

3M CO  
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November 05, 2004

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As filed with the Securities and Exchange Commission on November 5, 2004.

Registration No. 333-103234

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM S-3**  
REGISTRATION STATEMENT  
AND  
POST-EFFECTIVE AMENDMENT NO. 7  
UNDER  
THE SECURITIES ACT OF 1933

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**3M Company**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**41-0417775**  
(I.R.S. Employer  
Identification No.)

**3M Center  
St. Paul, Minnesota 55144  
(651) 733-1110**

(Address, including zip code, and telephone number, including  
area code, of Registrant's principal executive offices)

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**Gregg M. Larson**  
**Secretary and Assistant General Counsel**  
**3M Company**  
**3M Center**  
**St. Paul, Minnesota 55144**  
**(651) 733-1110**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following

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box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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**The information in this prospectus is not complete and may be changed. The selling security holders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED NOVEMBER 5, 2004**

**PROSPECTUS**

**\$639,000,000**

**3M Company**

**Liquid Yield Option Notes due 2032  
(Zero Coupon Senior)  
and shares of common stock issuable upon conversion  
of the Liquid Yield Option Notes**

**The Offering:**

We issued \$639,000,000 aggregate principal amount at maturity of our Liquid Yield Option Notes due 2032 (Zero Coupon Senior), or "LYONs", in a private placement on November 21, 2002 at an issue price of \$860.87 per LYON (86.087% of the principal amount at maturity). This prospectus covers the resale by holders of the LYONs and shares of our common stock into which the LYONs are convertible that have not previously been sold in a public offering. As of November 3, 2004, \$420,892,000 principal amount at maturity of LYONs have previously sold in public offerings pursuant to the registration statement of which this prospectus forms a part. We will not pay interest on the LYONs prior to maturity unless contingent interest becomes payable as described below. Instead, on November 21, 2032, the maturity date of the LYONs, each holder will receive \$1,000 per LYON. The issue price of each LYON represents a yield to maturity of 0.5% per year calculated from November 21, 2002, excluding any contingent interest. The LYONs rank equally with all of our existing and future unsecured and unsubordinated indebtedness. We will not receive any proceeds from the resale of the LYONs or the common stock sold under this prospectus.

**Convertibility of the LYONs:**

Holders may convert each LYON into 9.4602 shares of our common stock, subject to adjustment, which we refer to as the conversion rate, only (1) if the sale price of our common stock reaches specified thresholds, (2) during any period in which the credit rating assigned to the LYONs is below a specified level, (3) if the LYONs are called for redemption or (4) if specified corporate transactions have occurred. Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and common stock in an amount described herein. Our common stock is listed on the New York Stock Exchange under the symbol "MMM." On November 3, 2004, the last reported sale price of our common stock on the New York Stock Exchange was \$75.29 per share.

**Contingent Interest:**

We will pay contingent cash interest on the LYONs during any six-month period from November 22 to May 21 and from May 22 to November 21, with the initial six-month period commencing November 22, 2007, if the average market price of a LYON for a five day trading measurement period preceding such six-month period equals 130% or more of the sum of the issue price and accrued original issue discount for such LYON as of the day immediately preceding the relevant six-month period. The contingent interest payable per LYON in respect of any quarterly period will be equal to the greater of (1) any regular cash dividends paid by us per share on our common stock during that quarterly period multiplied by the then applicable conversion rate or (2) \$0.62 multiplied by 4.7301 (the dividend rate at the initial issuance of the LYONs times the initial conversion rate). For United States Federal income tax purposes, the LYONs will constitute contingent payment debt instruments. You should read the discussion of selected United States Federal income tax considerations relevant to the LYONs beginning on page 25.

**Purchase of the LYONs by 3M at the Option of the Holder:**

Holders may require us to purchase all or a portion of their LYONs on November 21, 2005, 2007, 2012, 2017, 2022 and 2027 at prices set forth in "Description of LYONs Purchase of LYONs by 3M at the Option of the Holder." We may choose to pay the purchase price in cash, our common stock or a combination of cash and our common stock. In addition, upon a change in control, as defined in the indenture, of 3M occurring on or before November 21, 2007, holders may require us to repurchase for cash all or a portion of their LYONs.

**Redemption of the LYONs at the Option of 3M:**

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We may redeem for cash all or a portion of the LYONs at any time on or after November 21, 2007 at the prices set forth in "Description of LYONs Redemption of LYONs at the Option of 3M."

Prior to this offering, the LYONs have been eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") system of the National Association of Securities Dealers, Inc. LYONs sold by means of this prospectus are not expected to remain eligible for trading on the PORTAL system. We do not intend to list the LYONs for trading on any national securities exchange or on the Nasdaq National Market.

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**Investing in the LYONs involves risks, some of which are described in the "Risk Factors" section beginning on page 7 of this prospectus.**

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

The date of this prospectus is \_\_\_\_\_, 2004.

Trademark of Merrill Lynch & Co., Inc.

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**WHERE YOU CAN FIND MORE INFORMATION**

We have filed and will file reports and other information with the SEC under the Exchange Act. You may read and copy this information at the following SEC public reference room:

Public Reference Room  
450 Fifth Street, N.W.  
Room 1024  
Washington, D.C. 20549

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for additional information about the public reference room.

The SEC also maintains a web site that contains reports, proxy statements and other information about issuers, including 3M, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

We are "incorporating by reference" into this prospectus certain information filed by us with the SEC, which means that we are disclosing important information to you by referring you to those documents. The information incorporated by reference is deemed to be part of this prospectus, except to the extent modified or superseded, as described below. This prospectus incorporates by reference the documents set forth below that we have been previously filed with the SEC. Those documents contain important information about us and our finances.

Our annual report on Form 10-K for the year ended December 31, 2003.

Our quarterly reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004, and September 30, 2004.

Our current reports on Form 8-K dated March 3, 2004, May 20, 2004, June 1, 2004 and June 30, 2004.

All documents filed by us with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act from the date of this prospectus to the end of the offering of the LYONs and the common stock under this document, or after the date of this registration statement to the date of effectiveness of this registration statement (other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K) shall also be deemed to be incorporated by reference and will automatically update information in this prospectus.

You may request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number:

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3M Company  
3M Center  
St. Paul, Minnesota 55144  
Attention: Investor Relations  
Tel: 651-733-1110

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Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this document.

### **FORWARD LOOKING INFORMATION**

All statements included or incorporated by reference in this document, other than statements of historical facts, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward looking statements. Such statements are typically characterized by terminology such as "believe," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," and similar expressions. These statements are based on assumptions and assessments made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors our management believes to be appropriate. These forward looking statements are subject to a number of risks and uncertainties, including those risks described in this prospectus under "Risk Factors," as well as other factors that our management has not yet identified. Any such forward looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those contemplated by such forward looking statements. We disclaim any duty to update any forward looking statements.

**SUMMARY**

*The following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision. When used in this prospectus, the terms "3M," "3M Company," "we," "our" and "us" refer to 3M Company and its consolidated subsidiaries, unless otherwise specified.*

**3M Company**

3M, formerly known as Minnesota Mining and Manufacturing Company, was incorporated in 1929 under the laws of the State of Delaware to continue operations begun in 1902. The Board of Directors of Minnesota Mining and Manufacturing Company approved changing the company's name to "3M Company" effective April 8, 2002. 3M's principal executive offices are located at 3M Center, St. Paul, Minnesota 55144 (telephone: 651-733-1110).

3M is a diversified technology company with a global presence in the following markets: health care, industrial, display and graphics, consumer and office, safety, security and protection services, electronics, telecommunications and electrical, and transportation. 3M is a global enterprise characterized by substantial intercompany cooperation in research, manufacturing and marketing of products.

3M is among the leading manufacturers of products for many of the markets it serves. In all cases, 3M products are subject to direct or indirect competition. Most 3M products involve expertise in product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technologically oriented companies.

Our strategic business units have been aggregated into seven reportable segments: Industrial Business, Health Care Business, Transportation Business, Display and Graphics Business, Safety, Security and Protection Services Business, Consumer and Office Business, and Electro and Communications Business. These segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources. These segments have worldwide responsibility for virtually all 3M product lines. A few small businesses and staff-sponsored products, as well as various corporate assets and expenses, are not allocated to the business segments.

**The Offering**

LYONs	\$639,000,000 aggregate principal amount at maturity of LYONs due November 21, 2032. We will not pay interest on the LYONs prior to maturity unless contingent interest becomes payable as described below. Each LYON was issued at a price of \$860.87 per LYON and has a principal amount at maturity of \$1,000.
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Maturity of LYONs	November 21, 2032.
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Yield to Maturity of LYONs	0.5% per year (computed on a semi-annual bond equivalent basis) calculated from November 21, 2002, excluding any contingent interest.
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Ranking	The LYONs are unsecured and unsubordinated obligations of 3M and rank equally in right of payment to all our existing and future unsecured and unsubordinated indebtedness. However, a significant portion of 3M's business is conducted through subsidiaries; and, because claims by creditors of those subsidiaries would be senior to 3M's equity interests in such subsidiaries, indebtedness of 3M, including the LYONs, is structurally subordinated to the claims of such creditors. As of September 30, 2004 we had approximately \$2,661 million of consolidated senior indebtedness outstanding.
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### Original Issue Discount

We offered the LYONs at an issue price significantly below the principal amount at maturity of the LYONs. The difference between the issue price and the principal amount at maturity of a LYON is referred to as original issue discount. This original issue discount accrues daily at a rate of 0.5% per year beginning on November 21, 2002, calculated on a semi-annual bond equivalent basis, using a 360-day year comprised of twelve 30-day months. The accrual of imputed interest income, also referred to as tax original issue discount, as calculated for United States Federal income tax purposes, is expected to exceed the accrued original issue discount. See "Certain United States Federal Income Tax Considerations Accrual of Interest on the LYONs."

### Conversion Rights

For each LYON surrendered for conversion, if the conditions for conversion are satisfied, a holder will receive 9.4602 shares of our common stock. Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and common stock. If we elect to pay holders cash for their LYONs, the payment will be based on the average sale price of our common stock for the five consecutive trading days immediately following either:

the date of our notice of our election to deliver cash, which we must give within two business days after receiving a conversion notice, unless we have earlier given notice of redemption as described in this prospectus; or

the conversion date, if we have given notice of redemption specifying that we intend to deliver cash upon conversion thereafter.

The conversion rate will be adjusted for reasons specified in the indenture but will not be adjusted for accrued original issue discount. Upon conversion, a holder will not receive any cash payment representing accrued original issue discount, contingent interest or accrued tax original issue discount. Instead, such amounts will be deemed paid by the shares of common stock, cash or a combination of cash and common stock received by the holder on conversion. See "Description of LYONs Conversion Rights."

Holders may surrender LYONs for conversion in any calendar quarter commencing after March 31, 2003 if the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the accreted conversion price per share of common stock on the last day of such preceding quarter. The accreted conversion price per share as of any day will equal the issue price of a LYON plus the accrued original issue discount to that day, divided by the conversion rate on that day.

Holders may also surrender a LYON for conversion at any time when the credit rating assigned to the LYONs is Baa1 or lower by Moody's Investors Service ("Moody's") or BBB+ or lower by Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies ("Standard & Poor's").

LYONs or portions of LYONs in integral multiples of \$1,000 principal amount at maturity called for redemption may also be surrendered for conversion until the close of business on the second business day prior to the redemption date. In addition, if we make certain distributions to our shareholders or if we are a to certain consolidations, mergers or binding share exchanges, LYONs may be surrendered for conversion as provided in "Description of LYONs Conversion Rights." The ability to surrender LYONs for conversion will expire at the close of business on November 20, 2032.

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### Contingent Interest

We will pay contingent interest to the holders of LYONs during any six-month period from November 22 to May 21, and from May 22 to November 21, with the initial six-month period commencing November 22, 2007, if the average market price of a LYON for the Applicable Five Trading Day Period equals 130% or more of the sum of the issue price and accrued original issue discount for such LYON as of the day immediately preceding the relevant six-month period. "Applicable Five Trading Day Period" means the five trading days ending on the second trading day immediately preceding the relevant six-month period, unless we declare a regular cash dividend for which the record date falls prior to the first day of a six-month period but the payment date falls within such six-month period, in which case the "Applicable Five Trading Day Period" means the five trading days ending on the second trading day immediately preceding such record date.

The amount of contingent interest payable per LYON in respect of any quarterly period within a six-month period in which contingent interest is payable will be equal to the greater of (1) any regular cash dividends paid by us per share on our common stock during that quarterly period multiplied by the then applicable conversion rate or (2) \$0.62 multiplied by 4.7301 (the dividend rate at the initial issuance of the LYONs times the initial conversion rate).

Contingent interest, if any, will accrue and be payable to holders of LYONs as of the record date for the related regular cash dividend or, if we do not pay a regular cash dividend on our common stock during a quarter within the relevant six-month period, to holders of LYONs as of the 15th day preceding the last day of the relevant six-month period. Such payments will be paid on the payment date of the related regular cash dividend or, if no regular cash dividend is paid by us during a quarter within the relevant six-month period, on the last day of the relevant six-month period. The original issue discount will continue to accrue at the yield to maturity whether or not contingent interest is paid.

### Tax Original Issue Discount

The LYONs are debt instruments subject to the United States Federal income tax contingent payment debt regulations. You should be aware that, even if we do not pay any contingent interest on the LYONs, you will be required to include interest in your gross income for United States Federal income tax purposes. This imputed interest, also referred to as tax original issue discount, will accrue at a rate equal to 4.55% per year, computed on a semi-annual bond equivalent basis, which represents the yield we believe we would have paid, as of the original issue date of the LYONs, on our noncontingent, nonconvertible, fixed-rate debt with terms otherwise similar to the LYONs, subject to a minimum yield equal to the applicable Federal rate (based on the overall maturity of the LYONs). The rate at which the tax original issue discount will accrue for United States Federal income tax purposes (which we believe will equal the minimum yield equal to the applicable Federal rate described above) will exceed the stated yield of 0.5% for the accrued original issue discount. Your adjusted tax basis in a LYON will be increased over time to reflect the accrual of the tax original issue discount and will be decreased to reflect certain projected payments on a LYON.

You will also recognize gain or loss on the sale, exchange,

conversion or redemption of a LYON in an amount equal to the difference between the amount realized on the sale, exchange, conversion or redemption, including the fair market value of any common stock received upon conversion or otherwise, and your adjusted tax basis in the LYON. Any gain recognized by you on the sale, exchange, conversion or redemption of a LYON generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See "Certain United States Federal Income Tax Considerations."

Redemption of LYONs at the Option of 3M

We may redeem all or a portion of the LYONs for cash at any time on or after November 21, 2007 at the redemption prices set forth in "Description of LYONs - Redemption of LYONs at the Option of 3M."

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Purchase of LYONs by 3M at the Option of the Holder	Holder may require us to purchase all or a portion of their LYONs:  on November 21, 2005 at a price equal to \$873.86 per LYON;  on November 21, 2007 at a price equal to \$882.64 per LYON;  on November 21, 2012 at a price equal to \$904.95 per LYON;  on November 21, 2017 at a price equal to \$927.83 per LYON;  on November 21, 2022 at a price equal to \$951.29 per LYON; and  on November 21, 2027 at a price equal to \$975.34 per LYON.  In each case, such price includes accrued original issue discount to the purchase date. We may choose to pay the purchase price in cash or in common stock (based on the prevailing market price thereof) or a combination of cash and common stock. See "Description of LYONs Purchase of LYONs by 3M at the Option of the Holder."
Change in Control	Upon a change in control (as defined in the indenture) of 3M occurring on or before November 21, 2007, each holder may require us to repurchase all or a portion of such holder's LYONs for cash at a price equal to 100% of the issue price for such LYONs plus accrued original issue discount to the date of repurchase. See "Description of LYONs Change in Control Permits Purchase of LYONs by 3M at the Option of the Holder."
Sinking Fund	None.
Trading Symbol of Our Common Stock	Our common stock is traded on the New York Stock Exchange under the symbol "MMM."

### RISK FACTORS

An investment in the LYONs involves a number of risks, some of which could be substantial and are inherent in our businesses. You should consider the following factors carefully before deciding to purchase LYONs. Additional risks not presently known to 3M or that 3M currently deems immaterial may also impair 3M's business operations. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, those described below.

#### Risks Related to this Offering

##### **An active trading market for the LYONs may not develop.**

The LYONs comprise a new issue of securities for which there is currently no public market. The LYONs will not be listed on any securities exchange or included in any automated quotation system. We do not know whether an active trading market will develop for the LYONs. If the LYONs are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, the price of our common stock, its and our performance and other factors.

##### **In certain circumstances, your claims as a holder of a LYON could be subordinated in the event of our bankruptcy.**

If a holder elects to convert a LYON for common stock of 3M and we thereafter become the subject of bankruptcy proceedings, if we have failed to deliver our common stock, a holder's claim in respect of the LYONs could be subordinated to all of our existing and future obligations. Furthermore, it is unclear how such a subordinated claim would be valued.

##### **We may not have the funds necessary to purchase LYONs at the option of the holders or upon a change in control.**

On specified dates and upon the occurrence of specific kinds of change in control events occurring on or before November 21, 2007, holders of LYONs may require us to purchase all or a portion of their LYONs.

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However, it is possible that upon a change in control we would not have sufficient funds to make the required purchase of LYONs or that restrictions in our other indebtedness would not allow those purchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a "change in control" under the indenture. See "Description of LYONs Change in Control Permits Purchase of LYONs by 3M at the Option of the Holder."

### **You should consider the United States federal income tax consequences of owning LYONs.**

The LYONs will be characterized as indebtedness of ours for United States federal income tax purposes. Accordingly, you will be required to include interest with respect to the LYONs in your gross income.

The LYONs constitute contingent payment debt instruments. As a result, you will be required to include amounts in income, as ordinary income, in advance of the receipt of the cash attributable thereto, and to accrue interest on a constant yield to maturity basis at a rate comparable to the rate at which we would have issued a noncontingent, nonconvertible, fixed-rate debt instrument with terms otherwise similar to the LYONs, subject to a minimum yield equal to the applicable Federal rate (based on the overall maturity of the LYONs). This rate (which will equal the required minimum rate equal to the applicable Federal rate described above) will be 4.55% per year on a semiannual compounding basis. The amount of interest income required to be included by you for each year will be in excess of the yield to maturity of the LYONs. You will recognize gain or loss on the sale, exchange, conversion or redemption of a LYON in an amount equal to the difference between the amount realized on such sale, exchange, conversion or redemption, including the fair market value of any common stock received upon conversion or otherwise, and your adjusted tax basis in the LYON. Any gain recognized by you on the sale, exchange, conversion or redemption of a LYON generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. A summary of the United States federal income tax consequences of ownership of the LYONs is described in this prospectus under the heading "Certain United States Federal Income Tax Considerations."

### **Risks Related to Our Business**

#### **3M's business results and trends are impacted by the effects of, and changes in, worldwide economic conditions.**

3M operates in more than 60 countries and derives more than half of its revenues from outside the United States. 3M's business may be affected by factors in the United States and other countries that are beyond its control, such as downturns in economic activity in a specific country or region; social, political or labor conditions in a specific country or region; or potential adverse foreign tax consequences.

#### **Foreign currency exchange rates and fluctuations in those rates may affect 3M's ability to realize projected growth rates in its sales and net earnings and its results of operations.**

Because 3M derives more than half of its revenues from outside the United States, 3M's ability to realize projected growth rates in its sales and net earnings and its results of operations could be adversely affected if the United States dollar strengthens significantly against foreign currencies.

#### **3M's growth objectives are largely dependent on the timing and market acceptance of its new product offerings, including its ability to renew its pipeline of new products and to bring those products to market.**

This ability may be adversely affected by difficulties or delays in product development, such as the inability to:

identify viable new products;

obtain adequate intellectual property protection;

gain market acceptance of new products; or

Successfully complete clinical trials and obtain regulatory approvals. For example, new 3M pharmaceutical products, like any pharmaceutical under development, face substantial risks and uncertainties in the process of development and regulatory review. There are no guarantees that new products will prove to be commercially successful.

**3M's future results are subject to fluctuations in the costs and availability of purchased components and materials, including oil-derived compounds, due to market demand, currency exchange risks, material shortages and other factors.**

3M depends on various components and materials supplied by others for the manufacturing of its products and it is possible that any of its supplier relationships could be interrupted or terminated in the future. Any sustained interruption in 3M's receipt of adequate supplies could have a material adverse effect on it. In addition, while 3M has a process to minimize volatility

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in component and material pricing, no assurance can be given that 3M will be able to successfully manage price fluctuations due to market demand, currency risks, or material shortages or that future price fluctuations will not have a material adverse effect on it.

### **There is the possibility that 3M's acquisitions and strategic alliances may not meet sales and/or profit expectations**

As part of 3M's strategy for growth, it has made and may continue to make acquisitions and enter into strategic alliances. However, there can be no assurance that 3M will be able to quickly integrate the acquired business and obtain the anticipated synergies or that acquisitions and strategic alliances will be beneficial to 3M.

### **3M's future results may be affected if it receives less savings from its corporate initiatives than estimated.**

3M's corporate initiatives are expected to contribute an additional \$400 million to operating income in 2004. There can be no assurance that all of the estimated savings from the initiatives will be realized. In 2003, these initiatives included Six Sigma, Global Sourcing Effectiveness, 3M Acceleration, eProductivity and Indirect Cost Control.

### **3M's future results may be affected by various legal and regulatory proceedings, including those involving product liability, antitrust, environmental or other subjects.**

The outcome of these legal proceedings may differ from 3M's expectations because the outcomes of litigation, including regulatory matters, are often difficult to predict reliably. Various factors or developments can lead 3M to change current estimates of liabilities and related insurance receivables where applicable, or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, significant settlement or changes in applicable law. A future adverse ruling or unfavorable development could result in future charges that could have a material adverse effect on 3M's results of operations or cash flows in any particular period. A specific factor that may influence 3M's estimate of its future asbestos-related liabilities is the pending Congressional consideration of legislation to reform asbestos-related litigation and pertinent information derived from that process.

For a more detailed discussion of legal proceedings involving 3M, see the discussion of "Legal Proceedings" in Part II, Item 1 of 3M's Quarterly Report on Form 10-Q for the period ended September 30, 2004, which is incorporated by reference into this prospectus.

## USE OF PROCEEDS

We will not receive any proceeds from the sale of the LYONs or the shares of common stock offered by this prospectus. See "Selling Security Holders."

## PRICE RANGE OF OUR COMMON STOCK AND DIVIDENDS

Our common stock is listed and traded on the New York Stock Exchange under the symbol "MMM." The following table sets forth the range of high and low sales prices per share of our common stock, as reported on the New York Stock Exchange, and dividends paid on our common stock for the fiscal quarters presented below. The sale prices per share of our common stock in the table below have been adjusted to give effect, retroactively, to the two-for-one stock split paid in the form of a stock dividend on September 29, 2003 to shareholders of record as of the close of business on September 22, 2003.

	3M Common Stock		
	High	Low	Dividends Paid
<b>2002</b>			
1 <sup>st</sup> Quarter	\$ 61.85	\$ 50.00	\$ 0.31
2 <sup>nd</sup> Quarter	\$ 65.30	\$ 56.15	\$ 0.31
3 <sup>rd</sup> Quarter	\$ 65.05	\$ 54.10	\$ 0.31
4 <sup>th</sup> Quarter	\$ 65.78	\$ 55.38	\$ 0.31
<b>2003</b>			
1st Quarter	\$ 67.48	\$ 59.73	\$ 0.33
2nd Quarter	\$ 68.38	\$ 60.26	\$ 0.33

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**3M Common Stock**

3 <sup>rd</sup> Quarter	\$ 72.85	\$ 63.40	\$ 0.33
4 <sup>th</sup> Quarter	\$ 85.40	\$ 69.80	\$ 0.33
<b>2004</b>			
1st Quarter	\$ 86.20	\$ 74.35	\$ 0.36
2 <sup>nd</sup> Quarter	\$ 90.29	\$ 80.90	\$ 0.36
3 <sup>rd</sup> Quarter	\$ 90.11	\$ 77.20	\$ 0.36
4 <sup>th</sup> Quarter (through November 3, 2004)	\$ 81.97	\$ 73.31	

The payment of dividends by us is subject to the discretion of our board of directors and will depend on our and our subsidiaries' financial position, capital requirements and liquidity, contractual and legal requirements, results of operations and other factors.



**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth the ratio of earnings to fixed charges for the periods indicated:

Year Ended December 31,					9 Months Ended September 30,
1999	2000	2001	2002	2003	2004
15.8x(1)	15.8x(2)	11.5x(3)	20.2x(3)	25.0x(4)	34.1x

- (1) The ratio for the year ended December 31, 1999 includes a net pre-tax gain of \$100 million relating to special items that include gains on divestitures, litigation expense, an investment valuation adjustment, and a change in estimate that reduced the 1998 restructuring charges.
- (2) The ratio for the year ended December 31, 2000 includes net pre-tax losses of \$23 million relating to the special items.
- (3) The ratio for the year 2002, and year 2001, includes net pre-tax losses of \$202 million and \$504 million related to special items, respectively, primarily related to the 2001 restructuring plan.
- (4) The ratio for the year 2003 includes a \$93 million pre-tax loss related to an adverse ruling associated with a lawsuit filed by LePage's Inc.

For purposes of calculating the ratio, fixed charges consist of:

- gross interest, including the interest component of ESOP benefit expense;
- amortization of debt expense and discount or premium relating to any indebtedness; and
- the portion of rental expense on operating leases considered to be representative of the interest factor therein.

The ratio of earnings to fixed charges is calculated as follows:

$$\frac{\text{(income from continuing operations before income taxes and minority interest)} + \text{(fixed charges)} + \text{(amortization of capitalized interest)} - \text{(capitalized interest)}}{\text{(fixed charges)}}$$

**DESCRIPTION OF LYONs**

We issued the LYONs under an indenture between 3M Company and Citibank, N.A., as trustee, dated as of November 21, 2002. The following summarizes some, but not all, of the provisions of the LYONs and the indenture. The following summary does not purport to be complete and is subject to, and qualified by reference to, all of the provisions of the indenture, which we urge you to read because they define your rights as a LYONs holder. As used in this description, the words "we," "us," "3M," "3M Company," or "our" do not include any current or future subsidiary of 3M.

**General**

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The LYONs are limited to \$639,000,000 aggregate principal amount at maturity. The LYONs will mature on November 21, 2032. The principal amount at maturity of each LYON is \$1,000. The LYONs are payable at the office of the paying agent, which initially will be an office or agency of the trustee, or an office or agency maintained by us for such purpose, in the Borough of Manhattan, The City of New York.

The LYONs were offered at an issue price of \$860.87 per LYON, which represents a substantial discount from their principal amount at maturity. Except as described below under " Contingent Interest", we will not make periodic payments of interest on the LYONs. However, the LYONs will accrue original issue discount while they remain outstanding. Original issue discount is the difference between the issue price and the principal amount at maturity of a LYON. Original issue discount will be calculated on a semi-annual bond equivalent basis at the yield to maturity of the LYONs, using a 360-day year comprised of twelve 30-day months. The issue date for the LYONs and the commencement date for the accrual of original issue discount were November 21, 2002.

The LYONs are debt instruments subject to the contingent payment debt regulations. The LYONs were issued with original issue discount for United States Federal income tax purposes. Even if we do not pay any cash interest (including any contingent interest) on the LYONs, holders will be required to include accrued tax original issue discount in their gross income for United States Federal income tax purposes. The rate at which the tax original issue discount will accrue will exceed the stated

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yield of 0.5% for the accrued original issue discount described above. See "Certain United States Federal Income Tax Considerations."

Maturity, conversion, purchase by us at the option of a holder or redemption of a LYON at our option will cause original issue discount and contingent interest, if any, to cease to accrue on such LYON. We may not reissue a LYON that has matured or been converted, purchased by us at your option, redeemed or otherwise cancelled, except for registration of transfer, exchange or replacement of such LYON.

LYONs may be presented for conversion at the office of the conversion agent, and for exchange or registration of transfer at the office of the registrar, each such agent initially being the trustee. We will not charge a service fee for any registration of transfer or exchange of LYONs.

### Ranking of LYONs

The LYONs are unsecured and unsubordinated obligations of ours. The LYONs rank equal in right of payment to all of our existing and future unsecured and unsubordinated indebtedness. However, a significant portion of 3M's business is conducted through subsidiaries; and, because claims by creditors of those subsidiaries would be senior to 3M's equity interests in such subsidiaries, indebtedness of 3M, including LYONs, is structurally subordinated to the claims of such creditors.

In addition, if a holder surrenders LYONs for conversion and we fail to deliver such common stock, and we then become the subject of bankruptcy proceedings, a holder's claim in respect of the LYONs could be subordinated to all of our existing and future obligations. Furthermore, it is unclear how such a subordinated claim would be valued.

As of September 30, 2004, we had approximately \$2,661 million of consolidated senior indebtedness outstanding.

### Conversion Rights

Holders may surrender LYONs for conversion into shares of our common stock only if at least one of the conditions described below is satisfied. In addition, a LYON for which a holder has delivered a purchase notice or a change in control purchase notice requiring us to purchase the LYONs may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

The conversion rate is 9.4602 shares of common stock per LYON, subject to adjustment upon the occurrence of certain events described below. A holder of a LYON otherwise entitled to a fractional share will receive cash equal to the applicable portion of the then current sale price of our common stock on the trading day immediately preceding the conversion date. Upon a conversion, we will have the right to deliver cash or a combination of cash and common stock, as described below.

The ability to surrender LYONs for conversion will expire at the close of business on November 20, 2032.

The conversion agent will, on our behalf, determine if the LYONs are convertible and notify the trustee and us accordingly. If one or more of the conditions to the conversion of the LYONs has been satisfied, we will promptly notify the holders of the LYONs thereof and use our reasonable best efforts to post this information on our website or otherwise publicly disclose this information.

*Conversion based on common stock price.* Holders may surrender LYONs for conversion in any calendar quarter commencing after March 31, 2003, if the sale price (as defined below) of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the accreted conversion price per share of common stock on the last day of such preceding calendar quarter. The accreted conversion price per share as of any day will equal the issue price of a LYON plus the accrued original issue discount to that day, divided by the number of shares of common stock issuable upon conversion of a LYON on that day.

The table below shows the conversion trigger price per share of our common stock in respect of each of the first 20 calendar quarters following March 31, 2003. These conversion trigger prices reflect the accreted conversion price per share of common stock multiplied by 130%. Thereafter, the accreted conversion price per share of common stock increases each calendar quarter by the accreted original issue discount for the calendar quarter, and the applicable percentage remains at 130%. The conversion trigger price for the calendar quarter beginning October 1, 2032 is \$137.32.

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Quarter*	(1) Accreted Conversion Price	(2) Applicable Percentage	(3) Conversion Trigger Price (1) × (2)
<b>2003</b>			
Second Quarter	\$ 91.17	130%	\$ 118.51
Third Quarter	91.28	130%	118.66
Fourth Quarter	91.39	130%	118.81
<b>2004</b>			
First Quarter	91.51	130%	118.96
Second Quarter	91.62	130%	119.11
Third Quarter	91.74	130%	119.25
Fourth Quarter	91.85	130%	119.40
<b>2005</b>			
First Quarter	91.97	130%	119.55
Second Quarter	92.08	130%	119.70
Third Quarter	92.20	130%	119.85
Fourth Quarter	92.31	130%	120.00
<b>2006</b>			
First Quarter	92.43	130%	120.15
Second Quarter	92.54	130%	120.30
Third Quarter	92.66	130%	120.45
Fourth Quarter	92.77	130%	120.60
<b>2007</b>			
First Quarter	92.89	130%	120.75
Second Quarter	93.01	130%	120.90
Third Quarter	93.12	130%	121.05
Fourth Quarter	93.24	130%	121.21
<b>2008</b>			
First Quarter	93.35	130%	121.36

\*

This table assumes no events have occurred that would require an adjustment to the conversion rate.

*Conversion based on credit rating downgrade.* Holders may also surrender a LYON for conversion during any period that the rating assigned to the LYONs by Moody's is Baa1 or lower or Standard & Poor's is BBB+ or lower.

*Conversion based upon notice of redemption.* A holder may surrender for conversion a LYON called for redemption at any time prior to the close of business on the second business day immediately preceding the redemption date, even if it is not otherwise convertible at such time. A LYON for which a holder has delivered a purchase notice or a change in control purchase notice, as described below, requiring us to purchase such LYON, may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

A "business day" is any weekday that is not a day on which banking institutions in The City of New York are authorized or obligated to close. A "trading day" is any day on which the NYSE is open for trading or, if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made on such market or, if the applicable security is not so listed, admitted for trading or quoted, any business day.

*Conversion based upon occurrence of certain corporate transactions.* If we are party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of our assets, a LYON may be surrendered for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual effective date of such transaction, and at the effective date, the right to convert a LYON into common stock will be changed into a right to convert it into the kind and amount of securities, cash or other assets of 3M or another person which the holder would have received if the holder had converted the holder's LYONs immediately prior to the transaction. If such transaction also constitutes a change in control of 3M, as defined in the indenture, the holder will be

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able to require us to purchase all or a portion of such holder's LYONs as described under " Change in Control Permits Purchase of LYONs by 3M at the Option of the Holder."

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*Conversion adjustments and delivery of common stock.* On conversion of a LYON, a holder will not receive any cash payment representing accrued original issue discount, and accrued tax original issue discount or, except as described below, contingent cash interest. Delivery to the holder of the full number of shares of common stock into which the LYON is convertible together with any cash payment of such holder's fractional shares, or cash, or a combination of cash and common stock will be deemed:

to satisfy our obligation to pay the principal amount at maturity of the LYON; and

to satisfy our obligation to pay accrued original issue discount and accrued tax original issue discount, attributable to the period from the issue date through the conversion date and, except as described below, any accrued and unpaid contingent interest.

As a result, accrued original issue discount and accrued tax original issue discount are deemed paid in full rather than cancelled, extinguished or forfeited.

We and each holder of a LYON also agree that delivery to the holder of the full number of shares of common stock into which the LYON is convertible together with any cash payment of such holder's fractional shares, or cash, or a combination of cash and common stock will be treated as a payment (in an amount equal to the sum of the then fair market value of such shares and/or such cash payment, if any) on the LYON for purposes of the Treasury regulations applicable to debt instruments with contingent payments. See "Certain United States Federal Income Tax Considerations."

In lieu of delivery of shares of our common stock upon notice of conversion of any LYONs (for all or any portion of the LYONs), we may elect to pay holders surrendering LYONs an amount in cash per LYON (or a portion of a LYON) equal to the average sale price of our common stock for the five consecutive trading days immediately following either (1) the date of our notice of our election to deliver cash as described below if we have not given notice of redemption, or (2) the conversion date, in the case of conversion following our notice of redemption specifying that we intend to deliver cash upon conversion, in either case multiplied by the conversion rate in effect on that date. We will inform the holders through the trustee no later than two business days following the conversion date of our election to deliver shares of our common stock or to pay cash in lieu of delivery of the shares, unless we have already informed holders of our election in connection with our optional redemption of the LYONs as described under "Redemption of LYONs at the Option of 3M." If we elect to deliver all of such payment in shares of our common stock, the shares will be delivered through the conversion agent no later than the fifth business day following the conversion date. If we elect to pay all or a portion of such payment in cash, the payment, including any delivery of our common stock, will be made to holders surrendering LYONs no later than the tenth business day following the applicable conversion date. If an event of default, as described under "Events of Default" below (other than a default in a cash payment upon conversion of the LYONs), has occurred and is continuing, we may not pay cash upon conversion of any LYONs or portion of a LYON (other than cash for fractional shares).

If contingent cash interest is payable to holders of LYONs during any particular six-month period, and such LYONs are converted after the applicable record date therefor and prior to the next succeeding interest payment date, holders of such LYONs at the close of business on the record date will receive the contingent cash interest payable on such LYONs on the corresponding interest payment date notwithstanding the conversion. Such LYONs, upon surrender for conversion, must be accompanied by funds equal to the amount of contingent cash interest payable on the LYONs so converted, unless such LYONs have been called for redemption, in which case no such payment shall be required.

The conversion rate will not be adjusted for accrued original issue discount, if any, or any contingent cash interest. A certificate for the number of full shares of common stock into which any LYON is converted or cash delivered in lieu thereof, together with any cash payment for fractional shares, will be delivered through the conversion agent as soon as practicable following the conversion date. For a discussion of the tax treatment of a holder receiving shares of our common stock upon surrendering LYONs for conversion, see "Certain United States Federal Income Tax Considerations Sale, Exchange, Conversion or Redemption."

We will adjust the conversion rate for:

dividends or distributions on our common stock payable in our common stock or our other capital stock;

subdivisions, combinations or certain reclassifications of our common stock;

distributions to all holders of our common stock of certain rights to purchase our common stock for a period expiring within 60 days at less than the then current sale price; and

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distributions to the holders of our common stock of our assets (including shares of capital stock of a subsidiary) or debt securities or certain rights to purchase our securities (excluding cash dividends or other cash distributions from current or retained earnings, unless the amount thereof, together with all other cash dividends paid in the preceding

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12 month period, per share exceeds the sum of (i) 5% of the sale price of our common stock on the day preceding the date of declaration of such dividend or other distribution and (ii) the quotient of the amount of any contingent interest paid during such period divided by the number of shares of common stock issuable upon conversion of a LYON at the conversion rate in effect on the contingent interest payment date).

In the event that we pay a dividend or make a distribution on shares of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, 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 prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on the NYSE or such other national or regional securities exchange or market on which the securities are then listed or quoted.

In the event we elect to make a distribution described in the third or fourth bullet of the preceding paragraph which, in the case of the fourth bullet, has a per share value equal to more than 15% of the sale price of our shares of common stock on the day preceding the declaration date for such distribution, we will be required to give notice to the holders of LYONs at least 20 days prior to the ex-dividend date for such distribution and, upon the giving of such notice, the LYONs may be surrendered for conversion at any time until the close of business on the business day prior to the ex-dividend date or until we announce that such distribution will not take place.

No adjustment to the conversion rate need be made if holders of the LYONs may participate in the transaction or in certain other cases.

If we were to implement a stockholders' rights plan providing that, upon conversion of the LYONs, the holders of such LYONs will receive, in addition to the shares of common stock issuable upon such conversion, the rights related to such common stock, there shall not be any adjustment to the conversion privilege or conversion rate as a result of:

the issuance of the rights;

the distribution of separate certificates representing the rights;

the exercise or redemption of such rights in accordance with any rights agreement; or

the termination or invalidation of the rights.

The indenture permits us to increase the conversion rate from time to time. We are not required to adjust the conversion rate until adjustments greater than 1% have occurred.

Holders of the LYONs may, in certain circumstances, be deemed to have received a distribution subject to federal income tax as a dividend upon:

a taxable distribution to holders of common stock which results in an adjustment of the conversion rate;

an increase in the conversion rate at our discretion; or

failure to adjust the conversion rate in some instances.

See "Certain United States Federal Income Tax Considerations Constructive Dividends."

### **Contingent Interest**

Subject to the accrual and record date provisions described below, we will pay contingent cash interest to the holders of LYONs during any six-month period from November 22 to May 21 and from May 22 to November 21, with the initial six-month period commencing November 22, 2007, if the average market price of a LYON for the Applicable Five Trading Day Period equals 130% or more of the sum of the issue price and accrued original issue discount for such LYON as of the day immediately preceding the relevant six-month period. "Applicable Five Trading Day Period" means the five trading days ending on the second trading day immediately preceding the first day of the relevant six-month period, unless we declare a regular cash dividend for which the record date falls prior to the first day of a six-month period but the payment date falls



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within such six-month period, in which case the "Applicable Five Trading Day Period" means the five trading days ending on the second trading day immediately preceding such record date.

The amount of contingent interest payable per LYON in respect of any quarterly period within a six-month period in which contingent interest is payable will equal the greater of (1) any regular cash dividends paid by us per share on our common stock during that quarterly period multiplied by the then applicable conversion rate or (2) \$0.62 multiplied by 4.7301 (the dividend rate at the initial issuance of the LYONs times the initial conversion rate).

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Contingent interest, if any, will accrue and be payable to holders of LYONs as of the record date for the related common stock dividend or, if we do not pay a regular cash dividend on our common stock during the relevant six-month period, to holders of LYONs as of the 15th day preceding the last day of the relevant six-month period. We will make contingent interest payments on the payment date of the related common stock dividend or, if we do not pay a regular cash dividend on our common stock during the relevant six-month period, on the last day of the relevant six-month period. The original issue discount will continue to accrue at the yield to maturity whether or not contingent interest is paid.

Regular cash dividends are quarterly or other periodic cash dividends on our common stock as declared by our Board of Directors as part of its cash dividend payment practices and that are not designated by them as extraordinary or special or other nonrecurring dividends.

The market price of a LYON on any date of determination means the average of the secondary market bid quotations per LYON obtained by the bid solicitation agent for \$10 million principal amount at maturity of LYONs at approximately 4:00 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select, provided that if:

at least three such bids are not obtained by the bid solicitation agent; or

in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the LYONs, then the market price of the LYON will equal (1) the then applicable conversion rate of the LYONs multiplied by (2) the average sale price of our common stock on the five trading days ending on such determination date, appropriately adjusted.

The bid solicitation agent is Citibank, N.A. We may change the bid solicitation agent, but the bid solicitation agent will not be our affiliate. The bid solicitation agent will solicit bids from securities dealers that are believed by us to be willing to bid for the LYONs.

Upon determination that LYON holders will be entitled to receive contingent interest during a relevant six-month period, on or prior to the start of such six-month period, we will issue a press release and publish such information on our website as soon as practicable.

### **Purchase of LYONs by 3M at the Option of the Holder**

On the purchase dates of November 21, 2005, November 21, 2007, November 21, 2012, November 21, 2017, November 21, 2022, and November 21, 2027, holders may require us to purchase any outstanding LYON for which the holder has properly delivered and not withdrawn a written purchase notice, subject to certain additional conditions. We may, in our sole discretion, provide the holders with additional rights to require us to purchase the LYONs on additional purchase dates. We will notify the holders if we elect to provide any such additional rights. Holders may submit their LYONs for purchase to the paying agent at any time from the opening of business on the date that is 20 business days prior to the purchase date until the close of business on the business day immediately preceding the purchase date.

The purchase price of a LYON will be:

\$873.86 per LYON on November 21, 2005;

\$882.64 per LYON on November 21, 2007;

\$904.95 per LYON on November 21, 2012;

\$927.83 per LYON on November 21, 2017;

\$951.29 per LYON on November 21, 2022; and

\$975.34 per LYON on November 21, 2027.

The purchase prices shown above are equal to the issue price plus accrued original discount to the purchase date. We may, at our option, elect to pay the purchase price in cash, shares of common stock, or any combination thereof. For a discussion of the tax treatment of a holder receiving cash, shares of common stock or any combination thereof, see "Certain United States Federal Income Tax Considerations Sale, Exchange, Conversion or Redemption."



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We will be required to give notice on a date not less than 20 business days prior to each purchase date to all holders at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, stating among other things:

whether we will pay the purchase price of LYONs in cash or common stock or any combination thereof, specifying the percentages of each;

if we elect to pay in common stock, the method of calculating the market price of the common stock; and

the procedures that holders must follow to require us to purchase their LYONs.

The purchase notice given by each holder electing to require us to purchase LYONs shall be given to the paying agent no later than the close of business on the business day immediately preceding the purchase date and must state:

the certificate numbers of the holder's LYONs to be delivered for purchase;

the portion of the principal amount at maturity of LYONs to be purchased, which must be \$1,000 or an integral multiple of \$1,000;

that the LYONs are to be purchased by us pursuant to the applicable provisions of the LYONs; and

in the event we elect, pursuant to the notice that we are required to give, to pay the purchase price in common stock, in whole or in part, but the purchase price is ultimately to be paid to the holder entirely in cash because any of the conditions to payment of the purchase price or portion of the purchase price in common stock is not satisfied prior to the close of business on the purchase date, as described below, whether the holder elects:

- (1) to withdraw the purchase notice as to some or all of the LYONs to which it relates, or
- (2) to receive cash in such event in respect of the entire purchase price for all LYONs or portions of LYONs subject to such purchase notice.

If the holder fails to indicate the holder's choice with respect to the election described in the final bullet point above, the holder shall be deemed to have elected to receive cash in respect of the entire purchase price for all LYONs subject to the purchase notice in these circumstances.

A holder may withdraw any purchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the purchase date.

The notice of withdrawal shall state:

the principal amount at maturity of the LYONs being withdrawn;

the certificate numbers of the LYONs being withdrawn; and

the principal amount at maturity, if any, of the LYONs that remain subject to the purchase notice.

If we elect to pay the purchase price, in whole or in part, in shares of our common stock, the number of shares of our common stock to be delivered by us shall be equal to the portion of the purchase price to be paid in common stock divided by the market price of one share of common stock. We will pay cash based on the market price for all fractional shares of our common stock in the event we elect to deliver our

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common stock in payment, in whole or in part, of the purchase price.

We will pay cash based on the market price for all fractional shares of common stock in the event we elect to deliver common stock in payment, in whole or in part, of the purchase price. See "Certain United States Federal Income Tax Considerations Sale, Exchange, Conversion or Redemption."

The "market price" means the average of the sale prices of our common stock for the five trading day period ending on the third business day prior to the applicable purchase date. If the third business day prior to the applicable purchase date is not a trading day, the five trading day period shall end on the last trading day prior to such third business day. We will appropriately adjust the market price to take into account the occurrence, during the period commencing on the first of such trading days during such five trading day period and ending on such purchase date, of certain events that would result in an adjustment of the conversion rate with respect to the common stock.

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The "sale price" of our common stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date on the New York Stock Exchange or such other principal United States securities exchange on which the common stock is traded or, if the common stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, we will determine the sale price on the basis of such quotations as we consider appropriate.

Because the market price of our common stock is determined prior to the applicable purchase date, holders of LYONs bear the market risk with respect to the value of the common stock to be received from the date such market price is determined to such purchase date. We may pay the purchase price or any portion of the purchase price in common stock only if the information necessary to calculate the market price is published in a daily newspaper of national circulation or by other appropriate means.