

FLUOR CORP
Form 424B2
February 12, 2004

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Filed pursuant to Rule 424(b)(2)
of the Securities Act of 1933
Registration Nos. 333-63984 and 333-112644

**PROSPECTUS SUPPLEMENT
(To Prospectus Dated September 18, 2002)**

\$300,000,000

Fluor Corporation

1.50% Convertible Senior Notes due 2024

The notes will bear interest at a rate of 1.50% per annum. We will pay interest on the notes on February 15 and August 15 of each year, beginning August 15, 2004. The notes will mature on February 15, 2024. The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured debt.

On or after February 17, 2005, the notes will be convertible at your option into shares of our common stock, par value \$0.01 per share, if: (1) the price of our common stock reaches a specified threshold, (2) the notes have been called for redemption, or (3) specified corporate transactions occur. Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and shares of our common stock. Subject to the above conditions, each \$1,000 principal amount of notes will be convertible into 17.8750 shares of our common stock (equivalent to an initial conversion price of \$55.94 per share of common stock), subject to adjustment as described in this prospectus supplement. Shares of our common stock are traded on the New York Stock Exchange under the symbol FLR. The closing sale price of our common stock on February 10, 2004 was \$39.96 per share.

We may redeem some or all of the notes for cash at any time on or after February 16, 2009 at 100% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the purchase date.

You may require us to purchase all or a portion of your notes on February 15, 2009, 2014 and 2019, at 100% of their principal amount, plus accrued and unpaid interest, if any, to but excluding each purchase date.

You may require us to repurchase all or a portion of your notes upon the occurrence of a fundamental change (as defined in this prospectus supplement) at 100% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the repurchase date.

Investing in the notes involves risks. See Risk Factors beginning on page S-9.

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

	Per Note	Total
Public Offering Price	100%	\$ 300,000,000
Underwriting Discount	2%	\$ 6,000,000
Proceeds to Fluor Corporation (before expenses)	98%	\$ 294,000,000

We have granted the underwriters an option to purchase up to an additional \$30,000,000 aggregate principal amount of the notes solely to cover over-allotments.

The underwriters expect to deliver the notes in book-entry form on or about February 17, 2004.

Joint Book-Running Managers

Banc of America Securities LLC

Senior Co-Manager

Citigroup

Lehman Brothers

February 11, 2004

BNP PARIBAS

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We have not authorized anyone else to provide you with any information other than the information provided in or incorporated by reference into this prospectus supplement or the related prospectus. We cannot assure the reliability of any different information. We are not making an offer of the notes in any state where the offer is not permitted. This prospectus supplement and the related prospectus may be updated from time to time, so you should not assume that the information in this prospectus supplement or the related prospectus is accurate as of any date other than the respective dates on the front of this prospectus supplement and the related prospectus.

*Investing in the notes involves risks that are described in the **Risk Factors** section beginning on page S-9.*

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*As used in this prospectus supplement and the related prospectus, unless the context otherwise requires, the terms **Fluor**, **Fluor Corporation**, **us**, **we**, or **our** refer to Fluor Corporation, a Delaware corporation, together with its subsidiaries. Unless otherwise indicated, all information in this prospectus supplement assumes no exercise of the over-allotment option granted to the underwriters.*

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the related prospectus and the documents incorporated herein by reference contain forward-looking statements. When used in this prospectus supplement, the related prospectus and the documents incorporated herein by reference, the words may, will, should, predict, continue, plans, expects, anticipates, estimates, intends, believe, could and similar expressions are intended to be forward-looking statements. For example, statements that relate to our expectations regarding growth, projected earning levels, market outlook, new awards, backlog levels, competition, the adequacy of funds to service debt and the implementation of new strategic initiatives are forward-looking in nature. These forward-looking statements reflect our current analysis of existing information, although no assurance can be given that such statements will be realized.

Due to unknown risks and uncertainties, our actual results may differ materially from the expectations or projections of our forward-looking statements. As a result, caution must be exercised in relying on forward-looking statements. The factors potentially contributing to such differences include, among others:

- changes in global business, economic, political and social conditions;
- our failure to receive anticipated new contract awards;
- customer cancellations of, or scope adjustments to, existing contracts;
- the cyclical nature of many of the markets we serve and their vulnerability to downturns;
- difficulties or delays incurred in the execution of construction contracts resulting in cost overruns or liabilities;
- failure to obtain favorable results in existing or future litigation or disputes;
- recoveries from our insurance providers that are less than anticipated;
- customer delays or defaults in making payments;
- risks and impacts resulting from our reverse spin-off transaction completed on November 30, 2000 involving Massey Energy Company;
- the impact of past and future environmental, health and safety regulations and lawsuits;
- competition in the global engineering, procurement and construction industry; and
- our ability to identify and successfully integrate acquisitions.

The forward-looking statements are also based on various operating assumptions regarding, among other matters, overhead costs and employment levels that may not be realized. In addition, while most risks affect only future costs or revenues that we anticipate we will receive, some risks may relate to accruals that have already been reflected in earnings. Our failure to receive payments of these accrued earnings could result in charges against future earnings.

These and other risks and uncertainties are described in this prospectus supplement under the Risk Factors section and in our filings made from time to time with the SEC. The cautionary statements made in this prospectus supplement should be read as being applicable to all related forward-looking statements wherever they appear. We assume no obligation to publicly update or revise any forward-looking statement for any reason, or to update the reasons actual results could differ materially from the expectations or projections of our forward-looking statements, even if new information becomes available in the future.

ADDITIONAL INFORMATION

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We file annual, quarterly and periodic special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Section at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of these documents may be obtained from the SEC's Public Reference Section at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please

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call the SEC at 1-800-732-0330 for further information on the public reference rooms. Our SEC filings are also available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read copies of these documents at the offices of the New York Stock Exchange.

The SEC allows us to incorporate by reference the information contained in documents that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus and any prospectus supplement, and information that we file later with the SEC will automatically update and supersede some or all of this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until we sell all of the debt securities.

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

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003;

Our Current Report on Form 8-K filed on December 3, 2003;

Our Current Report on Form 8-K furnished on February 5, 2004 (except for the statements attributed to our Chairman and Chief Executive Officer, Alan Boeckmann, and the two paragraphs under the Outlook section); and

The description of our common stock contained in our Registration Statement on Form 10, filed with the SEC on September 20, 2000 (as amended by Amendment No. 1 thereto on Form 10/A, filed with the SEC on November 22, 2000).

You may request a copy of these filings, at no cost, by writing or telephoning us at our principal executive offices at the following address:

Fluor Corporation

One Enterprise Drive
Aliso Viejo, California 92656
Attention: Corporate Secretary
(949) 349-2000.

We have filed exhibits with the registration statement that include the form of underwriting agreement and indenture. You should read the exhibits carefully for provisions that may be important to you.

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SUMMARY

The following summary contains information about Fluor and the offering of the notes. It does not contain all of the information that may be important to you in making a decision to purchase the notes. For a more complete understanding of Fluor and the offering of the notes, we urge you to read this entire prospectus supplement and the related prospectus carefully, including the Risk Factors section, the documents incorporated by reference herein, and our consolidated financial statements and related notes contained in such documents.

Fluor Corporation

Fluor Corporation is a leading professional services company offering a diverse range of value-added, knowledge-based services from traditional engineering, procurement and construction services to total asset management. Fluor Corporation is a holding company which owns, directly or indirectly, the stock of numerous subsidiary corporations, including its primary operating subsidiary Fluor Enterprises, Inc. Fluor Enterprises is aligned into five principal operating segments.

The Oil & Gas segment provides engineering and construction professional services for upstream oil and gas production, downstream refining and certain petrochemical markets.

The Industrial & Infrastructure segment provides engineering and construction professional services for manufacturing and life sciences facilities, commercial and institutional buildings, mining, downstream bulk and specialty chemicals, telecommunications and transportation projects and other facilities.

The Power segment provides professional services to engineer, construct and maintain power generation facilities.

The Global Services segment provides operations and maintenance support, equipment and temporary staffing services and global sourcing and procurement solutions.

The Government Services segment provides project management, engineering, construction and contingency response services to the U.S. government and other governmental parties.

Fluor Corporation also operates through Fluor Constructors International, Inc., which is organized and operates separately from Fluor Enterprises. Fluor Constructors provides unionized management, construction and management services in the United States and Canada, both independently and as a subcontractor to Fluor Enterprises.

On November 30, 2000, Fluor Corporation completed a reverse spin-off transaction in which its coal segment, previously operated under its A.T. Massey Coal Company, Inc. subsidiary, was separated from the other business segments of Fluor Corporation.

Fluor Corporation was incorporated in Delaware on September 11, 2000. Fluor Corporation's executive offices are located at One Enterprise Drive, Aliso Viejo, California 92656, telephone number (949) 349-2000.

Recent Developments

On February 4, 2004, we announced financial results for the year ended December 31, 2003. Net earnings from continuing operations for the year ended December 31, 2003 were \$179.5 million, or \$2.23 per share (unaudited), compared with \$170.0 million for the year ended December 31, 2002, or \$2.13 per share. Revenues from continuing operations were \$8.8 billion (unaudited) for the year ended December 31, 2003, compared with \$10.0 billion for the year ended December 31, 2002.

New project awards in the fourth quarter and full year 2003 were \$2.4 billion and \$10.0 billion, respectively. This compares with \$1.5 billion and \$8.6 billion for the same periods a year ago, and represents an increase of 53% for new awards in the fourth quarter and 16% for the year. Consolidated backlog increased 9% to \$10.6 billion from \$9.7 billion at the end of last year and up from \$10.3 billion at the end of the third quarter of this year.

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The Offering

Issuer	Fluor Corporation.
Securities Offered	\$300,000,000 aggregate principal amount of 1.50% Convertible Senior Notes due 2024 (\$330,000,000 aggregate principal amount if the underwriter's over-allotment option to purchase additional notes is exercised in full).
Maturity Date	February 15, 2024.
Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured obligations. At September 30, 2003, our senior indebtedness totaled approximately \$144.4 million. The notes will not be guaranteed by any of our subsidiaries. Neither we nor our subsidiaries will be restricted under the indenture from incurring additional senior indebtedness or other additional indebtedness.
Interest	The notes will bear interest at a rate of 1.50% per year. We will pay interest on the notes on February 15 and August 15 of each year, beginning August 15, 2004.
Conversion Rights	<p>Holders may not convert their notes prior to February 17, 2005. On or after February 17, 2005, holders may convert their notes prior to stated maturity, at their option, only under the following circumstances:</p> <p style="padding-left: 40px;">during any fiscal quarter (and only during such fiscal quarter), if the closing price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter is greater than or equal to 130% of the current conversion price of the notes on that 30th trading day;</p> <p style="padding-left: 40px;">we have called the notes for redemption; or</p> <p style="padding-left: 40px;">upon the occurrence of specified corporate transactions described under Description of the Notes Conversion Rights.</p>
Conversion Rate	<p>For each \$1,000 principal amount of notes surrendered for conversion, a holder will receive 17.8750 shares of our common stock, equal to an initial conversion price of approximately \$55.94 per share, subject to adjustment as set forth in Description of the Notes Conversion Rights Conversion Rate Adjustments.</p> <p>Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and shares of our common stock. At any time prior to maturity, we may irrevocably elect in our sole discretion to satisfy our conversion obligation in cash (as described under Description of the Notes Conversion Rights Payment Upon Conversion) up to 100% of the principal amount of the notes converted, with any remaining amount to be satisfied in shares of our common stock.</p>

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The conversion rate may be adjusted for certain reasons, including, generally, for cash dividends in excess of \$0.16 per share per quarter. The conversion rate will not be adjusted for accrued and unpaid cash interest. Any accrued and unpaid cash interest will be deemed paid by the common stock or cash received by holders on conversion.

Notes called for redemption may be surrendered for conversion until the close of business on the business day prior to the redemption date. See Description of the Notes Conversion Rights Payment Upon Conversion.

Sinking Fund

None.

Optional Redemption by Us

We may redeem some or all of the notes for cash at any time on or after February 16, 2009 at 100% of their principal amount, plus accrued and unpaid interest, if any, to but excluding each purchase date. See Description of the Notes Optional Redemption by Us.

Purchase of Notes by Us at the Option of the Holder

Holders of notes may require us to purchase all or a portion of their notes on February 15, 2009, February 15, 2014 and February 15, 2019 at 100% of their principal amount plus accrued and unpaid interest, if any, to but excluding each purchase date. We will pay the first put on February 15, 2009 in cash and subsequent puts on February 15, 2014 and February 15, 2019 in cash, stock or a combination thereof at our option. At any time prior to maturity, we may irrevocably elect in our sole discretion to satisfy 100% of the principal amount of the notes put to us after the date of such election in cash. See Description of the Notes Repurchase of Notes at the Option of the Holders.

Repurchase of the Notes at the Option of the Holder Upon a Fundamental Change

Upon a fundamental change (as defined under Description of the Notes Repurchase of the Notes at the Option of the Holders Upon a Fundamental Change), holders may require us to repurchase all or a portion of their notes for cash. We will pay a fundamental change repurchase price equal to 100% of the principal amount of such notes plus accrued and unpaid interest, if any, to but excluding the repurchase date. See Description of the Notes Repurchase of Notes at the Option of the Holders Upon a Fundamental Change.

United States Federal Income Tax Considerations

See Certain United States Federal Income Tax Considerations.

Use of Proceeds

We intend to use the net proceeds from this offering for working capital and general corporate purposes. See Use of Proceeds.

Form, Denomination and Registration

The notes will be issued in fully registered form. The notes will be issued in denominations of \$1,000 principal amount and multiples thereof. The notes will be represented by one or more

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global notes, deposited with the trustee as custodian for The Depository Trust Company (DTC) and registered in the name of Cede & Co., DTC s nominee. Beneficial interests in the global notes will be shown on, and any transfers will be effected only through, records maintained by DTC and its participants. See Description of the Notes Form, Denomination and Registration.

Trading

We do not intend to list the notes on any national securities exchange. Our common stock is listed on the New York Stock Exchange under the symbol FLR.

You should read the Risk Factors section, beginning on page S-9 of this prospectus supplement, to understand the risks associated with an investment in the notes.

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The following table sets forth selected consolidated financial information regarding our operating results, financial position and other financial data and should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section and the consolidated financial statements and related notes incorporated by reference into this prospectus supplement. Our selected consolidated financial data for and as of the years ended December 31, 2002 and 2001 and October 31, 2000, and the two months ended December 31, 2000 are derived from our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2002. Our selected consolidated financial data for and as of the nine months ended September 30, 2003 and 2002 are derived from our unaudited condensed consolidated financial statements contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

	Nine Months Ended September 30,		Year Ended December 31,		Year Ended October 31,	Two Months Ended December 31,
	2003	2002	2002	2001	2000	2000
(in millions, except per share amounts)						
(unaudited)						
Consolidated Operating Results						
Revenues	\$ 6,441.2	\$ 7,493.9	\$9,959.0	\$ 8,972.2	\$ 9,422.9	\$1,782.0
Earnings (loss) from continuing operations before taxes	191.8	194.2	260.5	185.3	164.3	(7.2)
Earnings (loss) from continuing operations	128.0	125.2	170.0	127.8	116.3	(4.1)
Earnings (loss) from discontinued operations	(11.6)	(9.8)	(6.4)	(108.4)	7.7	0.1
Cumulative effect of change in accounting principle	(10.4)					
Net earnings (loss)	106.0	115.4	163.6	19.4	124.0	(4.0)
Basic earnings (loss per share)						
Continuing operations	1.61	1.58	2.14	1.64	1.55	(0.05)
Discontinued operations	(0.15)	(0.13)	(0.08)	(1.39)	0.10	
Cumulative effect of change in accounting principle	(0.13)					
Net earnings (loss)	1.33	1.45	2.06	0.25	1.65	(0.05)
Diluted earnings (loss) per share						
Continuing operations	1.60	1.57	2.13	1.61	1.52	(0.05)
Discontinued operations	(0.15)	(0.13)	(0.08)	(1.36)	0.10	
Cumulative effect of change in accounting principle	(0.13)					
Net earnings (loss)	1.32	1.44	2.05	0.25	1.62	(0.05)
Return on average stockholders equity	16.6%	17.5%	19.4%	2.6%	7.7%	3.8%
Cash dividends per common share	0.48	0.48	0.64	0.64	1.00	
Other Data						
New awards	\$ 7,622.6	\$ 7,060.4	\$8,596.8	\$10,766.6	\$ 9,644.2	\$1,037.1
Backlog at end of period	10,303.8	10,852.0	9,709.1	11,505.5	10,012.2	9,766.7
Capital expenditures continuing operations	47.6	51.0	63.0	148.4	156.2	29.8
Cash provided by (used in) operating activities	\$ (143.6)	\$ 243.7	\$ 206.9	\$ 614.7	\$ 186.1	\$ (67.6)

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	As of September 30,	As of December 31,		As of October 31,	As of December 31,
	2003	2002	2001	2000	2000
	(in millions, except per share amounts)				
	(unaudited)				
Consolidated Financial Position					
Current assets	\$2,055.3	\$1,924.1(1)	\$1,851.3	\$1,318.3	\$1,230.7
Current liabilities	1,654.3	1,756.2	1,862.7	1,570.3	1,604.1
Working capital	401.0	167.9	(11.4)	(252.0)	(373.4)
Property, plant and equipment, net ⁽²⁾	561.6	467.0	508.1	570.8	573.0
Total assets	3,287.5	3,142.2	3,142.5	4,958.4	2,700.6
Capitalization					
Short-term debt ⁽³⁾			38.4	88.7	227.6
Long-term debt ⁽²⁾	144.4	17.6	17.6	17.6	17.6
Stockholders' equity	1,015.0	883.9	789.3	1,609.2	633.1
Total capitalization	1,159.4	901.5	845.3	1,715.5	878.3
Total debt as a percent of total capitalization	12.5%	2.0%	6.6%	6.2%	27.9%
Stockholders' equity per common share	12.40	11.02	9.85	21.25	8.49
Common shares outstanding at period end	81.9	80.2	80.1	75.7	74.6

- (1) Reflects reclassification of certain amounts to conform to the 2003 basis of presentation.
- (2) Pursuant to the requirements of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, we have consolidated, for September 30, 2003, the Property, Plant and Equipment and the long-term debt of two entities that own certain engineering office facilities, which are leased to us. We have no ownership interest in the companies that own the facilities but are deemed to be the primary beneficiary of the variable interests in these entities.
- (3) Includes commercial paper, loan notes, miscellaneous trade notes payable and the current portion of long-term debt.
- During fiscal years 2002 and 2003, we disposed of certain non-core construction equipment and temporary staffing businesses. The assets and liabilities (including debt) and results of operations of Massey Energy Company and the non-core businesses for all periods presented have been reclassified and are presented as discontinued operations. In addition, we changed to a calendar-year basis of reporting financial results in connection with the reverse spin-off transaction.

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of the notes and our common stock could decline substantially.

This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below and elsewhere in this prospectus supplement.

Risks Related to Our Business

We bear the risk of cost overruns in approximately 37% of the dollar-value of our contracts. We may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates.

We conduct our business under various types of contractual arrangements. In terms of dollar-value, the majority of our contracts allocate the risk of cost overruns to our client by requiring our client to reimburse us for our costs. Approximately 37% of the dollar-value of our contracts, however, are guaranteed maximum or lump sum contracts, where we bear a significant portion of the risk for cost overruns. Under these fixed-price contracts, contract prices are established in part on cost and scheduling estimates which are based on a number of assumptions, including assumptions about future economic conditions, prices and availability of labor, equipment and materials, and other exigencies. If these estimates prove inaccurate, or circumstances change, cost overruns may occur, and we could experience reduced profits or, in some cases, a loss for that project.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.

As of September 30, 2003, our backlog was approximately \$10.3 billion. We cannot guarantee that the revenues projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations, scope adjustments or changes in our corporate strategy may occur, from time to time, and may impact contracts reflected in our backlog. For example, during our third quarter in fiscal 2003, three projects totaling approximately \$750 million were removed from our backlog. One of the projects was cancelled and removed from backlog as a result of financing difficulties; the other two projects were cancelled and removed from backlog as a result of our strategic decision to exit a particular market. These types of backlog reductions adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenues and profits that we actually receive.

If we guarantee the timely completion or performance standards of a project, we could incur additional costs to cover our guarantee obligations.

In some instances and in many of our fixed-price contracts, we guarantee a customer that we will complete a project by a scheduled date. We sometimes provide that the project, when completed, will also achieve certain performance standards. If we subsequently fail to complete the project as scheduled, or if the project subsequently fails to meet guaranteed performance standards, we may be held responsible for cost impacts to the client resulting from any delay or the costs to cause the project to achieve the

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performance standards. In some cases, where we fail to meet performance standards, we may also be subject to agreed-upon liquidated damages. To the extent that these events occur, the total costs of the project would exceed our original estimates and we could experience reduced profits or, in some cases, a loss for that project.

The nature of our engineering and construction business exposes us to potential liability claims and contract disputes which may reduce our profits.

We engage in engineering and construction activities for large industrial facilities where design, construction or systems failures can result in substantial injury or damage to third parties. Any liability in excess of our insurance limits at locations engineered or constructed by us could result in significant liability claims against us, which claims may reduce our profits. In addition, if there is a customer dispute regarding our performance of project services, the customer may decide to delay or withhold payment to us. If we were ultimately unable to collect on these payments, our profits would be reduced. For example, in connection with disputes relating to our Hamaca Crude Upgrader Project, we had deferred approximately \$139.5 million of incurred costs, as of September 30, 2003. If we fail to obtain a favorable judgment or are unable to collect on any awards from a favorable judgment in connection with the Hamaca disputes, our profits and financial condition could be materially and adversely affected.

We are vulnerable to the cyclical nature of the markets we serve.

The demand for our services and products is dependent upon the existence of projects with engineering, procurement, construction and management needs. Although downturns can impact our entire business, our telecommunications and mining markets exemplify businesses that are cyclical in nature and continue to be affected by a decrease in worldwide demand for the projects during the past year. Similarly, the Power segment, which services the power industry, has seen strong growth in the past few years due to previously unmet power needs and deregulation but is now seeing its business opportunities decrease relative to the last few years. Industries such as these and many of the others we serve have historically been and will continue to be vulnerable to general downturns and are cyclical in nature. As a result, our past results have varied considerably and may continue to vary depending upon the demand for future projects in these industries.

We maintain a workforce based upon current and anticipated workloads. If we do not receive future contract awards or if these awards are delayed, significant costs may result.

Our estimates of future performance depend on, among other matters, whether and when we will receive certain new contract awards. While our estimates are based upon our good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, we could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing our profits.

We have international operations that are subject to foreign economic and political uncertainties. Unexpected and adverse changes in the foreign countries in which we operate could result in project disruptions, increased costs and potential losses.

Our business is subject to fluctuations in demand and to changing domestic and international economic and political conditions which are beyond our control. As of September 30, 2003, approximately 40% of our projected backlog consisted of engineering and construction revenues to be derived from facilities to be constructed in other countries; we expect that a significant portion of our revenues and profits will continue to come from international projects for the foreseeable future.

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Operating in the international marketplace exposes us to a number of risks including:

abrupt changes in foreign government policies and regulations,

embargoes,

U.S. government policies, and

international hostilities.

The lack of a well-developed legal system in some of these countries may make it difficult to enforce our contractual rights. We also face significant risks due to civil strife, acts of war, terrorism and insurrection. For example, we may receive contracts for reconstruction work in Iraq, which could entail significant risks relating to each of the aforementioned matters. Our level of exposure to these risks will vary with respect to each project, depending on the particular stage of each such project. Generally, our risk exposure with respect to a project in an early development stage will be less than our risk exposure with respect to a project in the middle of construction. To the extent that our international business is affected by unexpected and adverse foreign economic and political conditions, we may experience project disruptions and losses. Any project disruptions and losses could significantly reduce our revenues and profits.

Our government contracts may be terminated at any time. Also, if we do not comply with restrictions and regulations imposed by the government, our government contracts may be terminated and we may be unable to enter into future government contracts. The termination of our government contracts could significantly reduce our expected revenues.

We enter into significant government contracts, from time to time, such as those that we have with the U.S. Department of Energy at Fernald and Hanford. Government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits by government representatives and profit and cost controls. Government contracts are also exposed to uncertainties associated with congressional funding. The government is under no obligation to maintain funding at any specific level and funds for a program may even be eliminated.

In addition, government contracts are subject to specific procurement regulations and a variety of other socio-economic requirements. We must comply with these government regulations and requirements as well as various statutes related to employment practices, environmental protection, recordkeeping and accounting. If we fail to comply with any of these regulations, requirements or statutes, our existing government contracts could be terminated, and we could be temporarily suspended from government contracting or subcontracting. If one or more of our government contracts are terminated for any reason, or if we are suspended from government contract work, we could suffer a significant reduction in expected revenues.

Our international operations expose us to foreign currency fluctuations that could increase our U.S. dollar costs or reduce our U.S. dollar revenues.

Because our functional currency is the U.S. dollar, we try to denominate our contracts in U.S. dollars. However, from time to time our contracts are denominated in foreign currencies, which results in our foreign operations facing the additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Changes in the value of foreign currencies could increase our U.S. dollar costs for, or reduce our U.S. dollar revenues from, our foreign operations. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect our profits.

Our recent and any future acquisitions may be difficult to integrate, may underperform or may not otherwise be successful.

We recently completed, and expect to continue to pursue, select acquisitions of businesses. We cannot, however, provide any assurance that we will be able to complete any additional acquisitions or that

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any acquisitions that we have completed or may complete will enhance our business. Our recently completed acquisitions and the acquisitions that we may complete in the future could subject us to a number of risks, including:

diversion of our management's attention;

inability to integrate the acquired business and its employees into our organization effectively and to retain key personnel of the acquired business;

inability to provide the required types and levels of service to the acquired business's customers;

inability to retain the acquired business's customers; and

exposure to legal claims for activities of the acquired business prior to acquisition.

Future acquisitions may bring us into businesses we have not previously conducted and expose us to additional business risks that are different than those we have traditionally experienced. Client satisfaction or performance problems with an acquired business could adversely affect our reputation as a whole. In addition, any acquired business could significantly underperform relative to our expectations.

Intense competition in the engineering and construction industry could reduce our market share and profits.

We serve markets that are highly competitive and in which a large number of multinational companies, such as the Bechtel Group, the Shaw Group, Jacobs Engineering Group, Kellogg Brown & Root, Washington Group International and Foster Wheeler, compete. In particular, the engineering and construction markets are highly competitive and require substantial resources and capital investment in equipment, technology and skilled personnel. Competition also places downward pressure on our contract prices and profit margins. Intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

The success of our joint ventures depends on the satisfactory performance by our joint venture partners of their joint venture obligations. The failure of our joint venture partners to perform their joint venture obligations could impose on us additional financial and performance obligations that could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

We enter into various joint ventures as part of our engineering, procurement and construction businesses, such as ICA/ Fluor Daniel and Duke/ Fluor Daniel. The success of these and other joint ventures depend, in large part, on the satisfactory performance of our joint venture partners of their joint venture obligations. If our joint venture partners fail to satisfactorily perform their joint venture obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

We could incur substantial tax liabilities if certain representations and warranties made by our predecessor-in-interest are inaccurate.

Prior to the reverse spin-off, our predecessor-in-interest received a ruling from the Internal Revenue Service that the reverse spin-off qualified as a tax-free spin-off under Section 355 of the Internal Revenue Code of 1986. The ruling was granted based upon certain representations made by our predecessor-in-interest. While we are not aware of any facts or circumstances that would cause those representations to be incorrect or incomplete, if those representations were inaccurate, it is possible that the ruling would no

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longer be valid. In such event, we could incur a significant corporate tax liability that could have a material adverse effect on our financial condition.

Environmental, safety and health regulations could impose on us significant additional costs that reduce our profits.

We are subject to numerous environmental laws and health and safety regulations. Our projects involve the handling of hazardous and other highly regulated materials which could subject us to civil and criminal liabilities. It is impossible to reliably predict the full nature and effect of judicial, legislative or regulatory developments relating to health and safety regulations and environmental protection regulations applicable to our operations. The applicable regulations, as well as the technology and length of time available to comply with those regulations, continue to develop and change. In addition, past activities could also have a material impact on us. For example, when we sold our mining business formerly conducted through St. Joe Minerals Corporation, we retained responsibility for certain non-lead related environmental liabilities, but only to the extent that such liabilities were not covered by St. Joe's comprehensive general liability insurance. While we are not currently aware of any material exposure arising from our former St. Joe's business or otherwise, the costs of complying with rulings and regulations or satisfying any environmental remediation requirements for which we are found responsible, or any potential fines or penalties imposed for our failure to fully comply with such rulings or regulations, could be substantial and could reduce our profits. We are also subject to a number of asbestos-related lawsuits.

If we experience delays and/or defaults in customer payments, we could be unable to recover all expenditures.

Because of the nature of our contracts, at times we commit resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures on client projects as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making its payments on a project in which we have devoted significant resources, it could have a material negative effect on our results of operations.

Risks Related to the Notes

Servicing the debt represented by the notes will require a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to make payments on the notes, other debt we may incur in the future and our ability to fund our corporate strategy depends on our ability to generate cash flow. Our ability to generate cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash from operations or that our future access to capital will be sufficient to enable us to pay our debt, including the notes, or to fund our other liquidity needs.

At maturity, the entire outstanding principal amount of the notes will become due and payable by us. In addition, each holder of the notes may require us to repurchase all or a portion of that holder's notes as specified under Description of the Notes Repurchase of Notes at the Option of the Holder or, if a fundamental change, as defined in the indenture, occurs. A fundamental change also may constitute an event of default under, and result in the acceleration of the maturity of, indebtedness under another indenture or other indebtedness that we have or may incur in the future.

Any inability on our part to generate sufficient cash flow or raise capital on favorable terms could have a material adverse effect on our financial condition and on our ability to make payments on the notes.

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The notes will be effectively subordinated to existing and future indebtedness of our subsidiaries.

Because we operate primarily through our subsidiaries, we derive our revenues from and hold our assets through, those subsidiaries. As a result, we rely upon distributions and advances from our subsidiaries in order to meet our payment obligations under the notes and our other obligations. In general, these subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on our debt securities, including the notes, or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. Our right to receive any assets of any subsidiary in the event of a bankruptcy or liquidation of the subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. As of September 30, 2003, our subsidiaries had no outstanding indebtedness, excluding intercompany indebtedness, but had substantial trade payables of approximately \$567.1 million.

The trading prices for the notes will be directly affected by the trading prices for our common stock, which are impossible to predict.

The price of our common stock could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading prices of the notes.

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the notes would cause the liquidity or market value of the notes to decline significantly.

The notes have been rated BBB+ by Standard & Poor's and A3 by Moody's. There can be no assurance that these ratings will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency. As a result, the market price of the notes could be adversely affected.

There may be no public market for the notes.

Prior to this offering, there has been no trading market for the notes. We do not intend to apply for listing of the notes on any securities exchange or any automated quotation system. Although the underwriters have advised us that they currently intend to make a market in the notes, they are not obligated to do so and may discontinue their market-making activities at any time without notice. Consequently, we cannot be sure that any market for the notes will develop, or if one does develop, that it will be maintained. If an active market for the notes fails to develop or be sustained, the trading price and liquidity of the notes could be adversely affected.

The conditional conversion feature of the notes could result in you not receiving the value of the common stock into which the notes are convertible.

The notes are convertible into common stock only if specific conditions are met. If the specific conditions for conversion are not met, you may not be able to receive the value of the common stock into which your notes would otherwise be convertible.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including but not limited to the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions or combinations of our common stock, distributions of capital stock, indebtedness or assets, certain cash dividends and certain tender or exchange offers as described under "Description of the Notes—Conversion Rights—Conversion Rate Adjustments." The conversion rate will not be adjusted for other events, such as an issuance of common stock for cash, that may adversely affect the trading price of the notes or the common stock. There can be no assurance that an event that adversely affects the value of the notes, but does not result in an adjustment to the conversion rate, will not occur.

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The value of the conversion rights associated with the notes may be substantially lessened or eliminated if we are a party to a merger, consolidation or similar transaction.

If we are a party to a consolidation, merger or transfer or lease of all or substantially all of our assets pursuant to which our common stock would be converted to cash, securities or other assets, the notes would become convertible into such cash, securities or other amounts. As a result, the value of the conversion rights associated with the notes may be substantially lessened or eliminated because you would no longer be able to convert your notes into shares of our common stock in the future or because of changes in the nature or volatility of our common stock. See Description of Notes Conversion Rights.

You may have to pay taxes with respect to distributions on our common stock that you do not receive.

The conversion rate of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See Description of the Notes Conversion Rights Conversion Rate Adjustments. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend in excess of \$0.16 per share per quarter, you would be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. In addition, Non-U.S. Holders of notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See Certain United States Federal Income Tax Considerations.

The notes do not restrict our and our subsidiaries ability to incur additional debt or to take other action that could negatively impact holders of the notes.

We and our subsidiaries are not restricted under the terms of the indenture and the notes from incurring additional indebtedness or securing indebtedness other than the notes. In addition, the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt, secure existing or future debt and take a number of other actions that are not limited by the terms of the indenture and the notes could have the effect of diminishing our ability to make payments on the notes when due. In addition, we and our subsidiaries are not restricted from repurchasing subordinated indebtedness or common stock by the terms of the indenture and the notes.

If you hold notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your notes and, in limited cases, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our amended and restated certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

We have various mechanisms in place to discourage takeover attempts, which may reduce or eliminate our stockholders ability to sell their shares for a premium in a change of control transaction.

Various provisions of our amended and restated certificate of incorporation and bylaws and of Delaware corporate law may discourage, delay or prevent a change in control or takeover attempt of our company by a third party that is opposed to by our management and board of directors. Public stockholders who might desire to participate in such a transaction may not have the opportunity to do so.

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These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change of control or change in our management and board of directors. These provisions include:

authorization for our board of directors to issue preferred stock, without further vote or action by the stockholders, which could make it more difficult for a third party to acquire, or discourage a third party from acquiring, a majority of our outstanding voting stock;

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

non-cumulative voting for directors;

the ability of our board of directors to increase the size of our board and to fill vacancies on our board;

prohibition on stockholders calling a meeting or acting by written consent; and

requirements for advance notice for raising business or making nominations at stockholder meetings.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the notes will be approximately \$293,100,000, net of expenses (\$322,500,000 if the underwriters' over-allotment option to purchase additional notes is exercised in full). We expect to use the net proceeds for working capital and general corporate purposes. Pending their use, we intend to invest the net proceeds of this offering primarily in short-term, investment-grade, interest-bearing instruments and in U.S. government debt securities and high-grade investment quality debt securities with maturities of less than three years.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratios of earnings to fixed charges for each of the nine months ended September 30, 2003, the two years ended December 31, 2002 and 2001 and the three years ended October 31, 2000, 1999 and 1998 are as follows:

Nine Months Ended September 30,	Year Ended December 31,		Year Ended October 31,		
2003	2002	2001	2000	1999	1998
7.88	8.26	4.80	4.10	2.86	5.50

For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before provision for income taxes plus fixed charges less equity in earnings from less than 50% owned persons, net of distributions. Fixed charges consist of interest and approximately one-third of rental expense. You should also refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2002 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 for a discussion of factors which have affected our earnings from continuing operations before income taxes.

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Our common stock is traded on the New York Stock Exchange under the symbol FLR. The following table sets forth for the quarters indicated, since our reverse spin-off transaction on November 30, 2000, the high and low closing prices of our common stock and the cash dividends paid per share of common stock.

	Common Stock Price Range		Dividends Per Share
	High	Low	
Year Ended December 31, 2003			
Fourth Quarter	\$40.54	\$34.60	\$0.16
Third Quarter	\$37.83	\$32.80	\$0.16
Second Quarter	\$36.48	\$33.20	\$0.16
First Quarter	\$34.99	\$27.18	\$0.16
Year Ended December 31, 2002			
Fourth Quarter	\$28.42	\$20.94	\$0.16
Third Quarter	\$37.66	\$24.00	\$0.16
Second Quarter	\$44.57	\$35.46	\$0.16
First Quarter	\$43.91	\$29.59	\$0.16
Year Ended December 31, 2001			
Fourth Quarter	\$46.98	\$35.40	\$0.16
Third Quarter	\$45.49	\$35.30	\$0.16
Second Quarter	\$62.65	\$40.97	\$0.16
First Quarter	\$46.84	\$31.82	\$0.16

DIVIDEND POLICY

For each of the four quarters for the years ended December 31, 2001, 2002 and 2003, we have paid a \$0.16 per share cash dividend. We expect to pay comparable dividends in the future. However, any future cash dividends will depend upon our results of operations, financial condition, cash requirements, availability of surplus and such other factors as our board of directors may deem relevant. See Risk Factors.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization, as of September 30, 2003 and as adjusted for the sale of the notes offered hereby.

	<u>Actual⁽¹⁾</u>	<u>As Adjusted</u>
	(Unaudited)	
	(\$ in thousands)	
Long-term debt due after one year:		
5.625% Municipal bonds	\$ 17,626	\$ 17,626
Facilities financing ⁽²⁾	126,734	126,734
Convertible senior notes due 2024		300,000
	<u> </u>	<u> </u>
Total long-term debt due after one year	144,360	444,360
Stockholders' equity	1,015,018	1,015,018
	<u> </u>	<u> </u>
Total capitalization	\$1,159,378	\$1,459,378
	<u> </u>	<u> </u>

- (1) See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2002 for additional information relating to long-term debt and capital stock.
- (2) Pursuant to the requirements of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, we have consolidated long-term debt of two entities that own certain engineering office facilities, which are leased to us. We have no ownership interest in the companies that own the facilities but are deemed to be the primary beneficiary of the variable interests in these entities.

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DESCRIPTION OF THE NOTES

We will issue the notes under an indenture, dated as of February 17, 2004, between us and The Bank of New York, a New York banking corporation, as trustee, as amended by a supplemental indenture between us and the trustee. Initially, the trustee will also act as paying agent, conversion agent and calculation agent for the notes. The terms of the notes include those provided in the indenture.

The following description is only a summary of the material provisions of the notes and the indenture and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the notes and the indenture. We urge you to read the notes and the indenture in their entirety because they, and not this description, define your rights as holders of the notes.

When we refer to Fluor, Fluor Corporation, us, we, or our in this section, we refer only to Fluor Corporation, a Delaware corporation, and not its subsidiaries.

Brief Description of the Notes

The notes offered hereby will:

be \$300,000,000 in aggregate principal amount of notes (\$330,000,000 if the underwriters' over-allotment option to purchase additional notes is exercised in full);

bear cash interest at a rate of 1.50% per annum payable on each February 15 and August 15 of each year, beginning August 15, 2004;

be senior unsecured obligations of Fluor Corporation, ranking equally with all of our other senior unsecured obligations; as indebtedness of Fluor Corporation, the notes will be effectively subordinated to all indebtedness and liabilities of our subsidiaries;

be convertible, subject to the conditions described under Conversion Rights, into our common stock at a conversion rate of 17.8750 shares per \$1,000 principal amount of notes (equivalent to a conversion price of approximately \$55.94 per share), subject to such adjustments as are described under Conversion Rights Conversion Rate Adjustments ;

permit us to satisfy our conversion obligation in cash, shares of our common stock or a combination of cash and shares of common stock;

be redeemable at our option in whole or in part for cash beginning on February 16, 2009, as set forth under Optional Redemption by Us ;

entitle you to require us to repurchase the notes on February 15, 2009, February 15, 2014 and February 15, 2019, as set forth under Repurchase of Notes at the Option of the Holders ;

entitle you to require us to repurchase for cash the notes upon a fundamental change as set forth under Repurchase of Notes at the Option of the Holders Upon a Fundamental Change ;

be due on February 15, 2024, unless earlier converted, redeemed by us at our option or repurchased by us at your option;

be offered and sold at 100% of their principal amount;

be issued only in registered form, without coupons, in denominations of \$1,000 principal amount and multiples thereof; and

not have a sinking fund.

The indenture does not contain any financial covenants and does not restrict us from paying dividends, incurring additional indebtedness or issuing or repurchasing our other securities. The indenture also does not protect you in the event of a highly leveraged transaction or a change of control of Fluor Corporation, except to the extent described under Repurchase of Notes at the Option of the Holders Upon a Fundamental Change below.

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You may present definitive notes for conversion, registration of transfer and exchange at our office or agency in New York City, which shall initially be the principal corporate trust office of the trustee currently located at 101 Barclay Street 8W, New York, New York 10286, Attention: Corporate Trust

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Administration. For information regarding conversion, registration of transfer and exchange of global notes, see Form, Denomination and Registration. No service charge will be made for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Ranking

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured obligations. At September 30, 2003, our senior indebtedness totaled approximately \$144.4 million. The notes will not be guaranteed by any of our subsidiaries and, accordingly, the notes are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. As of September 30, 2003, our subsidiaries had no outstanding indebtedness, excluding intercompany indebtedness, but had substantial trade payables of approximately \$567.1 million. Neither we nor our subsidiaries will be restricted under the indenture from incurring additional senior indebtedness or other additional indebtedness.

Interest

The notes will bear interest at a rate of 1.50% per annum from February 17, 2004.

We will pay interest semiannually on February 15 and August 15 of each year, beginning August 15, 2004, to the holders of record at the close of business on the preceding February 1 and August 1, respectively; provided that interest payable upon redemption will be paid to the person to whom principal is payable, unless the redemption date is an interest payment date. In general, we will not pay accrued and unpaid interest on any notes that are converted into our common stock. Instead, accrued interest will be deemed paid by the common stock received by holders on conversion.

Except as provided below, we will pay interest on:

global notes to The Depository Trust Company, or DTC, in immediately available funds;

any definitive notes having an aggregate principal amount of \$5,000,000 or less by check mailed to the holders of those notes; and

any definitive notes having an aggregate principal amount of more than \$5,000,000 by wire transfer in immediately available funds if requested by the holders of those notes.

At maturity we will pay interest on the definitive notes at our office or agency in New York City which initially will be the principal corporate trust office of the trustee. We will make payments of interest at maturity on global notes to DTC, in immediately available funds.

Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If any interest payment date (other than an interest payment date coinciding with the stated maturity date or earlier redemption date, purchase date or fundamental change purchase date) of a note falls on a day that is not a business day, such interest payment date will be postponed to the next succeeding business day, provided that, if such business day falls in the next succeeding calendar month, the interest payment date will be brought forward to the immediately preceding business day. If the stated maturity date, redemption date, purchase date or fundamental change purchase date of a note would fall on a day that is not a business day, the required payment of interest, if any, and principal will be made on the next succeeding business day and no interest on such payment will accrue for the period from and after the stated maturity date, redemption date or purchase date to such next succeeding business day. The term *business day* means, with respect to any note, any day other than a Saturday, a Sunday or a day on which banking institutions in New York City or the place of payment are authorized or required by law, regulation or executive order to close.

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Conversion Rights

General

Holders may not convert their notes prior to February 17, 2005. On or after February 17, 2005 and subject to the conditions and during the periods described below, holders may convert their notes at any time prior to the close of business on the maturity date into shares of our common stock. For each \$1,000 principal amount of notes surrendered for conversion, a holder will receive 17.8750 shares of our common stock, equal to an initial conversion price of approximately \$55.94, subject to adjustment as set forth in Conversion Rate Adjustments below.

We will not issue fractional shares of common stock upon conversion of the notes. Instead, we will pay cash in lieu of fractional shares. The cash amount to be paid for all fractional shares of common stock will be based on the closing price of our common stock immediately preceding the conversion date. You may convert notes only in denominations of \$1,000 principal amount and multiples thereof.

If a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder of record on the preceding record date will receive on that interest payment date accrued and unpaid interest on those notes, notwithstanding the holder's conversion of those notes prior to that interest payment date. However, at the time of such a conversion, the holder surrendering notes for conversion must pay to us an amount equal to the interest that will be paid on the related interest payment date. The preceding sentence does not apply, however, if (1) we have specified a redemption date that is after a record date for an interest payment but on or prior to the corresponding interest payment date, (2) we have specified a repurchase date following a fundamental change that is during such period or (3) any overdue interest exists at the time of conversion with respect to the notes converted only to the extent of the overdue interest. Accordingly, under those circumstances, a holder who chooses to convert those notes on a date that is after a record date but prior to the corresponding interest payment date, will not be required to pay us, at the time that holder surrenders those notes for conversion, the amount of interest it will receive on the interest payment date.

Any notes called for redemption must be surrendered for conversion prior to the close of business on the business day prior to the redemption date. If the holder has exercised its right to require us to repurchase its notes as described under Repurchase of Notes at the Option of Holders or Repurchase of Notes at the Option of the Holders Upon a Fundamental Change, the holder may convert its notes into our common stock only if it withdraws its purchase notice or fundamental change repurchase notice, as the case may be.

Upon conversion, we may choose to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock, as described below under Payment Upon Conversion. At any time prior to maturity, we may irrevocably elect in our sole discretion to satisfy our conversion obligation in cash (as described under Payment Upon Conversion) up to 100% of the principal amount of the notes converted, with any remaining amount to be satisfied in shares.

To convert a note (other than a note held in book-entry form through DTC) into common stock a holder must:

complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent;

surrender the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest payable on the next interest payment date, to which the holder is not entitled, as described in Interest.

Holders of notes held in book-entry form through DTC must comply with the requirements in the last three bullets above and follow DTC's customary practices. The date the holder complies with these

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requirements is the conversion date under the indenture. Settlement of our obligation to deliver shares and cash (if any) with respect to a conversion will occur on the dates described under Payment Upon Conversion below. Delivery of shares will be accomplished by delivery to the conversion agent or to holders or their nominees of certificates for the relevant number of shares, other than in the case of holders of notes in book-entry form with DTC, which shares shall be delivered in accordance with DTC's customary practices. In addition, we will pay cash for any fractional shares, as described above.

If a holder delivers a note for conversion, it will not be required to pay any taxes or duties for the issue or delivery of common stock on conversion. However, we will not pay any transfer tax or duty payable as a result of the issuance or delivery of the common stock in a name other than that of the holder of the note. We will not issue or deliver common stock certificates unless we have been paid the amount of any transfer tax or duty or we have been provided satisfactory evidence that the transfer tax or duty has been paid.

By delivering to the holder the number of shares or the amount of cash determined as set forth below under Payment Upon Conversion, together with cash in lieu of any fractional shares, we will satisfy our obligation with respect to the notes. That is, accrued and unpaid interest, if any, will be deemed to be paid in full rather than cancelled, extinguished or forfeited, except as set forth above under Interest.

Payment Upon Conversion

Conversion on or Prior to the Final Notice Date

In the event that we receive your notice of conversion on or prior to the date that is 10 days prior to maturity or, with respect to notes being redeemed, the applicable redemption date (the final notice date), the following procedures will apply:

If we choose to satisfy all or any portion of our obligation to deliver common stock upon conversion (the conversion obligation) in cash, we will notify you through the trustee of the dollar amount to be satisfied in cash (which must be expressed either as 100% of the conversion obligation or as a fixed dollar amount) at any time on or before the date that is two business days following receipt by the conversion agent of your notice of conversion (the cash settlement notice period). If we timely elect to pay cash for any portion of the shares otherwise issuable to you, you may retract the conversion notice at any time during the two business day period beginning on the day after the final day of the cash settlement notice period (the conversion retraction period). If we do not elect to deliver cash in lieu of shares (other than cash in lieu of fractional shares), no such retraction can be made (and a conversion notice shall be irrevocable). If we elect to deliver cash for all or a portion of the shares and if the conversion notice has not been retracted, then settlement (in cash and/or shares) will occur on the third business day following the final day of the 10 trading day period beginning on the day after the final day of the conversion retraction period (the cash settlement averaging period). If we choose to satisfy the entire conversion obligation in shares of our common stock, then settlement will occur on the third business day following the conversion date. Settlement amounts will be computed as follows:

If we elect to satisfy the entire conversion obligation in shares, we will deliver to you a number of shares for each \$1,000 principal amount of notes to be converted equal to the conversion rate. In addition, we will pay cash for all fractional shares of common stock as described above under General.

If we elect to satisfy the entire conversion obligation in cash, we will deliver to you for each \$1,000 principal amount of notes to be converted in cash in an amount equal to the product of:

the then current conversion rate, and

the average closing price of our common stock during the cash settlement averaging period.

If we elect to satisfy a fixed portion (other than 100%) of the conversion obligation in cash, we will deliver to you such cash amount (the cash amount) and a number of shares, for each \$1,000 principal amount of notes, equal to the then current conversion rate *minus* the number of shares equal to the cash amount divided by the average closing price of our common stock during the cash

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settlement averaging period; provided, however, that the number of shares will not be less than zero. In addition, we will pay cash for all fractional shares of common stock as described above under **General**. Because, in this case, the number of shares of our common stock that we deliver on conversion will be calculated over a 10 trading day period, holders of notes bear the market risk that our common stock will decline in value between the beginning of the cash settlement averaging period and the day we deliver the shares of common stock upon conversion.

Our Right to Irrevocably Elect Payment

At any time prior to maturity, we may irrevocably elect to satisfy in cash up to 100% of the principal amount of the notes converted after the date of such election, with any remaining amount to be satisfied in shares of our common stock. Such election shall be in our sole discretion without the consent of the holders of the notes, by notice to the trustee and the holders of the notes.

In the event that we receive your notice of conversion after the election date, your notice of conversion will not be retractable, the cash settlement averaging period will be the 10 trading day period beginning on the day after receipt of your notice of conversion and settlement (in cash and/or shares) will occur on the business day following the final day of the cash settlement averaging period.

We will deliver to you, for each \$1,000 principal amount of notes submitted for conversion:

a cash amount (the **election amount**) equal to (i) the then current conversion rate, *multiplied by* (ii) the average closing price of our common stock during the cash settlement averaging period; provided, however, that the election amount will not be more than 100% of the principal amount of a note; and

a number of shares equal to (i) the then current conversion rate, *minus* (ii) the election amount divided by the average closing price of our common stock during the cash settlement averaging period.

Conversion after the Final Notice Date

With respect to conversion notices that we receive after the final notice date, we will not send individual notices of our election to satisfy all or any portion of the conversion obligation in cash. Instead if we choose to satisfy all or any portion of the conversion obligation in cash after the final notice date, we will send, on or prior to the final notice date, a single notice to the trustee of the dollar amount to be satisfied in cash (which must be expressed either as 100% of the conversion obligation or as a fixed dollar amount).

In the event that we receive your notice of conversion after the final notice date, the following procedures will apply:

Settlement amounts will be computed and settlement dates will be determined in the same manner as set forth above under **Payment Upon Conversion - Conversion on or Prior to the Final Notice Date** except that the **cash settlement averaging period** shall be the 10 trading day period beginning on the trading day after receipt of your notice of conversion. Settlement (in cash and/or shares) will occur on the third business day following the final day of such cash settlement averaging period, which date could be after the maturity date.

Conditions to Conversion

Holders may not convert their notes prior to February 17, 2005. On or after February 17, 2005, holders may surrender their notes for conversion into shares of our common stock prior to stated maturity only under the circumstances described below. Upon determination that holders of notes are or will be entitled to convert their notes, we will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News and publish such information on our website as soon as practicable.

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Conversion Upon Satisfaction of Stock Price Condition. On or after February 17, 2005, a holder may surrender any of its notes for conversion into shares of our common stock during any fiscal quarter (and only during such fiscal quarter) if the closing price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter is greater than or equal to 130% of the current conversion price of the notes on that 30th trading day (initially 130% of \$55.94, or \$72.73).

The closing price of our common stock on any date means the closing sale price per share (or, if no closing sale price is reported, the average of the bid and asked prices or, if there is more than one bid or ask price, the average of the average bid and the average asked prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded or, if our common stock is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National Market. The closing price will be determined without reference to after-hours or extended market trading. If our common stock is not listed for trading on a U.S. national or regional securities exchange and not reported by the Nasdaq National Market on the relevant date, the closing price will be the last quoted bid for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If our common stock is not so quoted, the closing price will be the average of the midpoint of the last bid and asked prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Trading day means a day during which trading in securities generally occurs on the New York Stock Exchange or, if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not listed on a U.S. national or regional securities exchange, on the Nasdaq National Market or, if our common stock is not reported by the Nasdaq National Market, on the principal other market on which our common stock is then traded.

Conversion Upon Redemption. If we elect to redeem notes, holders may convert the notes called for redemption into our common stock at any time prior to the close of business on the business day immediately preceding the redemption date, even if the notes are not otherwise convertible at such time.

Conversion Upon Specified Corporate Transactions. If we elect to:

distribute to all holders of our common stock certain rights or warrants entitling them to purchase, for a period expiring within 60 days after the date of the distribution, shares of our common stock at a price per share of less than the closing price of a share of our common stock on the record date for the distribution, or

distribute to all holders of our common stock our assets, debt securities or certain rights to purchase our securities, which distribution has a per share value, as determined by our board of directors, exceeding 10% of the closing price of a share of our common stock on the trading day immediately preceding the declaration date for such distribution, then we must notify the holders of the notes at least 22 business days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day immediately prior to the ex-dividend date or our announcement that such distribution will not take place, even if the notes are not otherwise convertible at such time; provided, however, that a holder may not exercise this right to convert if the holder may participate in the distribution without conversion. The ex-dividend date is the first date upon which a sale of the common stock, carried out in the regular way on the relevant exchange or in the relevant market for our common stock, does not automatically transfer the right to receive the relevant dividend or distribution from the seller of the common stock to its buyer.

In addition, if we are party to a consolidation, merger, binding share exchange or transfer of all or substantially all of our assets pursuant to which our common stock is converted into cash, securities or other property, a holder may surrender notes for conversion at any time from and after the date which is

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15 days prior to the anticipated effective date of the transaction until 15 days after the actual effective date of such transaction (or if such transaction constitutes a fundamental change, until the business day immediately preceding the applicable fundamental change purchase date). If we engage in certain reclassifications of our common stock or are a party to a consolidation, merger, binding share exchange or transfer of all or substantially all of our assets pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a note into our common stock will be changed into a right to convert a note into the kind and amount of cash, securities or other property that the holder would have received if the holder had converted its notes immediately prior to the applicable record date for the transaction. If we engage in any transaction described in the preceding sentence, the conversion rate will not be otherwise adjusted. If the transaction also constitutes a fundamental change, as defined below, a holder can require us to purchase all or a portion of its notes as described below under **Repurchase of the Notes at the Option of the Holders Upon a Fundamental Change**.

Conversion Rate Adjustments

We will adjust the conversion rate for the notes if any of the following events occur:

(1) we issue our common stock as a dividend or distribution on our common stock;

(2) we issue to all holders of common stock certain rights or warrants entitling them to purchase, for a period expiring within 60 days after the record date for the distribution, shares of our common stock at a price per share of less than the closing price of a share of our common stock on the record date for the distribution;

(3) we subdivide or combine our common stock;

(4) we distribute to all holders of our common stock capital stock, evidences of indebtedness or assets, including securities (but excluding rights or warrants listed in (2) above, dividends or distributions listed in (1) above and distributions consisting exclusively of cash), the conversion rate will be increased by multiplying the conversion rate by a fraction,

the numerator of which will be the current market price of our common stock and

the denominator of which will be the current market price of our common stock minus the fair market value, as determined by our board of directors, of the portion of those assets, debt securities, shares of capital stock or rights or warrants so distributed applicable to one share of common stock.

If we distribute capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, then the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average closing sales price of those securities (where such closing sale prices are available) for the 10 trading days commencing on and including the fifth trading day after the date on which **ex-dividend trading** commences for such distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted;

(5) we distribute cash, excluding any dividend or distribution in connection with our liquidation, dissolution or winding up or any quarterly cash dividend on our common stock to the extent that the aggregate cash dividend per share of common stock in any quarter does not exceed \$0.16 (the **dividend threshold amount**); in which event the conversion rate will be increased by multiplying the conversion rate by a fraction,

the numerator of which will be the current market price of our common stock and

the denominator of which will be the current market price of our common stock minus the amount per share of such dividend (as determined below) or distribution.

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The dividend threshold amount is subject to adjustment on an inversely proportional basis whenever the conversion rate is adjusted. If an adjustment is required to be made under this clause (5) as a result of a distribution that is a quarterly dividend, the adjustment would be based upon the amount by which the distribution exceeds the dividend threshold amount. If an adjustment is required to be made under this clause as a result of a distribution that is not a quarterly dividend, the adjustment would be based upon the full amount of the distribution;

(6) we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the closing price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased by multiplying the conversion rate by a fraction,

the numerator of which will be the sum of (x) the fair market value, as determined by our board of directors, of the aggregate consideration payable for all shares of our common stock we purchase in such tender or exchange offer and (y) the product of the number of shares of our common stock outstanding less any such purchased shares and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer and

the denominator of which will be the product of the number of shares of our common stock outstanding, including any such purchased shares, and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer; and

(7) someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer, in which event the conversion rate will be increased by multiplying the conversion rate by a fraction

the numerator of which will be the sum of (x) the fair market value, as determined by our board of directors, of the aggregate consideration payable to our stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchange and not withdrawn as of the expiration of the offer and (y) the product of the number of shares of our common stock outstanding less any such purchased shares and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer and

the denominator of which will be the product of the number of shares of our common stock outstanding, including any such purchased shares, and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer.

The adjustment referred to in this clause (7) will be made only if:

the tender offer or exchange offer is for an amount that increases the offeror's ownership of common stock to more than 25% of the total shares of common stock outstanding; and

the cash and value of any other consideration included in the payment per share of common stock exceeds the current market price per share of common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

However, the adjustment referred to in this clause (7) will generally not be made if, as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our assets.

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In the event of clauses (5) or (6) above, in no event will the conversion rate exceed 25.0250 shares per \$1,000 principal amount of notes, subject to adjustment from clauses (1) through (4) and (7).

Current market price of our common stock on any day means the average of the closing price per share of our common stock (as defined above under Conversion Rights Conditions to Conversion) for each of the 10 consecutive trading days (as defined above under Conversion Rights Conditions to Conversion) ending on the earlier of the day in question and the day before the ex-dividend date with respect to the issuance or distribution requiring such computation.

To the extent that we have a rights plan in effect upon conversion of the notes into common stock, you will receive, in addition to the common stock, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case the conversion rate will be adjusted at the time of separation as described in clause (4) above, as if we distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness or assets as described above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

any reclassification of our common stock;

a consolidation, merger, binding share exchange or combination involving us; or

a sale or conveyance to another person or entity of all or substantially all of our property or assets;

in which holders of common stock would be entitled to receive stock, other securities, other property, assets or cash for their common stock, upon conversion of your notes you will be entitled to receive the same type of consideration that you would have been entitled to receive if you had converted the notes into our common stock immediately prior to any of these events.

The holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend as a result of certain conversion rate adjustments. Similarly, Non-U.S. Holders of notes in certain circumstances may be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See Certain United States Federal Income Tax Considerations U.S. Holders Constructive Dividends on Notes and Non-U.S. Holders Dividends and Other Potential Withholding.

To the extent permitted by law, we may, from time to time, increase the conversion rate for a period of at least 20 days if our board of directors has made a determination that this increase would be in our best interests. Any such determination by our board will be conclusive. We will give holders at least 15 days notice of any increase in the conversion rate. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of common stock or rights to purchase our common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

The applicable conversion rate will not be adjusted:

upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;

upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;

upon the issuance of any shares of our common stock pursuant to any option, warrant, right, or exercisable, convertible or exchangeable security not described in the immediately preceding bullets above and outstanding as of the date the notes were first issued;

for a change in the par value of our common stock; or

for accrued and unpaid interest.

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Furthermore, we will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate.

Optional Redemption by Us

Prior to February 16, 2009, the notes will not be redeemable at our option. At any time on or after February 16, 2009, we may redeem some or all of the notes for cash at 100% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the purchase date.

We will give at least 30 days but not more than 60 days notice of redemption by mail to holders of notes. Notes or portions of notes called for redemption will be convertible by the holder until the close of business on the business day prior to the redemption date.

If we do not redeem all of the notes, the trustee will select the notes to be redeemed in principal amounts of \$1,000 or multiples thereof, by lot or on a pro rata basis. If any notes are to be redeemed in part only, we will issue a new note or notes with a principal amount equal to the unredeemed principal portion thereof. If a portion of your notes is selected for partial redemption and you convert a portion of your notes, the converted portion will be deemed to be taken from the portion selected for redemption.

Repurchase of Notes at the Option of the Holders

Holders of notes may require us to purchase all or a portion of their notes on February 15, 2009, February 15, 2014 and February 15, 2019. In each case, the purchase price will be equal to 100% of the principal amount of the notes being purchased, plus accrued and unpaid interest, if any, to but excluding each purchase date.

We will pay the first put on February 15, 2009 in cash and subsequent puts on February 15, 2014 and February 15, 2019 in cash, stock or a combination thereof at our option. At any time prior to maturity, we may irrevocably elect in our sole discretion to satisfy 100% of the principal amount of the notes put to us after the date of such election (plus accrued and unpaid interest) in cash.

The number of shares of our common stock a holder will receive will equal the relevant amount of the purchase price divided by 100% of the average of the closing prices of our common stock for the ten trading days immediately preceding and including the third business day prior to the purchase date. Because, in this case, the number of shares of our common stock that we deliver will be calculated over a ten trading day period, holders of notes bear the market risk that our common stock will decline in value between the first day of the ten trading day period and the purchase date.

In connection with any purchase of notes, we will notify the holders of notes, not less than 22 business days prior to any purchase date, of their purchase right, the purchase date and the purchase procedures. To exercise the purchase right, prior to the close of business on the business day immediately preceding the purchase date, written notice must be received by the paying agent of your exercise of your purchase right. You may withdraw this notice if the paying agent receives a notice of withdrawal prior to the close of business on the business day immediately preceding the purchase date.

Rule 13e-4 under the Securities Exchange Act of 1934 requires the dissemination of certain information to security holders if an issuer tender offer occurs and may apply if the repurchase option becomes available to holders of the notes. We will comply with this rule, Rule 14e-1 and any other tender offer rules under the Securities Exchange Act of 1934 which may then be applicable and file Schedule TO (or any similar schedule) to the extent applicable at that time.

We shall pay the purchase price for the notes we are required to repurchase promptly following the later of the purchase date and the date that such notes are delivered to, and received by the paying agent. If the paying agent holds money or shares of common stock (or a combination thereof) sufficient to pay the purchase price of the notes which holders have elected to require us to purchase on the purchase date in accordance with the terms of the indenture, then, immediately after the purchase date, those notes will

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cease to be outstanding and interest on the notes will cease to accrue, whether or not the notes are delivered to the paying agent. Thereafter, all other rights of the holders of those notes shall terminate, other than the right to receive the purchase price upon delivery of the notes.

No notes may be repurchased by us at the option of the holders if there has occurred and is continuing an event of default (other than an event of default that may be cured by payment of the purchase price). Our ability to purchase notes is subject to important limitations. Our ability to purchase the notes for cash may be limited by restrictions on our ability to obtain funds for such purchase through dividends from our subsidiaries and the terms of our then existing borrowing agreements. We cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the purchase price for all the notes that might be delivered by holders of notes seeking to exercise the purchase right.

Repurchase of Notes at the Option of the Holders Upon a Fundamental Change

If a fundamental change, as described below, occurs, you will have the right on the fundamental change repurchase date (subject to certain exceptions set forth below) to require us to repurchase, for cash, all or a portion of your notes not previously called for redemption, or any portion of those notes that is equal to \$1,000 in principal amount or multiples thereof, at a fundamental change repurchase price equal to 100% of the principal amount of the notes plus any accrued and unpaid interest to but excluding the fundamental change repurchase date; provided that, if the fundamental change repurchase date is after a record date and before the next succeeding interest payment date, any accrued and unpaid interest will be paid to the holder as of that record date.

A fundamental change will be deemed to have occurred at such time after the original issuance of the notes when any of the following has occurred:

(1) the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934 of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchase, merger or other acquisition transactions, of shares of our capital stock entitling that person to exercise 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors, other than any acquisition by us, any of our subsidiaries or any of our employee benefit plans (except that any of those persons shall be deemed to have beneficial ownership of all securities it has the right to acquire, whether the right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); or

(2) the first day on which a majority of the members of the board of directors of Fluor Corporation are not continuing directors; or

(3) our consolidation or merger with or into any other person, any merger of another person into us, or any conveyance, transfer, sale, lease or other disposition of all or substantially all of our properties and assets to another person, other than:

any transaction:

(a) that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of our capital stock; or

(b) pursuant to which holders of our capital stock immediately prior to the transaction have the entitlement to exercise, directly or indirectly, 50% or more of the total voting power of all shares of capital stock entitled to vote generally in elections of directors of the continuing or surviving person immediately after giving effect to such issuance; or

any merger, share exchange, transfer of assets or similar transaction solely for the purpose of changing our jurisdiction of incorporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock, if at all, solely into shares of common

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stock, ordinary shares or American Depositary Shares of the surviving entity or a direct or indirect parent of the surviving corporation, or

(4) our common stock is not listed for trading on a U.S. national securities exchange or approved for listing on the Nasdaq National Market.
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