provisions of our restated certificate of incorporation and restated by-laws could delay, deter or prevent a takeover attempt that stockholders might consider in their best interests.**

Most states, including the states in which our insurance company subsidiaries are domiciled, have laws and regulations that require regulatory approval of a change in control of an insurer or an insurer's holding company. Where such laws and regulations apply to us and our insurance company

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subsidiaries, there can be no effective change in our control unless the person seeking to acquire control has filed a statement with specified information with the insurance regulators and has obtained prior approval for the proposed change from such regulators. The usual measure for a presumptive change in control pursuant to these laws is the acquisition of 10% or more of the voting stock of an insurance company or its parent, although this presumption is rebuttable. Consequently, a person may not acquire, including by purchases of shares in this offering, 10% or more of our common stock without the prior approval of the insurance regulators in the states in which we and our insurance company subsidiaries are domiciled.

Our restated certificate of incorporation and restated by-laws also contain provisions that may delay, deter or prevent a takeover attempt that stockholders might consider in their best interests. These provisions, which we describe under Description of Common Stock Certain Provisions That May Have an Anti-Takeover Effect in the accompanying prospectus, may adversely affect prevailing market prices for our common stock and include:

classification of our board of directors into three classes that serve staggered three-year terms;

a prohibition on entering into a business combination with a person who is an interested stockholder unless the business combination transaction is approved by a supermajority vote;

restrictions on the calling of special meetings of stockholders;

a prohibition on stockholders taking action by written consent; and

a supermajority voting requirements for the amendment of certain provisions of our restated certificate of incorporation and restated by-laws.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus contain or incorporate statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements can be identified by the use of forward-looking language such as may, should, believes, expects, anticipates, estimates, intends, projects, goals, or other similar expressions. Our actual results, performance or achievements could be materially different from the results expressed in, or implied by, those forward-looking statements. Those statements are subject to risks and uncertainties, including but not limited to, the risks described in this prospectus supplement and the accompanying prospectus and other documents incorporated by reference. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this prospectus supplement and the accompanying prospectus.

Factors that may cause our actual results to differ materially from those we contemplate by the forward-looking statements include, among others, the following:

Insurance reserve liabilities may fluctuate as a result of changes in numerous factors, and such fluctuations can have material positive or negative effects on our net income.

Actual persistency may be lower than projected persistency, resulting in lower than expected revenue and higher than expected amortization of deferred policy acquisition costs.

Incidence and recovery rates may be influenced by, among other factors, the emergence of new diseases, new trends and developments in medical treatments, and the effectiveness of risk management programs.

Retained risks in our reinsurance operations are influenced primarily by the credit risk of the reinsurers and potential contract disputes. Any material changes in the reinsurers' ability or willingness to pay according to the terms of the contract could have material effects on results.

Effectiveness in supporting new product offerings and providing customer service may not meet our expectations.

Sales growth may be less than planned, which could affect our revenue and profitability.

Actual experience in pricing, underwriting, and reserving may deviate from our assumptions.

Competitive pressures in the insurance industry may increase significantly through industry consolidation or otherwise.

General economic or business conditions, both domestic and foreign, may be less favorable than we expect, which may affect premium levels, claims experience, the level of pension benefit costs and funding, and investment results, including credit deterioration of investments.

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Investment results, including, but not limited to, realized investment losses resulting from impairments, may differ from prior experience and negatively affect our results.

Legislative, regulatory, or tax changes, both domestic and foreign, may adversely affect the businesses in which we are engaged.

Rating agency actions, state insurance department actions, and negative media attention may adversely affect our business.

Changes in the interest rate environment may adversely affect our reserve and policy assumptions and ultimately decrease profit margins.

The level and results of litigation may vary from prior experience.

Events or consequences relating to terrorism and acts of war, both domestic and foreign, may adversely affect our business and the availability and cost of reinsurance.

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For further discussion of risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see Risk Factors.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except as required under federal securities laws, we do not intend, and assume no obligation, to update any particular forward-looking statement included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

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**Table of Contents****USE OF PROCEEDS**

We estimate that our net proceeds from our sale of 20,000,000 units in this offering and 43,800,000 shares of common stock in the concurrent offering after deducting underwriting discounts and commissions and estimated offering expenses, to be approximately \$ million or approximately \$ million if the underwriters for the common stock offering exercise in full their option to purchase additional shares of common stock.

We intend to use the net proceeds from this offering and the concurrent offering of shares of common stock to reduce inter-company loans from our insurance company subsidiaries and to increase the capitalization of our insurance company subsidiaries. We intend to use the remainder of the net proceeds, if any, for other general corporate purposes.

Pending these uses, we will invest the net proceeds in highly liquid short-term debt securities.

**PRICE RANGE OF COMMON STOCK AND DIVIDENDS**

Our common stock is listed and traded on the New York Stock Exchange under the symbol UNM . The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the New York Stock Exchange and the amount of per-share dividends declared on our common stock.

	<u>High</u>	<u>Low</u>	<u>Dividend</u>
<b>2001</b>			
1st Quarter	\$ 30.4400	\$ 23.8125	\$ 0.1475
2nd Quarter	33.7500	27.0300	0.1475
3rd Quarter	33.0100	22.2500	0.1475
4th Quarter	27.3500	22.4100	0.1475
<b>2002</b>			
1st Quarter	\$ 29.7000	\$ 25.9800	\$ 0.1475
2nd Quarter	29.4900	24.0000	0.1475
3rd Quarter	25.4000	17.6400	0.1475
4th Quarter	21.4900	16.3000	0.1475
<b>2003</b>			
1st Quarter	\$ 19.5400	\$ 5.9100	\$ 0.1475
2nd Quarter (through April 25, 2003)	12.6000	8.7000	

On April 25, 2003, the last reported sale price for our common stock was \$9.12 per share. As of April 25, 2003, there were 20,266 holders of record of our common stock.

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On April 25, 2003, we announced as part of our proposed financial restructuring plan that we intend to reduce our annual dividend on our common stock from \$0.59 per share to \$0.30 per share, commencing with the dividend payable on May 16, 2003, which we believe will make our dividend payout and yield more comparable to our peer companies and will reduce and potentially eliminate any need for our insurance company subsidiaries to pay any dividends to us during the remainder of 2003. Future dividend payments will depend on the dividends we receive from our insurance company subsidiaries, our level of earnings, financial requirements and ability to obtain debt or equity financing, and other relevant factors.

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**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of December 31, 2002 and as adjusted to give effect to:

the issuance of 20,000,000 units in this offering and the anticipated application of the estimated net proceeds as described under Use of Proceeds ; and

the issuance of 43,800,000 shares of our common stock in the concurrent common stock offering, assuming no exercise of the underwriters' option to purchase additional shares of common stock, and the anticipated application of the estimated net proceeds as described under Use of Proceeds .

You should read the following table in conjunction with our annual report on Form 10-K for the year ended December 31, 2002, incorporated herein by reference.

	December 31, 2002		
	Actual	As Adjusted for this Offering	As Adjusted for this Offering and the Concurrent Common Stock Offering
	(in millions)		
Short-term debt	\$ 255.0	\$ 20.0	\$ 20.0
Long-term debt	1,914.0	2,414.0	2,414.0
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debt securities of the company	300.0	300.0	300.0
<b>Total</b>	<b>2,469.0</b>	<b>2,734.0</b>	<b>2734.0</b>
<b>Stockholders' equity</b>			
Common stock, \$0.10 par value; authorized: 725,000,000 shares; issued: 243,538,355 shares (287,338,355 shares as adjusted)	24.4	24.4	28.8
Preferred stock, \$0.10 par value authorized: 25,000,000 shares; issued: 0 shares			
Additional paid-in capital	1,086.8	1,075.5 <sup>(1)</sup>	1,452.6 <sup>(1)</sup>
Accumulated other comprehensive income	777.4	777.4	777.4
Retained earnings	5,011.4	5,011.4	5,011.4
Treasury stock at cost: 1,951,095 shares	(54.2)	(54.2)	(54.2)
Deferred compensation	(2.6)	(2.6)	(2.6)
<b>Total stockholders' equity</b>	<b>6,843.2</b>	<b>6,831.9</b>	<b>7,213.4</b>
<b>Total capitalization</b>	<b>\$ 9,312.2</b>	<b>\$ 9,565.9</b>	<b>\$ 9,947.4</b>

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- (1) Reflects an adjustment representing the present value of the contract adjustment payments payable in connection with the purchase contracts contained in the units.

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**ACCOUNTING TREATMENT**

**General**

The proceeds from the sale of the units will be allocated between the purchase contracts and the senior notes based on the fair value of each at the date of the offering. We expect the fair value of each purchase contract to be \$ .

We will recognize the present value of the quarterly purchase contract adjustment payments as a liability with an offsetting reduction in stockholders' equity. The quarterly purchase contract adjustment payments will be allocated between the liability recognized at the date of issuance and interest expense based on a constant rate calculation over the term of the purchase contract.

The quarterly and, after a successful remarketing, semi-annually interest payments on the senior notes will be recognized as interest expense.

The purchase contracts are forward transactions in our common stock. Upon settlement of a purchase contract, we will receive \$25 on that purchase contract and will issue the requisite number of shares of our common stock. The \$25 we receive will be credited to stockholders' equity and allocated between our common stock and additional paid-in capital accounts.

Fees and expenses incurred in connection with this offering will be allocated between the senior notes and the purchase contracts. The amount allocated to the senior notes will be deferred and recognized as interest expense over the term of the senior notes. The amount allocated to the purchase contracts will be charged to stockholders' equity. When we settle the purchase contracts, we will issue the requisite number of shares of our common stock, and the amount we receive will be added to stockholders' equity and allocated between common stock and additional paid-in capital.

**Earnings per Share**

Before the settlement of the purchase contracts, we will consider the common stock to be issued under the purchase contracts in our calculation of diluted earnings per share using the treasury stock method. Under this method, we will increase the number of shares of our common stock used in calculating diluted earnings per share by the excess, if any, of the number of shares we would be required to issue to settle the purchase contracts over the number of shares that we could purchase using the proceeds from the settlement of the purchase contracts. We anticipate that there will be no dilution of our earnings per share except during the periods when the average price of our common stock is above \$ per share.

**Other Matters**

Both the Financial Accounting Standards Board and its Emerging Issues Task Force continue to study the accounting for financial instruments and derivative instruments, including instruments such as the units. It is possible that our accounting for the purchase contracts and the senior notes could be affected by any new accounting rules that might be issued by these groups.

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**DESCRIPTION OF THE EQUITY SECURITY UNITS**

*We summarize below the principal terms of the equity security units, which we refer to as the units, and the purchase contracts and senior notes that comprise the units. The following description is not complete, and we refer you to the agreements that will govern your rights as a holder of units. See Where You Can Find More Information in the accompanying prospectus.*

**Overview**

Each unit will have a stated amount of \$25. Each unit will initially consist of and represent:

- (1) a purchase contract pursuant to which:

you will agree to purchase, and we will agree to sell, for \$25, shares of our common stock on the stock purchase date, the number of which will be determined by the settlement rate described below, based on the average trading price of the common stock for a period preceding the stock purchase date, calculated in the manner described below; and

we will pay you contract adjustment payments on a quarterly basis at the annual rate of % of the stated amount of \$25, subject to our right to defer such payments as specified below; and

- (2) a  $\frac{1}{40}$ , or 2.5%, ownership interest in a senior note due , 2008 of UnumProvident, with a principal amount of \$1,000, on which we will pay interest at the initial annual rate of % until the settlement date of a successful remarketing of the senior notes and at the reset rate (as described below) thereafter. Interest will be payable quarterly in arrears on and prior to the stock purchase date and semi-annually in arrears thereafter.

You will own the ownership interests in senior notes that are a component of your units, but initially you will pledge them to the collateral agent for our benefit to secure your obligations under the related purchase contracts. Each holder of normal units may elect at any time on or before the seventh business day prior to the stock purchase date (subject to certain exceptions) to withdraw from the pledge the pledged senior notes or, after a successful remarketing or special event redemption described below, the pledged treasury securities underlying the normal units by substituting, as pledged securities, specifically identified treasury securities that will pay at maturity an amount equal to the aggregate principal amount of the senior notes or treasury consideration, as the case may be, for which substitution is being made. Upon such substitution, the pledged senior notes or pledged treasury securities, as the case may be, will be released from the pledge and delivered to the holder. The normal units would then become stripped units. Holders of stripped units may recreate normal units by re-substituting senior notes or, after a successful remarketing or a special event redemption, the applicable specified treasury securities, for the treasury securities underlying the stripped units.

We will enter into:

a purchase contract agreement with JPMorgan Chase Bank, as purchase contract agent, governing the appointment of the purchase contract agent as the agent and attorney-in-fact for the holders of the units, the purchase contracts, the transfer, exchange or replacement of certificates representing the units and certain other matters relating to the units; and

a pledge agreement with BNY Midwest Trust Company, as collateral agent, custodial agent and securities intermediary, creating a pledge and security interest for our benefit to secure the obligations of holders of units under the purchase contracts.

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As a beneficial owner of the units, you will be deemed to have:

irrevocably agreed to be bound by the terms of the purchase contract agreement, the pledge agreement and your purchase contract for so long as you remain a beneficial owner of such units; and

appointed the purchase contract agent under the purchase contract agreement as your agent and attorney-in-fact to enter into and perform the purchase contract and pledge agreement on your behalf and in your name.

In addition, as a beneficial owner of the units, you will be deemed by your acceptance of the units to have agreed, for all tax purposes, to treat yourself as the owner of the related interests in the senior notes or the treasury securities, as the case may be, and to treat your interest in the senior notes as our indebtedness.

We will allocate \$ \_\_\_\_\_ of the purchase price of each unit to the ownership interest in the related senior note and \$ \_\_\_\_\_ to the related purchase contract on our consolidated financial statements.

### **Creating Stripped Units and Recreating Normal Units**

Holders of normal units will have the ability to strip those units and take delivery of the pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities, creating stripped units, and holders of stripped units will have the ability to recreate normal units from their stripped units by depositing senior notes or, after a successful remarketing or special event redemption, the applicable treasury securities as described in more detail below. Holders who elect to create stripped units or recreate normal units will be responsible for any related fees or expenses.

#### ***Creating Stripped Units***

Each holder of normal units may create stripped units and withdraw the pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities underlying the normal units by substituting, as pledged securities, the treasury securities described below in a total principal amount at maturity equal to the aggregate principal amount of the senior notes or treasury securities, as the case may be, for which substitution is being made. Holders of normal units may create stripped units at any time on or before the seventh business day prior to the stock purchase date, except that they may not create stripped units during the period from four business days prior to the first day of the first or second remarketing period until the expiration of three business days after the end of that period.

Because treasury securities are issued in integral multiples of \$1,000, holders of normal units may make the substitution only in integral multiples of 40 normal units. However, after a successful remarketing of the senior notes or the occurrence of a special event redemption, the holders may make the substitution only in integral multiples of normal units such that both the treasury securities to be deposited and the treasury securities to be released are in integral multiples of \$1,000. In order to create 40 stripped units, a normal unit holder must substitute, as pledged securities, zero coupon U.S. treasury securities (CUSIP No. \_\_\_\_\_)

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which mature on \_\_\_\_\_, 2006 and will pay \$1,000 at maturity. Upon creation of the stripped units, the treasury securities will be pledged with the collateral agent to secure your obligation to purchase the shares of common stock under your purchase contract, and the pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities underlying the normal units will be released to the unit holder.

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To create stripped units, you must:

deposit with the collateral agent the treasury securities described above, which will be substituted for the pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities underlying your normal units and pledged to the collateral agent to secure your obligation to purchase our common stock under your purchase contract;

transfer the normal units to the purchase contract agent; and

deliver a notice to the purchase contract agent stating that you have deposited the specified treasury securities with the collateral agent and are requesting that the purchase contract agent instruct the collateral agent to release to you the pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities underlying the normal units.

Upon the deposit and the receipt of an instruction from the purchase contract agent, the collateral agent will effect the release to the purchase contract agent of the underlying pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities from the pledge under the pledge agreement free and clear of our security interest. The purchase contract agent will:

cancel the related normal units;

transfer to you the underlying pledged senior notes or, after a successful remarketing or special event redemption, the pledged treasury securities; and

deliver to you the stripped units.

Any senior notes or treasury securities, as the case may be, released to you will be tradable separately from the resulting stripped units. Interest on the senior notes will continue to be payable in accordance with their terms.

***Recreating Normal Units***

Each holder of stripped units may recreate normal units by substituting, as pledged securities, senior notes or, after a successful remarketing or special event redemption, the applicable treasury securities then constituting a part of the normal units for the treasury securities underlying the stripped units. Holders may recreate normal units at any time on or before the seventh business day prior to the stock purchase date, except that they may not recreate normal units during the period from four business days prior to the first day of the first or second remarketing period until the expiration of three business days after the end of that period.

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Upon recreation of normal units, the senior notes or, after a successful remarketing or special event redemption, the applicable treasury securities will be pledged with the collateral agent to secure the holder's obligation to purchase shares of common stock under the purchase contract, and the treasury securities underlying the stripped units will be released to the unit holder. Because treasury securities are issued in integral multiples of \$1,000, holders of stripped units may make the substitution only in integral multiples of 40 stripped units. If, however, treasury securities have replaced the senior notes as a component of the normal units as the result of a successful remarketing of the senior notes or a special event redemption, holders of the stripped units may make this substitution using the applicable treasury securities instead of senior notes and only in integral multiples of stripped units such that both the treasury securities to be deposited and the treasury securities to be released are in integral multiples of \$1,000.

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To recreate normal units from stripped units, you must:

deposit with the collateral agent:

if the substitution occurs prior to a successful remarketing of the senior notes or the occurrence of a special event redemption, senior notes having an aggregate principal amount equal to the aggregate stated amount of your stripped units; or

if the substitution occurs after a successful remarketing of the senior notes or the occurrence of a special event redemption, the applicable treasury securities then constituting a part of the normal units;

transfer the stripped units to the purchase contract agent; and

deliver a notice to the purchase contract agent stating that you have deposited the senior notes or, after a successful remarketing or special event redemption, the applicable treasury securities with the collateral agent and are requesting that the purchase contract agent instruct the collateral agent to release to you the pledged treasury securities underlying those stripped units.

The senior notes or, after a successful remarketing or special event redemption, the applicable treasury securities will be substituted for the pledged treasury securities underlying your stripped units and will be pledged with the collateral agent to secure your obligation to purchase shares of common stock under your purchase contract.

Upon the deposit and receipt of an instruction from the purchase contract agent, the collateral agent will effect the release to the purchase contract agent of the underlying pledged treasury securities from the pledge under the pledge agreement free and clear of our security interest. The purchase contract agent will:

cancel the related stripped units;

transfer the underlying treasury securities to you; and

deliver the normal units to you.

**Current Payments**

If you hold normal units, you will receive payments consisting of:

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quarterly contract adjustment payments on the purchase contracts at the annual rate of \_\_\_\_\_ % of the \$25 stated amount through and including the stock purchase date;

quarterly interest payments on the senior notes pledged in respect of your normal units at the annual rate of \_\_\_\_\_ % of the principal amount until a successful remarketing of the senior notes; and

if your senior notes are successfully remarketed, a cash payment on the stock purchase date in respect of each of your normal units equal to  $\frac{1}{40}$ , or 2.5%, of a quarterly interest payment payable on the \$1,000 principal amount of a senior note at the initial annual rate of \_\_\_\_\_ %.

If you hold stripped units and do not separately hold senior notes, you will receive only quarterly contract adjustment payments on the purchase contracts at the annual rate of \_\_\_\_\_ % of the \$25 stated amount through and including the stock purchase date. However, you will be required for U.S. federal income tax purposes to recognize original issue discount on the pledged treasury securities on a constant yield basis or acquisition discount on the treasury securities when it is paid or accrues generally in accordance with your regular method of tax accounting.

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We may defer the contract adjustment payments until no later than the stock purchase date as described below. If we defer any of these payments, we will accrue additional payments on the deferred amounts at the annual rate of % until paid. We are not entitled to defer interest payments on the senior notes.

We are a holding company with no operations of our own. Our ability to pay our obligations under the purchase contracts and the senior notes is dependent upon our ability to obtain cash dividends or obtain loans from our subsidiaries. We and our operating subsidiaries are separate and distinct legal entities and they will have no obligation, contingent or otherwise, to pay any dividends or make any other distributions (except for payments required pursuant to the terms of inter-company indebtedness) to us. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances. See Business Regulation in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2002.

In addition, because we are a holding company, except to the extent that we have priority or equal claims against our subsidiaries as a creditor, our obligations under the senior notes and the purchase contracts will be effectively subordinated to the obligations of our subsidiaries because, as a shareholder of our subsidiaries, we will be subject to the prior claims of their creditors.

If you hold senior notes separately from the units and do not separately hold stripped units, you will receive only the interest payable on the senior notes. The senior notes, whether held separately from or as part of the units, will pay interest at the initial annual rate of % of the principal amount of \$1,000 per senior note until the settlement date of a successful remarketing or, if no remarketing occurs, until maturity. If there is a successful remarketing of the senior notes, the rate of interest payable from the settlement date of the successful remarketing until their maturity on , 2008 will be the reset rate, which will be a rate established by the remarketing agent that meets the requirements described under Remarketing. However, if a reset rate meeting the requirements described in this prospectus supplement cannot be established on a remarketing date, the interest rate will not be reset on such date and will continue to be the initial annual rate of % until a reset rate meeting the requirements described in this prospectus supplement can be established on a later date no later than the third business day prior to the stock purchase date. If no remarketing occurs on or prior to the third business day prior to the stock purchase date, the initial rate will continue to be the rate at which the senior notes accrue interest until maturity of the senior notes.

Contract adjustment payments and interest payments on the senior notes payable for any period will be computed (1) for any full quarterly period on the basis of a 360-day year of twelve 30-day months and (2) for any period shorter than a full quarterly period, on the basis of a 30-day month and, for periods of less than a month, on the basis of the actual number of days elapsed per 30-day month. Contract adjustment payments and interest on the senior notes will accrue from the date of original issuance and will be payable quarterly in arrears on , , and of each year, commencing on , 2003; provided, however, that following the stock purchase date, interest on the senior notes shall be payable semi-annually in arrears on and of each year. Contract adjustment payments shall cease accruing on the stock purchase date. However, if the purchase contracts are settled early, at your option, or terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive contract adjustment payments and deferred contract adjustment payments will also terminate.

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Our obligations with respect to the senior notes will be unsecured and will rank equally with all of our other unsecured and unsubordinated debt. See *Description of the Senior Notes* below. Our obligations with respect to contract adjustment payments will be subordinate and junior in right of payment to our obligations under our senior indebtedness. Senior indebtedness means any of our indebtedness of any kind unless the instrument under which it is incurred expressly provides that it is in parity or subordinate in right of payment to the contract adjustment payments. We will not be permitted to make any contract adjustment payments if a payment default shall have occurred and be continuing with respect to any of our senior indebtedness or the maturity of any of our senior indebtedness shall have been accelerated because of a default.

Contract adjustment payments and interest payments on the senior notes will be payable to the holders of units as they are registered on the books and records of the purchase contract agent on the relevant record dates. So long as the units remain in book-entry only form, the record date will be the business day prior to the relevant payment dates. Contract adjustment payments will be paid through the purchase contract agent, which will hold amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts that are a part of such units. Subject to any applicable laws and regulations, each interest payment on the senior notes will be made as described under *Book Entry System* below. If the units do not remain in book-entry only form, the relevant record dates will be the 15th calendar day prior to the relevant payment dates. If any date on which these payments and distributions are to be made is not a business day, then amounts payable on that date will be made on the next day that is a business day (and so long as the payment is made on the next business day, without any interest or other payment on account of any such delay). However, if such business day is in the next calendar year, payment will be made on the prior business day, in each case with the same force and effect as if made on the payment date.

### **Option to Defer Contract Adjustment Payments**

We may, at our option and upon prior written notice to the holders of the units and the purchase contract agent, defer payment of all or part of the contract adjustment payments on the related purchase contracts forming a part of normal units and stripped units until no later than the stock purchase date. However, deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of % per year (compounding on each succeeding payment date) until paid. If you elect to settle your purchase contracts early, or the purchase contracts are terminated upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us, your right to receive contract adjustment payments and deferred contract adjustment payments will also terminate.

In the event that we elect to defer the payment of contract adjustment payments on the purchase contracts until the stock purchase date, each holder of normal units and stripped units will receive on the stock purchase date in respect of the deferred contract adjustment payments, in lieu of a cash payment, a number of shares of common stock (in addition to a number of shares of common stock equal to the settlement rate) equal to (a) the aggregate amount of deferred contract adjustment payments payable to the holder divided by (b) the applicable market value of the shares of common stock (as defined below under *Description of the Purchase Contracts* ).

We will not issue any fractional shares of common stock with respect to the payment of deferred contract adjustment payments on the stock purchase date. In lieu of fractional shares otherwise issuable with respect to such payment of deferred contract adjustment payments, the holder will be entitled to receive an amount in cash equal to the fraction of a share of common stock, calculated on an aggregate basis with respect to all such payments you are entitled to receive, multiplied by the applicable market value of our common stock.



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In the event we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we will not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of our capital stock other than:

repurchases, redemptions or acquisitions of shares of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or agents or a share purchase or dividend reinvestment plan, or our satisfaction of our obligations pursuant to any contract or security outstanding on the date of such event;

as a result of a reclassification of capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock;

the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of the capital stock or the security being converted or exchanged;

dividends or distributions in our capital stock (or rights to acquire our capital stock), or repurchases, redemptions or acquisitions of our capital stock in connection with the issuance or exchange of our capital stock (or securities convertible into or exchangeable for shares of our capital stock); or

redemptions, exchanges or repurchases of any rights outstanding under a shareholder rights plan or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future, or the redemption or repurchase of any rights pursuant thereto.

Our subsidiaries will not be restricted from making any similar payments on their capital stock if we exercise our option to defer payments of any contract adjustment payments.

## **Description of the Purchase Contracts**

Each purchase contract underlying a unit, unless earlier terminated, or earlier settled at your option or upon specified mergers and other transactions described below, will obligate you to purchase, and UnumProvident to sell, for \$25, on the stock purchase date a number of newly issued shares of common stock equal to the settlement rate.

The settlement rate, subject to adjustment under certain circumstances as described under **Anti-dilution Adjustments** below, will be as follows:

If the applicable market value of the common stock (which is the average of the closing price per share of common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date) is equal to or greater than the threshold appreciation price of \$ , then the settlement rate (which is equal to \$25 divided by \$ ) will be shares of common stock per purchase contract. Accordingly, if the market price for the common stock increases to an amount that is greater than \$ on the settlement date, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract, assuming that this market value is the same as the

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applicable market value of the common stock, will be greater than \$25, and if the market price equals \$ , the aggregate market value of those shares, assuming that this market value is the same as the applicable market value of the common stock, will equal \$25.

If the applicable market value of the common stock is less than \$ but greater than \$ , the settlement rate will be equal to \$25 divided by the applicable market value of the common stock per purchase contract. Accordingly, if the market price for the common stock increases but that market price is less than \$ on the settlement date, the aggregate market value of the

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shares of common stock issued upon settlement of each purchase contract, assuming that this market value is the same as the applicable market value of the shares of common stock, will equal \$25.

If the applicable market value of the common stock is less than or equal to \$ , the settlement rate (which is equal to \$25 divided by \$ ) will be shares of common stock per purchase contract. Accordingly, if the market price for the common stock decreases to an amount that is less than \$ on the settlement date, the aggregate market value of the common stock issued upon settlement of each purchase contract, assuming that this market value is the same as the applicable market value of the shares of common stock, will be less than \$25, and if the market price equals \$ , the aggregate market value of those shares, assuming that this market value is the same as the applicable market value of the common stock, will equal \$25.

For purposes of determining the applicable market value of the common stock, the closing price of the common stock on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of the common stock on the New York Stock Exchange on that date. If the common stock is not listed for trading on the New York Stock Exchange on any date, the closing price of the common stock on any date of determination means the closing sale price as reported in the composite transactions for the principal U.S. securities exchange on which the common stock is listed, or if the common stock is not so listed on a U.S. securities exchange, as reported by the Nasdaq stock market, or, if the common stock is not so reported, the last quoted bid price for the common stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if that bid price is not available, the market value of the common stock on that date as determined by a nationally recognized independent investment banking firm we retain for this purpose.

A trading day is a day on which the common stock (1) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (2) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the common stock by the close of business on such day.

## **Settlement**

Settlement of the purchase contracts will occur on the stock purchase date, unless:

you have settled the related purchase contract prior to the stock purchase date through the delivery of cash to the purchase contract agent in the manner described in Early Settlement ;

we are involved in a merger, acquisition or consolidation prior to the stock purchase date in which at least 30% of the consideration for the common stock consists of cash or cash equivalents, and you have settled the related purchase contract through an early settlement as described in Early Settlement Upon Cash Merger ; or

an event described under Termination of Purchase Contracts below has occurred.

The settlement of the purchase contracts on the stock purchase date will occur as follows:

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for the stripped units or normal units that include pledged treasury securities, the cash payments on the treasury securities will automatically be applied to satisfy in full your obligation to purchase our common stock under the purchase contracts; and

for the normal units in which the related senior notes remain a part of the normal units because of a failed remarketing, we will exercise our rights as a secured party to dispose of the senior notes in accordance with applicable law in order to satisfy in full your obligation to purchase our common stock under the purchase contracts.

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In either event, the shares of common stock will then be issued and delivered to you or your designee, upon payment of the applicable consideration, presentation and surrender of the certificate evidencing the units, if the units are held in certificated form, and payment by you of any transfer or similar taxes payable in connection with the issuance of the shares of common stock to any person other than you.

Prior to the date on which the shares of common stock are issued in settlement of the purchase contracts, the shares of common stock underlying the related purchase contracts will not be deemed to be outstanding for any purpose and you will have no rights with respect to the shares of common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the shares of common stock, by virtue of holding the purchase contracts.

No fractional shares of common stock will be issued by us pursuant to the purchase contracts. In lieu of fractional shares otherwise issuable, you will be entitled to receive an amount in cash equal to the fraction of a share of common stock, calculated on an aggregate basis in respect of the purchase contracts you are settling, multiplied by the applicable market value.

## **Remarketing**

The senior notes held by each holder of normal units will be remarketed in a remarketing, unless the holder elects not to participate in the remarketing. In the event of a successful remarketing, the proceeds of such remarketing will be used to purchase treasury securities, which will be pledged to secure the obligations of such participating holder of normal units under the related purchase contract. Cash payments received upon maturity of the pledged treasury securities underlying the normal units of such holder will be used (1) to satisfy such holder's obligation to purchase shares of common stock on the stock purchase date and (2) to make a cash payment to such holder on the stock purchase date of an amount per normal unit equal to  $\frac{1}{40}$ , or 2.5%, of a quarterly interest payment payable on the \$1,000 principal amount of a senior note at the initial annual rate of \_\_\_\_%.

Unless a holder of normal units delivers treasury securities in the amount and the types specified by the remarketing agent, as described below, the senior notes that are included in the normal units will be remarketed on the remarketing date, or, if the remarketing agent fails to remarket the senior notes on such date, a later date as described below. The remarketing date will be the third business day preceding \_\_\_\_\_, 2006, the last quarterly payment date before the stock purchase date.

We will enter into a remarketing agreement with a nationally recognized investment banking firm, pursuant to which that firm will agree, as remarketing agent, to use commercially reasonable best efforts to remarket the senior notes that are included in normal units (or separately held senior notes) that are participating in the remarketing, at a price per senior note equal to at least 100.25% of the remarketing value.

Prior to any remarketing, we plan to file and obtain effectiveness of a registration statement with respect to the remarketing if so required under the U.S. federal securities laws at the time.

The remarketing value of a senior note will be equal to the sum of:

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- (1) the value at the remarketing date (or any subsequent remarketing date described below) of such amount of treasury securities that will pay, on or prior to the stock purchase date, an amount of cash equal to the interest payment scheduled to be payable on the senior note on that date, assuming for this purpose, even if not true, that the interest rate on the senior notes remains at the initial rate; and

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- (2) the value at the remarketing date (or any subsequent remarketing date) of such amount of treasury securities that will pay, on or prior to the stock purchase date, an amount of cash equal to the principal amount of the senior note.

For purposes of (1) and (2) above, the value on the remarketing date (or any subsequent remarketing date) of the treasury securities will assume that (a) the treasury securities are highly liquid treasury securities maturing on or within 35 days prior to the stock purchase date (as determined in good faith by the remarketing agent in a manner intended to minimize the cash value of the treasury securities) and (b) those treasury securities are valued based on the ask-side price of the treasury securities at a time between 9:00 a.m. and 11:00 a.m., New York City time, selected by the remarketing agent, on the remarketing date (or any subsequent remarketing date), as determined on a third-day settlement basis by a reasonable and customary means selected in good faith by the remarketing agent, plus accrued interest to that date.

The remarketing agent will use the proceeds from the successful remarketing of the senior notes included in normal units to purchase, in its discretion, the amount and the types of treasury securities described in (1) and (2) above in respect of each such senior note that has been remarketed. The remarketing agent will purchase such treasury securities in open market transactions or at treasury auction and deliver them through the purchase contract agent to the collateral agent to secure the obligations under the related purchase contracts of the holders of the normal units whose senior notes participated in the remarketing. The remarketing agent will deduct as a remarketing fee, after allowing for the aggregate purchase price of such treasury securities, an amount not exceeding 25 basis points (0.25%) of the total proceeds from such remarketing. The remarketing agent will remit the remaining portion of the proceeds, if any, for payment to the holders of the normal units participating in the remarketing.

Alternatively, a holder of normal units may elect not to participate in the remarketing and, instead, retain the senior notes underlying those normal units by delivering, in respect of each senior note to be retained, the treasury securities described in (1) and (2) above, in the amount and the types specified by the remarketing agent, to the purchase contract agent on or prior to the fourth business day prior to the first day of a remarketing period and such treasury securities will be pledged to secure the obligations of such non-participating holder under the related purchase contracts. Cash payments received upon maturity of such pledged treasury securities will be used (1) to satisfy such holder's obligation to purchase shares of common stock pursuant to such holder's purchase contracts and (2) to make a payment to such holder on the stock purchase date of an amount per unit equal to a quarterly interest payment on a  $\frac{1}{40}$ , or 2.5%, ownership interest of a senior note at the initial annual rate of \_\_\_\_%. If a holder of senior notes does not participate in the remarketing, the interest rate on such senior notes will nevertheless be reset if the remarketing is successful.

The purchase contract agent will give holders notice of the remarketing, including the specific treasury securities (including the CUSIP numbers and/or the principal terms thereof) that must be delivered by holders that elect not to participate in the remarketing, on the seventh business day prior to the first day of a remarketing period. A holder electing not to participate in the remarketing must notify the purchase contract agent of such election and deliver such specified treasury securities to the purchase contract agent not later than 10:00 a.m., New York City time, on the fourth business day prior to the first day of a remarketing period. A holder that notifies the purchase contract agent of such election but does not so deliver the treasury securities and a holder that does not notify the purchase contract agent of its intention to make a cash settlement will be deemed to have elected to participate in the remarketing.

In order to facilitate the remarketing of the senior notes at the remarketing value described above, the remarketing agent will reset the rate of interest on the senior notes, effective from the settlement



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date of a successful remarketing until their maturity on \_\_\_\_\_, 2008. The reset rate will be the rate sufficient to cause the then current market value of each senior note to be equal to at least 100.25% of the remarketing value. If the remarketing agent cannot establish a reset rate meeting such requirements on the remarketing date and therefore cannot remarket the senior notes participating in the remarketing on the remarketing date at a price per senior note equal to at least 100.25% of the remarketing value, the remarketing agent will attempt to establish a reset rate meeting these requirements on each of the two immediately following business days. If the remarketing agent cannot establish a reset rate meeting these requirements on either of those days, it will attempt to establish such a reset rate on each of the three business days immediately preceding \_\_\_\_\_, 2006. If the remarketing agent cannot establish such a reset rate during that period, it will further attempt to establish such a reset rate on the third business day immediately preceding the stock purchase date. We refer to each of these periods as remarketing periods in this prospectus supplement. Any such remarketing will be at a price per senior note equal to at least 100.25% of the remarketing value on the subsequent remarketing date. If the remarketing agent fails to remarket the senior notes at that price by the end of the third business day immediately preceding the stock purchase date, any holder of normal units that has not otherwise settled its purchase contracts in cash by the business day immediately preceding the stock purchase date (but without regard to the notice requirements described below under Notice to Settle with Cash ) will be deemed to have directed us to retain the securities pledged as collateral in satisfaction of such holder's obligations under the related purchase contract, and we will exercise our rights as a secured party with respect to such securities and may, subject to applicable law, retain the securities or sell them in one or more public or private sales to satisfy in full such holder's obligation to purchase the shares of common stock under the related purchase contracts on the stock purchase date.

Unless the purchase contracts have been settled early, the obligation of a holder of purchase contracts to pay the purchase price for the shares of common stock under the underlying purchase contracts on the stock purchase date is a non-recourse obligation payable solely out of the proceeds of the senior notes or treasury securities pledged as collateral to secure the purchase obligation. A holder of a stripped unit who receives any payments of principal on account of any pledged treasury securities will be obligated to deliver such payments to UnumProvident for application to its obligation under the related purchase contracts. In no event will a holder of a purchase contract be liable for any deficiency between such proceeds and the purchase price for the shares of common stock under the purchase contract.

We will cause a notice of any failed remarketing period to be published on the fourth business day immediately following such period, by publication in a daily newspaper in the English language of general circulation in New York City, which is expected to be *The Wall Street Journal*. We will also release this information by means of Bloomberg and Reuters (or successor or equivalent) newswire. In addition, we will request, not later than seven nor more than 15 calendar days prior to the remarketing period, that the depository (initially The Depository Trust Company) notify its participants holding senior notes, normal units and stripped units of the remarketing period.

**Optional Remarketing**

On or prior to the fourth business day immediately preceding the first day of a remarketing period, but no earlier than the payment date immediately preceding \_\_\_\_\_, 2006, holders of senior notes that are not included as part of normal units may elect to have their senior notes included in the remarketing by delivering their senior notes along with a notice of this election to the custodial agent. The custodial agent will hold these senior notes in an account separate from the collateral account in which the securities pledged to secure the holders' obligations under the purchase contracts will be held. Holders of senior notes electing to have their senior notes remarketed will also have the right to

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withdraw that election on or prior to the fourth business day immediately preceding the first day of the relevant remarketing period.

On the business day immediately preceding the first day of a remarketing period, the custodial agent will deliver these separate senior notes to the remarketing agent for remarketing. The remarketing agent will use commercially reasonable best efforts to remarket the separately held senior notes included in the remarketing on the remarketing date at a price per senior note equal to at least 100.25% of the remarketing value. After deducting as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the total proceeds from such remarketing, the remarketing agent will remit to the collateral agent the remaining portion of the proceeds, if any, for payment to such participating holders.

If, as described above, the remarketing agent cannot remarket the senior notes during a remarketing period, the remarketing agent will promptly return the senior notes to the custodial agent to release to the holders following the conclusion of that period.

## **Early Settlement**

At any time not later than 10:00 a.m., New York City time, on the seventh business day prior to \_\_\_\_\_, 2006, a holder of units may settle the related purchase contracts by delivering to the purchase contract agent immediately available funds in an amount equal to \$25 multiplied by the number of purchase contracts being settled; provided that, at such time, if so required under the U.S. federal securities laws, there is in effect a registration statement covering the shares of common stock to be delivered in respect of the purchase contracts being settled. If such registration is required, we will use our commercially reasonable efforts to file and obtain effectiveness of such registration statement. Holders may settle the related purchase contracts early only in integral multiples of 40.

No later than the third business day after an early settlement, we will issue and deliver, and the holder will be entitled to receive, \_\_\_\_\_ shares of common stock for each unit early settled, regardless of the market price of the shares of common stock on the date of early settlement, subject to adjustment under the circumstances described under "Anti-dilution Adjustments" below. At that time, the holder's right to receive contract adjustment payments and any deferred contract adjustment payments will terminate. The holder will also receive ownership interests in the senior notes or treasury securities underlying those units.

## **Notice to Settle with Cash**

Unless treasury securities have replaced the ownership interests in the senior notes as a component of normal units as a result of a successful remarketing of the senior notes, a special event redemption has occurred or the purchase contract has been settled early or otherwise terminated, a holder of normal units may settle the related purchase contract with separate cash prior to 11:00 a.m., New York City time, on the business day immediately preceding the stock purchase date. A holder of a normal unit wishing to settle the related purchase contract with separate cash must notify the purchase contract agent by presenting and surrendering the normal unit certificate evidencing the normal unit at the offices of the purchase contract agent with the form of "Notice to Settle by Separate Cash" on the reverse side of the certificate completed and executed as indicated on or prior to 5:00 p.m., New York City time, on the seventh business day immediately preceding the stock purchase date. If a holder who has given notice of its intention to settle the related purchase contract with separate cash fails to deliver the cash to the collateral agent prior to 11:00 a.m., New York City time, on the business day immediately preceding the stock purchase date, such holder will be deemed to have directed us to retain the related ownership interests in the senior note in full satisfaction of the holder's obligation to purchase shares of common stock under the related purchase contract.



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### **Early Settlement Upon Cash Merger**

Prior to the stock purchase date, if we are involved in a merger, acquisition or consolidation in which at least 30% of the consideration for our common stock consists of cash or cash equivalents ( cash merger ), then on or after the date of the cash merger each holder of the units will have the right to accelerate and settle the related purchase contract at the settlement rate in effect immediately before the cash merger. This right is referred to as the merger early settlement right. We will provide each of the holders with a notice of the completion of a cash merger within five business days thereof. The notice will specify a date, which shall be not less than 20 nor more than 30 calendar days after the date of the notice, on which the merger early settlement will occur and a date by which each holder s merger early settlement right must be exercised. The notice will set forth, among other things, the applicable settlement rate and the amount of the cash, securities and other consideration receivable by the holder upon settlement. To exercise the merger early settlement right, you must deliver to the purchase contract agent, on or before 5:00 p.m., New York City time, on the day specified in the notice, the certificate evidencing your units, if the units are held in certificated form, and payment of the applicable purchase price in the form of a certified or cashier s check. If you exercise the merger early settlement right, we will deliver to you on the merger early settlement date the kind and amount of securities, cash or other property that you would have been entitled to receive if the purchase contract had been settled immediately before the cash merger at the settlement rate in effect at such time. You will also receive the senior notes or treasury securities underlying those units. If you do not elect to exercise your merger early settlement right, your units will remain outstanding and continue to be subject to normal settlement on the stock purchase date.

### **Anti-dilution Adjustments**

The formula for determining the settlement rate and the number of shares of common stock to be delivered upon an early settlement will be adjusted, without duplication, if certain events occur, including:

- (1) the payment of a dividend or other distributions on the common stock in shares of common stock;
- (2) the issuance to all holders of the common stock of rights, options or warrants, other than pursuant to any dividend reinvestment, share purchase or similar plans, entitling them to subscribe for or purchase the shares of common stock at less than the current market price (as defined below);
- (3) subdivisions, splits and combinations of the common stock;
- (4) distributions to all holders of common stock of evidences of indebtedness, shares of capital stock, securities, cash or other assets (excluding any dividend or distribution covered by clause (1) or (2) above and any dividend or distribution paid exclusively in cash or in connection with a spin-off as described below);
- (5) distributions consisting exclusively of cash to all holders of the common stock in an aggregate amount that, when combined with (a) other all-cash distributions made within the preceding 12 months and (b) the cash and the fair market value, as of the date of expiration of the tender or exchange offer referred to below, of the consideration payable in respect of any tender or exchange offer (other than consideration payable in respect of any odd-lot tender offer) by UnumProvident or one of its subsidiaries for the shares of common stock concluded within the preceding 12 months, exceeds 15% of our aggregate market capitalization (such aggregate market capitalization being the product of the current market price of the shares of common

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stock multiplied by the number of shares of common stock then outstanding) on the date fixed for the determination of shareholders entitled to receive such distribution; and

- (6) the successful completion of a tender or exchange offer made by UnumProvident or one of its subsidiaries for the common stock that involves an aggregate consideration that, when combined with (a) any cash and the fair market value of other consideration payable in respect of any other tender or exchange offer (other than consideration payable in respect of any odd-lot tender offer) by UnumProvident or one of its subsidiaries for its shares of common stock concluded within the preceding 12 months and (b) the aggregate amount of any all-cash distributions to all holders of shares of common stock made within the preceding 12 months, exceeds 15% of our aggregate market capitalization on the date of expiration of such tender or exchange offer.

Solely as used above, the current market price per share of common stock on any day means the average of the closing price per share of common stock on each of the five consecutive trading days ending on the earlier of the day in question and the day before the ex date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, the term ex date, when used with respect to any issuance or distribution, means the first date on which the shares of common stock trade without the right to receive the issuance or distribution.

In the case of reclassifications, consolidations, mergers, sales or transfers of assets or other transactions that cause the common stock to be converted into the right to receive other securities, cash or property, each purchase contract then outstanding would, without the consent of the holders of units, become a contract to purchase only the kind and amount of such securities, cash or property instead of common stock. In such event, on the stock purchase date the settlement rate then in effect will be applied to the value on the stock purchase date of the securities, cash or property a holder would have received if it had held the shares covered by the purchase contract when the applicable transaction occurred. Holders have the right to settle their obligations under the purchase contracts early in the event of certain cash mergers as described under Early Settlement Upon Cash Merger.

If at any time we make a distribution of property to our common shareholders that would be taxable to the shareholders as a dividend for U.S. federal income tax purposes (that is, distributions, evidences of indebtedness or assets, but generally not stock dividends or rights to subscribe for capital stock), and, pursuant to the settlement rate adjustment provisions of the purchase contract agreement, the settlement rate is increased, that increase may be deemed to be the receipt of taxable income to holders of units. See U.S. Federal Income Tax Consequences Purchase Contracts Adjustment to Settlement Rate.

In the case of the payment of a dividend or other distribution on the shares of common stock of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the settlement rate in effect immediately before the close of business on the record date fixed for determination of shareholders entitled to receive that distribution will be increased by multiplying:

the settlement rate by

a fraction, the numerator of which is the current market price per share of common stock plus both the fair market value, determined as described below, of those shares of capital stock or similar equity interests so distributed applicable to one share of common stock and the denominator of which is the current market price per share of common stock.

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The adjustment to the settlement rate under the preceding paragraph will occur on the date that is the earlier of:

the tenth trading day following the effective date of the spin-off; and

the date of the securities being offered in the initial public offering of the spin-off, if that initial public offering is effected simultaneously with the spin-off.

For purposes of this section, initial public offering means the first time securities of the same class or type as the securities being distributed in the spin-off are offered to the public for cash.

In the event of a spin-off that is not effected simultaneously with an initial public offering of the securities being distributed in the spin-off, the fair market value of the securities to be distributed to holders of the shares of common stock means the average of the closing sale prices of those securities over the first 10 trading days following the effective date of the spin-off. Also, for purposes of such a spin-off, the current market price of the common stock means the average of the closing sale prices of the common stock over the first 10 trading days following the effective date of the spin-off.

If, however, an initial public offering of the securities being distributed in the spin-off is to be effected simultaneously with the spin-off, the fair market value of the securities being distributed in the spin-off means the initial public offering price, while the current market price of the common stock means the closing sale price of the common stock on the trading day on which the initial public offering price of the securities being distributed in the spin-off is determined.

In addition, we may increase the settlement rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of the common stock resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as a dividend or distribution for income tax purposes or for any other reasons.

Adjustments to the settlement rate will be calculated to the nearest 1/10,000th of a share. No adjustment in the settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the settlement rate. If an adjustment is not required to be made because it would not increase or decrease the settlement rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment.

We will be required, as soon as practicable following the occurrence of an event that requires or permits an adjustment in the settlement rate, to provide written notice to the purchase contract agent of the occurrence of that event. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to the settlement rate was determined and setting forth the revised settlement rate.

Each adjustment to the settlement rate will result in a corresponding adjustment to the number of shares of common stock issuable upon early settlement of a purchase contract.

**Pledged Securities and Pledge Agreement**

The ownership interests in the senior notes or treasury securities underlying the units will be pledged to the collateral agent for our benefit. Under the pledge agreement, the pledged securities will secure the obligations of holders of units to purchase shares of common stock under the related purchase contracts. A holder of a unit cannot separate or separately transfer the purchase contract from the pledged securities underlying the unit. Your rights to the pledged securities will be subject to

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the security interest created by the pledge agreement. You will not be permitted to withdraw the pledged securities related to the units from the pledge arrangement except:

to substitute specified treasury securities for the related pledged ownership interests in the senior notes or other pledged treasury securities in order to create a stripped unit;

to substitute ownership interests in the senior notes or specified treasury securities for the related pledged treasury securities upon the recreation of a normal unit;

upon delivering specified treasury securities when electing not to participate in a remarketing; or

upon the termination or early settlement of the purchase contracts.

Subject to our security interest and the terms of the purchase contract agreement and the pledge agreement:

each holder of normal units that include ownership interests in the senior notes will retain ownership of the interests in the senior notes and will be entitled through the purchase contract agent and the collateral agent to all of the rights of a holder of ownership interests in the senior notes, including interest payments, voting, redemption and repayment rights; and

each holder of units that include treasury securities will retain ownership of the treasury securities.

We will have no interest in the pledged securities other than our security interest.

## **Quarterly Payments on Pledged Securities**

The collateral agent, upon receipt of quarterly payments on the pledged securities underlying the normal units, will distribute those payments to the purchase contract agent, which will, in turn, distribute that amount to persons who were the holders of normal units on the record date for the payment. As long as the normal units remain in book-entry only form, the record date for any payment will be one business day before the relevant payment date.

## **Termination of Purchase Contracts**

The purchase contracts, our related rights and obligations and those of the holders of the units, including their rights to receive contract adjustment payments or deferred contract adjustment payments and obligations to purchase shares of common stock, will automatically terminate upon the occurrence of particular events of our bankruptcy, insolvency or reorganization.

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Upon such a termination of the purchase contracts, the collateral agent will release the securities held by it to the purchase contract agent for distribution to the holders. If a holder would otherwise have been entitled to receive less than \$1,000 principal amount at maturity of any treasury security upon termination of the purchase contract, the purchase contract agent will dispose of the security for cash and pay the cash to the holder. Upon termination, however, the release and distribution may be subject to a delay. If we become the subject of a case under the federal bankruptcy code, a delay in the release of the pledged ownership interests in the senior notes or treasury securities may occur as a result of the imposition of an automatic stay under the bankruptcy code and continue until the automatic stay has been lifted. The automatic stay will not be lifted until such time as the bankruptcy judge agrees to lift it and allow your collateral to be returned to you.

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### **The Purchase Contract Agreement**

Distributions on the units will be payable, purchase contracts will be settled and transfers of the units will be registrable at the office of the purchase contract agent in the Borough of Manhattan, New York City. In addition, if the units do not remain in book-entry only form, payment of distributions on the units may be made, at our option, by check mailed to the address of the persons shown on the unit register.

If any quarterly payment date or the stock purchase date is not a business day, then any payment or settlement required to be made on that date will be made on the next business day (and so long as the payment is made on the next day that is a business day, without any interest or other payment on account of any such delay), except that, in the case of a payment only, if the next business day is in the next calendar year, the payment will be made on the prior business day with the same force and effect as if made on the payment date.

If your units are held in certificated form and you fail to surrender the certificate evidencing your units to the purchase contract agent on the stock purchase date, the shares of common stock issuable in settlement of the related purchase contracts will be registered in the name of the purchase contract agent. These shares, together with any distributions on them, will be held by the purchase contract agent as agent for your benefit, until the certificate is presented and surrendered or you provide satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity that may be required by the purchase contract agent and us.

If your units are held in certificated form and (1) the purchase contracts have terminated prior to the stock purchase date, (2) the related pledged securities have been transferred to the purchase contract agent for distribution to the holders and (3) you fail to surrender the certificate evidencing your units to the purchase contract agent, the pledged securities that would otherwise be delivered to you and any related payments will be held by the purchase contract agent as agent for your benefit, until you present and surrender the certificate or provide the evidence and indemnity described above.

The purchase contract agent will not be required to invest or to pay interest on any amounts held by it before distribution.

No service charge will be made for any registration of transfer or exchange of the units, except for any applicable tax or other governmental charge.

### **Modification**

The purchase contract agreement and the pledge agreement will contain provisions permitting us and the purchase contract agent, and in the case of the pledge agreement, the collateral agent, to modify the purchase contract agreement or the pledge agreement without the consent of the holders for, among other things, the following purposes:

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to evidence the succession of another person to our obligations;

to add to the covenants for the benefit of holders or to surrender any of our rights or powers under those agreements so long as such covenants or such surrender do not adversely affect the validity, perfection or priority of the security interests granted or created under the pledge agreement;

to evidence and provide for the acceptance of appointment of a successor purchase contract agent or a successor collateral agent, custodial agent or securities intermediary; or

to cure any ambiguity, to correct or supplement any provisions that may be inconsistent, or to make any other provisions with respect to such matters or questions, provided that such action shall not adversely affect the interest of the holders.

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The purchase contract agreement, the pledge agreement and the purchase contracts may be amended or modified with the consent of the holders of a majority of the units at the time outstanding. However, no modification or amendment may, without the consent of the holder of each outstanding unit affected by the modification or amendment:

change any payment date;

change the amount or type of pledged securities required to be pledged to secure obligations under the units, impair the right of the holder of any units to receive distributions on the pledged securities underlying the units or otherwise materially adversely affect the holder's rights in or to the pledged securities;

reduce any contract adjustment payment or change the place or currency of that payment or increase any amounts payable by holders in respect of the units or decrease any other amounts receivable by holders in respect of the units;

impair the right to institute suit for the enforcement of any purchase contract or the right to receive any contract adjustment payments;

reduce the number of shares of common stock purchasable under any purchase contract, increase the price to purchase shares of common stock on settlement of any purchase contract, change the stock purchase date or otherwise materially adversely affect the holder's rights under any purchase contract; or

reduce the above stated percentage of outstanding units the consent of whose holders is required for the modification or amendment of the provisions of the purchase contract agreement, the pledge agreement or the purchase contracts;

provided, that if any amendment or proposal referred to above would adversely affect only the normal units or the stripped units, then only the affected class of holders as of the record date for the holders entitled to vote thereon will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the consent of not less than a majority of such class.

## **No Consent to Assumption**

Each holder of units, by acceptance of the units, will under the terms of the purchase contract agreement and the units be deemed expressly to have withheld any consent to assumption (i.e., affirmation) of the related purchase contracts by us or our trustee if we become the subject of a case under the federal bankruptcy code.

## **Consolidation, Merger, Sale or Conveyance**

We will agree in the purchase contract agreement that we will not (1) merge with or into or consolidate with any other entity or (2) transfer, lease or convey all or substantially all of our assets to any other person, or buy all or substantially all the assets of another

person, unless:

we are the continuing entity or the successor entity is organized under the laws of the United States or any state thereof or the District of Columbia;

the successor entity expressly assumes our obligations under the purchase contract agreement, the pledge agreement, the purchase contracts and the remarketing agreement; and

we are not, or the successor entity is not, immediately after such merger, consolidation, transfer, lease or conveyance, in default in the performance of any of our obligations under the purchase contract agreement, the pledge agreement, the purchase contracts or the remarketing agreement.

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### **Title**

UnumProvident, the purchase contract agent and the collateral agent and any agent of UnumProvident, the purchase contract agent and the collateral agent may treat the registered holder of any units as the absolute owner of those units for the purpose of making payment and settling the related purchase contracts and for all other purposes regardless of any notice to the contrary.

### **Defaults under the Purchase Contract Agreement**

Within 30 days after the occurrence of any default by us in any of our obligations under the purchase contract agreement of which a responsible officer of the purchase contract agent (as defined in the purchase contract agreement) has actual knowledge, the purchase contract agent will give notice of such default to the holders of the units unless such default has been cured or waived.

The purchase contract agent is not required to enforce any of the provisions of the purchase contract agreement against us. Each holder of units shall have the right to institute suit for the enforcement of any payment of contract adjustment payments then due and payable and the right to purchase shares of common stock as provided in such holder's purchase contract and generally exercise any other rights and remedies provided by law.

### **Governing Law**

The purchase contract agreement, the pledge agreement and the purchase contracts will be governed by and construed in accordance with, the laws of the State of New York, without regard to its principles of conflicts of laws.

### **Book-Entry System**

The Depository Trust Company, which we refer to along with its successors in this capacity as the depository, will act as securities depository for the units. The units will be issued only as fully-registered securities registered in the name of Cede & Co., the depository's nominee. One or more fully-registered global security certificates, representing the total aggregate number of units, will be issued and will be deposited with the depository and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in the units so long as the units are represented by global security certificates.

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The depositary has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The depositary holds securities that its participants deposit with the depositary. The depositary also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depositary is owned by a number of its direct participants and by the NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the depositary's system is also available to others, including securities brokers and dealers, banks and trust companies that clear transactions.

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through or maintain a direct or indirect custodial relationship with a direct participant either directly or indirectly. The rules applicable to the depository and its participants are on file with the Securities and Exchange Commission.

Although the depository has agreed to the foregoing procedure in order to facilitate transfer of interests in the global security certificates among participants, the depository is under no obligation to perform or continue to perform these procedures and these procedures may be discontinued at any time. We will not have any responsibility for the performance by the depository or its direct participants or indirect participants under the rules and procedures governing the depository.

If the depository notifies us that it is unwilling or unable to continue as a depository for the global security certificates and no successor depository has been appointed within 90 days after this notice, or an event of default under the purchase contract agreement or the indenture has occurred and is continuing, certificates for the units will be printed and delivered in exchange for beneficial interests in the global security certificates. Any global senior security that is exchangeable pursuant to the preceding sentence shall be exchangeable for unit certificates registered in the names directed by the depository. We expect that these instructions will be based upon directions received by the depository from its participants with respect to ownership of beneficial interests in the global security certificates.

So long as the depository or its nominee is the registered owner of the global security certificates, the depository or other nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all units represented by these certificates for all purposes under the units and the purchase contract agreement. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates will not be entitled to have such global security certificates or the units represented by these certificates registered in their names, will not receive or be entitled to receive physical delivery of unit certificates in exchange for beneficial interests in global security certificates and will not be considered to be owners or holders of the global security certificates or any units represented by these certificates for any purpose under the units or the purchase contract agreement.

All payments on the units represented by the global security certificates and all transfers and deliveries of senior notes, the treasury portfolio, treasury securities and common stock will be made to the depository or its nominee, as the case may be, as the holder of the securities.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with the depository or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the depository or its nominee, with respect to participants' interests, or any participant, with respect to interests of persons held by the participant on their behalf. Procedures for settlement of purchase contracts on \_\_\_\_\_, 2006 or upon early settlement will be governed by arrangements among the depository, participants and persons that may hold beneficial interests through participants designed to permit settlement without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depository from time to time. Neither we or any of our agents, nor the purchase contract agent or any of its agents, will have any responsibility or liability for any aspect of the depository's or any participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of the depository's records or any participant's records relating to these beneficial ownership interests.

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The information in this section concerning the depository and its book-entry system has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

### **Replacement of Units Certificates**

If physical certificates are issued, we will replace any mutilated certificate at your expense upon surrender of that certificate to the purchase contract agent. We will replace certificates that become destroyed, lost or stolen at your expense upon delivery to us and to the purchase contract agent of satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity that may be required by the purchase contract agent and us.

We, however, are not required to issue any certificates representing units on or after the business day immediately preceding the earlier of the stock purchase date or the date the purchase contracts terminate. In place of the delivery of a replacement certificate following the stock purchase date, the purchase contract agent, upon delivery of the evidence and indemnity described above, will deliver the shares of common stock issuable pursuant to the purchase contracts included in the units evidenced by the certificate, or, if the purchase contracts have terminated prior to the stock purchase date, transfer the pledged senior notes or the pledged securities related to the units evidenced by the certificate.

### **Information Concerning the Purchase Contract Agent**

JPMorgan Chase Bank will initially act as purchase contract agent. The purchase contract agent will act as the agent and attorney-in-fact for the holders of units from time to time. The purchase contract agreement will not obligate the purchase contract agent to exercise any discretionary authority in connection with a default under the terms of the purchase contract agreement, the pledge agreement, the purchase contract or the pledged securities.

The purchase contract agreement will contain provisions limiting the liability of the purchase contract agent. The purchase contract agreement will contain provisions under which the purchase contract agent may resign or be replaced. Resignation or replacement of the purchase contract agent would be effective upon the appointment of a successor.

The purchase contract agent and its affiliates are among a number of banks with which we and our subsidiaries and affiliates maintain various banking and trust relationships. JPMorgan Chase Bank also acts as trustee under the indenture and the supplemental indenture under which the senior notes will be issued.

### **Information Concerning the Collateral Agent**

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BNY Midwest Trust Company will initially act as collateral agent. The collateral agent will act solely as our agent and will not assume any obligation or relationship of agency or trust for or with any of the holders of the units except for the obligations owed by a pledgee of property to the owner thereof under the pledge agreement and applicable law.

The pledge agreement will contain provisions limiting the liability of the collateral agent. The pledge agreement will contain provisions under which the collateral agent may resign or be replaced. Resignation or replacement of the collateral agent would be effective upon the appointment of a successor.

The collateral agent and its affiliates are among a number of banks with which we and our subsidiaries and affiliates maintain various banking and trust relationships.

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**Miscellaneous**

The purchase contract agreement will provide that we will pay all fees and expenses related to:

the enforcement by the purchase contract agent of the rights of the holders of the units; and

with certain exceptions, stock transfer and similar taxes attributable to the initial issuance and delivery of shares of common stock upon settlement of the purchase contracts.

Should you elect to create stripped units or recreate normal units, you will be responsible for any fees or expenses payable in connection with the substitution of the applicable pledged securities, as well as any commissions, fees or other expenses incurred in acquiring the pledged securities to be substituted, and we will not be responsible for any of those fees or expenses.

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**Table of Contents****DESCRIPTION OF THE SENIOR NOTES**

*We will issue the senior notes under an indenture and supplemental indenture we have entered into with JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee. A copy of the indenture is on file with the SEC and may be obtained by accessing the internet address provided or contacting us as described under Where You Can Find More Information in the accompanying prospectus. The following description is not complete, and is qualified in all respects by reference to the indenture and the supplemental indenture, the form of which will be filed as an exhibit on Form 8 K. You should read the indenture, the supplemental indenture and the associated documents carefully to fully understand the terms of the senior notes. In addition, to the extent that the following description is not consistent with that contained in the accompanying prospectus under Description of Debt Securities, you should rely on this description.*

**Interest**

The title of the senior notes will be % Senior Notes due 2008. The senior notes will mature on , 2008. The senior notes will bear interest from the original issuance date or from the most recent interest payment date on which interest has been paid or duly provided for, as the case may be. The senior notes will initially pay interest at the annual rate of % quarterly in arrears on each , , and , commencing on , 2003. If the senior notes are successfully remarketed, they will pay interest at the reset rate from the settlement date of the successful remarketing until they mature on , 2008. If the remarketing agent cannot establish a reset rate meeting the requirements described under Description of the Equity Security Units Remarketing, the remarketing agent will not reset the interest rate on the senior notes and the interest rate will continue to be the initial annual rate of % until the remarketing agent can establish a reset rate on a later remarketing date no later than the third business day prior to the stock purchase date, and if a reset rate cannot be established by such date, the interest rate will continue to be the initial annual rate of % until maturity. The senior notes are not redeemable prior to their stated maturity except as described below and will not have the benefit of a sinking fund.

The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly or semi-annual period for which interest is computed will be computed on the basis of the actual number of days elapsed in the 90- or 180-day period. In the event that any date on which interest is payable on the senior notes is not a business day, the payment of the interest payable on that date will be made on the next succeeding day that is a business day, without any interest or other payment in respect of the delay, except that if the business day is in the next succeeding calendar year, then the payment will be made on the immediately preceding business day, in each case with the same force and effect as if made on the scheduled payment date.

There are no provisions in either the indenture or the senior notes that protect the holders in the event that we incur substantial additional indebtedness, whether or not in connection with a change in control.

**Remarketing**

The senior notes will be remarketed as described under Description of the Equity Security Units Remarketing.



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### **Optional Remarketing**

Under the purchase contract agreement, on or prior to the fourth business day immediately preceding the first day of a remarketing period but no earlier than the payment date immediately preceding \_\_\_\_\_, 2006, holders of senior notes that are not included as part of normal units may elect to have their senior notes included in the remarketing by delivering their senior notes along with a notice of this election to the collateral agent. The collateral agent will hold such senior notes in the account separate from the collateral account in which the securities pledged to secure the holders' obligations under the purchase contracts will be held. Holders of senior notes that are not included in normal units and that elect to have their notes remarketed will also have the right to withdraw that election on or prior to the fourth business day immediately preceding the first day of the relevant remarketing period.

### **Special Event Redemption**

If a special event occurs and is continuing, we may, at our option, redeem the senior notes in whole, but not in part, at any time at the redemption price for each senior note referred to below. Installments of interest on senior notes which are due and payable on or prior to a redemption date will be payable to holders of the senior notes registered as such at the close of business on the relevant record dates. If, following the occurrence of a special event, we exercise our option to redeem the senior notes, the proceeds of the redemption will be payable in cash to the holders of the senior notes. If a special event redemption occurs prior to a successful remarketing of the senior notes, the redemption price for the senior notes forming part of normal units at the time of the special event redemption will be distributed to the collateral agent, who in turn will purchase the applicable treasury portfolio described below on behalf of the holders of normal units and remit the remainder of the redemption price, if any, to the purchase contract agent for payment to the holders. The treasury portfolio will be substituted for the redeemed senior notes and will be pledged to the collateral agent to secure the obligations of the holders of the normal units to purchase shares of our common stock under the purchase contracts.

Special event means either a tax event or an accounting event.

Tax event means the receipt by us of an opinion of nationally recognized tax counsel experienced in such matters (which may be Alston & Bird LLP) to the effect that there is more than an insubstantial risk that interest payable by us on the senior notes on the next interest payment date will not be deductible, in whole or in part, by us for United States federal income tax purposes as a result of

any amendment to, change in, or announced proposed change in, the laws, or any regulations thereunder, of the United States or any political subdivision or taxing authority thereof or therein affecting taxation,

any amendment to or change in an official interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority or

any official interpretation or pronouncement that provides for a position with respect to any such laws or regulations that differs from the generally accepted position on the date of this prospectus supplement,

which amendment, change or proposed change is effective or which interpretation or pronouncement is announced on or after the date of this prospectus supplement.

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Accounting event means the receipt, at any time prior to the earlier of the date of any successful remarketing of the senior notes and the stock purchase date, by the audit committee of our Board of Directors of a written report in accordance with Statement on Auditing Standards ( SAS ) No. 97, Amendment to SAS No. 50 Reports on the Application of Accounting Principles , from our independent auditors, provided at the request of management, to the effect that, as a result of any change in accounting rules after the date of this prospectus supplement, we must either (a) account for the purchase contracts as derivatives under SFAS 133 (or any successor accounting standard) or (b) account for the units using the if-converted method under SFAS 128 (or any successor accounting standard), and that such accounting treatment will cease to apply upon redemption of the senior notes.

If a special event redemption occurs prior to a successful remarketing of the senior notes, the treasury portfolio to be purchased on behalf of the holders of the normal units will consist of a portfolio of zero-coupon U.S. treasury securities consisting of interest or principal strips of U.S. treasury securities that mature on or prior to the stock purchase date in an aggregate amount equal to the aggregate principal amount of the senior notes included in the normal units on the special event redemption date and with respect to each scheduled interest payment date on the senior notes that occurs after the special event redemption date and on or before , 2006, interest or principal strips of U.S. treasury securities that mature on or prior to that interest payment date in an aggregate amount equal to the aggregate interest payment that would be due on the aggregate principal amount of the senior notes included in the normal units on that date if the interest rate of the senior notes were not reset, on the applicable remarketing date. These treasury securities are non-callable by us.

Solely for purposes of determining the treasury portfolio purchase price in the case of a special event redemption date occurring after either a successful remarketing of the senior notes or the stock purchase date, treasury portfolio shall mean a portfolio of zero-coupon U.S. treasury securities consisting of principal or interest strips of U.S. treasury securities that mature on or prior to , 2008 in an aggregate amount equal to the aggregate principal amount of the senior notes outstanding on the special event redemption date and with respect to each scheduled interest payment date on the senior notes that occurs after the special event redemption date, interest or principal strips of U.S. treasury securities that mature on or prior to that interest payment date in an aggregate amount equal to the aggregate interest payment that would be due on the aggregate principal amount of the senior notes outstanding on the special event redemption date.

Redemption price means for each senior note the product of the principal amount of the senior note and a fraction the numerator of which is the treasury portfolio purchase price and the denominator of which is, in the case of a special event redemption occurring prior to a successful remarketing of the senior notes, the aggregate principal amount of senior notes included in normal units, and in the case of a special event redemption date occurring after a successful remarketing of the senior notes, the aggregate principal amount of the senior notes. Depending on the amount of the treasury portfolio purchase price, the redemption price could be less than or greater than the principal amount of the senior notes.

Treasury portfolio purchase price means the lowest aggregate price quoted by a primary U.S. government securities dealer in New York City to the quotation agent on the third business day immediately preceding the special event redemption date for the purchase of the treasury portfolio for settlement on the special event redemption date.

Quotation agent means Goldman, Sachs & Co. or any of its successors or any other primary U.S. government securities dealer in New York City selected by us.

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

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Unless we default in payment of the redemption price, on and after the redemption date, interest shall cease to accrue on the senior notes. In the event any senior notes are called for redemption, neither we nor the trustee will be required to register the transfer of or exchange the senior notes to be redeemed during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption and ending at the close of business on the day of such mailing.

## **No Defeasance**

The defeasance provisions of the indenture described under Description of Debt Securities Discharge, Defeasance and Covenant Defeasance of the accompanying prospectus shall not apply to the senior notes.

## **Form and Denomination**

We will issue the senior notes that are released from the pledge following substitution or early settlement in the form of a global security registered in the name of Cede & Co., as nominee of DTC. For a discussion of global securities, see Description of Debt Securities Global Securities in the accompanying prospectus. The senior notes will be issued in denominations of \$1,000 and integral multiples thereof.

## **U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following is a discussion of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the units, the ownership interests in the senior notes, treasury securities and purchase contracts that are or may be the components of a unit, and the common stock acquired under a purchase contract. Except for matters where it is explicitly stated that we will not receive an opinion of counsel, this discussion is the opinion of Alston & Bird LLP, our special U.S. tax counsel (subject to the qualifications, assumptions and factual determinations set forth in this discussion). Except where otherwise indicated, this discussion only applies to U.S. holders (defined below) who purchase units in the initial offering at their original offering price and hold the units, the ownership interests in senior notes, treasury securities, purchase contracts and the common stock as capital assets (generally, assets held for investment). This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), treasury regulations (including proposed treasury regulations) issued thereunder, Internal Revenue Service (IRS) rulings and pronouncements and judicial decisions now in effect, all of which are subject to change, possibly with retroactive effect.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to U.S. holders in light of their particular circumstances, such as U.S. holders who are subject to special tax treatment (for example, (1) financial institutions, regulated investment companies, real estate investment trusts, insurance companies, dealers in securities or currencies, tax-exempt organizations or traders in securities who elect to mark to market, (2) persons holding units, senior notes or the common stock as part of a straddle, hedge, conversion transaction or other integrated investment, or (3) persons whose functional currency is not the U.S. dollar). In addition, this discussion does not address alternative minimum taxes or any state, local or foreign tax laws.

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For purposes of this discussion, U.S. holder means (1) a person who is a citizen or resident of the United States, (2) a domestic corporation, (3) an estate whose income is subject to U.S. federal income tax regardless of its source, or (4) a trust if a United States court is able to exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust. **Prospective investors that are not U.S. holders should**

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refer to **Non-United States Holders** below and are urged to consult their own tax advisors with respect to the U.S. federal income tax consequences of an investment in units, including the potential application of U.S. withholding taxes.

**Risk of Recharacterization**

No statutory, administrative or judicial authority directly addresses the treatment of units or instruments similar to these units for U.S. federal income tax purposes. As a result, no assurance can be given that the IRS or a court will agree with the tax consequences described below. The discussion below assumes that, for U.S. federal income tax purposes, (i) the senior notes and the purchase contracts will be treated as separate securities, (ii) the purchase contracts will be treated as forward contracts to purchase common stock and the contract adjustment payments will be treated as payments to U.S. holders for investing in such contracts and (iii) the senior notes will be treated as indebtedness of UnumProvident. Nevertheless, the IRS could conceivably assert a different position with respect to one or more of the foregoing points, and were such position to prevail, a U.S. holder could experience tax consequences that are materially different from those described herein. For example, if the IRS were to assert successfully that the purchase contracts and the senior notes should be treated as a single contingent debt instrument, the principal consequences to holders would be that (a) the holder's acquisition of common stock pursuant to the purchase contracts would result in taxable gain or loss, (b) any such gain would be ordinary income rather than capital gain, and (c) a holder's gain from disposition of the units prior to maturity would likewise be ordinary income rather than capital gain. **Prospective investors are urged to consult their own tax advisors with respect to the U.S. federal income tax consequences of the purchase, ownership and disposition of units, the ownership interests in senior notes and the common stock acquired under a purchase contract in light of their own particular circumstances, as well as the effect of any state, local or foreign tax laws.**

**Normal Units**

**Allocation of Purchase Price.** A U.S. holder's acquisition of a normal unit will be treated as the acquisition of a unit consisting of two components, an ownership interest in the senior note and the related purchase contract. The purchase price of each unit will be allocated between the ownership interest in the senior note and the purchase contract constituting the unit, in proportion to their respective fair market values at the time of purchase. Such allocation will establish the U.S. holder's initial tax basis in the ownership interest in the senior note and the purchase contract. We expect to report the fair market value of each senior note as \$ (or \$ for each 2.5% ownership interest in a senior note) and the fair market value of each purchase contract as \$. This allocation will be binding on each U.S. holder (but not on the IRS) unless such U.S. holder explicitly discloses a contrary position on a statement attached to the U.S. holder's timely filed U.S. federal income tax return for the taxable year in which a unit is acquired. Thus, absent such disclosure, a U.S. holder should allocate the purchase price for a unit in accordance with the values reported by us. The remainder of this discussion assumes that this allocation of the purchase price of a unit will be respected for U.S. federal income tax purposes. If these allocations are not respected ultimately, the timing and amount of interest income reported by the U.S. holders and the amount of capital gain or loss ultimately realized upon the disposition of the common stock acquired pursuant to the purchase contracts could be impacted.

**Ownership of Senior Notes or Treasury Securities.** For U.S. federal income tax purposes, a U.S. holder will be treated as owning the applicable ownership interest in the senior notes or treasury securities constituting a part of the units owned. We (under the terms of the units) and each U.S. holder (by acquiring units) agree to treat the ownership interests in the senior notes or treasury securities constituting a part of the units as owned by such U.S. holder for all tax purposes, and the

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remainder of this discussion assumes such treatment. The U.S. federal income tax consequences of owning ownership interests in the senior notes or treasury securities are discussed below (see Senior Notes , Stripped Units and Treasury Securities Purchased on Remarketing or a Special Event Redemption ).

***Sales, Exchanges or Other Taxable Dispositions of Units.*** If a U.S. holder sells, exchanges or otherwise disposes of units in a taxable disposition, such U.S. holder will be treated as having sold, exchanged or disposed of each of the purchase contract and the ownership interest in the senior note (or treasury securities) that constitute such unit. The proceeds realized on such disposition will be allocated between the purchase contract and the ownership interest in the senior note (or treasury securities) in proportion to their respective fair market values. As a result, as to each of the purchase contract and the senior note (or treasury securities), a U.S. holder generally will recognize gain or loss equal to the difference between the portion of the proceeds received by such U.S. holder that is allocable to the purchase contract and the ownership interest in the senior note (or treasury securities) and such U.S. holder's adjusted tax basis in the purchase contract and the ownership interest in the senior note (or treasury securities). For treatment of amounts received with respect to contract adjustment payments or deferred contract adjustment payments, see Purchase Contracts Contract Adjustment Payments and Deferred Contract Adjustment Payments below.

In the case of the purchase contract and the treasury securities, such gain or loss generally will be capital gain or loss except that amounts received with respect to accrued but unpaid interest on treasury securities will be treated as ordinary income to the extent not previously taken into income. Such gain or loss generally will be long-term capital gain or loss if the U.S. holder held the units for more than one year immediately prior to such disposition. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. The rules governing the determination of the character of gain or loss on the disposition of an ownership interest in a senior note are summarized below under Senior Notes Sales, Exchanges, Remarketing or Other Taxable Dispositions of Senior Notes. Because gain on the disposition of an ownership interest in a senior note generally should be treated as ordinary interest income and loss on the disposition of an ownership interest in a senior note should be treated as ordinary loss to the extent of the U.S. holder's prior inclusions of original issue discount (as described in more detail below), dispositions of a unit consisting of a purchase contract and an ownership interest in a senior note before the interest reset date may give rise to capital gain or loss on the purchase contract and ordinary income or loss on the ownership interest in the senior note, which must be reported separately for U.S. federal income tax purposes.

If the sale, exchange or other disposition of a unit occurs when the purchase contract has a negative value, we believe that a U.S. holder may be considered to have received additional consideration for the ownership interest in the senior note (or treasury securities) in an amount equal to such negative value and to have paid such amount to be released from such U.S. holder's obligations under the related purchase contract. Because, as discussed below, any gain on the disposition of an ownership interest in a senior note prior to the interest reset date generally will be treated as ordinary interest income for U.S. federal income tax purposes, the ability to offset such interest income with a loss on the purchase contract may be limited. U.S. holders should consult their tax advisors regarding a disposition of a unit at a time when the purchase contract has a negative value.

## **Senior Notes**

***Classification of the Senior Notes.*** In connection with the issuance of the senior notes, our U.S. tax counsel, Alston & Bird LLP, will deliver an opinion that, under current law, and based on certain representations, facts and assumption set forth in the opinion, the senior notes should be classified as indebtedness for U.S. federal income tax purposes.



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We (under the terms of the senior notes) and each U.S. holder (by acquiring an ownership interest in the senior notes) agree to treat the senior notes as indebtedness of UnumProvident for all tax purposes. The remainder of this discussion assumes such treatment.

**Original Issue Discount.** Because of the manner in which the interest rate on the senior notes is reset, we believe that the senior notes should be classified as contingent payment debt instruments subject to the noncontingent bond method for accruing original issue discount, as set forth in the applicable treasury regulations. We intend to treat the senior notes in that manner, and the remainder of this discussion assumes that the senior notes will be so treated for U.S. federal income tax purposes.

As discussed more fully below, the effects of applying the noncontingent bond method will be (1) to require each U.S. holder, regardless of such holder's usual method of tax accounting, to use an accrual method with respect to the interest income on the ownership interest in the senior notes, (2) to require each U.S. holder to accrue interest income in excess of interest payments actually received for all accrual periods through [redacted], 2006, and possibly for accrual periods thereafter, and (3) generally to result in ordinary, rather than capital, treatment of any gain and any loss (to the extent such loss does not exceed the U.S. holder's prior inclusions of original issue discount on the ownership interest in the senior note) on the sale, exchange or other disposition of an ownership interest in the senior notes. See Senior Notes Sales, Exchanges, Remarketing or Other Taxable Dispositions of Senior Notes below.

A U.S. holder will be required to accrue original issue discount on a constant yield to maturity basis based on the comparable yield of the senior notes. The comparable yield of the senior notes generally will be the rate at which we would issue a fixed rate noncontingent debt instrument with terms and conditions similar to the senior notes. We are required to provide the comparable yield and a projected payment schedule, based on the comparable yield, to holders of the senior notes. We have determined that the comparable yield is [redacted] % per annum, compounded semi-annually, and the projected payments are \$ [redacted] on [redacted], 2003, \$ [redacted] for each subsequent quarter ending on or prior to the remarketing settlement date, \$ [redacted] for the period ending [redacted], 2006 and \$ [redacted] for each semi-annual payment period ending after [redacted], 2006. We have also determined that the projected payment for the senior notes, per \$1,000 of principal amount, at the maturity date is \$ [redacted], or \$ [redacted] for each 2.5% ownership interest in a senior note (which includes the stated principal amount of the senior notes as well as the final projected interest payment).

The amount of original issue discount on a senior note for each accrual period is determined by multiplying the comparable yield of the senior note (adjusted for the length of the accrual period) by the senior note's adjusted issue price at the beginning of the accrual period. Based on the allocation of the purchase price of each unit described above (see Normal Units Allocation of Purchase Price), the adjusted issue price of each senior note, per \$1,000 of principal amount, at the beginning of the first accrual period will be \$ [redacted], or \$ [redacted] for each 2.5% ownership interest in a senior note, and the adjusted issue price of each senior note at the beginning of each subsequent accrual period will be equal to \$ [redacted], or \$ [redacted] for each 2.5% ownership interest in a senior note increased by any original issue discount previously accrued by such U.S. holders on such senior note (or ownership interest therein) and decreased by the amount of projected payments on such senior note (or ownership interest therein) through such date. The amount of original issue discount so determined will then be allocated on a ratable basis to each day in the accrual period that such U.S. holders hold the senior note (or ownership interest therein).

If, after the date on which the interest rate on the senior notes is reset, the remaining amounts of principal and interest payable differ from the payments set forth on the projected payment schedule, negative or positive adjustments reflecting such difference should generally be taken into account by a





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U.S. holder as adjustments to interest income in a reasonable manner over the period to which they relate. We expect to account for any such difference with respect to a period as an adjustment for that period.

A U.S. holder is generally bound by the comparable yield and projected payment schedule provided by us. If a U.S. holder decides to use its own comparable yield and projected payment schedule, it must explicitly disclose this fact and the reason that it has used its own comparable yield and projected payment schedule. In general, this disclosure must be made on a statement attached to the U.S. holder's timely filed U.S. federal income tax return for the taxable year that includes the date of its acquisition of the ownership interests in the senior notes. The comparable yield and projected payment schedule are supplied by us solely for computing income under the noncontingent bond method for U.S. federal income tax purposes and do not constitute projections or representations as to the amounts that such U.S. holder will actually receive as a result of owning ownership interests in the senior notes or units.

Because income with respect to the senior notes will constitute interest for U.S. federal income tax purposes, corporate holders of units (or senior notes) will not be entitled to the dividends-received deduction with respect of such income.

***Tax Basis in Senior Notes.*** A U.S. holder's tax basis in the ownership interest in the senior notes will equal the portion of the purchase price for the units allocated to the ownership interests in the senior notes as described above (see "Normal Units Allocation of Purchase Price"), increased by the amount of original issue discount included in income with respect to the ownership interests in the senior notes and decreased by the amount of projected payments with respect to the ownership interest in the senior notes through the computation date.

***Sales, Exchanges, Remarketing or Other Taxable Dispositions of Senior Notes.*** A U.S. holder will recognize gain or loss on a disposition of ownership interest in the senior notes (including a special event redemption or upon the remarketing of the senior notes) in an amount equal to the difference between the amount realized by such U.S. holder on the disposition of the ownership interest in the senior notes and such U.S. holder's adjusted tax basis in such ownership interest in the senior notes. Selling expenses incurred by such U.S. holder, including the remarketing fee, will reduce the amount of gain or increase the amount of loss recognized by such U.S. holder upon a disposition of the ownership interests in the senior notes. Gain recognized on the disposition of the ownership interest in the senior notes prior to the date on which the interest rate on the senior notes is reset will be treated as ordinary interest income. Loss recognized on the disposition of the ownership interest in the senior notes prior to the interest rate reset date will be treated as ordinary loss to the extent of such U.S. holder's prior inclusions of original issue discount on the ownership interest in the senior note. Any loss in excess of such amount will be treated as a capital loss. In general, gain recognized on the disposition of the ownership interest in the senior notes on or after the interest rate reset date will be ordinary interest income to the extent attributable to the excess, if any, of the total remaining principal and interest payments due on the ownership interest in the senior notes over the total remaining payments set forth on the projected payment schedule for the ownership interest in the senior notes. Any gain recognized in excess of such amount and any loss recognized on such a disposition will generally be treated as a capital gain or loss. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

## **Purchase Contracts**

***Acquisition of Our Common Stock Under a Purchase Contract.*** A U.S. holder generally will not recognize gain or loss on the purchase of our common stock under a purchase contract, except with respect to any cash paid to a U.S. holder in lieu of a fractional share of the common stock, which



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should be treated as paid in exchange for such fractional share. A U.S. holder's aggregate initial tax basis in the common stock acquired under a purchase contract should generally equal the purchase price paid for such common stock, plus the properly allocable portion of such U.S. holder's adjusted tax basis (if any) in the purchase contract (see *Normal Units Allocation of Purchase Price*), less the portion of such purchase price and adjusted tax basis allocable to the fractional share. The holding period for the common stock acquired under a purchase contract will commence on the day following the acquisition of such common stock.

***Early Settlement of Purchase Contract.*** The purchase of our common stock upon early settlement of a purchase contract will be treated as described above (see *Purchase Contracts Acquisition of Our Common Stock Under a Purchase Contract*). A U.S. holder of units will not recognize gain or loss on the return of such U.S. holder's proportionate share of ownership interests in the senior notes or treasury securities upon early settlement of a purchase contract and will have the same adjusted tax basis and holding period in such senior notes or treasury securities as before such early settlement.

***Termination of Purchase Contract.*** If a purchase contract terminates, a U.S. holder of units will recognize loss equal to such U.S. holder's adjusted tax basis (if any) in the purchase contract at the time of such termination. Any such loss will be capital and generally will be long-term capital loss if the U.S. holder held the purchase contract for more than one year prior to such termination. The deductibility of capital losses is subject to limitations. A U.S. holder will not recognize gain or loss on the return of such U.S. holder's proportionate share of ownership interests in the senior notes or treasury securities upon termination of the purchase contract and such U.S. holder will have the same adjusted tax basis and holding period in such ownership interests in the senior notes or treasury securities as before such termination.

***Adjustment to Settlement Rate.*** A U.S. holder of units might be treated as receiving a constructive dividend distribution from us if (1) the settlement rate is adjusted and as a result of such adjustment such U.S. holder's proportionate interest in our assets or earnings and profits is increased and (2) the adjustment is not made pursuant to a bona fide, reasonable anti-dilution formula. An adjustment in the settlement rate would not be considered made pursuant to such a formula if the adjustment were made to compensate a U.S. holder for certain taxable distributions with respect to our common stock. Thus, under certain circumstances, an increase in the settlement rate might give rise to a taxable dividend to a U.S. holder of units even though such U.S. holder would not receive any cash related thereto.

***Contract Adjustment Payments and Deferred Contract Adjustment Payments.*** Because there is no direct authority addressing the treatment of the contract adjustment payments or deferred contract adjustment payments, such treatment is unclear and counsel will not render an opinion on such treatment. Contract adjustment payments and deferred contract adjustment payments may constitute taxable ordinary income to a U.S. holder when received or accrued, in accordance with such U.S. holder's regular method of tax accounting. To the extent we are required to file information returns with respect to the contract adjustment payments or deferred contract adjustment payments, we intend to report such payments as taxable ordinary income to U.S. holders. U.S. holders should consult their tax advisors concerning the treatment of contract adjustment payments and deferred contract adjustment payments, including the possibility that any contract adjustment payment or deferred contract adjustment payment may be treated as a loan, purchase price adjustment, rebate or payment analogous to an option premium rather than being includible in income on a current basis.

The treatment of contract adjustment payments and deferred contract adjustment payments could affect a U.S. holder's adjusted tax basis in a purchase contract or our common stock received under a

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purchase contract or the amount realized by a U.S. holder upon the sale or disposition of a unit or the termination of a purchase contract. In particular,

amounts received on a sale or disposition of a unit or on termination of a purchase contract with respect to any accrued but unpaid contract adjustment payments or deferred contract adjustment payments that have not been included in a U.S. holder's income may be treated as ordinary income,

any deferred contract adjustment payments that have been taken into income at the time they accrued but that are no longer payable to a U.S. holder because the purchase contract has been terminated by reason of the bankruptcy of UnumProvident may give rise to an ordinary deduction in the year in which it ceases to be payable,

any contract adjustment payments or deferred contract adjustment payments that have been included in a U.S. holder's income, but that have not been paid to such U.S. holder, may increase such U.S. holder's adjusted tax basis in the purchase contract, and

any contract adjustment payments or deferred contract adjustment payments that have been paid to a U.S. holder, but that have not been included in such U.S. holder's income, may either reduce such U.S. holder's adjusted tax basis in the purchase contract or result in an increase in the amount realized on a termination or disposition of the purchase contract.

## **Common Stock**

**Dividends.** Distributions to U.S. holders with respect to the common stock will be treated as ordinary dividend income to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. The amount of any distribution in excess of our current and accumulated earnings and profits will first be applied to reduce your tax basis in the common stock, and any amount in excess of tax basis will be treated as gain from the sale or exchange of your common stock. Any such dividend will be eligible for the dividends received deduction if the U.S. holder is an otherwise qualifying corporate holder that meets the holding period and other requirements for the dividends received deduction.

**Dispositions.** Upon a disposition of common stock a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the amount realized and such U.S. holder's adjusted tax basis in the common stock. Capital gains of individuals derived in respect of assets with a holding period of greater than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

## **Stripped Units**

**Substitution of Treasury Securities to Create Stripped Units.** A U.S. holder of normal units who delivers treasury securities to the collateral agent in substitution for ownership interests in senior notes or other pledged securities generally will not recognize gain or loss upon the delivery of such treasury securities or the release of the senior notes or other pledged securities to such U.S. holder. Such U.S. holder will continue to take into account items of income or deduction otherwise includible or deductible, respectively, by such U.S. holder with respect to such treasury securities and ownership interests in senior notes or other pledged securities, and the purchase contract will not be affected by such delivery and release. In general, a U.S. holder will be required for

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U.S. federal income tax purposes to recognize original issue discount on the treasury securities on a constant yield basis, or acquisition discount on the treasury securities when it is paid or accrues generally in accordance with such U.S. holder's normal method of accounting. U.S. holders should consult their own tax advisors concerning the tax consequences of purchasing, owning and disposing of the treasury securities so delivered to the collateral agent.

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***Substitution of Senior Notes to Recreate Normal Units.*** A U.S. holder of stripped units who delivers ownership interests in senior notes to the collateral agent in substitution for pledged treasury securities generally will not recognize gain or loss upon the delivery of such ownership interests in the senior notes or the release of the pledged treasury securities to such U.S. holder. Such U.S. holder will continue to take into account items of income or deduction otherwise includible or deductible, respectively, by such holder with respect to such pledged treasury securities and such senior notes. Such U.S. holder's tax basis in the ownership interests in the senior notes, the pledged treasury securities and the purchase contract will not be affected by such delivery and release. U.S. holders should consult their own advisors concerning the tax consequences of purchasing, owning and disposing of the treasury securities so released to them.

**Treasury Securities Purchased on Remarketing or a Special Event Redemption**

A remarketing or a special event redemption will be a taxable event for U.S. holders, which will be subject to tax in the manner described above under Senior Notes Sales, Exchanges, Remarketing or Other Taxable Dispositions of Senior Notes.

***Ownership of Treasury Securities.*** In the event of a remarketing of the senior notes or a special event redemption prior to the stock purchase date, we (under the terms of the units) and each U.S. holder (by acquiring units) agree to treat the U.S. holder's share of the treasury securities constituting a part of its units as owned by the U.S. holder for U.S. federal income tax purposes. In such a case, the U.S. holder will be required to include in income any amount earned on its pro rata share of the treasury securities for U.S. federal income tax purposes. The remainder of this discussion assumes that U.S. holders will be treated as the owners of their share of the treasury securities constituting a part of such units for U.S. federal income tax purposes.

***Interest Income and Original Issue Discount.*** In the event of a remarketing of the senior notes, the treasury securities may, and in the event of a special event redemption prior to the stock purchase date, the treasury securities will, consist of stripped treasury securities. Following a remarketing of the senior notes or a special event redemption prior to the stock purchase date, U.S. holders will be required to treat their pro rata portion of each stripped U.S. treasury security as a bond that was originally issued on the date the collateral agent acquired the relevant treasury securities and that has original issue discount equal to their pro rata portion of the excess of the amounts payable on such treasury securities over the value of the treasury securities at the time the collateral agent acquires them on behalf of U.S. holders. U.S. holders will be required to include such original issue discount (but not acquisition discount on short-term treasury securities as described below) in income for U.S. federal income tax purposes as it accrues on a constant yield to maturity basis, regardless of their regular method of tax accounting. To the extent that a payment from the treasury securities made in respect of a scheduled interest payment on a remarketed or special event redeemed senior note exceeds the amount of such original issue discount allocable to such treasury securities, such payment will be treated as a return of a U.S. holder's investment in the treasury securities and will not be considered current income for U.S. federal income tax purposes.

In the case of any treasury security with a maturity of one year or less from the date of its issue (or from the date the collateral agent acquired the relevant treasury security in the case of any stripped treasury security), U.S. holders will generally be required to include acquisition discount in income as it accrues only if they are accrual basis taxpayers. U.S. holders that are accrual basis taxpayers will generally accrue such acquisition discount on a straight-line basis, unless they make an election to accrue such acquisition discount on a constant yield to maturity basis.

***Tax Basis of U.S. Holders in their Share of Treasury Securities.*** The initial tax basis of U.S. holders in their share of treasury securities will equal their pro rata portion of the amount paid by the

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collateral agent for the treasury securities. A U.S. holder's adjusted tax basis in its share of the treasury securities will be increased by the amount of original issue discount included in income with respect thereto and decreased by the amount of cash received in respect of its share of the treasury securities.

***Sales, Exchanges or Other Dispositions of a U.S. Holder's Share of Treasury Securities.*** U.S. holders that obtain the release of their share of the treasury securities and subsequently dispose of such interest will recognize gain or loss on such disposition in an amount equal to the difference between the amount realized upon such disposition and such U.S. holder's adjusted tax basis in the treasury securities, except that amounts received with respect to accrued but unpaid interest on treasury securities will not be treated as part of the amount realized, but rather, will be treated as ordinary interest income to the extent not previously taken into income.

## **Non-United States Holders**

The following discussion only applies to non-U.S. holders. A non-U.S. holder is a holder that is not a United States person for United States federal income tax purposes. Non-U.S. holders that may be subject to special rules, such as controlled foreign corporations, passive foreign investment companies or foreign personal holding companies should consult their own tax advisors to determine the United States federal, state and local foreign tax consequences that may be relevant to them in their particular circumstances. This discussion assumes, as noted above, that for United States federal income tax purposes, the purchase contracts and the senior notes will be respected as separate securities and the senior notes will be classified as indebtedness.

***United States Federal Withholding Tax.*** The 30% United States federal withholding tax will not apply to any payment of principal or interest (including original issue discount) on the ownership interest in the senior notes or treasury securities provided that the non-U.S. holder:

does not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and the treasury regulations;

is not a controlled foreign corporation that is related to us through stock ownership;

is not a bank whose receipt of interest on the ownership interest in the senior notes or treasury securities is described in section 881(c)(3)(A) of the Code; and

(a) provides its name and address on IRS Form W-8BEN (or other applicable form), and certifies, under penalties of perjury, that it is not a United States person, or (b) if units, treasury units, ownership interests in senior notes or treasury securities are held through certain foreign intermediaries or foreign partnerships, satisfies the certification requirements of applicable United States treasury regulations.

The 30% United States federal withholding tax will not apply to any gain realized on the sale, exchange, or other disposition of units, ownership interests in senior notes, purchase contracts, treasury securities or the common stock acquired under the purchase contract. However, interest income including original issue discount and any gain treated as ordinary income realized on the sale, exchange or other disposition of a senior note will be subject to withholding in certain circumstances unless the conditions described above are met.

We will generally withhold tax at a 30% rate on contract adjustment payments and dividends paid on our common stock acquired under a purchase contract or such lower rate as may be specified by an applicable income tax treaty. However, contract adjustment payments or dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and where a tax treaty applies, are attributable to a United States permanent establishment of the non-U.S. holder) are not subject to the withholding tax, provided that the holder satisfies the

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relevant certification requirement, but instead are subject to United States federal income tax as described below.

A non-U.S. holder of our common stock or a purchase contract who wishes to claim the benefit of an applicable treaty rate for dividends or contract adjustment payments will be required to furnish an IRS Form W-8BEN (or an acceptable substitute form) to claim such reduced rate or exemption from the 30% withholding tax, or an IRS Form W-8ECI (or an acceptable substitute form) stating that such payments are not subject to the 30% withholding tax because they are effectively connected with the non-U.S. holder's trade or business in the United States. A non-U.S. holder eligible for a reduced rate of United States withholding tax on payments pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

**United States Federal Income Tax.** If a non-U.S. holder is engaged in a trade or business in the United States and interest (including original issue discount) on the ownership interest in the senior notes or treasury securities, dividends on our common stock, or to the extent they constitute taxable income, contract adjustment payments from the purchase contracts are effectively connected with the conduct of that trade or business, such holder will be subject to United States federal income tax on the interest, dividends or contract adjustment payments on a net income basis (although exempt from the 30% withholding tax), in the same manner as if the holder were a United States person as defined under the Code.

The non-U.S. holder must satisfy certain certification and disclosure requirements in order to establish its exemption from withholding on its effectively connected income. In addition, a non-U.S. holder that is a foreign corporation may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with the conduct by the holder of a trade or business in the United States. For the purpose, interest on the ownership interest in the senior notes or treasury securities, dividends on our common stock and, to the extent they constitute taxable income, the contract adjustment payments from the purchase contracts will be included in earnings and profits.

Any gain realized on the disposition of a treasury security, ownership interest in a senior note (to the extent not treated as interest income under the contingent payment debt rules), purchase contract or share of our common stock generally will not be subject to United States federal income tax unless:

that gain is effectively connected with the conduct of a trade or business by the non-U.S. holder in the United States; or

the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

## **Backup Withholding Tax and Information Reporting**

**U.S. Holders.** Unless a U.S. holder is an exempt recipient, such as a corporation, payments under senior notes, purchase contracts, treasury securities or common stock, the proceeds received with respect to a fractional share of common stock upon the settlement of a purchase contract, and the proceeds received from the sale of units, ownership interests in senior notes, purchase contracts, treasury securities or common stock, may be subject to information reporting and may also be subject to U.S. federal backup withholding tax if such U.S. holder fails to supply accurate taxpayer identification numbers or otherwise fails to comply with applicable U.S. information reporting or certification requirements. Any amounts so withheld generally will be allowed as a credit

against the U.S. holder's U.S. federal income tax liability.

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**Non-U.S. Holders.** In general, the amount of the interest, contract adjustment payments and dividends on our common stock paid to a non-U.S. holder and the tax withheld with respect to such interest, contract adjustment payments and dividends must be reported annually to the IRS and the holder. In general, no backup withholding will be required regarding payments to a non-U.S. holder on corporate adjustment payments, ownership interests in senior notes, treasury securities, or our common stock provided that we do not have actual knowledge or reason to know that the holder is a United States person and the holder has satisfied the certification requirements described above under **Non-United States Holders** **United States Federal Withholding Tax**.

In addition, no information reporting or backup withholding will be required regarding the proceeds of the sale of units, ownership interests in senior notes, treasury securities, or our common stock made within the United States or conducted through certain United States financial intermediaries if:

the payor receives the required certification with respect to the non-U.S. holder and does not have actual knowledge or reason to know that the holder is a United States person; or

the holder otherwise establishes an exemption.

Backup withholding may apply if the non-U.S. holder fails to comply with applicable United States information reporting or certification requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the non-U.S. holder's United States federal income tax liability provided the required information is furnished to the IRS.

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**ERISA CONSIDERATIONS**

The following is a summary of certain considerations associated with the acquisition, holding and disposition of units (and the securities underlying units) by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ( ERISA ), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, similar laws ), and entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements (each, a plan ).

This summary is based on the provisions of ERISA and the Code (and the related regulations and administrative and judicial interpretations) as of the date of this prospectus supplement. This summary does not purport to be complete, and future legislation, court decisions, administrative regulations, rulings or administrative pronouncements could significantly modify the requirements summarized below. Any of these changes may be retroactive and may thereby apply to transactions entered into prior to the date of their enactment or release.

**General Fiduciary Matters**

ERISA and the Code impose certain duties on persons who are fiduciaries of a plan subject to Title I of ERISA or Section 4975 of the Code and prohibit certain transactions involving the assets of a plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a plan or the management or disposition of the assets of such a plan, or who renders investment advice for a fee or other compensation to such a plan, is generally considered to be a fiduciary of the plan. Plans may purchase units (and the securities underlying units) subject to the investing fiduciary's determination that the investment satisfies ERISA's fiduciary standards and other requirements under ERISA, the Code or similar laws applicable to investments by the plan.

In considering an investment in units using a portion of the assets of any plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the plan and the applicable provisions of ERISA, the Code or any similar law relating to a fiduciary's duties to the plan including, without limitation, the prudence, diversification, liquidity, exclusive benefit, delegation and prohibited transaction provisions of ERISA, the Code and any other applicable similar laws.

Any insurance company proposing to invest assets of its general account in the securities should consider the extent that such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 114 S.Ct. 517 (1993), which in certain circumstances treats those general account assets as assets of a plan for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction rules of ERISA and the Code. In addition, such potential investor should consider the effect of any subsequent legislation or other guidance that has or may become available relating to that decision, including Section 401(c) of ERISA and the regulations promulgated thereunder.

**Prohibited Transaction Issues**

Section 406 of ERISA and Section 4975 of the Code prohibit plans subject to Title I of ERISA or Section 4975 of the Code from engaging in specified transactions involving plan assets with persons or entities who are parties in interest within the meaning of ERISA or disqualified persons within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise

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taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

If a plan purchases units, the units and the securities underlying them will be deemed to constitute plan assets and the acquisition, holding and disposition of the units and the underlying securities may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, if UnumProvident or any subsequent seller is a party in interest or disqualified person with respect to the plan, unless an exemption is available. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or PTCEs, that may apply to these transactions. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts, and PTCE 96-23 respecting transactions determined by in-house asset managers. Each of these PTCEs contains conditions and limitations on its application. Fiduciaries of plans that consider purchasing units and the underlying securities in reliance on any of these or any other PTCEs should carefully review the PTCE to assure it is applicable.

Accordingly, by its purchase of the units and the underlying securities, each holder, and the fiduciary of any plan that is a holder, will be deemed to have represented and warranted on each day from and including the date of its purchase of the units and the underlying securities through and including the date of satisfaction of its obligation under the purchase contract and the disposition of any such unit and any underlying security either (i) that it is not a plan or (ii) that the acquisition, holding and the disposition of any unit (and any underlying security) by such holder does not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code or other similar laws because an exemption (which, in the case of a plan subject to ERISA or the Code, shall be a PTCE) is available with respect to such transactions and the conditions of such exemption have been satisfied.

In addition, each plan that is a holder and the fiduciary of such plan will be deemed to have represented and warranted to UnumProvident and the remarketing agent that such participation in the remarketing program will not constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code or other similar laws for which an exemption is not available.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Each plan should consult its own ERISA and tax advisors and/or counsel regarding the consequences of an investment in the units and the underlying securities.

The sale of units and the underlying securities shall not be deemed a representation by UnumProvident that the investment meets all relevant legal requirements with respect to plans generally or any particular plan or that such an investment is appropriate for plans generally or any particular plan.



Table of Contents**UNDERWRITING**

We and the underwriters named below have entered into an underwriting agreement with respect to the units being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of units set forth in the following table. Goldman, Sachs & Co., Banc of America Securities LLC, Morgan Stanley & Co. Incorporated, Deutsche Bank Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and SunTrust Capital Markets, Inc. are the representatives of the underwriters.

<u>Underwriters</u>	<u>Number of Units</u>
Goldman, Sachs & Co.	
Banc of America Securities LLC	
Morgan Stanley & Co. Incorporated	
Deutsche Bank Securities Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
SunTrust Capital Markets, Inc.	
<b>Total</b>	<b>20,000,000</b>

The underwriters are committed to take and pay for all of the units being offered, if any are taken.

The completion of the offering is conditioned upon the consummation of the concurrent common stock offering.

The following table shows the per unit and total underwriting discounts and commissions to be paid to the underwriters by us.

	<u>Paid by UnumProvident</u>
Per Unit	\$
Total	\$

Units sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any units sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to \$ per unit from the initial public offering price. Any such securities dealers may resell any units purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to \$ per unit from the public offering price. If all the units are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms.

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We and our directors and executive officers and several of our stockholders have agreed with the underwriters not to offer, sell, contract to sell, pledge, grant any option to purchase, hedge, make any short sale or otherwise dispose of any common stock, equity-linked securities or units (including the related purchase contracts and senior notes), or any of our securities that are substantially similar to common stock, equity-linked securities or units (including the related purchase contracts and senior notes), or any options or warrants to purchase any common stock, equity-linked securities or units (including the related purchase contracts and senior notes), or any securities convertible into, exchangeable for or that represent the right to receive common stock, equity-linked securities or units (and, with respect to us, other than the issuance of shares of common stock to be offered and sold to the public concurrently with the offering and sales of our common stock pursuant to existing employee benefit plans, and, with respect to one of our directors, Hugh O. Maclellan, Jr., and one of our stockholders, The Maclellan Foundation, Inc., other than certain charitable grants of shares of our common stock) during the period from the date of this prospectus supplement continuing to and including the date 90 days after the date of this prospectus supplement, subject to certain permitted

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exceptions, without the prior written consent of Goldman, Sachs & Co., which consent may be given at its sole discretion and without prior notice.

The units are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of the trading market for the units.

We will apply to list the normal units on the New York Stock Exchange, but no assurances can be given that the application for listing will be approved.

This prospectus supplement, as amended or supplemented, may be used by the remarketing agent for remarketing the senior notes or upon settlement of the purchase contracts.

In connection with the offering, the underwriters may purchase and sell units in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of units than they are required to purchase in the offering. The underwriters must close out any short position by purchasing units in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the units in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of units made for the purpose of preventing or retarding a decline in the market price of the units while the offering is in progress.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased units sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the units, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the units. As a result, the price of the units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

Each underwriter has represented, warranted and agreed that (i) it has not offered or sold and, prior to the expiry of a period of six months after the date of issue of the units, will not offer or sell any units to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act of 2000 (the FSMA )) received by it in connection with the issue or sale of any units in circumstances in which section 21(1) of the FSMA does not apply to UnumProvident; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the units in, from or otherwise involving the United Kingdom.

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The units may not be offered, sold, transferred or delivered in or from The Netherlands, as part of their initial distribution or as part of any re-offering, and neither this prospectus nor any other document in respect of the offering may be distributed or circulated in The Netherlands, other than to individuals or legal entities which include, but are not limited to, banks, brokers, dealers, institutional investors and undertakings with a treasury department, who or which trade or invest in securities in the conduct of a business or profession.

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This prospectus has not been registered as a prospectus with the Registrar of Companies and Businesses in Singapore. Accordingly, the units may not be offered or sold, nor may this prospectus or any other offering document or material relating to the units be circulated or distributed, directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 106C of the Companies Act, Chapter 50 of Singapore (Singapore Companies Act) or (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 106D of the Singapore Companies Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any applicable provisions of the Singapore Companies Act.

Each underwriter has acknowledged and agreed that the units have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law. As part of the offering, the underwriters may offer units in Japan to a list of 49 offerees in accordance with the above provisions.

No offer to sell the units has been or will be made in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance ( Cap. 32 ) of Hong Kong, and unless permitted to do so under the securities laws of Hong Kong, no person has issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, any advertisement, document or invitation relating to the units other than with respect to the units intended to be disposed of to persons outside Hong Kong or only to persons whose business involves the acquisition, disposal or holding of securities, whether a principal or agent.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the 1933 Act.

We estimates that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$250,000.

Goldman, Sachs & Co. and Banc of America Securities LLC are currently acting as our financial advisors, for which they are paid usual and customary fees. In addition, certain of the underwriters and their affiliates have engaged, and may in the future engage, in transactions with, including investment banking transactions, and performed services for, UnumProvident and its affiliates in the ordinary course of business, for which they have received and may continue to receive customary fees and commissions. Goldman, Sachs & Co., Banc of America Securities LLC and Morgan Stanley & Co. Incorporated are also acting as lead managers of the concurrent common stock offering. In addition, Banc of America Securities LLC acted as the sole lead arranger and sole book manager of, and an affiliate of Banc of America Securities LLC is the administrative agent and a lender under, our credit agreement.

## **VALIDITY OF THE SECURITIES**

The validity of the senior notes, the purchase contracts and the common stock issuable upon their settlement will be passed upon for us by F. Dean Copeland, Chief Administrative Officer, Senior Executive Vice President and General Counsel, and Alston & Bird

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LLP, Washington, D.C., and for the underwriters by Sullivan & Cromwell LLP, New York, New York. Certain United States federal income taxation matters will be passed upon for us by Alston & Bird LLP, Washington, D.C. Sullivan & Cromwell LLP has from time to time rendered to us, and at present is rendering to us, certain legal services.

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PROSPECTUS

**\$1,500,000,000**

**UNUMPROVIDENT CORPORATION**

**SENIOR DEBT SECURITIES**

**SUBORDINATED DEBT SECURITIES**

**PREFERRED STOCK**

**DEPOSITARY SHARES**

**COMMON STOCK**

**WARRANTS**

**STOCK PURCHASE CONTRACTS**

**AND**

**UNITS**

## **UNUMPROVIDENT FINANCING TRUST II**

## **UNUMPROVIDENT FINANCING TRUST III**

### **PREFERRED SECURITIES**

#### **AS FULLY AND UNCONDITIONALLY GUARANTEED**

#### **BY UNUMPROVIDENT CORPORATION**

We will provide you with more specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

We may offer these securities from time to time in amounts, at prices and on other terms to be determined at the time of offering. The total offering price of the securities offered to the public will be limited to \$1,500,000,000.

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

The date of this Prospectus is April 9, 2003.



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**Notice to North Carolina residents: the Commissioner of Insurance for the State of North Carolina has not approved or disapproved these securities, nor has the Commissioner ruled upon the accuracy or adequacy of this document.**

**The laws of the various states prohibit any person or entity from directly or indirectly acquiring 10% or more (5% or more in Alabama and Florida) of the voting control of any domestic insurance holding company without approval of the states' Commissioner of Insurance.**

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**ABOUT THIS PROSPECTUS**

This document is called a prospectus and is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf registration or continuous offering process, we may from time to time offer any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$1,500,000,000.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement containing specific information about the terms of the securities being offered. A prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities or to us. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under the heading **WHERE YOU CAN FIND MORE INFORMATION** on page 1.

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC web site or at the SEC public reference room mentioned under the heading **WHERE YOU CAN FIND MORE INFORMATION** on page 1.

When acquiring any securities discussed in this prospectus, you should rely only on the information we have provided in this prospectus and in the applicable prospectus supplement, including the information incorporated by reference. Neither we, nor any underwriters or agents, have authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is prohibited. You should not assume that the information in this prospectus, any prospectus supplement, or any document incorporated by reference, is truthful or complete at any date other than the date of the particular document.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with any agents, to reject, in whole or in part, any of those offers.

Any prospectus supplement will contain the names of the underwriters, dealers or agents, if any, together with the terms of offering, the compensation of those underwriters and the net proceeds to us. Any underwriters, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus to **we**, **us**, **our**, or similar references mean UnumProvident Corporation and its subsidiaries.

Unless otherwise stated, currency amounts in this prospectus and any prospectus supplement are stated in United States dollars ( \$ ).

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC's web site at <http://www.sec.gov>. The address of the SEC's web site is provided for the information of prospective investors and not as an active link. You can

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also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

The SEC allows us to incorporate by reference into this prospectus the information in documents 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 and should be read with the same care. When we update the information contained in documents that have been incorporated by reference, by making future filings with the SEC, the information incorporated by reference in this prospectus is considered to be automatically updated and superceded. In other words, in all cases, if you are considering whether to rely on information contained in this prospectus or information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference the documents listed below and any additional documents we file with the SEC in the future under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until our offering is completed:

Annual Report on Form 10-K for the year ended December 31, 2002; and

The description of our common stock set forth in our registration statement filed with the SEC pursuant to Section 12 of the Securities Exchange Act of 1934 and any amendment or report filed for the purpose of updating any such description.

We also incorporate by reference any additional documents we file with the SEC in the future under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this registration statement and prior to the effectiveness of this registration statement. You may request a copy of these filings, at no cost, by writing to or telephoning us at the following address:

Investor Relations

UnumProvident Corporation

1 Fountain Square

Chattanooga, Tennessee 37402

(423) 755-8996

We have not included or incorporated by reference in this prospectus any separate financial statements of UnumProvident Financing Trust II or UnumProvident Financing Trust III, which we will refer to as the trusts. We do not believe that these financial statements would provide holders of preferred securities with any important information for the following reasons:

we will own all of the voting securities of the trusts;

the trusts do not and will not have any independent operations other than to issue securities and to purchase and hold our junior subordinated debt securities; and

we are fully and unconditionally guaranteeing the obligations of the trusts as described in this prospectus.

We do not expect that the trusts will be required to file any information with the SEC for as long as we continue to file our information with the SEC.

#### **FORWARD-LOOKING STATEMENTS**

This prospectus and accompanying prospectus supplements contain or incorporate statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements can be identified by the use of forward-looking language such as may, should, believes, expects, anticipates, estimates, intends, projects, goals, objectives, or other similar expressions. Our actual

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results, performance or achievements could be significantly different from the results expressed in, or implied by, those forward-looking statements. Those statements are subject to certain risks and uncertainties, including but not limited to, certain risks described in the prospectus supplement or supplements accompanying this prospectus or other documents incorporated by reference. When considering those forward-looking statements, you should keep in mind these risks, uncertainties and other cautionary statements made in this prospectus and the prospectus supplements. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. You should refer to our periodic and current reports filed with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by those forward-looking statements.

### **UNUMPROVIDENT CORPORATION**

We are the surviving corporation in the merger on June 30, 1999 of Provident Companies Inc., the leading individual disability insurance provider in North America, with Unum Corporation, the leading group disability insurance provider. We are the parent holding company for a group of insurance and non-insurance companies that collectively operate throughout North America and in the United Kingdom, Japan, and, to a limited extent, in certain other countries around the world. Our principal operating subsidiaries are Unum Life Insurance Company of America (Unum America), Provident Life and Accident Insurance Company (Accident), The Paul Revere Life Insurance Company (Paul Revere Life), and Colonial Life & Accident Insurance Company (Colonial). We, through our subsidiaries, are the largest provider of group and individual disability insurance in North America and the United Kingdom. We also provide a complementary portfolio of other insurance products, including long-term care insurance, life insurance, employer- and employee-paid group benefits, and related services.

### **UNUMPROVIDENT TRUSTS**

Each of UnumProvident Financing Trust II and UnumProvident Financing Trust III is a Delaware statutory trust and was created by the certificate of trust that we filed with the Secretary of State of Delaware on August 14, 2000. A statutory trust is a separate legal entity that can be formed for the purpose of holding property. For tax purposes, UnumProvident Financing Trust II and UnumProvident Financing Trust III are both grantor trusts. A grantor trust is a trust that does not pay federal income tax if it is formed solely to facilitate direct investment in the assets of the trust and the trustee cannot change the investment. We created each of UnumProvident Financing Trust II and UnumProvident Financing Trust III for the limited purpose of:

issuing preferred securities and common securities, which we collectively refer to as the trust securities and which represent undivided beneficial interests in the assets of the trust;

investing the gross proceeds that each trust receives from its issuance of its preferred securities and common securities in a liquidation amount equal to the principal amount of junior subordinated debt securities issued by us;

distributing the interest the trust receives from us on our junior subordinated debt securities that the trust owns to the holders of the trust securities; and

carrying out any other activities that are necessary for or incidental to issuing the preferred securities and common securities and investing in our junior subordinated debt securities.

The purchasers of the preferred securities that UnumProvident Financing Trust II and UnumProvident Financing Trust III may issue will own all of the trusts' preferred securities. We will own all of the common securities. Each trust is subject to the terms of its declaration of trust that we

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have executed as the depositor of the trust and which has also been executed by trustees of the trust. At the time a trust issues any preferred securities, the applicable declaration of trust will be amended and restated to set the terms of the preferred securities, which we will refer to as the amended declaration. The common securities will represent an aggregate

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liquidation amount equal to at least 3% of each trust's total capitalization. The preferred securities will represent the remaining approximate 97% of each trust's total capitalization. The terms of the common securities will also be contained in the amended declaration and the common securities will rank equally, and payments will be made ratably, with the preferred securities. However, if there are certain continuing payment events of default under the subordinated indenture and any supplemental indenture which contains the terms of the junior subordinated debt securities, our rights as holder of the common securities to distributions, liquidation, redemption and other payments from the trust will be subordinated to the rights to those payments of the holders of the preferred securities. Each trust will use the proceeds of the sale of the preferred securities and the common securities to invest in junior subordinated debt securities that we will issue to the trust. The preferred securities will be guaranteed by us in the manner described later in this prospectus.

The junior subordinated debt securities and the interest we pay to UnumProvident Financing Trust II and UnumProvident Financing Trust III on the junior subordinated debt securities will be the trusts' only assets and the interest we pay to the UnumProvident Financing Trust II and UnumProvident Financing Trust III on our junior subordinated debt securities will be the only revenue of the trusts. Unless stated otherwise in the applicable prospectus supplement, the amended declarations will not permit the trusts to acquire any assets other than the junior subordinated debt securities or to issue any securities other than the trust preferred securities and the common securities or to incur any other indebtedness.

Each trust has a term of approximately 45 years but may be dissolved earlier under the terms of its amended declaration. The trustees of each trust will conduct the business and affairs of the trust. As holder of the common securities, we are entitled to appoint, remove, replace or increase or reduce the number of trustees. The amended declarations will govern the duties of the trustees. Most of the trustees will be employees, officers or affiliates of ours and will be referred to as administrative trustees. One trustee of each trust, the property trustee, will be a financial institution that is not affiliated with us and that has a minimum of combined capital and surplus of at least \$50 million. The property trustee will act as indenture trustee for the purpose of compliance with the provisions of the Trust Indenture Act of 1939. Unless the property trustee has a principal place of business in the State of Delaware, and meets other legal requirements, we will appoint another trustee for each trust who meets these requirements to serve as the Delaware trustee.

We or any subsequent holder of the common securities will pay all fees and expenses related to the trusts and the offering of the preferred securities and will pay all ongoing costs and expenses of the trusts.

The property trustee of each trust is JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), 450 West 33rd Street, 15th Floor, New York, New York 10001. The Delaware trustee is Chase Manhattan Bank USA, National Association and its address in the State of Delaware is 500 Stanton Christiana Road, OP4, 3<sup>rd</sup> Floor, Newark, Delaware 19713. The principal place of business of each trust is c/o UnumProvident Corporation, 1 Fountain Square, Chattanooga, Tennessee 37402. The telephone number for each trust at that address is (423) 755-1011.

## **USE OF PROCEEDS**

Unless otherwise specified in the applicable prospectus supplement for any offering of securities, the net proceeds we receive from the sale of these securities will be used for general corporate purposes, which may include:

reducing or refinancing debt;

funding investments in, or extensions of credit to, our subsidiaries;



financing possible acquisitions;

working capital; and

redeeming outstanding securities.

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Pending such use, we may temporarily invest net proceeds. We do not have any present plans, and are not engaged in any negotiations, for the use of any such proceeds, or the issuance of common stock, in any future acquisition. We will disclose any proposal to use the net proceeds from any offering of securities in connection with an acquisition in the prospectus supplement relating to such offering.

**CONSOLIDATED RATIOS OF EARNINGS****TO FIXED CHARGES AND EARNINGS TO COMBINED****FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

Our consolidated ratio of earnings to fixed charges including our consolidated subsidiaries is computed by dividing earnings by fixed charges. The ratio of earnings to fixed charges for the periods prior to December 31, 1999 have been restated to give retroactive effect to the merger of Unum Corporation and Provident Companies, Inc. on June 30, 1999. The following table sets forth our consolidated ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred stock dividends for the periods shown:

<b>Earnings to Fixed Charges</b>	<b>For the Year Ended December 31,</b>				
	<b>1998</b>	<b>1999(2)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
			<b>(Restated)</b>		
Excluding Preference Dividends(1)	7.7x	(0.1)x	5.2x	5.1x	4.4x
Including Preference Dividends(3)	7.5	(0.1)	5.2	5.1	4.4

- (1) For purposes of computing the ratio of earnings to fixed charges, earnings as adjusted consist of income (loss) before income taxes plus fixed charges. Fixed charges consist of interest and debt expense, amortization of deferred debt costs, and the estimated interest portion of rent expense.
- (2) Earnings were inadequate to cover fixed charges. The coverage deficiency totaled \$165.5 million.
- (3) For purposes of computing the ratio of earnings to fixed charges, earnings as adjusted consist of income (loss) before income taxes plus fixed charges. Fixed charges consist of interest and debt expense, amortization of deferred debt costs, the estimated interest portion of rent expense and preferred stock dividends.

**DESCRIPTION OF DEBT SECURITIES****General**

Unless stated otherwise in the applicable prospectus supplement, the following summary outlines the material terms of the senior debt securities and the subordinated debt securities (including our junior subordinated debt securities), which we collectively refer to as the debt securities, that

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we may offer from time to time. The specific terms of any debt securities we may offer and the extent, if any, to which these general terms and provisions may or may not apply to the debt securities will be described in the prospectus supplement relating to the particular series of debt securities.

We will issue the senior debt securities under an indenture, which we have entered into with JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee. We will issue the subordinated debt securities under an indenture, which we will enter into with JPMorgan Chase Bank, as trustee. Except for the subordination provisions included in the subordinated indenture, the indentures are substantially identical. The indentures are subject to and governed by the Trust Indenture Act, and we may supplement the indentures from time to time after we execute them. The following description of the debt securities may not be complete and is subject to and qualified in its entirety by reference to the form of either the senior or the subordinated indenture relating to the particular series of debt securities, each of which is an exhibit to the registration statement that

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contains this prospectus. Capitalized terms used but not defined in this description will have the meanings given to them in the indentures. Wherever we refer to particular sections or defined terms of the indentures, it is our intent that those sections or defined terms will be incorporated by reference in this prospectus.

## **Terms**

The debt securities will be our direct, unsecured obligations. The indebtedness represented by the senior debt securities will rank equally with all our other unsecured and unsubordinated debt, but will be subordinated to all of our existing and future secured indebtedness, if any. The indebtedness represented by the subordinated debt securities will rank junior in right of payment, under the terms contained in the subordinated indenture, and will be subject to our prior payment in full of our senior debt all as described under Subordination.

The amount of debt securities we offer will be limited to the amount described on the cover of this prospectus. We may issue the debt securities, in one or more series from time to time, as our board of directors may establish by resolution or as we may establish in one or more supplemental indentures. We may issue debt securities with terms different from those of debt securities we previously issued. We may issue debt securities of the same series at more than one time and, unless prohibited by the terms of the series, we may reopen a series for issuances of additional debt securities, without the consent of the holders of the outstanding debt securities of that series. The debt securities may be denominated and payable in foreign currencies or units based on or related to foreign currencies. Special United States federal income tax considerations applicable to any debt securities denominated in foreign currencies will be described in the applicable prospectus supplement.

Each indenture provides that there may be more than one trustee under the indenture, each with respect to one or more series of the debt securities. Any trustee under an indenture may resign or be removed with respect to one or more series of the debt securities, and a successor trustee may be appointed to act with respect to that series. Upon prior written notice, a trustee may be removed by act of the holders of a majority in principal amount of the outstanding debt securities of the series with respect to which the trustee acts as trustee. If two or more persons are acting as trustee with respect to different series of debt securities, each trustee will be a trustee of a trust under the applicable indenture unrelated to the trust administered by any other trustee. Except as otherwise stated in this prospectus, any action described in this prospectus to be taken by each trustee may only be taken by the trustee with respect to the one or more series of debt securities for which it is trustee under the applicable indenture.

You should refer to the applicable prospectus supplement relating to a particular series of debt securities for the specific terms of the debt securities, including, but not limited to:

the title of the debt securities of the series and whether the debt securities are senior debt securities or subordinated debt securities and, in the case of subordinated debt securities, whether they are junior subordinated debt securities;

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

the price (expressed as a percentage of the principal amount of the debt securities) at which we will issue the debt securities of the series;

the terms, if any, by which holders may convert or exchange the debt securities of the series into or for common stock or other of our securities or property;

if the debt securities of the series are convertible or exchangeable, any limitations on the ownership or transferability of the securities or property into which holders may convert or exchange the debt securities;

the date or dates, or the method for determining the date or dates, on which we will be obligated to pay the principal of the debt securities of the series and the amount of principal we will be obligated to pay;

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the rate or rates, which may be fixed or variable, at which the debt securities of the series will bear interest, if any, or the method by which the rate or rates will be determined;

the date or dates, or the method for determining the date or dates, from which any interest will accrue on the debt securities of the series, the dates on which we will be obligated to pay any such interest, the regular record dates if any, for the interest payments, or the method by which the dates shall be determined, the persons to whom we will be obligated to pay interest, and the basis upon which interest shall be calculated if other than that of a 360-day year consisting of twelve 30-day months;

the place or places where the principal of, and any premium, Make-Whole Amount (as defined in the indentures), interest or Additional Amounts (as defined in the indentures) on, the debt securities of the series will be payable, where the holders of the debt securities may surrender debt securities for conversion, transfer or exchange, and where notices or demands to or upon us in respect of the debt securities and the indenture may be served;

if other than the trustee, the identity of each security registrar and/or paying agent for debt securities of the series;

the period or periods during which, the price or prices (including any premium or Make-Whole Amount) at which, the currency or currencies in which, and the other terms and conditions upon which, we may redeem the debt securities of the series, at our option, if we have such an option;

any obligation of ours to redeem, repay or purchase debt securities pursuant to any sinking fund or analogous provision or at the option of a holder of debt securities, and the terms and conditions upon which we will redeem, repay or purchase all or a portion of the debt securities of the series pursuant to that obligation;

the currency or currencies in which we will sell the debt securities and in which the debt securities of the series will be denominated and payable;

whether the amount of payment of principal of, and any premium, Make-Whole Amount, or interest on, the debt securities of the series may be determined with reference to an index, formula or other method and the manner in which the amounts will be determined;

whether the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, the debt securities of the series are to be payable, at our election or at the election of the holder of the debt securities, in a currency or currencies other than that in which the debt securities are denominated or stated to be payable, the period or periods during which, and the terms and conditions upon which, this election may be made, and the time and manner of, and identity of the exchange rate agent with responsibility for, determining the exchange rate between the currency or currencies in which the debt securities are denominated or stated to be payable and the currency or currencies in which the debt securities will be payable;

any provisions granting special rights to the holders of the debt securities of the series at the occurrence of certain events;

any additions to, modifications of or deletions from the terms of the debt securities with respect to the events of default or covenants contained in the applicable indenture;

whether the debt securities of the series will be issued in certificated or book-entry form and the related terms and conditions;

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whether the debt securities of the series will be in registered or bearer form and the terms and conditions relating to the applicable form, and if in registered form, the denomination in which we will issue the debt securities if other than \$1,000 or a multiple of \$1,000 and, if in bearer form, the denominations in which we will issue the debt securities if other than \$5,000 or a multiple of \$5,000;

the applicability, if any, of the defeasance or covenant defeasance provisions described below under Discharge, Defeasance and Covenant Defeasance ;

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any applicable United States federal income tax consequences, including whether and under what circumstances we will pay any Additional Amounts as contemplated in the applicable indenture on the debt securities, to any holder who is not a United States person in respect of any tax, assessment or governmental charge withheld or deducted and, if we will pay Additional Amounts, whether we will have the option, and on what terms to redeem the debt securities instead of paying the Additional Amounts;

whether we may extend the interest payment periods and, if so, the terms of any extension;

if the principal amount payable on any maturity date will not be determinable on any one or more dates prior to the maturity date, the amount which will be deemed to be the principal amount as of any date for any purpose, including the principal amount which will be due and payable upon any maturity other than the maturity date, or the manner of determining that amount;

any other covenant or warranty included for the benefit of the debt securities of the series;

any proposed listing of the debt securities of the series on any securities exchange; and

any other terms of such debt securities not inconsistent with the provisions of the applicable indenture.

The debt securities of a series may provide for less than their entire principal amount to be payable if we accelerate the maturity of the debt securities as a result of the occurrence and continuation of an event of default. If this is the case, the debt securities would have what is referred to as original issue discount. Any special United States federal income tax, accounting and other considerations applicable to original issue discount securities will be described in the applicable prospectus supplement.

We may issue debt securities of a series from time to time, with the principal amount payable on any principal payment date, or the amount of interest payable on any interest payment date, to be determined by reference to one or more currency exchange rates, commodity prices, equity indices or other factors. Holders of these debt securities may receive a principal amount on any principal payment date, or a payment of interest on any interest payment date, that is greater than or less than the amount of principal or interest otherwise payable on such dates, depending upon the value on the applicable dates of the applicable currency, commodity, equity index or other factors.

Information as to the methods for determining the amount of principal or interest payable on any date, the currencies, commodities, equity indices or other factors to which the amount payable on such date is linked and certain additional tax considerations will be described in the applicable prospectus supplement.

The indentures do not contain any provisions that afford holders of the debt securities protection in the event we engage in a transaction in which we incur or acquire a large amount of additional debt.

**Denominations, Interest, Registration and Transfer**



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Unless the applicable prospectus supplement states otherwise, debt securities we issue in registered form of any series will be issued in denominations of \$1,000 and multiples of \$1,000. Unless the applicable prospectus supplement states otherwise, debt securities we issue in bearer form will be issued in denominations of \$5,000 and multiples of \$5,000.

Unless the applicable prospectus supplement states otherwise, the principal of, and any premium, Make-Whole Amount, or interest on, any series of debt securities will be payable in the currency designated in the prospectus supplement at the corporate trust office of the trustee, initially located at JPMorgan Chase Bank, Institutional Trust Services, 15th Floor, 450 West 33rd Street, New York, New York 10001. At our option, however, payment of interest may be made by check mailed to the address of the person entitled to the interest payment as it appears in the security register for the series or by wire transfer of funds to that person at an account maintained within the United States. We may at any time designate additional paying agents, remove any

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paying agents, or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for any series. All monies we pay to a paying agent for the payment of principal of, or any premium, Make-Whole Amount, interest or Additional Amounts on, any debt security which remains unclaimed at the end of two years after the principal, premium or interest has become due and payable will be repaid to us, subject to any applicable law. After this time, the holder of the debt security will be able to look only to us for payment.

Any interest we do not punctually pay on any interest payment date with respect to a debt security will be defaulted interest and will cease to be payable to the holder on the original regular record date and may either:

be paid to the holder at the close of business on a special record date for the payment of defaulted interest to be fixed by the applicable trustee; or

may be paid at any time in any other lawful manner, all as more completely described in the applicable indenture.

If the defaulted interest is to be paid on a special record date, notice of the special record date will be mailed to each holder of such debt security not less than ten days before the special record date.

Subject to certain limitations imposed on debt securities issued in book-entry form, debt securities of any series will be exchangeable for other debt securities of the same series and with the same total principal amount and authorized denomination upon surrender of the debt securities at the corporate trust office of the applicable trustee. In addition, subject to certain limitations imposed upon debt securities issued in book-entry form, the debt securities of any series may be surrendered for conversion, transfer or exchange at the corporate trust office of the applicable trustee. Every debt security surrendered for conversion, transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer. There will be no service charge on any transfer or exchange of debt securities, but we may require payment by holders to cover any tax or other governmental charge payable in connection with the transfer or exchange.

If the applicable prospectus supplement refers to us designating a transfer agent (in addition to the applicable trustee) for any series of debt securities, we may at any time remove the transfer agent or approve a change in the location at which the transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for any series of debt securities. We may at any time designate additional transfer agents with respect to any series of debt securities.

Neither we nor any trustee will be required to do any of the following:

issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days before there is a selection of debt securities of that series to be redeemed and ending at the close of business on the day of mailing or publication of the relevant notice of redemption;

register the transfer of or exchange any debt security, or portion thereof, called for redemption, except the unredeemed portion of any debt security being only partially redeemed;

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exchange any debt security in bearer form that is selected for redemption, except a debt security in bearer form may be exchanged for a debt security in registered form of that series and like denomination, provided that the debt security in registered form shall be simultaneously surrendered for redemption or exchange; or

issue, register the transfer of or exchange any debt security that has been surrendered for repayment at the option of the holder, except the portion, if any, of the debt security that is not to be repaid.

### **Global Securities**

The debt securities in registered form of a series may be issued in the form of one or more fully registered global securities that will be deposited with a depositary or with a nominee for a depositary identified in the

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applicable prospectus supplement relating to the series and registered in the name of the depositary or its nominee. In this case, one or more registered global securities will be issued in a denomination or total denominations equal to the portion of the total principal amount of outstanding registered debt securities of the series to be represented by the registered global securities or securities. Unless and until it is wholly exchanged for debt securities in definitive registered form, a registered global security may not be transferred except as a whole by the depositary to its nominee or by a nominee to the depositary or another nominee, or by the depositary or its nominee to a successor of the depositary or the successor depositary's nominee.

The specific terms of the depositary arrangement with respect to any portion of a series of debt securities to be represented by a registered global security will be described in the applicable prospectus supplement. We anticipate that the following provisions will apply to all depositary arrangements.

Ownership of beneficial interests in a registered global security will be limited to persons that have accounts with, or are participants of, the depositary for the registered global security or persons that may hold interests through participants. When we issue a registered global security, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal amounts of the debt securities represented by the registered global security owned by those participants. The accounts to be credited will be designated by any dealers, underwriters or agents participating in the distribution of the debt securities. Ownership of participants in a registered global security will be shown on, and the transfer of such ownership interests will be effected only through, records maintained by the depositary and ownership of persons who hold debt securities through participants will be reflected on the records of participants. Participants include securities brokers and dealers, banks and trust companies, clearing corporations and certain other organizations. Access to the depositary's system is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a participant, either directly or indirectly, which we refer to as indirect participants. Persons who are not participants or indirect participants may beneficially own registered global securities held by the depositary only through participants or indirect participants. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair a person's ability to own, transfer or pledge beneficial interests in a registered global security.

So long as the depositary, or its nominee, is the registered owner of the global security, the depositary or such nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by the registered global security for all purposes under the applicable indenture. Except as set forth below, owners of beneficial interests in a registered global security will not be entitled to have the debt securities represented by the registered global security registered in their names, will not receive or be entitled to receive physical delivery of the debt securities in definitive form, and will not be considered the owners or holders thereof under the applicable indenture. Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depositary and, if such person is not a participant, on the procedures of the participant and, if applicable, the indirect participant through which such person owns its interest, to exercise any rights of a holder under the applicable indenture. We understand that under existing industry practices, if we request any action of holders or if an owner of a beneficial interest in a registered global security desires to give or take any action which a holder is entitled to give or take under the applicable indenture, the depositary would authorize the participants holding the relevant beneficial interests to give or take the action, and the participants and, if applicable, indirect participants would authorize beneficial owners owning through the participants and, if applicable, indirect participants to give or take such action or would otherwise act upon the instructions of beneficial owners holding through them.

Payments of principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, debt securities represented by a registered global security will be made to the depositary or its nominee, as the case may be, as the registered owner of the registered global security. None of us, the trustee or any other agent of ours or agent of the trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the registered global security or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

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We expect that once the depositary receives any payment of principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, a registered global security, the depositary will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the registered global security as shown on the records of the depositary. We also expect that payments by participants or, if applicable, indirect participants to owners of beneficial interests in the registered global security held through the participants or, if applicable, indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of the participants or indirect participants as the case may be.

Neither us, the trustee, any paying agent, nor the security registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the registered global security for such debt securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

If the depositary is at any time unwilling or unable to continue as depositary or ceases to be a clearing agency registered under the Securities Exchange Act of 1934, and we do not appoint a successor depositary registered as a clearing agency under the Exchange Act within 90 days after we become aware of the unwillingness, inability or ineligibility, we will issue debt securities in definitive form in exchange for the registered global security. In addition, we may at any time and in our sole discretion determine not to have any of the debt securities of a series represented by one or more registered global securities and, in such event, will issue debt securities of such series in a definitive form in exchange for all of the registered global security or securities representing the debt securities. Any debt securities issued in definitive form in exchange for a registered global security will be registered in such name or names as the depositary shall instruct the trustee. It is expected that such instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the registered global security.

Debt securities in bearer form of a series may also be issued in the form of one or more global securities that will be deposited with a common depositary for the Euroclear System and Clearstream Banking, société anonyme Luxembourg (formerly known as Cedelbank), or with a nominee for such depositary identified in the applicable prospectus supplement. The specific terms and procedures, including the specific terms of the depositary arrangement and any specific procedures for the issuance of debt securities in definitive form in exchange for a bearer form global security, with respect to any portion of a series of debt securities to be represented by a bearer form global security will be described in the applicable prospectus supplement.

## **Merger, Consolidation or Sale**

We may consolidate with, or sell, lease or otherwise transfer all or substantially all of our assets to, or merge with or into, any other corporation or trust or entity provided that:

we are the survivor in the merger, or the survivor, if not us, is an entity organized under the laws of the United States or a state of the United States and expressly assumes by supplemental indenture the due and punctual payment of the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, all of the outstanding debt securities and the due and punctual performance and observance of all of the covenants and conditions contained in each indenture;

immediately after giving effect to the transaction and treating any indebtedness that becomes an obligation of ours or one of our subsidiaries as a result of the transaction, as having been incurred by us or the subsidiary at the time of the transaction, there is no

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event of default under the indenture, and no event which, after notice or the lapse of time, or both, would become an event of default;

if, as a result of the transaction, our property or assets would be subject to an encumbrance that would not be permitted under the indenture, we shall take steps to secure the debt securities equally and ratably with all indebtedness secured in the transaction; and

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certain other conditions that are described in the indentures are met.

Upon any such consolidation, merger, or sale, the successor corporation formed, or into which we are merged or to which we are sold, shall succeed to, and be substituted for, us under the indentures.

This covenant would not apply to any recapitalization transaction, change of control of us or a transaction in which we incur a large amount of additional debt unless the transactions or change of control included a merger or consolidation or transfer of substantially all of our assets. Except as may be described in the applicable prospectus supplement, there are no covenants or other provisions in the indentures providing for a put or increased interest or that would otherwise afford holders of debt securities additional protection in the event of a recapitalization transaction, a change of control of us or a transaction in which we incur or acquire a large amount of additional debt.

### **Certain Covenants**

***Existence.*** Except as permitted under Merger, Consolidation or Sale above we will do or cause to be done all things necessary to preserve and keep our legal existence, rights and franchises in full force and effect; provided, however, that we will not be required to preserve any right or franchise if we determine that the preservation of that right or franchise is no longer desirable in the conduct of our business and that its loss is not disadvantageous in any material respect to the holders of any debt securities.

***Maintenance of Properties.*** We will cause all of our material properties used or useful in the conduct of our business or the business of any of our subsidiaries to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and we will cause to be made all necessary repairs, renewals, replacements, betterments and improvements for those properties, as we in our judgment believe is necessary so that we may carry on the business related to those properties properly and advantageously at all times; provided, however, that we will not be prevented from selling or otherwise disposing of our properties or the properties of our subsidiaries in the ordinary course of business.

***Payment of Taxes and Other Claims.*** We will pay or discharge, or cause to be paid or discharged, before they become delinquent,

all taxes, assessments and governmental charges levied or imposed upon us or any subsidiary of ours or upon our income, profits or property or that of any subsidiary of ours, and

all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon our property or any subsidiary of ours;

provided, however, that we will not be required to pay or discharge or cause to be paid or discharged any tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

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**Provision of Financial Information.** Whether or not we are subject to Section 13 or 15(d) of the Exchange Act, we will, within 15 days of each of the respective dates by which we are or would be required to file annual reports, quarterly reports and other documents with the SEC pursuant to such Section 13 and 15(d):

file with the applicable trustee copies of the annual reports, quarterly reports and other documents that we are or would be required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act; and

promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of those documents to any prospective holder.

**Waiver of Certain Covenants.** We may choose not to comply with any term, provision or condition of the foregoing covenants, or with certain other terms, provisions or conditions with respect to the debt securities of a



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series (except any such term, provision or condition which could not be amended without the consent of all holders of such series), if before or after the time for compliance with the covenant, term, provision or condition, the holders of at least a majority in principal amount of all outstanding debt securities of the series either waive compliance in that instance or generally waive compliance with that covenant or condition. Unless the holders expressly waive compliance with a covenant and the waiver has become effective, our obligations and the duties of the trustee in respect of the term, provision, or condition will remain in full force and effect.

***Covenants Relating to Junior Subordinated Debt Securities.*** In any subordinated indenture that governs the terms of the junior subordinated debt securities we issue to a trust, in connection with the issuance of trust securities, we will covenant that, so long as any preferred securities of the trust remain outstanding, if there has occurred any event that would constitute an event of default under the applicable trust guarantee or amended declaration or if we have extended the interest payment periods of the junior subordinated debt securities, we will not do any of the following:

declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock, except for:

purchases or acquisitions of shares of common stock in connection with the satisfaction of our obligations under any employee benefit plans or the satisfaction of our obligations pursuant to any contract or security outstanding on the date of the event, which requires us to purchase shares of our common stock,

as a result of a reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock, or

the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of the capital stock or the security being converted or exchanged;

make any payment of interest, principal or premium on, or repay, repurchase or redeem, any debt securities (including guarantees) we have issued which rank equally with or junior to the subordinated debt securities held by the applicable trust; or

make any guarantee payments on any obligations ranking equally with or junior to the subordinated debt securities held by the trust, except under the applicable trust guarantee.

***Additional Covenants.*** Any additional covenants with respect to any series of debt securities will be described in the applicable prospectus supplement.

## **Events of Default, Notice and Waiver**

Except as otherwise described in the applicable prospectus supplement, each of the following Events of Default set forth in the indentures will be applicable to each series of debt securities we may issue under those indentures:

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- (1) we fail for 30 days to pay any installment of interest or any Additional Amounts payable on any debt security of that series;
- (2) we fail to pay the principal of, or any premium or Make-Whole Amount on, any debt security of that series when due, either at maturity, redemption or otherwise;
- (3) we fail to make any sinking fund payment when due as required for any debt security of that series;
- (4) we default in the performance or breach of any other covenant or agreement we made in the indenture other than a covenant added to the indenture solely for the benefit of another series of debt securities, which has continued for 60 days after written notice as provided for in accordance with the applicable indenture by the applicable trustee or the holders of at least 25% in principal amount of the outstanding debt securities of the affected series;

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- (5) we default under a bond, debenture, note or other evidence of indebtedness for money borrowed by us or any subsidiary of ours that we have guaranteed that has a principal amount outstanding that is more than \$10,000,000 (other than non-recourse indebtedness), which default has caused the indebtedness to become due and payable earlier than it would otherwise have become due and payable, and the acceleration has not been rescinded or annulled within 30 days after written notice was provided to us in accordance with the indenture;
- (6) certain events of bankruptcy, insolvency or reorganization occur; and
- (7) any other event of default specified in the applicable prospectus supplement occurs.

If there is a continuing event of default under an indenture with respect to outstanding debt securities of a series, then the applicable trustee or the holders of not less than 25% of the total principal amount of the outstanding debt securities of that series, voting as a single class, may declare immediately due and payable the principal amount or other amount as may be specified in the terms of the debt securities of and any premium or Make-Whole Amount on, all of the debt securities of that series. However, at any time after a declaration of acceleration with respect to any or all debt securities of a series then outstanding has been made, but before a judgment or decree for payment of the money due has been obtained by the applicable trustee, the holders of not less than a majority in principal amount of the outstanding debt securities of that series may cancel the acceleration if:

we deposit with the applicable trustee all required payments of the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, the applicable debt securities, plus certain fees, expenses, disbursements and advances of the applicable trustee; and

all events of default, other than the nonpayment of accelerated principal, premium, Make-Whole Amount or other amounts or interest, with respect to the applicable debt securities have been cured or waived as provided in the indenture.

Each indenture also provides that the holders of not less than a majority in principal amount of the applicable outstanding debt securities of any series may waive any past default with respect to those debt securities and its consequences, except a default consisting of:

our failure to pay the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, any debt security; or

a default relating to a covenant or provision contained in the applicable indenture that cannot be modified or amended without the consent of the holders of each outstanding debt security affected by the default.

The trustee is generally required to give notice to the holders of the debt securities of each affected series within 90 days of a default of which the trustee has actual knowledge under the applicable indenture unless the default has been cured or waived. The trustee may withhold a notice of default unless the default relates to:

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our failure to pay the principal of, or any premium, Make-Whole Amount, interest or Additional Amounts on, a debt security of that series; or

any sinking fund installment for any debt security of that series, if the responsible officers of the trustee consider it to be in the interest of the holders.

Each indenture provides that no holder of debt securities of any series may institute a proceeding with respect to the indenture or for any remedy under the indenture, unless the applicable trustee fails to act, for 60 days, after:

it has received a written request to institute proceedings in respect of an event of default from the holders of not less than 25% in principal amount of the outstanding debt securities of the series, as well as an offer of indemnity reasonably satisfactory to the trustee; and

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no direction inconsistent with such written request has been given to the trustee during that 60-day period by the holders of a majority in principal amount of the outstanding debt securities of the series.

This provision will not prevent, however, any holder of debt securities from instituting suit for the enforcement of payment of the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, debt securities at their respective due dates.

Subject to provisions in each indenture relating to the trustee's duties in case of default, the trustee is not under an obligation to exercise any of its rights or powers under any indenture at the request or direction of any holders of any series of debt securities then outstanding, unless the holders have offered to the trustee security or indemnity satisfactory to it. Subject to these provisions for the indemnification of the trustee, the holders of not less than a majority in principal amount of the applicable outstanding debt securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the applicable trustee, or of exercising any trust or power conferred upon the trustee. However, the trustee may refuse to follow any direction which is in conflict with any law or the applicable indenture, which may involve the trustee in personal liability or which may be unduly prejudicial to the holders of debt securities of the applicable series not joining in the direction.

Within 120 days after the close of each fiscal year, we must deliver to each trustee a certificate, signed by one of several specified officers, stating such officer's knowledge of our compliance with all the conditions and covenants under the applicable indenture and, in the event of any noncompliance, specifying such noncompliance and the nature and status of the noncompliance.

## **Modification of the Indenture**

Modification and amendment of an indenture may be made only with the consent of the holders of not less than a majority in principal amount of all outstanding debt securities issued under the indenture which are affected by the modification or amendment. However, no modification or amendment may, without the consent of the holder of each debt security affected, do any of the following:

change the stated maturity of the principal of, or any premium, Make-Whole Amount, installment of principal of, interest or Additional Amounts payable on, any debt security;

reduce the principal amount of, or the rate or amount of interest on, any premium, Make-Whole Amount payable on redemption of or any Additional Amounts payable with respect to, any debt security;

reduce the amount of principal of an original issue discount security, indexed security or any Make-Whole Amount that would be due and payable upon declaration of acceleration of the maturity of an original issue discount security or indexed security, or would be provable in bankruptcy, or adversely affect any right of repayment of the holder of any debt security;

change the place of payment or the currency or currencies of payment of the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, any debt security;

impair the right to institute suit for the enforcement of any payment on or with respect to any debt security;

reduce the percentage of the holders of outstanding debt securities of any series necessary to modify or amend the applicable indenture, to waive compliance with certain provisions thereof or certain defaults and consequences thereunder, or to reduce the quorum or voting requirements contained in the applicable indenture;

make any change that adversely affects the right to convert or exchange any security or decrease the conversion or exchange rate or increase the conversion or exchange price of any security; or

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modify any of the foregoing provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to increase the required percentage to effect such action or to provide that certain other provisions may not be modified or waived without the consent of the holder of the debt security.

We and the relevant trustee may modify or amend an indenture, without the consent of any holder of debt securities, for any of the following purposes:

to evidence the succession of another person to us as obligor under the indenture;

to add to the covenants for the benefit of the holders of all or any series of debt securities or to surrender any right or power conferred upon us in the indenture;

to add events of default for the benefit of the holders of all or any series of debt securities;

to add or change any provisions of an indenture to facilitate the issuance of, or to liberalize certain terms of, debt securities in bearer form, or to permit or facilitate the issuance of debt securities in uncertificated form, provided that such action shall not adversely affect the interests of the holders of the debt securities of any series in any material respect;

to add, change or eliminate any provisions of an indenture, provided that any such addition, change or elimination shall

become effective only when there are no outstanding debt securities of any series created prior to the change or elimination which are entitled to the benefit of the applicable provision, or

not apply to any outstanding debt securities created prior to the change or elimination;

to secure the debt securities;

to establish the form or terms of debt securities of any series, including the provisions and procedures, if applicable, for the conversion of the debt securities into our common stock or other securities or property of ours;

to provide for the acceptance or appointment of a successor trustee or facilitate the administration of the trusts under an indenture by more than one trustee;

to cure any ambiguity, defect or inconsistency in an indenture;

to close an indenture with respect to the authentication and delivery of additional series of debt securities or to qualify, or maintain qualification of, an indenture under the Trust Indenture Act;

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to supplement any of the provisions of an indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of the debt securities; or

to make any provisions with respect to the conversion or exchange rights of the holders of any debt securities, including providing for the conversion or exchange of any debt securities into any of our securities or property;

provided that, in each case above, the action does not adversely affect the interests of the holders of the debt securities of any series issued under the indenture in any material respect.

### **Subordination**

Unless otherwise indicated in the applicable prospectus supplement for a particular series of subordinated debt securities, the following subordinated provisions will apply to the subordinated debt securities.

The subordinated debt securities, including any junior subordinated debt securities we issue in connection with the issuance of any trust preferred securities by a trust, will be unsecured and subordinated in right of



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payment to all of our existing and future secured and senior indebtedness. As a result, upon any distribution to our creditors in a liquidation, dissolution, bankruptcy, insolvency or reorganization, the payment of the principal of and interest on the subordinated debt securities will be subordinated to the extent provided in the subordinated indenture in right of payment to the prior payment in full of all our senior debt and our secured debt. Our obligation to make payments of the principal of and interest on the subordinated debt securities will not otherwise be affected.

We may not make payments of principal or interest on the subordinated debt securities at any time we are in default on any payment with respect to our senior debt, or we have defaulted on any of our senior debt resulting in the acceleration of the maturity of the senior debt, or if there is a judicial proceeding pending with respect to our default on our senior debt and we have received notice of the default. We may resume payments on the subordinated debt securities when the default is cured or waived if the subordination provisions of the subordinated indenture will permit us to do so at that time. After we have paid all of our senior debt in full, holders of subordinated debt securities will still be subrogated to the rights of holders of our senior debt for the amount of distributions otherwise payable to holders of the subordinated debt securities until the subordinated debt securities are paid in full.

If payment or distribution on account of the subordinated debt securities of any character or security, whether in cash, securities or other property, is received by a holder of any subordinated debt securities, including any applicable trustee, in contravention of any of the terms of the applicable indenture and before all our senior debt has been paid in full, that payment or distribution or security will be received in trust for the benefit of, and must be paid over or delivered and transferred to, holders of our senior debt at the time outstanding in accordance with the priorities then existing among those holders for application to the payment of all senior debt remaining unpaid to the extent necessary to pay all senior debt in full.

Upon payment or distribution of assets to creditors upon insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding up of or relating to our company as a whole, whether voluntary or involuntary, the holders of all senior debt securities will first be entitled to receive payment in full before holders of the outstanding subordinated debt securities will be entitled to receive any payment in respect of the principal of, or premium, if any, or interest on, the outstanding subordinated debt securities.

After we have paid in full all sums we owe on our senior debt, the holders of the subordinated debt securities, if so issued, together with the holders of our obligations ranking on a parity with the subordinated debt securities, will be entitled to be paid from our remaining assets the amounts at the time due and owing on the subordinated debt securities and the other obligations. After we have paid in full all sums we owe on the subordinated debt securities, the holders of the junior subordinated debt securities, together with the holders of our obligations ranking on a parity with the junior subordinated debt securities, will be entitled to be paid from our remaining assets the amounts at the time due and owing on the junior subordinated debt securities and the other obligations. We will make payment on the junior subordinated debt securities before we make any payment or other distribution, whether in cash, property or otherwise, on account of any capital stock or obligations ranking junior to our junior subordinated debt securities.

By reason of this subordination, if we become insolvent, holders of senior debt, as well as certain of our general creditors, may receive more, and holders of subordinated debt securities (including junior subordinated debt securities) may receive less, than our other creditors, including holders of any of our senior debt securities. This subordination will not prevent the occurrence of any event of default on the subordinated debt securities.

Senior debt is defined in the subordinated indenture as the principal, premium, if any, unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to us whether or not a claim for post-filing interest is allowed in such proceeding), fees, charges, expenses,



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reimbursement and indemnification obligations, and all other amounts payable under or in respect of the types of debt generally described below:

- (1) debt for money we have borrowed;
- (2) debt evidenced by a bond, note, debenture, or similar instrument (including purchase money obligations) whether or not given in connection with the acquisition of any business, property or assets, whether by purchase, merger, consolidation or otherwise, but not any account payable or other obligation created or assumed in the ordinary course of business in connection with the obtaining of materials or services;
- (3) debt which is a direct or indirect obligation which arises as a result of banker's acceptances or bank letters of credit issued to secure our obligations, or to secure the payment of revenue bonds issued for our benefit, whether contingent or otherwise;
- (4) any debt of others described in the preceding clauses (1) through (3) which we have guaranteed or for which we are otherwise liable;
- (5) debt secured by any mortgage, pledge, lien, charge, encumbrance or any security interest existing on our property;
- (6) our obligation as lessee under any lease of property which is reflected on our balance sheet as a capitalized lease;
- (7) any deferral, amendment, renewal, extension, supplement or refunding of any liability of the kind described in any of the preceding clauses (1) through (6); and
- (8) our obligations to make payments under the terms of financial instruments such as securities contracts and foreign currency exchange contracts, derivative instruments and other similar financial instruments;

provided, however, that, in computing our debt, any particular debt will be excluded if:

upon or prior to the maturity thereof, we have deposited in trust with a depository, money (or evidence of indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy that debt as it becomes due, and the amount so deposited will not be included in any computation of our assets; and

we have delivered an officers' certificate to the trustee that certifies that we have deposited in trust with the depository the sufficient amount.

Senior debt will exclude the following:

any debt referred to in paragraphs (1) through (6) above as to which, in the instrument creating or evidencing the debt or under which the debt is outstanding, it is provided that the debt is not superior in right of payment to our subordinated debt securities, or ranks equal with the subordinated debt securities;

our subordinated debt securities;

any debt of ours which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to us;

debt to any employee of ours; and

all other junior subordinated debentures issued by us from time to time and sold to subsidiaries of ours, including any limited liability companies, partnerships or trust established or to be established by us, in each case where the subsidiary is similar in purpose to one of the trusts.

There is no limit on the amount of senior debt or other debt that we may incur in the subordinated indenture. At December 31, 2002, our senior debt aggregated approximately \$1.9 billion.

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**Discharge, Defeasance and Covenant Defeasance**

Unless the terms of a series of debt securities provides otherwise, under each indenture, we may discharge certain obligations to holders of any series of debt securities that have not already been delivered to the applicable trustee for cancellation and that either have become due and payable or will become due and payable within one year (or are scheduled for redemption within one year). We can discharge these obligations by irrevocably depositing with the applicable trustee funds in such currency or currencies in which the debt securities are payable in an amount sufficient to pay the entire indebtedness on the debt securities including the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts payable on, the debt securities to the date of the deposit, if the debt securities have become due and payable or to the stated maturity or redemption date, as the case may be.

In addition, if the terms of the debt securities of a series permit us to do so, we may elect either of the following:

to be defeased and be discharged from any and all obligations with respect to the debt securities of that series; except our obligations to

pay any Additional Amounts upon the occurrence of certain tax and other events,

register the transfer or exchange of the debt securities,

replace temporary or mutilated, destroyed, lost or stolen debt securities,

maintain an office or agency for the debt securities, and

to hold moneys for payment in trust; or

to be defeased and discharged from our obligations with respect to the debt securities of that series described under Certain Covenants or, if the terms of the debt securities of that series permit, our obligations with respect to any other covenant.

If we choose to defease and discharge our obligations under the covenants, any failure to comply with the obligations imposed on us by the covenants will not constitute a default or an event of default with respect to the debt securities of that series. However, to make either election we must irrevocably deposit with the applicable trustee, in trust, an amount, in the currency or currencies in which the debt securities are payable, or in government obligations, or both, that will provide sufficient funds to pay the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, the debt securities, and any mandatory sinking fund or analogous payments on the debt securities, on the relevant scheduled due dates or upon redemption.

We may defease and discharge our obligations as described in the preceding paragraphs only if, among other things:

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we have delivered to the applicable trustee an opinion of counsel to the effect that the holders of the debt securities will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance or covenant defeasance described in the previous paragraphs and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred. In the case of defeasance the opinion of counsel must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax laws occurring after the date of the indenture;

any defeasance does not result in, or constitute, a breach or violation of an indenture or any other material agreement which we are a party to or obligated under; and

no event of default, or event that with notice will be an event of default, has occurred and is continuing with respect to any securities subject to a defeasance.

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Unless otherwise provided in the applicable prospectus supplement, if, after we have deposited funds and/or government obligations to effect defeasance or covenant defeasance with respect to debt securities of any series:

the holder of a debt security of such series elects to receive payment in a currency in which the deposit was made in respect of the debt security; or

a conversion event (as defined below) occurs in respect of the currency in which the deposit was made,

the indebtedness represented by the debt security shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, the debt security, as they become due, out of the proceeds yielded by converting the amount so deposited in respect of the debt security into the currency in which the debt security becomes payable as a result of the election or such cessation of usage based on the applicable market exchange rate.

Unless otherwise defined in the applicable prospectus supplement, conversion event means the cessation of use of:

a currency, currency unit or composite currency issued by the government of one or more countries other than the United States both by the government of the country that issued such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community; or

any currency unit or composite currency for the purposes for which it was established.

Unless otherwise described in the applicable prospectus supplement, all payments of principal of, and any premium, Make-Whole Amount, interest or Additional Amounts on, any debt security that is payable in a foreign currency that ceases to be used by its government of issuance will be made in United States dollars.

In the event we effect covenant defeasance with respect to any series of debt securities and the debt securities are declared due and payable because of the occurrence of any event of default other than:

the event of default described in clause (4) of the first paragraph under Events of Default, Notice and Waiver, which would no longer be applicable to the debt securities of that series, or

the event of default described in clause (7) of the first paragraph under Events of Default, Notice and Waiver with respect to a covenant as to which there has been covenant defeasance,

then the amount on deposit with the trustee will still be sufficient to pay amounts due on the debt securities at the time of their stated maturity but may not be sufficient to pay amounts due on the debt securities at the time of the acceleration resulting from the event of default. In this case, we would remain liable to make payment of such amounts due at the time of acceleration.

The applicable prospectus supplement may describe further provisions, if any, permitting defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to a particular series of debt securities.

### **Conversion and Exchange Rights**

The terms on which debt securities of any series are convertible into or exchangeable for our common stock or other securities or property of ours will be set forth in the applicable prospectus supplement. These terms will include:

the conversion or exchange price, or manner for calculating a price;

the exchange or conversion period; and

whether the conversion or exchange is mandatory, at the option of the holder, or at our option.



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The terms may also include calculations pursuant to which the number of shares of our common stock or other securities or property to be received by the holders of debt securities would be determined according to the market price of our common stock or other securities or property of ours as of a time stated in the prospectus supplement. The conversion exchange price of any debt securities of any series that is convertible into our common stock may be adjusted for any stock dividends, stock splits, reclassification, combinations or similar transactions, as described in the applicable prospectus supplement.

## **Redemption of Debt Securities**

If so specified in the applicable prospectus supplement, debt securities of any series may be wholly or partially redeemed at our option, at any time. The debt securities may also be subject to optional or mandatory redemption on terms and conditions described in the applicable prospectus supplement.

From and after the time that notice has been given as provided in the indenture, if funds for the redemption of any debt securities called for redemption have been made available on the redemption date, the debt securities will cease to bear interest on the date fixed for redemption specified in the notice, and the only right of the holders of the debt securities will be to receive payment of the redemption price.

## **Governing Law**

The indentures are governed by, and will be construed in accordance with, the laws of the State of New York.

## **Concerning the Trustee**

JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) is one of a number of banks with which we maintain banking relationships in the ordinary course of business. Our banking relationship with JPMorgan Chase Bank includes providing custodial services in connection with our bond and stock portfolios, serving as trustee under the indentures involving our existing debt securities, and providing us with general banking services. Upon the occurrence of an event of default or an event which, after notice or lapse of time or both, would become an event of default under a series of senior debt securities or subordinated debt securities, or upon the occurrence of a default under another indenture under which JPMorgan Chase Bank serves as trustee, the trustee may be deemed to have a conflicting interest with respect to the other debt securities as to which we are not in default for purposes of the Trust Indenture Act and, accordingly, may be required to resign as trustee under the applicable indenture. In that event, we would be required to appoint a successor trustee.

## **DESCRIPTION OF PREFERRED STOCK**

The following outlines some of the provisions of the preferred stock that we may offer from time to time. The specific terms of a series of preferred stock will be described in the applicable prospectus supplement relating to that series of preferred stock. The following description of

the preferred stock and any description of preferred stock in a prospectus supplement may not be complete and is subject to and qualified in its entirety by reference to the certificate of designations relating to the particular series of preferred stock, which we will file with the SEC at or prior to the time of sale of the preferred stock.

**General**

Under our restated certificate of incorporation, our board of directors is authorized, without stockholder approval, to adopt resolutions providing for the issuance of up to 25,000,000 shares of preferred stock, par value \$.10 per share, in one or more series.

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For each series of preferred stock the board of directors may fix the voting powers, designations, preferences and rights, and qualifications, limitations or restrictions of the series. The board will fix these terms by resolution adopted before we issue any shares of the series of preferred stock.

In addition, as described under DESCRIPTION OF DEPOSITARY SHARES, we may, instead of offering full shares of any series of preferred stock, offer depositary shares evidenced by depositary receipts, each representing a fraction of a share of the particular series of preferred stock issued and deposited with a depositary. The fraction of a share of preferred stock which each depositary share represents will be set forth in the prospectus supplement relating to the depositary shares.

The prospectus supplement relating to the particular series of preferred stock will contain a description of the specific terms of that series as fixed by the board of directors, including, as applicable:

the offering price at which we will issue the preferred stock;

the title, designation of number of shares and stated value of the preferred stock;

the dividend rate or method of calculation, the payment dates for dividends and the place or places where the dividends will be paid, whether dividends will be cumulative or noncumulative, and, if cumulative, the dates from which dividends will begin to cumulate;

any conversion or exchange rights;

whether the preferred stock will be subject to redemption and the redemption price and other terms and conditions relative to the redemption rights;

any liquidation rights;

any sinking fund provisions;

any voting rights; and

any other rights, preferences, privileges, limitations and restrictions that are not inconsistent with the terms of our restated certificate of incorporation.

When we issue and receive payment for shares of preferred stock, the shares will be fully paid and nonassessable, and for each share issued, a sum equal to the stated value will be credited to our preferred stock account. Unless otherwise specified in the prospectus supplement relating to a particular series of preferred stock, holders of preferred stock will not have any preemptive or subscription rights to acquire more of our stock and each series of preferred stock will rank on a parity in all respects with each other series of preferred stock and prior to our common stock as to dividends and any distribution of our assets.

The rights of holders of the preferred stock offered may be adversely affected by the rights of holders of any shares of preferred stock that may be issued in the future. Our board of directors may cause shares of preferred stock to be issued in public or private transactions for any proper corporate purposes and may include issuances to obtain additional financing in connection with acquisitions, and issuances to officers, directors and employees pursuant to benefit plans. Our board of directors' ability to issue shares of preferred stock may discourage attempts by others to acquire control of us without negotiation with our board of directors, as it may make it difficult for a person to complete an acquisition of us without negotiating with our board.

### **Redemption**

If so specified in the applicable prospectus supplement, a series of preferred stock may be redeemable at any time, in whole or in part, at our option or the holder's, and may be mandatorily redeemed.

Any restriction on the repurchase or redemption by us of our preferred stock while we are in arrears in the payment of dividends will be described in the applicable prospectus supplement.

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Any partial redemptions of preferred stock will be made in a way that our board of directors decides is equitable.

Unless we default in the payment of the redemption price, dividends will cease to accrue after the redemption date of shares of preferred stock called for redemption and all rights of holders of these shares will terminate except for the right to receive the redemption price.

## **Dividends**

Holders of each series of preferred stock will be entitled to receive cash dividends when, as and if declared by our board of directors out of funds legally available for dividends. The rates and dates of payment of dividends will be set forth in the applicable prospectus supplement relating to each series of preferred stock. Dividends will be payable to holders of record of preferred stock as they appear on our books on the record dates fixed by the board of directors. Dividends on any series of preferred stock may be cumulative or noncumulative.

We may not declare, pay or set apart funds for payment of dividends on a particular series of preferred stock unless full dividends on any other series of preferred stock that ranks equally with or senior to the series of preferred stock have been paid or sufficient funds have been set apart for payment for either of the following:

all prior dividend periods of the other series of preferred stock that pay dividends on a cumulative basis; or

the immediately preceding dividend period of the other series of preferred stock that pay dividends on a noncumulative basis.

Partial dividends declared on shares of any series of preferred stock and other series of preferred stock ranking on an equal basis as to dividends will be declared pro rata. A pro rata declaration means that the ratio of dividends declared per share to accrued dividends per share will be the same for both series of preferred stock.

## **Liquidation Preference**

In the event of our liquidation, dissolution or winding-up, holders of each series of our preferred stock will have the right to receive distributions upon liquidation in the amount described in the applicable prospectus supplement relating to each series of preferred stock, plus an amount equal to any accrued and unpaid dividends. These distributions will be made before any distribution is made on the common stock or on any securities ranking junior to the preferred stock upon liquidation, dissolution or winding-up.

If the liquidation amounts payable relating to the preferred stock of any series and any other securities ranking on a parity regarding liquidation rights are not paid in full, the holders of the preferred stock of these series and other securities will have the right to a ratable portion of our available assets, up to the full liquidation preference. Holders of these series of preferred stock or other securities will not be entitled to any other amounts from us after they have received their full liquidation preference.

**Voting Rights**

The holders of shares of preferred stock will have no voting rights, except:

as otherwise stated in the applicable prospectus supplement;

as otherwise stated in the certificate of designations establishing the series; or

as required by applicable law.

**Transfer Agent and Registrar**

The transfer agent, registrar and dividend disbursement agent for the preferred stock will be stated in the applicable prospectus supplement. The registrar for shares of preferred stock will send notices to shareholders of

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any meetings at which holders of the preferred stock have the right to elect directors or to vote on any other matter.

### **DESCRIPTION OF DEPOSITARY SHARES**

The following briefly summarizes the provisions of the depositary shares and depositary receipts that we may issue from time to time and which would be important to holders of depositary receipts, other than pricing and related terms which will be disclosed in the applicable prospectus supplement. The prospectus supplement will also state whether any of the generalized provisions summarized below do not apply to the depositary shares or depositary receipts being offered. The following description and any description in a prospectus supplement may not be complete and is subject to, and qualified in its entirety by reference to the terms and provisions of the deposit agreement which we will file with the SEC in connection with an issuance of depositary shares.

#### **Description of Depositary Shares**

We may offer depositary shares evidenced by depositary receipts. Each depositary receipt represents a fraction of a share of the particular series of preferred stock issued and deposited with a depositary. The fraction of a share of preferred stock which each depositary share represents will be set forth in the applicable prospectus supplement.

We will deposit the shares of any series of preferred stock represented by depositary shares according to the provisions of a deposit agreement to be entered into between us and a bank or trust company which we will select as our preferred stock depositary. The depositary must have its principal office in the United States and have a combined capital and surplus of at least \$50,000,000. We will name the depositary in the applicable prospectus supplement. Each owner of a depositary share will be entitled to all the rights and preferences of the underlying preferred stock in proportion to the applicable fraction of a share of preferred stock represented by the depositary share. These rights include dividend, voting, redemption, conversion and liquidation rights. The depositary will send the holders of depositary shares all reports and communications that we deliver to the depositary and which we are required to furnish to the holders of depositary shares.

#### **Depositary Receipts**

The depositary shares will be evidenced by depositary receipts issued pursuant to the deposit agreement. Depositary receipts will be distributed to anyone who is buying the fractional shares of preferred stock in accordance with the terms of the applicable prospectus supplement.

While definitive engraved depositary receipts (certificates) are being prepared, we may instruct the depositary to issue temporary depositary receipts, which will entitle holders to all the rights of the definitive depositary receipts and be substantially in the same form. The depositary will prepare definitive depositary receipts without unreasonable delay, and we will pay for the exchange of your temporary depositary receipts for definitive depositary receipts.

#### **Withdrawal of Preferred Stock**

A holder of depositary shares may receive the number of whole shares of the series of preferred stock and any money or other property represented by the holder's depositary receipts after surrendering the depositary receipts at the corporate trust office of the depositary. Partial shares of preferred stock will not be issued. If the surrendered depositary shares exceed the number of depositary shares that represent the number of whole shares of preferred stock the holder wishes to withdraw, then the depositary will deliver to the holder at the same time a new depositary receipt evidencing the excess number of depositary shares. Once the holder has withdrawn the preferred stock, the holder will not be entitled to re-deposit that preferred stock under the deposit agreement or to



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receive depositary shares in exchange for such preferred stock. We do not expect that there will be any public trading market for withdrawn shares of preferred stock.

## **Dividends and Other Distributions**

The depositary will pay to holders of depositary shares the cash dividends or other cash distributions it receives on preferred stock, after deducting its fees and expenses. Each holder will receive these distributions in proportion to the number of depositary shares owned by the holder. The depositary will distribute only whole United States dollars and cents. The depositary will add any fractional cents not distributed to the next sum received for distribution to record holders of depositary shares.

In the event of a non-cash distribution, the depositary will distribute property to the record holders of depositary shares, unless the depositary determines that it is not feasible to make such a distribution. If this occurs, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders.

## **Redemption of Depositary Shares**

If the series of preferred stock represented by depositary shares is subject to redemption, then we will give the necessary proceeds to the depositary. The depositary will then redeem the depositary shares using the funds they received from us for the preferred stock. The depositary will notify the record holders of the depositary shares to be redeemed not less than 30 nor more than 60 days before the date fixed for redemption at the holders' addresses appearing in the depositary's books. The redemption price per depositary share will be equal to the redemption price payable per share for the applicable series of the preferred stock and any other amounts per share payable with respect to the preferred stock multiplied by the fraction of a share of preferred stock represented by one depositary share. Whenever we redeem shares of preferred stock held by the depositary, the depositary will redeem the depositary shares representing the shares of preferred stock on the same day. If fewer than all the depositary shares of a series are to be redeemed, the depositary shares will be selected by lot or ratably as the depositary will decide.

After the date fixed for redemption, the depositary shares called for redemption will no longer be considered outstanding. Therefore, all rights of holders of the depositary shares will cease, except that the holders will still be entitled to receive any cash payable upon the redemption and any money or other property to which the holder was entitled at the time of redemption.

## **Voting the Preferred Stock**

Upon receipt of notice of any meeting at which the holders of preferred stock are entitled to vote, the depositary will notify holders of depositary shares of the upcoming vote and arrange to deliver our voting materials to the holders. The record date for determining holders of depositary shares that are entitled to vote will be the same as the record date for the preferred stock. The materials the holders will receive will (1) describe the matters to be voted on and (2) explain how the holders, on a certain date, may instruct the depositary to vote the shares of preferred stock underlying the depositary shares. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as practical, to vote the shares as instructed by the holder. We will do anything the depositary asks us to do in order to enable it to vote as a holder has instructed. If any holder does not instruct the depositary how to vote the holder's shares, the depositary will abstain from voting those shares.

**Conversion or Exchange**

The depositary will convert or exchange all depositary shares on the same day that the preferred stock underlying the depositary shares is converted or exchanged. In order for the depositary to do so, we will need to

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deposit the other preferred stock, common stock or other securities into which the preferred stock is to be converted or for which it will be exchanged.

The exchange or conversion rate per depositary share will be equal to:

the exchange or conversion rate per share of preferred stock, multiplied by the fraction of a share of preferred stock represented by one depositary share;

plus all money and any other property represented by one depositary share; and

including all amounts per depositary share paid by us for dividends that have accrued on the preferred stock on the exchange or conversion date and that have not yet been paid.

The depositary shares, as such, cannot be converted or exchanged into other preferred stock, common stock, securities of another issuer or any other securities or property of us. Nevertheless, if so specified in the applicable prospectus supplement, a holder of depositary shares may be able to surrender the depositary receipts to the depositary with written instructions asking the depositary to instruct us to convert or exchange the preferred stock represented by the depositary shares into other shares of our preferred stock or common stock or to exchange the preferred stock for securities of another issuer. If the depositary shares carry this right, we would agree that, upon the payment of any applicable fees, we will cause the conversion or exchange of the preferred stock using the same procedures as we use for the delivery of preferred stock. If a holder is only converting part of the depositary shares represented by a depositary receipt, new depositary receipts will be issued for any depositary shares that are not converted or exchanged.

## **Amendment and Termination of the Deposit Agreement**

We may agree with the depositary to amend the deposit agreement and the form of depositary receipt without consent of the holder at any time. However, if the amendment adds or increases fees or charges or prejudices an important right of holders, it will only become effective with the approval of holders of at least a majority of the affected depositary shares then outstanding. If an amendment becomes effective, holders are deemed to agree to the amendment and to be bound by the amended deposit agreement if they continue to hold their depositary receipts.

The deposit agreement automatically terminates if:

all outstanding depositary shares have been redeemed;

each share of preferred stock has been converted into or exchanged for common stock; or

a final distribution in respect of the preferred stock has been made to the holders of depositary receipts in connection with our liquidation, dissolution or winding-up.

We may also terminate the deposit agreement at any time we wish. If we do so, the depositary will give notice of termination to the holders not less than 30 days before the termination date. Once depositary receipts are surrendered to the depositary, it will send to each holder the number of whole or fractional shares of the series of preferred stock underlying that holder's depositary receipts.

#### **Charges of Depositary and Expenses**

We will pay all transfer and other taxes and governmental charges in connection with the existence of the depositary arrangements. We will pay charges of the depositary for the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary shares will pay other transfer and other taxes and governmental charges and the charges that are expressly provided in the deposit agreement to be for the holder's account.

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### **Limitations on Our Obligations and Liability to Holders of Depositary Receipts**

The deposit agreement will limit our obligations and the obligations of the depositary. It will also limit our liability and the liability of the depositary as follows:

we and the depositary will only be obligated to take the actions specifically set forth in the deposit agreement in good faith;

we and the depositary will not be liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;

we and the depositary will not be liable if either of us exercises discretion permitted under the deposit agreement;

we and the depositary will have no obligation to become involved in any legal or other proceeding related to the depositary receipts or the deposit agreement on your behalf or on behalf of any other party, unless you provide us with satisfactory indemnity; and

we and the depositary will be permitted to rely upon any written advice of counsel or accountants and on any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

In the deposit agreement, we and the depositary will agree to indemnify each other under certain circumstances.

### **Resignation and Removal of Depositary**

The depositary may resign at any time by notifying us of its election to do so. In addition, we may remove the depositary at any time. The resignation or removal will take effect when we appoint a successor depositary and it accepts the appointment. We must appoint the successor depositary within 60 days after delivery of the notice of resignation or removal and the new depositary must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

## **DESCRIPTION OF COMMON STOCK**

The following briefly summarizes the provisions of our restated certificate of incorporation and amended and restated bylaws that would be important to holders of our common stock. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our restated certificate of incorporation and amended and restated bylaws which are exhibits to the registration statement which contains this prospectus.

**General**

Under our restated certificate of incorporation, we are authorized to issue a total of 725,000,000 shares of common stock having a par value of \$.10 per share. As of March 31, 2003, 241,644,012 shares of common stock were outstanding. All outstanding shares of common stock are fully paid and nonassessable. The common stock is listed on The New York Stock Exchange.

Holders of common stock do not have any conversion, redemption, preemptive or cumulative voting rights. In the event of our dissolution, liquidation or winding-up, common stockholders will share ratably in any assets remaining after all creditors are paid in full, including holders of our debt securities, and after the liquidation preference of holders of preferred stock has been satisfied.

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### **Dividends**

Holders of common stock are entitled to participate equally in dividends when the board of directors declares dividends on shares of common stock out of funds legally available for dividends. The rights of holders of common stock to receive dividends are subject to the preferences of holders of preferred stock.

### **Voting Rights**

Holders of common stock are entitled to one vote for each share held of record on all matters voted on by stockholders, including the election of directors.

### **Liquidation Rights**

In the event of our liquidation, dissolution or winding-up, holders of common stock have the right to a ratable portion of assets remaining after satisfaction in full of the prior rights of our creditors, all liabilities, and the total liquidation preferences of any outstanding shares of preferred stock.

### **Certain Provisions That May Have an Anti-Takeover Effect**

Our restated certificate of incorporation and amended and restated bylaws and certain portions of Delaware law, contain certain provisions that may have an anti-takeover effect.

***Board of Directors Classification.*** We have a staggered or classified board of directors. Our board of directors is divided into three classes with the members of each class serving a three-year term. The members of only one class of directors are elected at any annual meeting of our stockholders. It therefore takes at least two years to elect a majority of our directors.

***Business Combination.*** We cannot enter into business combinations with a person who is an interested stockholder unless the business combination transaction is approved by a vote of not less than 80% of the votes entitled to be cast on the transaction, including a majority of the votes that are not the votes of the interested stockholder.

An interested stockholder is generally any person that owns, or has owned in the two-year period prior to the date in question, shares of our voting stock that represent 15% or more of the votes entitled to be cast by the holders of the shares of our outstanding voting stock.

A business combination is generally a merger or consolidation involving a company, a disposition of a substantial part of the assets or securities of a company, a liquidation or dissolution of a company, or a certain type of reclassification of securities of a company.

The supermajority vote requirements described above will not apply to business combinations with interested stockholders if the transaction has been approved by a majority of our directors (or their successors) who are not affiliates of the interested stockholder and were our directors before the interested stockholder became an interested stockholder.

We are also subject to restrictions imposed by Delaware law on transactions with interested stockholders. These restrictions are similar to the restrictions contained in our restated certificate of incorporation described above. In order to engage in any transaction that is subject to the provisions of our restated certificate of incorporation or the provisions of Delaware law, the requirements of both the restated certificate of incorporation and Delaware law must be satisfied.



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**Special Meetings of Stockholders.** Only our Chairman of the Board, our Chief Executive Officer or our President may call a special meeting of our stockholders and these meetings are to be called by any such officer at the request of a majority of the board of directors.

**Action of Stockholders Without a Meeting.** Any action of our stockholders may be taken at a meeting only and may not be taken by written consent.

**Amendment of Certificate of Incorporation.** For us to amend our restated certificate of incorporation, Delaware law requires that our board of directors adopt a resolution setting forth any amendment, declare the advisability of the amendment and call a stockholders meeting to adopt the amendment. Generally, amendments to our restated certificate of incorporation require the affirmative vote of majority of our outstanding stock. As described below, however, certain amendments to our restated certificate of incorporation may require a supermajority vote.

The vote of the holders of not less than 80% of the votes entitled to be cast is required to adopt any amendment to our restated certificate of incorporation that relates to the provisions of our restated certificate of incorporation that govern the following matters:

management of our business by the directors and classification of our board of directors;

the ability of our stockholders to act by written consent; and

the power of the board of directors and the stockholders to amend the bylaws.

The vote of the holders of not less than 80% of the votes entitled to be cast, including the majority of the votes that are not the votes of an interested stockholder, is required to adopt any amendment to our restated certificate of incorporation that relates to the provisions of our restated certificate of incorporation that govern the following matters:

the provisions regarding business combinations with interested stockholders; and

the provisions setting forth the supermajority vote requirements for amending the restated certificate of incorporation.

These supermajority vote provisions for amending the restated certificate of incorporation do not apply if the amendment is recommended by a majority of our directors (or their successors) who are not affiliates of an interested stockholder and were our directors before the interested stockholder became an interested stockholder.

The provisions described above may discourage attempts by others to acquire control of us without negotiation with our board of directors. This enhances our board of directors ability to attempt to promote the interests of all of our stockholders. However, to the extent that these provisions make us a less attractive takeover candidate, they may not always be in our best interests or in the best interests of our stockholders. None of these provisions is the result of any specific effort by a third party to accumulate our securities or to obtain control of us by means of merger,

tender offer, solicitation in opposition to management or otherwise.

**Transfer Agent and Registrar**

The transfer agent and registrar for shares of the common stock is Equiserve Trust Company N.A.

**DESCRIPTION OF WARRANTS**

**General**

We may issue warrants to purchase senior debt securities, subordinated debt securities, preferred stock, depositary shares, common stock or any combination of these securities and these warrants may be issued

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independently or together with any underlying securities and may be attached or separate from the underlying securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants. The following outlines some of the general terms and provisions of the warrants. Further terms of the warrants and the applicable warrant agreement will be stated in the applicable prospectus supplement. The following description and any description of the warrants in a prospectus supplement may not be complete and is subject to and qualified in its entirety by reference to the terms and provisions of the warrant agreement which we will file with the SEC in connection with an issuance of the warrants.

The applicable prospectus supplement will describe the terms of any warrants, including the following:

the title of the warrants;

the total number of warrants;

the price or prices at which we will issue the warrants;

the currency or currencies investors may use to pay for the warrants;

the designation and terms of the underlying securities purchasable upon exercise of the warrants;

the price at which and the currency or currencies, including composite currencies, in which investors may purchase the underlying securities purchasable upon exercise of the warrants;

the date on which the right to exercise the warrants will commence and the date on which the right will expire;

whether we will issue the warrants in registered form or bearer form;

information with respect to book-entry procedures, if any;

if applicable, the minimum or maximum amount of warrants which may be exercised at any one time;

if applicable, the designation and terms of the underlying securities with which the warrants are issued and the number of warrants issued with each underlying security;

if applicable, the date on and after which the warrants and the related underlying securities will be separately transferable;

if applicable, a discussion of material United States federal income tax considerations;

the identity of the warrant agent;

the procedures and conditions relating to the exercise of the warrants; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

Warrant certificates may be exchanged for new warrant certificates of different denominations, and warrants may be exercised at the warrant agent's corporate trust office or any other office indicated in the applicable prospectus supplement. Prior to the exercise of their warrants, holders of warrants exercisable for debt securities will not have any of the rights of holders of the debt securities purchasable upon such exercise and will not be entitled to payments of principal (or premium, if any) or interest, if any, on the debt securities purchasable upon such exercise. Prior to the exercise of their warrants, holders of warrants exercisable for shares of preferred stock or common stock or for depositary shares will not have any rights of holders of the preferred stock, common stock or depositary shares purchasable upon such exercise and will not be entitled to dividend payments, if any, or voting rights of the preferred stock, common stock or depositary shares purchasable upon such exercise.

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### **Exercise of Warrants**

A warrant will entitle the holder to purchase for cash an amount of securities at an exercise price that will be stated in, or that will be determinable as described in, the applicable prospectus supplement. Warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Warrants may be exercised as set forth in the applicable prospectus supplement. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

### **Enforceability of Rights; Governing Law**

The holders of warrants, without the consent of the warrant agent, may, on their own behalf and for their own benefit, enforce, and may institute and maintain any suit, action or proceeding against us to enforce their rights to exercise and receive the securities purchasable upon exercise of their warrants. Unless otherwise stated in the applicable prospectus supplement, each issue of warrants and the applicable warrant agreement will be governed by the laws of the State of New York.

## **DESCRIPTION OF STOCK PURCHASE CONTRACTS**

We may issue stock purchase contracts, representing contracts obligating holders to purchase from or sell to us, and obligating us to purchase from or sell to the holders, a specified or variable number of shares of our capital stock at a future date or dates. The price per share of capital stock may be fixed at the time the stock purchase contracts are entered into or may be determined by reference to a specific formula contained in the stock purchase contracts. Any stock purchase contract may include anti-dilution provisions to adjust the number of shares to be delivered pursuant to such stock purchase contract upon the occurrence of certain events. We may issue the stock purchase contracts in such amounts and in as many distinct series as we wish.

The stock purchase contracts may be entered into separately or as a part of units consisting of a stock purchase contract and a beneficial interest in senior debt securities, subordinated debt securities, preferred securities, debt obligations of third parties, including U.S. Treasury securities, other stock purchase contracts or shares of our capital stock securing the holders' obligations under the stock purchase contracts to purchase or to sell the shares of our capital stock. The stock purchase contracts may require us to make periodic payments to holders of the stock purchase units, or vice versa, and such payments may be unsecured or prefunded and may be paid on a current or on a deferred basis. The stock purchase contracts may require holders to secure their obligations under those contracts in a specified manner.

The applicable prospectus supplement may contain, where applicable, the following information about the stock purchase contracts issued under it:

whether the stock purchase contracts obligate the holder to purchase or sell, or both purchase and sell, our common stock or preferred stock or depositary shares, as applicable, and the nature and amount of each of those securities, or the method of determining those amounts;

whether the stock purchase contracts are to be prepaid or not;

whether the stock purchase contracts are to be settled by delivery, or by reference or linkage to the value, performance or level of our common stock or preferred stock or depositary shares;

any acceleration, cancellation, termination or other provisions relating to the settlement of the stock purchase contracts; and

whether the stock purchase contracts will be issued in fully registered or global form.

The applicable prospectus supplement will describe the terms of any stock purchase contracts. The preceding description and any description of stock purchase contracts in the applicable prospectus supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the stock purchase contract agreement and, if applicable, collateral arrangements and depositary arrangements relating to such stock purchase contracts.

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**DESCRIPTION OF UNITS**

We may issue units comprising one or more of the other securities described in this prospectus in any combination. Units may also include debt obligations of third parties, such as U.S. Treasury securities. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately at any time or at any time before a specified date.

The applicable prospectus supplement may describe:

the designation and terms of the units and of the securities composing the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; and

whether the units will be issued in fully registered or global form.

The applicable prospectus supplement will describe the terms of any units. The preceding description and any description of units in the applicable prospectus supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the unit agreement and, if applicable, collateral arrangements and depositary arrangements relating to such units.

**DESCRIPTION OF PREFERRED SECURITIES OF THE TRUSTS**

**General**

The following summary outlines the material terms and provisions of the preferred securities that the trusts may offer. The particular terms of any preferred securities a trust offers and the extent if any to which these general terms and provisions may or may not apply to the preferred securities will be described in the applicable prospectus supplement.

Each trust will issue the preferred securities under an amended declaration, which we will enter into with the trustees. The amended declaration for each trust is subject to and governed by the Trust Indenture Act of 1939 and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), an independent trustee, will act as property trustee under each amended declaration for the purposes of compliance with the provisions of the Trust Indenture Act. The terms of the preferred securities will be those contained in the applicable amended declaration and those made part of the amended declaration by the Trust Indenture Act. The following summary may not be complete and is subject to and qualified in its entirety by reference to the form of amended declaration, which is an exhibit to the registration statement which contains this prospectus, and the Trust Indenture Act.

**Terms**

Each amended declaration will provide that a trust may issue, from time to time, only one series of preferred securities and one series of common securities. The preferred securities will be offered to investors and the common securities will be held by us. The terms of the preferred securities, as a general matter, will mirror the terms of the junior subordinated debt securities that we will issue to a trust in exchange for the proceeds of the sales of the preferred and common securities. If we fail to make a payment on the junior subordinated debt securities, the trust holding those securities will not have sufficient funds to make related payments, including distributions, on its preferred securities.

You should refer to the applicable prospectus supplement relating to the preferred securities for specific terms of the preferred securities, including, but not limited to:

the distinctive designation of the preferred securities;



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the total and per security liquidation amount of the preferred securities;

the annual distribution rate, or method of determining the rate at which the trust issuing the securities will pay distributions, on the preferred securities and the date or dates from which distributions will accrue;

the date or dates on which the distributions will be payable and any corresponding record dates;

whether distributions on preferred securities will be cumulative, and, in the case of preferred securities having cumulative distribution rights, the date or dates or method of determining the date or dates from which distributions on preferred securities will be cumulative;

the right, if any, to defer distributions on the preferred securities upon extension of the interest payment period of the related junior subordinated debt securities;

whether the preferred securities are to be issued in book-entry form and represented by one or more global certificates and, if so, the depositary for the global certificates and the specific terms of the depositary arrangement;

the amount or amounts which will be paid out of the assets of the trust issuing the securities to the holders of preferred securities upon voluntary or involuntary dissolution, winding-up or termination of the trust issuing the securities;

any obligation of the trust issuing the securities to purchase or redeem preferred securities and the terms and conditions relating to any redemption obligation;

any voting rights of the preferred securities;

any terms and conditions upon which the junior subordinated debt securities held by the trust issuing the securities may be distributed to holders of preferred securities;

any securities exchange on which the preferred securities will be listed; and

any other relevant rights, preferences, privileges, limitations or restrictions of the preferred securities not inconsistent with the amended declaration or with applicable law.

We will guarantee the preferred securities to the extent described below under **DESCRIPTION OF TRUST GUARANTEES**. Our guarantee, when taken together with our obligations under the junior subordinated debt securities and the related subordinated indenture, and our obligations under the amended declaration, would provide a full and unconditional guarantee of amounts due on any preferred securities. Certain United States federal income tax considerations applicable to any offering of preferred securities will be described in the applicable prospectus supplement.

**Liquidation Distribution Upon Dissolution**

Unless otherwise specified in an applicable prospectus supplement, each amended declaration states that each trust will be dissolved:

on the expiration of the term of that trust;

upon our bankruptcy, dissolution or liquidation;

upon our written direction to the property trustee to dissolve the trust and distribute the related junior subordinated debt securities directly to the holders of the trust securities;

upon the redemption of all of the preferred securities in connection with the redemption of all of the related junior subordinated debt securities; or

upon entry of a court order for the dissolution of the trust.

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Unless otherwise specified in an applicable prospectus supplement, in the event of a dissolution as described above other than in connection with redemption, after a trust satisfies all liabilities to its creditors as provided by applicable law, each holder of the preferred or common securities issued by that trust will be entitled to receive:

the related junior subordinated debt securities in an aggregate principal amount equal to the aggregate liquidation amount of the preferred or common securities held by the holder; or

if any distribution of the related junior subordinated debt securities is determined by the property trustee not to be practical, cash equal to the aggregate liquidation amount of the preferred or common securities held by the holder, plus accumulated and unpaid distributions to the date of payment.

If a trust cannot pay the full amount due on its preferred and common securities because it has insufficient assets available for payment, then the amounts payable by that trust on its preferred and common securities will be paid on a pro rata basis. However, if certain payment events of default under the subordinated indenture have occurred and are continuing with respect to any series of related junior subordinated debt securities, the total amounts due on the preferred securities will be paid before any distribution on the common securities.

## **Events of Default**

The following will be events of default under each amended declaration:

an event of default under the subordinated indenture occurs with respect to any related series of junior subordinated debt securities; or

any other event of default specified in the applicable prospectus supplement occurs.

If an event of default with respect to a related series of junior subordinated debt securities occurs and is continuing under the subordinated indenture, and the subordinated indenture trustee or the holders of not less than 25% in principal amount of the related junior subordinated debt securities outstanding fail to declare the principal amount of all of such junior subordinated debt securities to be immediately due and payable, the holders of at least 25% in aggregate liquidation amount of the outstanding preferred securities of the trust holding the junior subordinated debt securities, will have the right to declare such principal amount immediately due and payable by providing written notice to us, the applicable property trustee and the subordinated indenture trustee.

At any time after a declaration of acceleration has been made with respect to a related series of junior subordinated debt securities and before a judgment or decree for payment of the money due has been obtained, the holders of a majority in liquidation amount of the affected preferred securities may rescind any declaration of acceleration with respect to the related junior subordinated debt securities and its consequences:

if we deposit with the subordinated indenture trustee funds sufficient to pay all overdue principal of and premium and interest on the related junior subordinated debt securities and other amounts due to the subordinated indenture trustee and the property trustee; and

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if all existing events of default with respect to the related junior subordinated debt securities have been cured or waived except non-payment of principal on the related junior subordinated debt securities that has become due solely because of the acceleration.

The holders of a majority in liquidation amount of the affected preferred securities may waive any past default under the subordinated debenture indenture with respect to related junior subordinated debt securities, other than a default in the payment of principal of, or any premium or interest on, any related junior subordinated debenture or a default with respect to a covenant or provision that cannot be amended or modified without the consent of the holder of each affected outstanding related junior subordinated debenture. In addition, the holders of at least a majority in liquidation amount of the affected preferred securities may waive any past default under the amended declaration.

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The holders of a majority in liquidation amount of the affected preferred securities shall have the right to direct the time, method and place of conducting any proceedings for any remedy available to the property trustee or to direct the exercise of any trust or power conferred on the property trustee under the amended declaration.

A holder of preferred securities may institute a legal proceeding directly against us, without first instituting a legal proceeding against the property trustee or anyone else, for enforcement of payment to the holder of principal and any premium or interest on the related series of junior subordinated debt securities having a principal amount equal to the aggregate liquidation amount of the preferred securities of the holder, if we fail to pay principal and any premium or interest on the related series of junior subordinated debt securities when payable.

We are required to furnish annually, to the property trustee for each trust, officers' certificates to the effect that, to the best knowledge of the individuals providing the certificates, we and each trust are not in default under the applicable amended declaration or, if there has been a default, specifying the default and its status.

### **Consolidation, Merger or Amalgamation of the Trust**

No trust may merge with or into, amalgamate, consolidate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any entity, except as described below or as described in Liquidation Distribution Upon Dissolution. A trust may, with the consent of the administrative trustees but without the consent of the holders of the outstanding preferred securities or the other trustees of that trust, merge with or into, amalgamate, consolidate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a trust organized under the laws of any state if:

the successor entity either:

expressly assumes all of the obligations of the trust relating to its preferred securities, or

substitutes for the trust's preferred securities other securities having substantially the same terms as the preferred securities, so long as the substituted successor securities rank the same as the preferred securities for distributions and payments upon liquidation, redemption and otherwise;

we appoint a trustee of the successor entity who has substantially the same powers and duties as the property trustee of the trust;

the successor securities are listed or traded, or any substituted successor securities will be listed upon notice of issuance, on the same national securities exchange or other organization on which the preferred securities are then listed or traded;

the merger event does not cause the preferred securities or any substituted successor securities to be downgraded by any national rating agency;

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the merger event does not adversely affect the rights, preferences and privileges of the holders of the preferred securities or any substituted successor securities in any material respect;

the successor entity has a purpose substantially identical to that of the trust that issued the securities;

prior to the merger event, we shall provide to the property trustee an opinion of counsel from a nationally recognized law firm stating that:

the merger event does not adversely affect the rights, preferences and privileges of the holders of the trust's preferred securities in any material respect, and

following the merger event, neither the trust nor the successor entity will be required to register as an investment company under the Investment Company Act of 1940; and

we own or our permitted transferee owns, all of the common securities of the successor entity and we guarantee or our permitted transferee guarantees the obligations of the successor entity under the

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substituted successor securities at least to the extent provided under the applicable preferred securities guarantee.

In addition, unless all of the holders of the preferred securities approve otherwise, no trust may consolidate, amalgamate or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity, or permit any other entity to consolidate, amalgamate, merge with or into or replace it if the transaction would cause that trust or the successor entity to be taxable as a corporation or classified other than as a grantor trust for United States federal income tax purposes.

## **Voting Rights**

Unless otherwise specified in the applicable prospectus supplement, the holders of the preferred securities will have no voting rights except as discussed below and under Amendment to an Amended Declaration and DESCRIPTION OF TRUST GUARANTEES Modification of the Trust Guarantee; Assignment and as otherwise required by law.

If any proposed amendment to an amended declaration provides for, or the trustees of a trust otherwise propose to effect:

any action that would adversely affect the powers, preferences or special rights of the preferred securities in any material respect, whether by way of amendment to the amended declaration or otherwise; or

the dissolution, winding-up or termination of a trust other than pursuant to the terms of the amended declaration,

then the holders of the affected preferred securities as a class will be entitled to vote on the amendment or proposal. In that case, the amendment or proposal will be effective only if approved by the holders of at least a majority in aggregate liquidation amount of the affected preferred securities.

Without obtaining the prior approval of the holders of a majority in aggregate liquidation amount of the preferred securities issued by a trust, the trustees of that trust may not:

direct the time, method and place of conducting any proceeding for any remedy available to the subordinated indenture trustee for any related junior subordinated debt securities or direct the exercise of any trust or power conferred on the property trustee with respect to the related junior subordinated debt securities;

waive any default that is waivable under the subordinated indenture with respect to any related junior subordinated debt securities;

cancel an acceleration of the principal of the related junior subordinated debt securities; or

consent to any amendment, modification or termination of the subordinated indenture or any related junior subordinated debt securities where consent is required.

However, if a consent under the subordinated indenture requires the consent of each affected holder of the related junior subordinated debt securities, then the property trustee must obtain the prior consent of each holder of the preferred securities of the trust that holds the related junior subordinated debt securities. In addition, before taking any of the foregoing actions, we will provide to the property trustee an opinion of counsel experienced in such matters to the effect that, as a result of such actions, the trust will not be taxable as a corporation or classified as other than a grantor trust for United States federal income tax purposes.

The property trustee will notify all preferred securities holders of a trust of any notice of default received from the subordinated indenture trustee with respect to the junior subordinated debt securities held by that trust.

Any required approval of the holders of preferred securities may be given at a meeting of the holders of the preferred securities convened for the purpose or pursuant to written consent. The applicable property trustee will



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cause a notice of any meeting at which holders of securities are entitled to vote to be given to each holder of record of the preferred securities at the holder's registered address at least 15 days and not more than 90 days before the meeting.

No vote or consent of the holders of the trust securities will be required for a trust to redeem and cancel its trust securities in accordance with its amended declaration.

Notwithstanding that holders of the preferred securities are entitled to vote or consent under any of the circumstances described above, any of the preferred securities that are owned by us, any trustee or any affiliate of a trustee or ours will, for purposes of any vote or consent, be treated as if they were not outstanding. Preferred securities held by us or any of our affiliates may be exchanged for related junior subordinated debt securities at the election of the holder.

## **Amendment to an Amended Declaration**

An amended declaration may be amended from time to time by us and the property trustee and the administrative trustees of each trust without the consent of the holders of the preferred securities of that trust to:

cure any ambiguity or correct or supplement any provision which may be inconsistent with any other provisions with respect to matters or questions arising under the amended declaration, in each case to the extent that the amendment does not adversely affect the interests of any holder of the preferred securities in any material respect; or

modify, eliminate or add to any provisions to the extent necessary to ensure that the trust will not be taxable as a corporation or classified as other than a grantor trust for United States federal income tax purposes, to ensure that the junior subordinated debt securities held by the trust are treated as indebtedness for United States federal income tax purposes or to ensure that the trust will not be required to register as an investment company under the Investment Company Act of 1940.

Other amendments to an amended declaration may be made by us and the trustees of that trust upon approval of the holders of a majority in aggregate liquidation amount of the outstanding preferred securities of that trust and receipt by the trustees of an opinion of counsel to the effect that the amendment will not cause the trust to be taxable as a corporation or classified as other than a grantor trust for United States federal income tax purposes, affect the treatment of the junior subordinated debt securities held by the trust as indebtedness for United States federal income tax purposes or affect the trust's exemption from the Investment Company Act of 1940.

Notwithstanding the foregoing, without the consent of each affected holder of common or preferred securities of each trust, an amended declaration may not be amended to:

change the amount or timing of any distribution on the common or preferred securities of a trust or otherwise adversely affect the amount of any distribution required to be made in respect of the securities as of a specified date; or

restrict the right of a holder of any securities to institute suit for the enforcement of any payment on or after the distribution date.

In addition, no amendment may be made to an amended declaration if the amendment would:

cause a trust to be taxable as a corporation or characterized as other than a grantor trust for United States federal income tax purposes;

cause the junior subordinated debt securities held by a trust to not be treated as indebtedness for United States federal income tax purposes;

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cause a trust to be deemed to be an investment company required to be registered under the Investment Company Act of 1940; or

impose any additional obligation on us without our consent.

### **Removal and Replacement of Trustees**

The holder of a trust's common securities may, upon prior written notice, remove or replace any of the administrative trustees and, unless an event of default has occurred and is continuing under the subordinated indenture, the property and Delaware trustee of the trust. If an event of default has occurred and is continuing under the subordinated indenture, only the holders of a majority in liquidation amount of the trust's preferred securities may remove or replace the property trustee and Delaware trustee. The resignation or removal of any trustee will be effective only upon the acceptance of appointment by the successor trustee in accordance with the provisions of the applicable amended declaration.

### **Merger or Consolidation of Trustees**

Any entity into which a property trustee or the Delaware trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the trustee, shall be the successor of the trustee under the applicable amended declaration; provided, however, that the entity shall be otherwise qualified and eligible.

### **Information Concerning the Property Trustee**

For matters relating to compliance with the Trust Indenture Act of 1939, the property trustee for each trust will have all of the duties and responsibilities of an indenture trustee under the Trust Indenture Act of 1939. The property trustee, other than during the occurrence and continuance of a default under an amended declaration, undertakes to perform only the duties as are specifically set forth in the amended declaration and, after a default, must use the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. The property trustee is under no obligation to exercise any of the powers given it by an amended declaration at the request of any holder of the preferred securities unless it is offered security or indemnity satisfactory to it against the costs, expenses and liabilities that it might incur. If the property trustee is required to decide between alternative courses of action, construe ambiguous provisions in an amended declaration or is unsure of the application of any provision of the amended declaration, and the matter is not one on which the holders of the preferred securities are entitled to vote, then the property trustee will deliver notice to us requesting written instructions as to the course of action to be taken and the property trustee will take or refrain from taking that action as instructed. If we do not provide these instructions within ten business days, then the property trustee will take such action as it deems advisable and in the best interests of the holders of the preferred and common securities. In this event, the property trustee will have no liability except for its own bad faith, negligence or willful misconduct.

JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), which is the property trustee for each trust, also serves as the senior indenture trustee, the subordinated indenture trustee and the guarantee trustee under each trust guarantee described below. We and certain of our affiliates maintain banking relationships with JPMorgan Chase Bank, which are described above under **DESCRIPTION OF DEBT SECURITIES** Concerning the Trustee.

**Miscellaneous**

The administrative trustees of each trust are authorized and directed to conduct the affairs of and to operate each trust in such a way so that:

each trust will not be taxable as a corporation or classified as other than a grantor trust for United States federal income tax purposes;

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the junior subordinated debt securities held by each trust will be treated as indebtedness of ours for United States federal income tax purposes; and

each trust will not be deemed to be an investment company required to be registered under the Investment Company Act of 1940.

We and the trustees of each trust are authorized to take any action, so long as it is consistent with applicable law, the certificate of trust or amended declaration, that we and the trustees determine to be necessary or desirable for the above purposes.

Registered holders of the preferred securities have no preemptive or similar rights.

A trust may not incur indebtedness or place a lien on any of its assets.

## **Governing Law**

Each amended declaration and the preferred securities will be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the conflict of laws provisions thereof.

## **Description of the Expense Agreement**

We will execute an expense agreement at the same time that a trust issues the preferred securities. Under the expense agreement, we will irrevocably and unconditionally guarantee to each creditor of each trust the full amount of that trust's costs, expenses and liabilities, other than the amounts owed to holders of its preferred and common securities pursuant to the terms of those securities. Third parties will be entitled to enforce the expense agreement. The expense agreement, once executed, will be filed with the SEC on Form 8-K or by a post-effective amendment to the registration statement of which this prospectus is a part.

Our obligation under an expense agreement will be subordinated in right of payment to the same extent as the trust guarantees. The expense agreement will contain provisions regarding amendment, termination, assignment, succession and governing law similar to those contained in the trust guarantees.

## **DESCRIPTION OF TRUST GUARANTEES**

The following describes certain general terms and provisions of the trust guarantees which we will execute and deliver for the benefit of the holders from time to time of preferred securities. Each trust guarantee will be qualified as an indenture under the Trust Indenture Act of 1939,

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and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), an independent trustee, will act as indenture trustee under each trust guarantee for the purposes of compliance with the provisions of the Trust Indenture Act of 1939. The terms of each trust guarantee will be those contained in each trust guarantee and those made part of each trust guarantee by the Trust Indenture Act of 1939. The following summary may not be complete and is subject to and qualified in its entirety by reference to the form of trust guarantee, which is an exhibit to the registration statement which contains this prospectus, and the Trust Indenture Act of 1939. Each trust guarantee will be held by the guarantee trustee of each trust for the benefit of the holders of the preferred securities.

### **General**

We will irrevocably and unconditionally agree to pay the following payments or distributions with respect to preferred securities, in full, to the holders of the preferred securities, as and when they become due regardless of any defense, right of set-off or counterclaim that a trust may have except for the defense of payment:

any accrued and unpaid distributions which are required to be paid on the preferred securities, to the extent the trust that issued the securities does not make such payments or distributions but has sufficient funds available to do so;

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the redemption price and all accrued and unpaid distributions to the date of redemption with respect to any preferred securities called for redemption, to the extent the trust that issued the securities does not make such payments or distributions but has sufficient funds available to do so; and

upon a voluntary or involuntary dissolution, winding-up or termination of the trust that issued the securities (other than in connection with the distribution of junior subordinated debt securities to the holders of preferred securities or the redemption of all of the preferred securities), the lesser of

the total liquidation amount and all accrued and unpaid distributions on the preferred securities to the date of payment, to the extent the trust that issued the securities does not make such payments or distributions but has sufficient funds available to do so, and

the amount of assets of the trust that issued the securities remaining available for distribution to holders of such preferred securities in liquidation of the trust.

Our obligation to make a payment under a trust guarantee may be satisfied by our direct payment of the required amounts to the holders of preferred securities to which the trust guarantee relates or by causing the applicable trust to pay the amounts to the holders.

**Modification of the Trust Guarantee; Assignment**

Except with respect to any changes which do not adversely affect the rights of holders of preferred securities in any material respect (in which case no vote will be required), each trust guarantee may be amended only with the prior approval of the holders of not less than a majority in liquidation amount of the outstanding preferred securities to which the trust guarantee relates. The manner of obtaining the approval of holders of the preferred securities will be described in an accompanying prospectus supplement. All guarantees and agreements contained in each trust guarantee will bind our successors, assigns, receivers, trustees and representatives and will be for the benefit of the holders of the outstanding preferred securities to which the trust guarantee relates.

**Termination**

Each trust guarantee will terminate when any of the following has occurred:

all preferred securities to which the trust guarantee relates have been paid in full or redeemed in full by us, the trust that issued the securities or both;

the junior subordinated debt securities held by the trust that issued the securities have been distributed to the holders of the preferred securities; or

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the amounts payable in accordance with the applicable amended declaration upon liquidation of the trust that issued the securities have been paid in full.

Each trust guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of preferred securities to which the trust guarantee relates must restore payment of any amounts paid on the preferred securities or under the trust guarantee.

### **Events of Default**

An event of default under a trust guarantee will occur if we fail to perform any of our payment obligations under a trust guarantee or we fail to perform any other obligation under a trust guarantee and the failure to perform such other obligation continues for 60 days.

Each trust guarantee will constitute a guarantee of payment and not of collection. The holders of a majority in liquidation amount of the preferred securities to which the trust guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect



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of the trust guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the trust guarantee. If the guarantee trustee fails to enforce the trust guarantee, any holder of preferred securities to which the trust guarantee relates may institute a legal proceeding directly against us to enforce the holder's rights under the trust guarantee, without first instituting a legal proceeding against the trust, the guarantee trustee or any one else. If we do not make a guarantee payment, a holder of preferred securities may directly institute a proceeding against us for enforcement of the trust guarantee for such payment.

## **Status of the Trust Guarantees**

Each trust guarantee will be our general unsecured obligation and will rank subordinate and junior in right of payment, and will be subject to our prior payment in full of our senior debt as described under DESCRIPTION OF DEBT SECURITIES Subordination.

The terms of the preferred securities provide that each holder of preferred securities by acceptance of the preferred securities agrees to the subordination provisions and other terms of the trust guarantee relating to the subordination. As of December 31, 2002, we had approximately \$1.9 billion of indebtedness that would rank senior to a trust guarantee.

## **Information Concerning the Guarantee Trustee**

The guarantee trustee, prior to the occurrence of a default with respect to a trust guarantee, undertakes to perform only those duties as are specifically contained in the trust guarantee and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. The guarantee trustee is under no obligation to exercise any of the powers vested in it by the applicable trust guarantee at the request of any holder of preferred securities to which the trust guarantee relates, unless it is offered indemnity satisfactory to it against the costs, expenses and liabilities which it might incur by exercising these powers; however the guarantee trustee will not be, upon the occurrence of an event of default under the applicable trust guarantee, relieved from exercising the rights and powers vested in it by such trust guarantee.

## **Governing Law**

The trust guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

## **EFFECT OF OBLIGATIONS UNDER THE SUBORDINATED DEBT SECURITIES AND THE TRUST GUARANTEES**

As long as we may make payments of interest and any other payments when they are due on the junior subordinated debt securities held by a particular trust, those payments will be sufficient to cover distributions and any other payments due on the trust securities issued by that trust because of the following factors:

the total principal amount of the junior subordinated debt securities held by the trust will be equal to the total stated liquidation amount of the trust securities issued by the trust;

the interest rate and the interest payment dates and other payment dates on the junior subordinated debt securities held by the trust will match the distribution rate and distribution payment dates and other payment dates for the trust securities issued by the trust;

we will pay, and the trust will not be obligated to pay, directly or indirectly, all costs, expenses, debt, and obligations of the trust (other than obligations under the trust securities); and

each amended declaration will further provide that the trustees shall not take or cause or permit the trust to engage in any activity that is not consistent with the purposes of the trust, which consist solely of

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issuing the trust securities, investing in the junior subordinated debt securities and anything necessary or incident to those activities.

We will guarantee payments of distributions, to the extent the trust obligated to pay those distributions has sufficient funds available to make the payments due on the preferred securities, to the extent described under DESCRIPTION OF TRUST GUARANTEES. If we do not make interest payments on the junior subordinated debt securities held by a trust, that trust will not have sufficient funds to pay distributions on the preferred securities. Each trust guarantee covers the payment of distributions and other payments on the preferred securities only if and to the extent that we have made a payment of interest or principal on the junior subordinated debt securities held by the trust as its sole asset. However, we believe that the trust guarantees, when taken together with our obligations under the junior subordinated debt securities and the subordinated indenture and our obligations under the amended declarations, including our obligations to pay the costs, expenses, debts and liabilities of the trusts, provide a full and unconditional guarantee of payment on the preferred securities.

A holder of preferred securities may sue us to enforce its rights under the trust guarantee which relates to the holder's preferred securities without first suing the guarantee trustee, the trust or any other person or entity.

## **PLAN OF DISTRIBUTION**

We and the trusts may offer and sell the securities to or through underwriters or dealers, and also may offer and sell the securities directly to other purchasers or through designated agents. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement.

Distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. We and the trusts also may, from time to time, authorize underwriters acting as our agents to offer and sell the securities upon the terms and conditions set forth in any prospectus supplement.

In connection with the sale of securities, underwriters may receive compensation from us or a trust or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters, and any discounts or commissions they receive from us or a trust, and any profit on the resale of the securities they realize may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter, dealer or agent will be identified, and any such compensation received will be described in the applicable prospectus supplement.

Unless otherwise specified in the related prospectus supplement, each series of the securities will be a new issue with no established trading market, other than the common stock. Any common stock sold pursuant to a prospectus supplement will be listed on the NYSE, subject to official notice of issuance. We and the trusts may elect to list any of the other securities on an exchange, but are not obligated to do so. It is possible that one or more underwriters may make a market in a series of the securities, but will not be obligated to do so and may discontinue any market making at any time without notice. Therefore, no assurance can be given as to the liquidity of the trading market for the securities.

If dealers are utilized in the sale of the securities, we and the trusts will sell the securities to the dealers as principals. The dealers may then resell the securities to the public at varying prices to be determined by such dealers at the time of resale. The names of the dealers and the terms of the

transaction will be set forth in the applicable prospectus supplement.

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We and the trusts may enter into agreements with underwriters, dealers and agents who participate in the distribution of the securities which may entitle these persons to indemnification by us and the trusts against certain liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Any agreement in which we agree to indemnify underwriters, dealers and agents against civil liabilities will be described in the applicable prospectus supplement.

Underwriters, dealers and agents may engage in transactions with, or perform services for, or be customers of ours in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain purchasers to purchase the securities from us at the public offering price stated in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a future date. These contracts will be subject to only those conditions stated in the prospectus supplement, and the prospectus supplement will state the commission payable to the solicitor of such offers.

**LEGAL MATTERS**

Unless otherwise indicated in the applicable prospectus supplement, the validity of the securities will be passed upon for us by Alston & Bird LLP, Washington, D.C., and for the underwriters by Sullivan & Cromwell LLP, New York, New York. Certain United States federal income taxation matters will be passed upon for us by Alston & Bird LLP, Washington, D.C. Certain matters of Delaware law relating to the validity of the preferred securities will be passed upon for the trust and us by Richards, Layton & Finger, P.A., Wilmington, Delaware.

**EXPERTS**

The consolidated financial statements of UnumProvident Corporation appearing in our Annual Report on Form 10-K for the year ended December 31, 2002, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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

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20,000,000 Units

## **UnumProvident Corporation**

% Adjustable

Conversion-Rate Equity

Security Units

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**Goldman, Sachs & Co.**

**Banc of America Securities LLC**

**Morgan Stanley**

**Deutsche Bank Securities**

**Merrill Lynch & Co.**

**SunTrust Robinson Humphrey**

Representatives of the Underwriters

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