

As filed with the Securities and Exchange Commission  
on January \_\_, 1998 Registration No. 33-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM S-3  
REGISTRATION STATEMENT  
Under The Securities Act Of 1933

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LOMAK PETROLEUM, INC.  
LOMAK FINANCING TRUST  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	500 Throckmorton Street	34-1312571
	Ft. Worth Texas 76102	
Delaware	(817) 870-2601	34-xxxxxxx
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)		(I.R.S. EMPLOYER IDENTIFICATION NO.)

(ADDRESS, INCLUDING ZIP CODE, TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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John H. Pinkerton, President  
Lomak Petroleum, Inc.  
500 Throckmorton Street Fort Worth, Texas 76102  
(817) 870-2601  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

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With a copy to:  
J. Mark Metts  
Vinson & Elkins L.L.P.  
1001 Fannin, Suite 2300  
Houston, Texas 77002-6760  
(713) 758-2222  
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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 box. [x]  
If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act of 1933, 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(c) 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 THIS REGISTRATION STATEMENT SHALL BECOME  
EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING  
PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
5 3/4% Trust Convertible Preferred Securities ...	2,400,000 shares	\$ 50.00	\$ 120,000,000	\$ 36,364
Common Stock, \$.01 par value(2) .....	5,660,484	\$ 15.75	\$89,152,623	\$ 27,016
5 3/4% Convertible Junior Subordinated Debentures	(3)	--	--	--
Preferred Securities Guarantee .....	(4)	--	--	--
Total .....				\$ 63,380

(1) Estimated solely for the purpose of computing the registration fee. This amount was calculated pursuant to Rule 457 under the Securities Act of 1933, as amended, based on a price of \$15.75 (average of the high and low price of the Common Stock of Lomak Petroleum, Inc, on the New York Stock Exchange on December 29, 1997).  
(2) Includes 5,106,383 shares of the Common Stock issuable upon conversion of the 5 3/4 Trust Convertible Preferred Securities registered hereunder, including such shares as may be issued pursuant to anti-dilution adjustments and 554,101 shares of Common Stock issued in the Arrow Acquisition. No separate consideration will be received for the Lomak Common Stock.

- (3) \$120 million in aggregate principal amount of 5 3/4% Convertible Junior Subordinated Debentures of Lomak Petroleum, Inc. were issued and sold to Lomak Financing Trust in connection with the issuance by the Trust of its 5 3/4% Trust Convertible Preferred Securities. The Convertible Junior Subordinated Debentures may be distributed, under certain circumstances, to holders of the Convertible Preferred Securities for no additional consideration.
- (4) No separate consideration will be received for the Preferred Securities Guarantee.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED JANUARY \_\_, 1998

PROSPECTUS  
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2,400,000 TRUST CONVERTIBLE PREFERRED SECURITIES  
LOMAK FINANCING TRUST  
5 3/4% TRUST CONVERTIBLE PREFERRED SECURITIES  
(Liquidation Amount \$50 Per Convertible Preferred Security)  
Guaranteed to the Extent Set Forth Herein by  
Lomak Petroleum, Inc.  
and  
LOMAK PETROLEUM, INC.  
5,660,484 SHARES OF COMMON STOCK

This Prospectus relates to the offer and sale by the Selling Securityholders (as defined below) of the following securities 5 3/4% Trust Convertible Preferred Securities (the "Convertible Preferred Securities") of Lomak Financing Trust, a statutory business trust formed under the laws of the State of Delaware ("Lomak Financing Trust" or the "Trust") and 5,660,484 shares of Common Stock, \$.01 par value per share (the "Lomak Common Stock"), of Lomak Petroleum, Inc., a Delaware Corporation ("Lomak" or the "Company").

The foregoing securities consist of the Convertible Preferred Securities, \$120 million of 5 3/4% Convertible Junior Subordinated Debentures of Lomak, 5,106,383 shares of Common Stock issuable upon conversion of the Convertible Preferred Securities, and the 554,101 shares of Lomak Common Stock owned by Arrow Operating Company (collectively the "Offered Securities"), which may be sold from time to time for the accounts of certain stockholders and Convertible Preferred Securities holders of the Company (the "Selling Securityholders"). See "Selling Securityholders".

The Convertible Preferred Securities offered hereby represent preferred undivided beneficial interest in the assets of Lomak Financing Trust. The Convertible Preferred Securities were issued and sold (the "Original Offering") on October 22, 1997 to the Initial Purchasers (as defined herein) and were simultaneously sold by the Initial Purchasers in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), to persons reasonably believed by the Initial Purchasers to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act). Lomak directly or indirectly owns all the common securities (the "Common Securities" and, together with the Convertible Preferred Securities, the "Trust Securities") representing undivided beneficial interests in the assets of Lomak Financing Trust. Lomak Financing Trust exists for the sole purpose of issuing the Trust Securities and investing the proceeds of the sale thereof in 5 3/4% Convertible Junior Subordinated Debentures (the "Convertible Debentures") of Lomak in an aggregate principal amount equal to the aggregate liquidation amount of Trust Securities. The Convertible Debentures are unsecured, subordinated obligations of Lomak as described herein. Upon an event of default under the Declaration (as defined herein), the holders of Convertible Preferred Securities will have a preference over the holders of the Common Securities with respect to payments in respect of distributions and payments upon redemption, liquidation and otherwise.

The Offered Securities may be offered and sold from time to time by the holders named herein or in an accompanying supplement to this Prospectus (the "Prospectus Supplement") or by their transferees, pledgees, donees or successors pursuant to this Prospectus. The Offered Securities may be sold by the Selling Securityholders (as defined herein) from time to time directly to purchasers or through agents, underwriters or dealers. See "Plan of Distribution." If required, the names of any such agents or underwriters involved in the sale of the Offered Securities and the applicable agent's commission, dealers' purchase price or underwriter's discount, if any, will be set forth in a Prospectus Supplement. The Selling Securityholders will receive all of the net proceeds from the sale of the Offered Securities and will pay all underwriting discounts and selling commissions, if any, applicable to any such sale. The Company is responsible for payment of certain other expenses incident to the offer and sale of the Offered Securities. The Selling Securityholders and any broker/dealers, agents or underwriters which participate in the distribution of the Offered Securities may be deemed to be "underwriters" within the meaning of the Securities Act, and any commission received by them and any profit on the resale of the Offered Securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The Company has agreed to indemnify the Selling Securityholders against certain liabilities, including liabilities under the Securities Act. See "Plan of Distribution" for a description of indemnification arrangements.

(Continued on next page)

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The Shares of Lomak Common Stock offered hereby have been approved for listing on the New York Stock Exchange ("NYSE") under the symbol "LOM".

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SEE "RISK FACTORS" BEGINNING ON PAGE 12 OF THIS PROSPECTUS FOR  
A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN  
INVESTMENT IN THE SECURITIES HEREBY OFFERED.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE  
SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE  
ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A  
CRIMINAL OFFENSE.

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The date of this Prospectus is January \_\_, 1998.

(continued from previous page)

Holders of the Convertible Preferred Securities are entitled to receive cumulative cash distributions at an annual rate of 5 3/4% of the liquidation amount of \$50 per Convertible Preferred Security, accruing from the first date that any Convertible Preferred Securities were issued and payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing February 1, 1998 ("distributions"). The payment of distributions out of monies held by Lomak Financing Trust and payments on liquidation of Lomak Financing Trust or the redemption of Convertible Preferred Securities, as set forth below, are guaranteed by Lomak (the "Guarantee") to the extent described herein. The Guarantee covers payments of distributions and other payments on the Convertible Preferred Securities only if and to the extent that Lomak Financing Trust has funds available therefor, which will not be the case unless Lomak has made corresponding payments of interest or principal or other payments on the Convertible Debentures held by Lomak Financing Trust. The Guarantee, when taken together with Lomak's obligations under the Convertible Debentures and the Indenture (as defined herein) and its obligations under the Declaration, including its liabilities to pay costs, expenses, debts and obligations of Lomak Financing Trust (other than with respect to the Trust Securities), provides a full and unconditional guarantee of amounts due on the Convertible Preferred Securities. See "Risk Factors -- Limitations of the Guarantee."

The obligations of Lomak under the Guarantee are subordinate and junior in right of payment to all other liabilities of Lomak and pari passu with the most senior preferred stock issued, from time to time, if any, by Lomak. The obligations of Lomak under the Convertible Debentures are subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined herein) of Lomak. The Credit Agreement (as defined herein) permits Lomak to obtain revolving credit loans and to issue letters of credit for the account of the Company from time to time in an aggregate amount not to exceed \$400 million (of which not more than \$150 million may be represented by letters of credit). The Borrowing Base (as defined herein) is currently \$325 million and is subject to semi-annual determination and certain other redeterminations based upon a variety of factors, including the discounted present value of estimated future net cash flow from oil and gas production. Indebtedness under the Credit Agreement constitutes Senior Indebtedness of Lomak. As of December 30, 1997, Lomak had on a consolidated basis available borrowing capacity under the Credit Agreement of \$106 million.

The Company, as the holder of the outstanding Common Securities, has the right at any time to dissolve the Trust and after satisfaction of the liabilities of creditors of the Trust as provided by applicable law, cause the Convertible Debentures to be distributed to the holders of the Convertible Preferred Securities and Common Securities in liquidation of the Trust, subject to the Institutional Trustee (as defined herein) having, under certain circumstances, received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of Convertible Preferred Securities. See "Description of the Convertible Preferred Securities -- Liquidation Distribution Upon Dissolution."

Each Convertible Preferred Security is convertible in the manner described herein at the option of the holder, at any time beginning 90 days following the first date that any Convertible Preferred Securities are issued and prior to the Conversion Expiration Date (as defined herein), into shares of common stock, par value \$.01 per share, of Lomak ("Lomak Common Stock"), at the rate of 2.1277 shares of Lomak Common Stock for each Convertible Preferred Security (equivalent to a conversion price of \$23.50 per share of Lomak Common Stock), subject to adjustment in certain circumstances. See "Description of the Convertible Preferred Securities -- Conversion Rights." On December 30, 1997, the last reported sale price of Lomak Common Stock, which is reported under the symbol "LOM" on the New York Stock Exchange Composite Tape, was \$16.375 per share.

The distribution rate and the distribution payment date and other payment dates for the Convertible Preferred Securities correspond to the interest rate and interest payment date and other payment dates of the Convertible Debentures, which are the sole assets of the Trust. As a result, if principal and interest are not paid on the Convertible Debentures, no amounts will be paid on the Convertible Preferred Securities.

So long as Lomak shall not be in default in the payment of interest on the Convertible Debentures, Lomak has the right to defer payments of interest on the Convertible Debentures by extending the interest payment period on the Convertible Debentures at any time for up to 20 consecutive quarters (each, an "Extension Period"), provided that no Extension Period may extend beyond the stated maturity date of the Convertible Debentures. If interest payments are so deferred, distributions will also be deferred but will continue to accumulate with interest thereon (to the extent permitted by applicable law) at the distribution rate, compounded quarterly. During any Extension Period, holders of Convertible Preferred Securities will be required to include deferred interest income in their gross income for United States federal

income tax purposes in advance of receipt of the cash distributions with respect to such deferred interest payments. There could be multiple Extension Periods of varying lengths throughout the term of the Convertible Debentures. See "Description of the Convertible Debentures -- Option to Extend Interest Payment Period," "Risk Factors -- Deferral of Interest Payments" and "United States Federal Income Taxation -- Potential Extension of Interest Payment Period and Original Issue Discount."

The Convertible Debentures are redeemable by Lomak in whole or in part, from time to time, on or after November 4, 2000, at the prices set forth herein (the "Redemption Price"), plus accrued and unpaid interest thereon to the date fixed for redemption (the "Redemption Date"). In addition, in certain circumstances upon the occurrence of a Special Event (as defined herein) the Convertible Debentures may be redeemed by Lomak at 100% of the principal amount thereof plus accrued and unpaid interest thereon. If Lomak redeems the Convertible Debentures, the Trust must redeem Convertible Preferred Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Convertible Debentures so redeemed. See "Description of the Convertible Preferred Securities -- Mandatory Redemption." The outstanding Convertible Preferred Securities will be redeemed when the Convertible Debentures mature on November 1, 2027.

Upon the occurrence of a Special Event, the Convertible Debentures may be redeemed, in whole but not in part, by Lomak at 100% of the principal amount thereof plus accrued and unpaid interest thereon, as well as a Make-Whole Amount (as defined herein). See "Description of the Convertible Debentures -- Special Event Redemption."

In the event of the involuntary dissolution, winding up or termination of the Trust, the holders of the Convertible Preferred Securities will be entitled to receive for each Convertible Preferred Security a liquidation amount of \$50 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment, unless, in connection with such dissolution, the Convertible Debentures are distributed to the holders of the Convertible Preferred Securities. See "Description of the Convertible Preferred Securities - - Liquidation Distribution Upon Dissolution."

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company can be inspected and copied at the public reference facilities of the Commission, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the following regional offices: 7 World Trade Center, Suite 1300, New York, New York 10048; and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies can be obtained by mail at prescribed rates. Requests for copies should be directed to the Commission's Public Reference Section, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission also maintains a Website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, reports, proxy statements and other information concerning the Company can be inspected and copied at the offices of the NYSE, 20 Broad Street, New York, New York 10005, on which the Lomak Common Stock is listed.

The Company has agreed that, if at any time while any Convertible Preferred Securities, Convertible Debentures (or the related Guarantee) or Lomak Common Stock issuable upon conversion of the Convertible Debentures are "restricted securities" within the meaning of the Securities Act and the Company is not subject to the informational requirements of the Exchange Act, the Company will furnish to holders thereof and to prospective purchasers designated by such holders the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of such securities.

Lomak has filed with the Commission a Registration Statement on Form S-3 (herein together with all amendments and exhibits thereto, called the "Registration Statement") under the Securities Act with respect to the Offered Securities. This Prospectus does not contain all of the information set forth or incorporated by reference in the Registration Statement and the exhibits and schedules relating thereto, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. For further information with respect to Lomak and the Offered Securities, reference is made to the Registration Statement and the exhibits filed or incorporated as a part thereof, which are on file at the offices of the Commission and may be obtained upon payment of the fee prescribed by the Commission, or may be examined without

charge at the offices of the Commission or on the Commission's Web site. Statements contained in this Prospectus as to the contents of any documents referred to are not necessarily complete, and in each such instance, are qualified in all respects by reference to the applicable documents filed with the Commission.

No separate financial statements of the Trust have been included herein. The Company and the Trust do not consider that such financial statements would be material to holders of Convertible Preferred Securities because (i) all of the voting securities of the Trust will be owned, directly or indirectly, by the Company, a reporting company under the Exchange Act, (ii) the Trust has no independent operations and exists for the sole purpose of issuing securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in the Convertible Debentures issued by the Company and (iii) the Company's obligations described herein under the Declaration, the Guarantee, the Convertible Debentures and the indenture pursuant to which the Convertible Debentures will be issued (the "Indenture"), taken together, constitute a full and unconditional guarantee of payments due on the Convertible Preferred Securities. See "Description of the Convertible Debentures" and "Description of the Guarantee." The Trust is a statutory business trust formed under the laws of the State of Delaware. The Company, as of the date of this Prospectus, owns all of the beneficial interests of the Trust.

#### INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents and information heretofore filed with the Commission by the Company are hereby incorporated by reference into this Prospectus:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, as amended by Form 10-K/A, dated March 7, 1997.
2. The Company's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 1997, June 30, 1997 and September 30, 1997.
3. The Company's Current Report on Form 8-K dated February 26, 1997, as amended by Form 8-K/A dated March 14, 1997.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offerings made hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon the request of any such person, a copy of any document described above (other than exhibits, unless such exhibits are specifically incorporated by reference into such documents). Requests for such copies should be directed to Lomak Petroleum, Inc., 500 Throckmorton Street, Fort Worth, Texas 76102, Attn: Corporate Secretary, Telephone No. (817) 870-2601.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this Prospectus. Unless the context otherwise requires all references herein to "Lomak" or the "Company" include Lomak Petroleum, Inc. and its consolidated subsidiaries. Certain industry terms are defined in the Glossary. Pro forma information gives effect to the Original Offering and the Cometra Acquisition and the Cabot Acquisition (each as defined herein) and the related financings and certain other acquisitions and financings consummated in 1996 and 1997.

THE COMPANY

Lomak is an independent energy company engaged in oil and gas development, exploration and acquisition primarily in three core areas: the Midcontinent, Appalachia and the Gulf Coast. Over the past five years, the Company has significantly increased its reserves and production through acquisitions and, to a growing extent, development and exploration of its properties. On a pro forma basis as of December 31, 1996, the Company had proved reserves of 893 Bcfe with a Present Value of \$1.1 billion. On an Mcfe basis, the reserves were 78% natural gas and 60% developed, with a reserve life in excess of 15.5 years. Properties operated by the Company accounted for 95% of its pro forma Present Value. The Company also owns over 2,800 miles of gas gathering systems and a gas processing plant in proximity to its principal gas properties. On a pro forma basis in 1996, the Company had revenues of \$175 million and EBITDA of \$119 million.

Since 1991, the Company has made 66 acquisitions, including the Cabot Acquisitions, for an aggregate purchase price of \$758 million and has spent \$72 million on development and exploration activities. These activities have added approximately 970 Bcfe of reserves at an average cost of \$.69 per Mcfe. As a result, the Company has achieved substantial growth since 1991.

THE COMETRA ACQUISITION

In the first quarter of 1997, the Company acquired oil and gas properties located in West Texas, South Texas and the Gulf of Mexico (the "Cometra Properties") from American Cometra, Inc. ("Cometra") for a purchase price of \$385 million (the "Cometra Acquisition"). The Cometra Acquisition increased the Company's proved reserves at December 31, 1996 by 68% and increased its Present Value by 98%. The Cometra Properties, located primarily in the Company's core operating areas, include 515 producing wells, 401 proven development projects and substantial additional development and exploration potential on approximately 150,000 gross acres (90,000 net acres). In addition, the Cometra Properties include 265 miles of gas pipelines, a 25,000 Mcf/d gas processing plant and an above-market gas contract with a major Texas utility covering approximately 30% of the December 1996 production from the Cometra Properties.

RECENT DEVELOPMENTS

Cabot Acquisition. In October 1997, the Company completed the acquisition of certain Appalachian natural gas properties from Cabot Oil & Gas Corporation (the "Cabot Properties") for a purchase price of \$92.5 million, with an economic effective date of September 1, 1997 (the "Cabot Acquisition"). The Cabot Properties include 912 producing wells, 800 miles of gas gathering lines and leasehold acreage covering approximately 153,000 gross acres (146,000 net acres). Independent petroleum consultants estimate that, as of December 31, 1996, the Cabot Properties contained proved reserves of 193 Bcf of natural gas equivalents. On a Present Value basis, the acquired reserves were 80% developed and 95% operated. The Cabot Properties are currently producing nearly 14,500 Mcf of gas equivalents per day. The Cabot Properties have access to a number of major interstate pipelines and industrial end-users.

All of the Cabot Properties are located within one of the Company's core operating areas, in northwestern Pennsylvania and western New York. The Pennsylvania properties represent 786 of the wells and 95% of the acquired reserves on a Present Value basis. Because the Cabot Properties are contiguous with the Company's largest concentration of Appalachian fields, they are expected to be readily integrated into its operations. The Cabot Properties contain over 300 drilling locations, as well as exploration potential in deeper zones. The Company believes that the Cabot Properties, combined with its adjacent properties, constitute one of the largest producing areas controlled by a single company in Appalachia, a region not generally known for this type of large reserve concentration.

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Arrow Acquisition. In December 1997, the Company completed the acquisition of certain Texas oil properties from Arrow Operating Company (the "Arrow Properties") for a purchase price of \$40 million, including 554,101 of Common Stock (the "Arrow Shares") with an economic effective date of October 1, 1997 (the "Arrow Acquisition"). Independent petroleum consultants estimate that, as of October 31, 1997, the Arrow Properties contained proved reserves of 55 Bcf of natural gas equivalents. The Arrow Properties include 160 producing wells, and leasehold acreage covering approximately 13,600 gross acres. On a Present Value basis, the acquired reserves were 40% developed and greater than 95% operated. The Arrow Properties are currently producing nearly 6,500 Mcf of gas equivalents per day.

#### BUSINESS STRATEGY

The Company's objective is to maximize shareholder value through aggressive growth in its reserves, production, cash flow and earnings through a balanced program of development drilling and acquisitions, as well as a growing exploration effort. Management believes that the Cometra Acquisition and the Cabot Acquisition have substantially enhanced the Company's ability to increase its production and reserves through drilling opportunities on the acquired properties. The Company now has over 1,500 proven recompletion and development drilling projects. With its large development and an emerging exploration effort, the Company believes that it can achieve significant growth in reserves, production, cash flow and earnings over the next several years, even if no future acquisitions are consummated. The Company currently anticipates spending approximately \$220 million during the three-year period from 1997 to 1999 on the development, exploitation and exploration of its properties. Consequently, while acquisitions are expected to continue to play an important role in its future growth, the Company has increased its emphasis on exploiting the potential of its larger property base. The Company's properties now total 1,069,000 gross acres (786,000 net acres), providing significant long-term exploration and exploitation potential.

In order to most effectively implement its operating strategy, the Company has concentrated its activities in selected geographic areas. In each core area, the Company has established separate operating, engineering, acquisition, geological and other technical expertise. The Company believes that this geographic focus provides it with a competitive advantage in sourcing and evaluating new business opportunities within these areas, as well as providing economies of scale in operating and developing properties. Periodically, the Company has disposed of non-strategic properties located outside its core areas. The Company is currently evaluating several property groups for possible disposition. Additionally, Lomak is considering selling an interest in the Cabot Properties to an institutional investor. However, there can be no assurance that any of these transactions will be consummated.

Lomak believes the competitive strengths described below will greatly enhance its ability to achieve its long-term goals and objectives.

- Diversified, Long Lived Reserve Base. Lomak has compiled a geographically and geologically diverse group of long lived properties. The Company's oil and gas reserves are concentrated in seven basins and have a reserve life index in excess of 15 years.
- Substantial Inventory of Development and Exploration Projects. Lomak has over 1,500 proven development projects and a substantial number of exploration and exploitation drilling projects in core operating areas where the Company has significant operating and technical expertise.
- Successful Acquisition Record. The Company's primary strength has historically been to identify and acquire properties that have increased reserves, production, cash flow and earnings. Since 1991 the Company has completed 66 acquisitions for an aggregate purchase price of \$758 million, of which \$666 million was attributable to proved oil and gas properties. These acquisitions have added proved reserves of approximately 904 Bcfe at an average acquisition cost of \$.74 per Mcfe.
- Significant Operational Control. Lomak operates properties representing nearly 95% of its Present Value. This allows the Company to directly control operating and drilling costs as well as the timing of development and exploration activities.

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- High Operating Margins. The Company's low cost structure, coupled with the premium gas price it receives for a significant portion of its production, creates high operating margins. In 1996 on a pro forma basis, Lomak generated operating margins, after deducting direct operating and administrative costs, of \$1.86 per Mcfe.
  - Experienced, Incentivized Management Team. The Company's board of directors, executive officers, technical staff and administrative personnel have considerable industry experience and own, collectively, shares representing approximately 11% of the outstanding shares of Lomak Common Stock. Substantially all of Lomak's employees either own, or hold options to acquire, shares of Lomak Common Stock.

The Company maintains its corporate headquarters at 500 Throckmorton Street, Fort Worth, Texas 76102 and its telephone number is (817) 870-2601.

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 THE OFFERING

The Issuer .....	Lomak Petroleum, Inc., a Delaware corporation, and Lomak Financing Trust, a Delaware business trust. The sole assets of the Trust consist of the 5 3/4% Convertible Junior Subordinated Debentures of Lomak.
Securities Offered .....	2,400,000 5 3/4% Trust Convertible Preferred Securities, 5 3/4% Convertible Junior Subordinated Debentures, Lomak Common Stock issuable upon conversion, the associated guarantee and the Arrow Shares.
Selling Securityholders.....	The Convertible Preferred Securities were originally issued by the Trust and sold by the Initial Purchasers in transactions exempt from registration under the Securities Act to persons reasonably believed to be "qualified institutional buyers" or "accredited investors." The Arrow Shares were issued to Arrow Operating Company ("Arrow") in connection with the Arrow Acquisition. The purchasers of the Convertible Preferred Securities and the Arrow Shares or their transferees, pledgees, donees, or successors may from time to time offer and sell, pursuant to this Prospectus, the Offered Securities. See "Selling Securityholders."
Distributions .....	Distributions on the Convertible Preferred Securities began to accrue from October 22, 1997, the first date of issuance of any Convertible Preferred Securities, and are payable at the annual rate (the "distribution rate") of 5 3/4% of the liquidation amount of \$50 per Convertible Preferred Security. Subject to the distribution deferral provisions described below, distributions will be payable quarterly in arrears on each February 1, May 1, August 1 and November 1, commencing February 1, 1998. Because distributions on the Convertible Preferred Securities constitute interest for United States federal income tax purposes, corporate holders thereof will not be entitled to a dividends-received deduction.
Distribution Deferral Provisions .....	The ability of the Trust to pay distributions on the Convertible Preferred Securities is solely dependent on the receipt of interest payments from Lomak on the Convertible Debentures. Lomak has the right at any time, and from time to time, to defer the interest payments due on the Convertible Debentures for successive Extension Periods not exceeding 20 consecutive quarters each, provided that no Extension Period may extend beyond the stated maturity of the Convertible Debentures. If interest payments are so deferred, distributions on the Convertible Preferred Securities will also be deferred. During an Extension Period, interest payments on the Convertible Debentures will continue to accrue and quarterly distributions on the Convertible Preferred Securities will continue to accumulate. If a deferral of an interest payment occurs, the holders of the Convertible Preferred Securities will continue to accrue income for United States federal income tax purposes in advance of any corresponding cash distribution. See "Risk Factors-- Deferral of Interest Payments," "United States Federal Income Taxation--Potential Extension of Interest Payment Period and Original Issue Discount," "Description of the Convertible Preferred Securities--Distributions" and "Description of the Convertible Debentures--Option to Extend Interest Payment Period."

<p>-----</p> <p>Rights Upon Deferral of Distribution .....</p>	<p>During any period in which interest payments on the Convertible Debentures are deferred, interest will accrue on the Convertible Debentures and quarterly distributions will continue to accumulate at the distribution rate, compounded quarterly. Lomak has agreed, among other things, not to declare or pay any dividends on its capital stock during any Extension Period. See "Risk Factors--Deferral of Interest Payments" and "Description of the Convertible Debentures--Option to Extend Interest Payment Period."</p>
<p>Conversion into Lomak Common Stock .....</p>	<p>Each Convertible Preferred Security is convertible at any time beginning 90 days following October 22, 1997, the first date that any Convertible Preferred Securities were issued, and prior to the close of business on the Business Day (as defined herein) prior to the maturity date of the Convertible Debentures (or, in the case of Convertible Preferred Securities called for redemption, prior to the close of business on the Business Day prior to the Redemption Date) at the option of the holder into shares of Lomak Common Stock, at the rate of 2.1277 shares of Lomak Common Stock for each Convertible Preferred Security (equivalent to a conversion price of \$23.50 per share of Lomak Common Stock), subject to adjustment in certain circumstances. On November xx, 1997, the last reported sale price of Lomak Common Stock on the New York Stock Exchange Composite Tape was \$xx.xx per share. See "Description of the Convertible Preferred Securities--Conversion Rights."</p>
<p>Liquidation Preference .....</p>	<p>In the event of any liquidation of the Trust, holders will be entitled to receive \$50 per Convertible Preferred Security plus an amount equal to any accrued and unpaid distributions thereon to the date of payment, unless Convertible Debentures are distributed to such holders. See "Description of the Convertible Preferred Securities--Liquidation Distribution Upon Dissolution."</p>
<p>Optional Distribution of Convertible Debentures .....</p>	<p>The Company, as the holder of the outstanding Common Securities, will have the right at any time to terminate the Trust and, after satisfaction of the liabilities of creditors of the Trust as provided by applicable law, cause the Convertible Debentures to be distributed to the holders of the Convertible Preferred Securities and Common Securities in liquidation of the Trust, subject to the Institutional Trustee having, under certain circumstances, received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of Convertible Preferred Securities. See "Description of the Convertible Preferred Securities--Liquidation Distribution Upon Dissolution."</p>
<p>Redemption .....</p>	<p>The Convertible Debentures will be redeemable for cash, at the option of the Company, in whole or in part, from time to time on or after November 4, 2000, at the prices specified herein. Upon any redemption of the Convertible Debentures, the Convertible Preferred Securities will be redeemed at the Redemption Price plus accrued and unpaid distributions thereon. The Convertible Preferred Securities will not have a stated maturity date, although they will be subject to mandatory</p>

	<p>redemption upon the repayment of the Convertible Debentures at their stated maturity (November 1, 2027), upon acceleration, earlier redemption or otherwise. See "Description of the Convertible Preferred Securities--Mandatory Redemption" and "Description of the Convertible Debentures--Redemption at the Option of Lomak."</p>
Special Event Redemption .....	<p>Upon the occurrence of a Special Event (as defined herein), the Convertible Debentures may be redeemed, in whole but not in part, by Lomak at the Make-Whole Amount (as defined herein) plus accrued and unpaid interest thereon. See "Description of the Convertible Debentures--Special Event Redemption."</p>
Guarantee .....	<p>Lomak has irrevocably and unconditionally guaranteed, on a subordinated basis, to the extent set forth herein and to the extent not paid by the Trust, the payment in full of (i) distributions on the Convertible Preferred Securities to the extent the Trust has funds available therefor, (ii) the amount payable upon redemption of the Convertible Preferred Securities to the extent the Trust has funds available therefor and (iii) generally, the liquidation preference of the Convertible Preferred Securities to the extent the Trust has assets available for distribution to holders of Convertible Preferred Securities. The Guarantee is unsecured, subordinate and junior to all other liabilities of Lomak (other than any obligations that may be made pari passu expressly by their terms) and will rank pari passu in right of payments with the most senior preferred stock issued, from time to time, if any, by Lomak.</p>
Voting Rights .....	<p>Generally, holders of the Convertible Preferred Securities will not have any voting rights. However, if an Indenture Event of Default (as defined herein) occurs and is continuing, the holders of 25% of the aggregate liquidation amount of the Convertible Preferred Securities may direct the Institutional Trustee (as defined herein) to declare the principal of and interest on the Convertible Debentures immediately due and payable. If (i) the Institutional Trustee fails to enforce its rights under the Convertible Debentures or (ii) Lomak defaults under the Guarantee with respect to the Convertible Preferred Securities, a record holder of the Convertible Preferred Securities may institute a legal proceeding directly against Lomak to enforce the Institutional Trustee's rights without first instituting any legal proceeding against the Institutional Trustee. See "Description of the Convertible Preferred Securities--Voting Rights."</p>
Convertible Junior Subordinated Debentures of Lomak .....	<p>The Convertible Debentures mature on November 1, 2027, and bear interest at the rate of 5 3/4% per annum, payable quarterly in arrears. The Convertible Debentures have provisions with respect to interest, optional redemption and conversion into Lomak Common Stock and certain other terms substantially similar or analogous to those of the Convertible Preferred Securities. See "Description of the Convertible Debentures" and "Risk Factors--Subordinate Ranking of Obligations Under the Guarantee and Convertible Debentures."</p>
Form, Denomination and Registration .....	<p>Convertible Preferred Securities may be represented by a single,</p>

permanent global security in fully registered form, deposited with the trustee and custodian for, and or purchasers may receive definitive certificates for their securities.

Use of Proceeds .....

The Selling Securityholders will receive all of the proceeds from the sale of the Offered Securities. Neither Lomak nor the Trust will receive any proceeds form the sale of the Offered Securities.

## RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, together with the other information contained in this Prospectus, the following risk factors:

## VOLATILITY OF OIL AND GAS PRICES

The Company's financial condition, operating results and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of, and demand for, oil and gas. The Company's ability to maintain or increase its borrowing capacity and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Historically the markets for oil and gas have been volatile and are likely to continue to be volatile in the future. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include weather conditions in the United States and elsewhere, the economic conditions in the United States and elsewhere, the actions of the Organization of Petroleum Exporting Countries ("OPEC"), governmental regulation, political stability in the Middle East and elsewhere, the supply and demand of oil and gas, the price of foreign imports and the availability and prices of alternate fuel sources. Any substantial and extended decline in the price of oil or gas would have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, the Company's ability to obtain additional capital, and its financial condition, revenues, profitability and cash flows from operations.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

## UNCERTAINTY OF ESTIMATES OF RESERVES AND FUTURE NET REVENUES

This Prospectus contains estimates of the Company's oil and gas reserves and the future net revenues from those reserves which have been prepared by the Company and certain independent petroleum consultants. Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Estimates of economically recoverable oil and gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions concerning future oil and gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. Because all reserve estimates are to some degree speculative, the quantities of oil and gas that are ultimately recovered, production and operation costs, the amount and timing of future development expenditures and future oil and gas sales prices may all vary from those assumed in these estimates and such variances may be material. In addition, different reserve engineers may make different estimates of reserve quantities and cash flows based upon the same available data.

The present value of estimated future net cash flows referred to in this Prospectus should not be construed as the current market value of the estimated proved oil and gas reserves attributable to the Company's properties. In accordance with applicable requirements of the Commission, the estimated discounted future net cash flows from proved reserves are generally based on prices and costs as of the date of the estimate, whereas actual future prices and costs may be materially higher or lower. The calculation of the Present Value of the Company's oil and gas reserves were based on prices on December 31, 1996. Average product prices at December 31, 1996 were \$23.58 per barrel of oil and \$3.54 per Mcf of gas and pro forma average product prices at December 31, 1996 were \$23.06 per barrel of oil and \$3.81 per Mcf of gas, which prices were substantially higher than historical prices used by the Company to calculate Present Value in recent years. In addition, the calculation of the present value of the future net revenues using a 10% discount as required by the Commission is not necessarily the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Company's reserves or the oil and gas industry in general. Furthermore, the Company's reserves may be subject to downward or upward revision based upon actual production, results of future development, supply and demand for oil and gas, prevailing oil and gas prices and other factors.

#### FINDING AND ACQUIRING ADDITIONAL RESERVES

The Company's future success depends upon its ability to find or acquire additional oil and gas reserves that are economically recoverable. Except to the extent the Company conducts successful exploration or development activities or acquires properties containing proved reserves, the proved reserves of the Company will generally decline as they are produced. There can be no assurance that the Company's planned development projects and acquisition activities will result in significant additional reserves or that the Company will have success drilling productive wells at economic returns. If prevailing oil and gas prices were to increase significantly, the Company's finding costs to add new reserves could increase. The drilling of oil and gas wells involves a high degree of risk, especially the risk of dry holes or of wells that are not sufficiently productive to provide an economic return on the capital expended to drill the wells. The cost of drilling, completing and operating wells is uncertain, and drilling or production may be curtailed or delayed as a result of many factors.

The Company's business is capital intensive. To maintain its base of proved oil and gas reserves, a significant amount of cash flow from operations must be reinvested in property acquisitions, development or exploration activities. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investments to maintain or expand its asset base would be impaired. Without such investment, the Company's oil and gas reserves would decline.

#### DEVELOPMENT AND EXPLORATION RISKS

The Company intends to increase its development and exploration activities. Exploration drilling, and to a lesser extent development drilling, involve a high degree of risk that no commercial production will be obtained or that the production will be insufficient to recover drilling and completion costs. The cost of drilling, completing and operating wells is uncertain. The Company's drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment. Furthermore, completion of a well does not assure a profit on the investment or a recovery of drilling, completion and operating costs.

#### ACQUISITION RISKS

The Company intends to continue acquiring oil and gas properties. It generally is not feasible to review in detail every individual property involved in an acquisition. Ordinarily, review efforts are focused on the higher-valued properties. However, even a detailed review of all properties and records may not reveal existing or potential problems nor will it permit the Company to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections are not always performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

#### EFFECTS OF LEVERAGE

On a pro forma basis giving effect to the Cometra Acquisition, the Cabot Acquisition and the related financings, at September 30, 1997, the Company's outstanding indebtedness would have been \$373.1 million and the Company's ratio of total debt to total capitalization would have been 52%. In 1994, 1995, 1996 and on a pro forma basis for 1996, the Company's ratio of earnings to fixed charges was 2.0x, 2.1x, 3.6x and 1.9x, respectively. For the nine months ended September 30, 1996 and 1997 and on a pro forma basis for the nine months ended September 30, 1997, the Company's ratio of earnings to fixed charges was 3.2.x, 2.0.x and 1.9.x, respectively. The principal payment obligations of the Company's pro forma debt for 1997, 1998 and 1999 amount to \$26,000, \$413,000 and \$12,000, respectively. The Company's level of indebtedness will have several important effects on its future operations, including (i) a substantial portion of the Company's cash flow from operations must be dedicated to the payment of interest on its indebtedness and will not be available for other purposes, (ii) covenants contained in the Company's debt obligations will require the Company to meet certain financial tests, and other restrictions will limit its ability to borrow additional funds or to dispose of assets and may affect the Company's flexibility in planning for, and reacting to, changes in its businesses, including possible acquisition activities and (iii) the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired. The Company's ability to meet its debt service obligations and to reduce its total indebtedness will be dependent upon the Company's future performance, which will be subject to oil and gas prices, the Company's level of production, general economic



conditions and to financial, business and other factors affecting the operations of the Company, many of which are beyond its control. There can be no assurance that the Company's future performance will not be adversely affected by some or all of these factors. In addition, the Credit Agreement, the Indenture for the Convertible Debentures and the indenture for the Company's 8.75% Senior Subordinated Notes (the "8.75% Notes") contain restrictions on the Company's ability to pay dividends on capital stock. Under the most restrictive of these provisions, the Company would have been able to pay up to \$7.7 million of dividends as of September 30, 1997. See "Forward-Looking Information."

#### CAPITAL AVAILABILITY

The Company's strategy of acquiring and developing oil and gas properties is dependent upon its ability to obtain financing for such acquisitions and development projects. The Company expects to utilize the Credit Agreement (the "Credit Agreement") among the Company and several banks (the "Banks") to borrow a portion of the funds required for any given transaction or project. If funds under the Credit Agreement are not available to fund acquisition and development projects, the Company would seek to obtain such financing from the sale of equity securities or other debt financing. There can be no assurance that any such other financing would be available on terms acceptable to the Company. Should sufficient capital not be available, the Company may not be able to continue to implement its strategy.

The Credit Agreement limits the amounts the Company may borrow to amounts, determined by the Banks, in their sole discretion, based upon a variety of factors including the discounted present value of the Company's estimated future net cash flow from oil and gas production (the "Borrowing Base"). At December 24, 1997 the Borrowing Base was \$325 million, of which the Company had borrowings of \$220.7 million outstanding. If oil or gas prices decline below their current levels, the availability of funds and the ability to pay outstanding amounts under the Credit Agreement could be materially adversely affected.

#### OPERATING HAZARDS AND UNINSURED RISKS; PRODUCTION CURTAILMENTS

The oil and gas business involves a variety of operating risks, including, but not limited to, unexpected formations or pressures, uncontrollable flows of oil, gas, brine or well fluids into the environment (including groundwater contamination), blowouts, cratering, fires, explosions, pipeline ruptures or spills, pollution and other risks, any of which could result in personal injuries, loss of life, damage to properties, environmental pollution, suspension of operations and substantial losses. Although the Company carries insurance which it believes is reasonable, it is not fully insured against all risks. The Company does not carry business interruption insurance. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on the financial condition and results of operations of the Company.

From time to time, due primarily to contract terms, pipeline interruptions or weather conditions, the producing wells in which the Company owns an interest have been subject to production curtailments. The curtailments vary from a few days to several months. In most cases the Company is provided only limited notice as to when production will be curtailed and the duration of such curtailments. The Company is currently not curtailed on any of its production.

Certain of the Cometra Properties are located offshore in the Gulf of Mexico which are subject to a variety of operating risks peculiar to the marine environment, such as hurricanes or other adverse weather conditions, more extensive governmental regulation, including regulations that may, in certain circumstances, impose strict liability for pollution damage, and to interruption or termination of operations by governmental authorities based on environmental or other considerations. Since completion of the Cometra Acquisition, several of the offshore properties have encountered production shortfalls due primarily to mechanical problems. The mechanical issues are currently being addressed by the operators. However, the Company cannot accurately predict when and if production will be returned to the original levels.

#### HEDGING RISKS

From time to time, the Company hedges a portion of its physical oil and natural gas production by entering short positions through fixed price swaps or options. The Company does not generally trade directly utilizing NYMEX futures. The settlement is determined by the difference between the Company's fixed price and the average of the daily prompt NYMEX WTI contract during each corresponding month.

The Company's Vice-President-Gas Management has the responsibility for implementing approved hedge strategies. The hedge program provides for oversight and reporting requirements, hedge goals and how strategies will be developed.

The Company may in the future enter into oil and natural gas futures contracts, options and swaps. The Company's hedging activities, while intended to reduce the Company's sensitivity to changes in market prices of oil and gas, are subject to a number of risks including instances in which (i) production is less than expected, (ii) there is a widening of price differentials between delivery points required by fixed price delivery contracts to the extent they differ from those of the Company's production or (iii) the Company's customers or the counterparties to its futures contracts fail to purchase or deliver the contracted quantities of oil or natural gas. Additionally, the fixed price sales and hedging contracts limit the benefits the Company will realize if actual prices rise above the contract prices. In the future, the Company may increase the percentage of its production covered by hedging arrangements.

#### GAS CONTRACT RISK

A significant portion of the Company's production is subject to fixed price contracts. On a pro forma basis, approximately 42% of average gas production for September 30, 1997 was sold subject to fixed price sales contracts (including a contract relating to the Cometra Properties described below and excluding the hedging activities described above). These fixed price contracts are at prices ranging from \$2.15 to \$3.75 per Mcf. The fixed price contracts with terms of less than one year, between one and five years and greater than five years constitute approximately 46%, 51% and 3%, respectively, of the volume sold under fixed price contracts. The fixed price sales contracts limit the benefits the Company will realize if actual prices rise above the contract prices.

As part of the Cometra Acquisition, the Company acquired a gas sales contract covering approximately 20,000 gross acres. The price paid pursuant to the contract was \$3.75 per Mcf at September 30, 1997 (48% higher than average natural gas prices received by the Company with respect to its other production for the first nine months of 1997) and escalates at \$.05 per Mcf each July through the end of the contract. The contract is with a major Texas utility and expires in June 2000. This contract represents 13% of the Company's pro forma September 1997 production on an Mcfe basis.

The gas contract contains language that requires the purchaser to purchase all legally produced gas on the designated acreage at the contract price. The contract also contains language that may be read to provide that the purchaser is not required to purchase more than 80% of the Company's delivery capacity (up to a delivery capacity of 20,000 Mcf/d). In July 1997, the purchaser notified the Company that the purchaser would reduce its purchases under the contract from 20,000 net Mcf/d to 12,000 net Mcf/d effective August 1, 1997. In addition, the purchaser sought a declaratory judgment with respect to the maximum volume of gas that the purchaser is obligated to purchase at the contract price. However, on September 29, 1997, the Company was granted a preliminary injunction that allows the Company to maintain deliveries at current levels of approximately 20,000 Mcf/d under the contract. The matter is scheduled for trial in June 1998.

The Company believes that the purchaser is obligated to purchase all quantities delivered under the contract. However, there can be no assurance that the Company will prevail in this matter. If the Company is unsuccessful in defending its position, then the Company could be required to market its production on less attractive terms, which could have a material adverse effect on the Company's financial condition, results of operations and cash flow. For example, if quantities under the gas sales contract were lowered to 12,000 Mcf/d, the Company estimates that oil and gas revenues would be reduced by \$4.4 million annually, assuming the existing production under the contract were sold for \$2.26 per Mcf (the closing NYMEX 12-month strip price on December 10, 1997) instead of the current contract price.

#### GAS GATHERING, PROCESSING AND MARKETING

The Company's gas gathering, processing and marketing operations depend in large part on the ability of the Company to contract with third party producers to produce their gas, to obtain sufficient volumes of committed natural gas reserves, to maintain throughput in the Company's processing plant at optimal levels, to replace production from declining wells, to assess and respond to changing market conditions in negotiating gas purchase and sale agreements and to obtain satisfactory margins between the purchase price of its natural gas supply and the sales price for such residual gas volumes and the natural gas liquids processed. In addition, the Company's operations are subject to changes in regulations relating to gathering and marketing of oil

and gas. The inability of the Company to attract new sources of third party natural gas or to promptly respond to changing market conditions or regulations in connection with its gathering, processing and marketing operations could materially adversely affect the Company's financial condition and results of operations.

#### LAWS AND REGULATIONS

The Company's operations are affected by extensive regulation pursuant to various federal, state and local laws and regulations relating to the exploration for and development, production, gathering, marketing, transportation and storage of oil and gas. These regulations, among other things, control the rate of oil and gas production, and control the amount of oil that may be imported. The Company's operations are subject to numerous laws and regulations governing plugging and abandonment, the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution which might result from the Company's operations. The Company may also be subject to substantial clean-up costs for any toxic or hazardous substance that may exist under any of its properties. Moreover, the recent trend toward stricter standards in environmental legislation and regulation is likely to continue. For instance, legislation has been proposed in Congress from time to time that would reclassify certain crude oil and natural gas exploration and production wastes as "hazardous wastes" which would make the reclassified wastes subject to much more stringent handling, disposal and clean-up requirements. If such legislation were to be enacted, it could have a significant impact on the operating costs of the Company, as well as the oil and gas industry in general. Initiatives to further regulate the disposal of crude oil and natural gas wastes are also pending in certain states, and these various initiatives could have a similar impact on the Company. The Company could incur substantial costs to comply with environmental laws and regulations.

#### COMPETITION

The Company encounters substantial competition in acquiring properties, marketing oil and gas, securing equipment and personnel and operating its properties. The competitors in acquisitions, development, exploration and production include major oil companies, numerous independent oil and gas companies, individual proprietors and others. Many of these competitors have financial and other resources which substantially exceed those of the Company and have been engaged in the energy business for a much longer time than the Company. Therefore, competitors may be able to pay more for desirable leases and to evaluate, bid for and purchase a greater number of properties or prospects than the financial or personnel resources of the Company will permit.

#### DEPENDENCE ON KEY PERSONNEL

The Company depends, and will continue to depend in the foreseeable future, on the services of its officers and key employees with extensive experience and expertise in evaluating and analyzing producing oil and gas properties and drilling prospects, maximizing production from oil and gas properties and marketing oil and gas production, including John H. Pinkerton, the Company's President and Chief Executive Officer. However, the Company does not have employment contracts with any of its officers or key employees. The ability of the Company to retain its officers and key employees is important to the continued success and growth of the Company. The loss of key personnel could have a material adverse effect on the Company. The Company does not maintain key man life insurance on any of its officers or key employees.

#### CERTAIN BUSINESS INTERESTS OF CHAIRMAN

Thomas J. Edelman, Chairman of the Company, is also the Chairman, President and Chief Executive Officer of Patina Oil & Gas Company ("Patina"), a publicly traded oil and gas company. The Company currently has no existing business relationships with Patina, and Patina does not own any of the Company's securities. However, as a result of Mr. Edelman's position in Patina, conflicts of interests may arise between them. The Company has board policies that require Mr. Edelman to give notification of any potential conflicts that may arise between the Company and Patina. There can be no assurance, however, that the Company will not compete with Patina for the same acquisition or encounter other conflicts of interest.

SUBORDINATE RANKING OF OBLIGATIONS UNDER THE GUARANTEE AND CONVERTIBLE DEBENTURES

Lomak's obligations under the Guarantee are subordinate and junior in right of payment to all liabilities of Lomak (other than any other obligations that may be made pari passu expressly by their terms) and pari passu in right of payment with the most senior preferred stock issued, from time to time, if any, by Lomak. The obligations of Lomak under the Convertible Debentures are subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined herein) of Lomak. No payment of principal (including redemption payments, if any), premium, if any, or interest on the Convertible Debentures may be made if (i) any Senior Indebtedness of Lomak is not paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any Senior Indebtedness has been accelerated because of a default. Lomak also may not make any payment upon or in respect of the Convertible Debentures if a default in the payment of the principal of, premium, if any, interest or other obligations in respect of Senior Indebtedness occurs and is continuing beyond any applicable period of grace. Payments on the Convertible Debentures may and shall be resumed upon the date on which such default is cured or waived. There are no terms in the Convertible Preferred Securities, the Convertible Debentures or the Guarantee that limit Lomak's ability to incur additional indebtedness, including indebtedness that ranks senior to the Convertible Debentures and the Guarantee, or to grant security interests to secure outstanding or new indebtedness. As of December 24, 1997, Lomak had available borrowing capacity under its Credit Agreement of approximately \$104.3 million. See "Description of the Guarantee--Status of the Guarantee" and "Description of the Convertible Debentures--Subordination."

LIMITATIONS OF THE GUARANTEE

The Guarantee Trustee (as defined herein) holds the Guarantee for the benefit of the holders of the Convertible Preferred Securities. Under the Guarantee, Lomak irrevocably and unconditionally guaranteed payments to the holders of the Convertible Preferred Securities to the extent of the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Convertible Preferred Securities to the date of the payment to the extent the Trust has funds available therefor or (b) the amount of assets of the Trust remaining available for distribution to holders of the Convertible Preferred Securities in liquidation of the Trust. Because the Guarantee is limited by the amount of the funds in the Trust, if Lomak were to default on its obligation to pay amounts payable on the Convertible Debentures, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Convertible Preferred Securities or otherwise, and, in such event, holders of the Convertible Preferred Securities would not be able to rely upon the Guarantee for payment of such amounts. Instead, holders of the Convertible Preferred Securities would rely on the enforcement (1) by the Institutional Trustee of its rights as registered holder of the Convertible Debentures against Lomak pursuant to the terms of the Convertible Debentures or (2) by such holder of its right of Direct Action against Lomak as described below to enforce payments on the Convertible Debentures. See "Description of the Guarantee--Events of Default." The Declaration (as defined herein) provides that each holder of Convertible Preferred Securities, by acceptance thereof, agrees to the provisions of the Guarantee, including the subordination provisions thereof, and the Indenture.

LIMITATION OF ENFORCEMENT OF CERTAIN RIGHTS BY HOLDERS OF CONVERTIBLE PREFERRED SECURITIES.

If (i) Lomak Financing Trust fails to pay distributions in full on the Convertible Preferred Securities (other than pursuant to a deferral during an Extension Period) or (ii) a Declaration Event of Default (as defined herein) occurs and is continuing, then the holders of Convertible Preferred Securities would rely on the enforcement by the Institutional Trustee of its rights as a holder of the Convertible Debentures against Lomak. In addition, the holders of a majority in liquidation amount of the Convertible Preferred Securities will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee or to direct the exercise of any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee to exercise the remedies available to it as a holder of the Convertible Debentures. If the Institutional Trustee fails to enforce its rights under the Convertible Debentures, a holder of Convertible Preferred Securities may institute a legal proceeding directly against Lomak to enforce the Institutional Trustee's rights under the Convertible Debentures without first instituting any legal proceeding against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of Lomak to pay interest or principal on the Convertible Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the Redemption Date), then a holder of Convertible Preferred Securities may directly institute a proceeding for enforcement of payment to such holder of the principal of or interest

on the Convertible Debentures having a principal amount equal to the aggregate liquidation amount of the Convertible Preferred Securities of such holder (a "Direct Action") on or after the respective due date specified in the Convertible Debentures. In connection with such Direct Action, Lomak will be subrogated to the rights of such holders of Convertible Preferred Securities under the Declaration to the extent of any payment made by Lomak to such holder of Convertible Preferred Securities in such Direct Action. The holders of Convertible Preferred Securities will not be able to exercise directly any other remedy available to the holders of Convertible Debentures. See "Description of the Convertible Preferred Securities--Declaration Events of Default."

#### DEFERRAL OF INTEREST PAYMENTS

So long as Lomak shall not be in default in the payment of interest on the Convertible Debentures, Lomak has the right under the Indenture to defer payments of interest on the Convertible Debentures by extending the interest payment period at any time, and from time to time, on the Convertible Debentures. As a consequence of such an extension, quarterly distributions on the Convertible Preferred Securities would be deferred by the Trust during any such Extension Period. Prior to the termination of any such Extension Period, Lomak may further extend such Extension Period; provided, that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters or extend beyond the maturity of the Convertible Debentures. Upon the termination of any Extension Period and the payment or all amounts then due, Lomak may commence a new Extension Period, subject to the above requirements. See "Description of the Convertible Preferred Securities--Distributions" and "Description of the Convertible Debentures--Option to Extend Interest Payment Period."

Should Lomak exercise its right to defer payments of interest by extending the interest payment period, each holder of Convertible Preferred Securities will continue to accrue income (as original issue discount ("OID") in respect of the deferred and compounded interest allocable to its Convertible Preferred Securities for United States federal income tax purposes, which will be allocated but not distributed, to holders of record of Convertible Preferred Securities. As a result, each such holder of Convertible Preferred Securities will recognize income for United States federal income tax purposes in advance of the receipt of cash and will not receive the cash from Lomak Financing Trust related to such income if such holder disposes of its Convertible Preferred Securities prior to the record date for the date on which distributions of such amounts are made. Lomak has no current intention of exercising its right to defer payments of interest by extending the interest payment period of the Convertible Debentures. However, should Lomak determine to exercise such right in the future, the market price of the Convertible Preferred Securities is likely to be materially adversely affected. A holder that disposes of its Convertible Preferred Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Convertible Preferred Securities. In addition, as a result of the existence of Lomak's right to defer interest payments, the market price of the Convertible Preferred Securities (which represent an undivided beneficial ownership interest in the Convertible Debentures) may be more volatile than other OID securities that do not have such interest deferral rights. See "United States Federal Income Taxation--Potential Extension of Interest Payment Period and Original Issue Discount."

#### DISTRIBUTION OF CONVERTIBLE DEBENTURES UPON DISSOLUTION OF THE TRUST

Under certain circumstances, the Trust may be dissolved with the result that the Convertible Debentures would be distributed to the holders of the Trust Securities in connection with the liquidation of the Trust. See "Description of the Convertible Preferred Securities--Liquidation Distribution Upon Dissolution."

Under current United States federal income tax law, and assuming, as expected, that the Trust is treated as a grantor trust for United States federal income tax purposes, a distribution of Convertible Debentures upon the dissolution of the Trust would not be a taxable event to holders of the Convertible Preferred Securities.

There can be no assurance as to the market prices for the Convertible Preferred Securities or the Convertible Debentures that may be distributed in exchange for Convertible Preferred Securities if a dissolution or liquidation of the Trust were to occur. Accordingly, the Convertible Preferred Securities that an investor may purchase, whether pursuant to the offer made hereby or in the secondary market, or the Convertible Debentures that a holder of Convertible Preferred Securities may receive on dissolution and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Convertible Preferred Securities offered hereby. Because holders of Convertible Preferred Securities may receive Convertible Debentures upon the occurrence of a Special Event, prospective purchasers of Convertible Preferred Securities are also making an investment decision with regard to the Convertible Debentures and should carefully review all the information regarding the Convertible Debentures contained herein. See "Description of the Convertible Debentures."

#### ABSENCE OF VOTING RIGHTS

Generally, holders of the Convertible Preferred Securities do not have any voting rights with respect to Lomak's governance, nor are they be entitled to vote to appoint, remove or replace or to increase or decrease the number of, LFT Trustees (as defined herein), which voting rights are vested exclusively in the holder of the Common Securities. See "Description of the Convertible Preferred Securities--Voting Rights."

#### TRADING PRICE

The Convertible Preferred Securities may trade at a price that does not fully reflect the value of accrued but unpaid interest (or OID if the Convertible Debentures are treated as having been issued, or reissued, with OID) with respect to the underlying Convertible Debentures. A holder who disposes of Convertible Preferred Securities between record dates for payments of distributions thereon will be required to include accrued but unpaid interest on the Convertible Debentures through the date of disposition in income as ordinary income (i.e., OID), and to add such amount to the adjusted tax basis in the holder's pro rata share of the underlying Convertible Debentures deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis (which will include, in the form of OID, all accrued but unpaid interest), a holder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes. See "United States Federal Income Taxation--Potential Extension of Interest Payment Period and Original Issue Discount" and "-- Sales of Convertible Preferred Securities."

#### ABSENCE OF PUBLIC MARKET FOR THE CONVERTIBLE PREFERRED SECURITIES ON RESALE

Although the Initial Purchasers currently make a market in the Convertible Preferred Securities, they are not obligated to do so and may discontinue such market making at any time without notice. In addition, such market making activity is subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, there can be no assurance that any market for the Convertible Preferred Securities will develop or, if one does develop, that it will be maintained. If an active market for the Convertible Preferred Securities fails to develop or be sustained, the trading price of such Convertible Preferred Securities could be materially adversely affected.

#### FORWARD-LOOKING INFORMATION

Information included in this Prospectus, including information incorporated by reference herein, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including projections, estimates and expectations. Those statements by their nature are subject to certain risks, uncertainties and assumptions and will be influenced by various factors. Should one or more of these statements or their underlying assumptions prove to be incorrect, actual results could vary materially. Without limiting the generality of the foregoing, words such as "anticipate," "estimate," "project" and "expect" are intended to identify forward-looking statements. Although the Company believes that such projections, estimates and expectations are based on reasonable assumptions, it can give no assurance that such projections, estimates and expectations will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include political and economic developments in the United States and foreign countries, federal and state regulatory developments, the timing and extent of changes in commodity prices, the extent of success in acquiring oil and gas properties and in discovering, developing and producing reserves and conditions of the capital markets and equity markets during the periods covered by the forward-looking statements. See "Risk Factors" for further information with respect to certain of such factors.

## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the Company's consolidated ratios of earnings to fixed charges (a) for each of the five years ended December 31, 1996 and for the nine months ended September 30, 1997 on an historical basis and (b) for the year ended December 31, 1996 and the nine months ended September 30, 1997 as adjusted for the Original Offering.

	YEAR ENDED DECEMBER 31,					Pro Forma 1996	NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996		1997	Pro Forma 1997
Ratio of earnings to fixed charges(1)	1.9x	2.2x	2.0x	2.1x	3.6x	1.6x	2.0x	1.9x
Ratio of earnings to fixed charges and preferred dividends(1) .....	1.5x	1.7x	1.7x	1.9x	2.7x	1.5x	1.8x	1.8x

(1) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as income before income taxes plus fixed charges. Fixed charges consist of interest expense on all indebtedness.

## USE OF PROCEEDS

Neither the Trust nor the Company will receive any proceeds upon the sale by the Selling Securityholders of the Offered Securities.

## ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of Lomak and accordingly, the accounts of the Trust will be included in the consolidated financial statements of Lomak. The Convertible Preferred Securities will be presented as a separate line item in the consolidated balance sheet of Lomak entitled "Company-obligated Preferred Securities of Subsidiary Trust," and appropriate disclosures about the Convertible Preferred Securities, the Guarantee and the Convertible Debentures will be included in the notes to the Company's consolidated financial statements. For financial reporting purposes, Lomak will record distributions payable on the Convertible Preferred Securities as a financing charge to earnings in Lomak's consolidated statement of operations.

## LOMAK FINANCING TRUST

Lomak Financing Trust is a statutory business trust formed under Delaware law pursuant to (i) the Declaration of Trust, dated as of October 8, 1997, as amended by the Amended and Restated Declaration of Trust dated as of October 22, 1997 (the "Declaration"), executed by Lomak, as sponsor and the trustees of Lomak Financing Trust (the "LFT Trustees") and (ii) the filing of a certificate of trust with the Secretary of State of the State of Delaware on October 8, 1997. Lomak owns, directly or indirectly, all of the Common Securities, which will have an aggregate liquidation amount equal to 3% of the total capital of Lomak Financing Trust. Lomak Financing Trust exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Convertible Debentures and (iii) engaging in only those other activities necessary or incidental thereto.

Pursuant to the Declaration, the number of LFT Trustees is currently five. Three of the LFT Trustees (the "Regular Trustees") are persons who are employees or officers of or who are affiliated with Lomak. The fourth trustee is a financial institution that maintains its principal place of business in the state of Delaware (the "Delaware Trustee"). The fifth Trustee (the "Institutional Trustee") is a financial institution that is unaffiliated with Lomak and serves as institutional trustee under the Declaration and as indenture trustee for the purposes of compliance with the provisions of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The Bank of New York, a New York banking corporation, currently serves as the

Institutional Trustee and will continue to serve as the Institutional Trustee until removed or replaced by the holder of the Common Securities. The Bank of New York acts as trustee (the "Guarantee Trustee") under the Guarantee and as Debt Trustee (as defined herein) under the Indenture. The Bank of New York (Delaware), acts as Delaware Trustee. See "Description of the Convertible Preferred Securities--Voting Rights."

The Institutional Trustee holds title to the Convertible Debentures for the benefit of the holders of the Trust Securities, and the Institutional Trustee has the power to exercise all rights, powers and privileges under the Indenture as the holder of the Convertible Debentures. In addition, the Institutional Trustee maintains exclusive control of a segregated non-interest bearing bank account (the "Property Account") to hold all payments made in respect of the Convertible Debentures for the benefit of the holders of the Trust Securities. The Institutional Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities out of funds from the Property Account. The Guarantee Trustee holds the Guarantee for the benefit of the holders of the Convertible Preferred Securities. Lomak, as the direct or indirect holder of all the Common Securities, has the right to appoint, remove or replace any LFT Trustee and to increase or decrease the number of LFT Trustees. Lomak pays all fees and expenses related to Lomak Financing Trust and the offering of the Trust Securities. See "Description of the Convertible Debentures--Miscellaneous."

The Common Securities will rank pari passu, and payments will be made thereon pro rata, with the Convertible Preferred Securities, except that upon the occurrence and continuance of an event of default under the Declaration resulting from an Event of Default under the Indenture, the rights of the holders of the Common Securities to payment in respect of distributions and payments upon liquidation, redemption or otherwise will be subordinated to the rights of holders of the Convertible Preferred Securities. See "Description of the Convertible Preferred Securities--General."

The rights of the holders of the Convertible Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the Declaration and the Delaware Business Trust Act (the "Trust Act"). The Declaration, the Indenture and the Guarantee also incorporate by reference the terms of the Trust Indenture Act. The Declaration, the Indenture and the Guarantee will be qualified under the Trust Indenture Act.

#### DESCRIPTION OF THE CONVERTIBLE PREFERRED SECURITIES

The Convertible Preferred Securities were issued pursuant to the terms of the Declaration. The Declaration incorporates by reference terms of the Trust Indenture Act, and the Declaration will be qualified under the Trust Indenture Act. The Institutional Trustee, The Bank of New York, acts as indenture trustee for the Convertible Preferred Securities under the Declaration for purposes of compliance with the provisions of the Trust Indenture Act. The terms of the Convertible Preferred Securities include those stated in the Declaration and those made part of the Declaration by the Trust Indenture Act. The following summary of the material terms and provisions of the Convertible Preferred Securities is subject to, and qualified in its entirety by reference to, the Declaration, the Trust Act and the Trust Indenture Act.

#### GENERAL

The Declaration authorized the Regular Trustees to issue, on behalf of the Trust, the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust. All of the Common Securities are owned, directly or indirectly, by Lomak. The Common Securities rank pari passu, and payments will be made thereon on a pro rata basis, with the Convertible Preferred Securities, except that upon the occurrence and during the continuance of a Declaration Event of Default, the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Convertible Preferred Securities. The Declaration does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. Pursuant to the Declaration, the Institutional Trustee holds the Convertible Debentures purchased by the Trust for the benefit of the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Convertible Preferred Securities or liquidation of the Trust, are guaranteed by Lomak to the extent described under "Description of the Guarantee." The Guarantee is held by The Bank of New York, the Guarantee Trustee, for the benefit of the holders of the Convertible Preferred Securities. The Guarantee does not cover payment of distributions when the Trust does not have sufficient available funds to pay such distributions. In such event, the remedy of a holder of Convertible Preferred Securities is to vote to direct the Institutional Trustee to enforce the Institutional Trustee's rights under the



Convertible Debentures or, in certain limited circumstances, to take Direct Action. See "--Voting Rights" and "Declaration Events of Default."

#### DISTRIBUTIONS

Distributions on the Convertible Preferred Securities are fixed at a rate per annum of 5 3/4% of the stated liquidation amount of \$50 per Convertible Preferred Security. Distributions in arrears for more than one quarter will accumulate at the distribution rate, compounded quarterly. The term "distribution" as used herein includes such cash distributions and any such interest payable unless otherwise stated. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months and for any period shorter than a full quarterly distribution period for which distributions are computed, distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Distributions on the Convertible Preferred Securities will be cumulative, will accrue from the first date that any Convertible Preferred Securities are issued, and will be payable quarterly in arrears on February 1, May 1, August 1, and November 1 each year, commencing February 1, 1998, when, as and if available for payment. Distributions will be made by the Institutional Trustee, except as otherwise described below.

So long as Lomak shall not be in default in the payment of interest on the Convertible Debentures, Lomak has the right under the Indenture to defer payments of interest on the Convertible Debentures by extending the interest payment period from time to time on the Convertible Debentures, which, if exercised, would defer quarterly distributions on the Convertible Preferred Securities (though such distributions would continue to accumulate at the distribution rate, compounded quarterly, since interest would continue to accrue on the Convertible Debentures) during any such Extension Period. Such right to extend the interest payment period for the Convertible Debentures is limited to a period not exceeding 20 consecutive quarters and such period may not extend beyond the maturity of the Convertible Debentures. Each Extension Period, if any, will end on an Interest Payment Date (as defined herein) for the Convertible Debentures; such date will also be a distribution payment date for the Convertible Preferred Securities. In the event that Lomak exercises its right to defer payment of interest, then (a) Lomak shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Lomak Common Stock in connection with the satisfaction by Lomak of its obligations under any employee benefit plans, (ii) as a result of a reclassification of Lomak capital stock or the exchange or conversion of one class or series of Lomak's capital stock for another class or series of Lomak capital stock, (iii) the purchase of fractional interests in shares of Lomak's capital stock pursuant to the conversion or exchange provisions of such Lomak capital stock or the security being converted or exchanged for Lomak capital stock, (iv) dividends or distributions in Lomak Common Stock and (v) any declaration of a dividend in connection with the implementation or extension of a stockholders' rights plan, or the issuance of stock under any such plan (including the existing such plan) in the future or the redemption or repurchase of any such rights pursuant thereto), (b) Lomak shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by Lomak that rank pari passu with or junior in interest to the Convertible Debentures and (c) Lomak shall not make any guarantee payments with respect to the foregoing (other than pursuant to the Guarantee). Prior to the termination of any such Extension Period, Lomak may further extend the interest payment period; provided that such Extension Period, together with all such previous and further extensions, may not exceed 20 consecutive quarters or extend beyond the maturity of the Convertible Debentures. Upon the termination of any Extension Period and the payment of all amounts then due, Lomak may commence a new Extension Period, subject to the above requirements. See "Description of the Convertible Debentures--Interest" and "-- Option to Extend Interest Payment Period." If distributions are deferred, the deferred distributions and accumulated distributions thereon shall be paid to holders of record of the Convertible Preferred Securities as they appear on the books and records of the Trust at the close of business on the record date next following the termination of such Extension Period.

Distributions on the Convertible Preferred Securities must be paid on the dates payable to the extent that the Trust has funds available for the payment of such distributions. The Trust's funds available for distribution to the holders of the Convertible Preferred Securities will be limited to payments received from Lomak on the Convertible Debentures. See "Description of the Convertible Debentures." The payment of distributions out of monies held by the Trust is guaranteed by Lomak to the extent set forth under "Description of the Guarantee."

Distributions on the Convertible Preferred Securities will be payable to the holders thereof as they appear on the books and records of the Trust at the close of business on the relevant record dates, which will be fifteen days prior to the relevant

payment dates. Such distributions will be paid through the Institutional Trustee who will hold amounts received in respect of the Convertible Debentures for the benefit of the holders of the Trust Securities. Subject to any applicable laws and regulations and the provisions of the Declaration, each such payment will be made as described under "--Form, Denomination and Registration" below. In the event that any date on which distributions are to be made on the Convertible Preferred Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such record date. A "Business Day" shall mean any day other than Saturday, Sunday or any other day on which banking institutions in the City of New York are permitted or required by any applicable law to close.

#### CONVERSION RIGHTS

General. The Convertible Preferred Securities are convertible at any time beginning 90 days following October 22, 1997, the first date of original issuance of any Convertible Preferred Securities, through the close of business on the Business Day prior to the maturity date of the Convertible Debentures (or, in the case of Convertible Preferred Securities called for redemption, prior to the close of business on the Business Day prior to the Redemption Date) (the "Conversion Expiration Date"), at the option of the holders thereof and in the manner described below, into shares of Lomak Common Stock at an initial conversion rate of 2.1277 shares of Lomak Common Stock for each Convertible Preferred Security (equivalent to a conversion price (the "Conversion Price") of \$23.50 per share of Lomak Common Stock), subject to adjustment as described under "-- Conversion Price Adjustments--General" below.

The terms of the Convertible Preferred Securities provide that a holder of a Convertible Preferred Security wishing to exercise its conversion right shall surrender such Convertible Preferred Security, together with an irrevocable conversion notice, to the Institutional Trustee, as conversion agent (the "Conversion Agent") which shall, on behalf of such holder, exchange such Convertible Preferred Security for an equivalent portion of the Convertible Debentures and immediately convert an equivalent amount of Convertible Debentures into Lomak Common Stock. Holders may obtain copies of the required form of the conversion notice from the Conversion Agent. Additional procedures for converting book-entry Convertible Preferred Securities into shares of Lomak Common Stock are described below under "-- Form, Denomination and Registration."

Accrued distributions will not be paid on the Convertible Preferred Securities that are converted, provided, however, that if any Convertible Preferred Security is converted after the close of business on a record date for payment of distributions thereon, the distributions payable on the related payment date with respect to such Convertible Preferred Security shall be paid on such distribution date to the person who was the registered holder thereof at the close of business on such record date, despite such conversion unless such Convertible Preferred Security has been called for redemption on a Redemption Date falling between such record date and the related distribution payment date, the amount of such payment shall include distributions accrued to, but excluding, such Redemption Date and such payment shall be made to the converting holder. Except as provided in the immediately preceding sentence, neither the Trust nor Lomak shall make any payment, allowance or adjustment for accumulated and unpaid distributions, whether or not in arrears, on converted Convertible Preferred Securities. Lomak will make no payment or allowance for distributions on the shares of Lomak Common Stock issued upon such conversion, except to the extent that such shares of Lomak Common Stock are held of record on the record date for any such distributions.

No fractional shares of Lomak Common Stock will be issued as a result of conversion, but in lieu thereof such fractional interest will be paid by Lomak in cash based on the current market price of Lomak Common Stock on the date such Convertible Preferred Securities are surrendered for conversion.

Conversion Price Adjustments--General. The initial conversion price of \$23.50 per share of Lomak Common Stock is subject to adjustment (under formulae set forth in the Indenture) in certain events, including (i) the issuance of shares of Lomak Common Stock as a dividend or a distribution with respect to Lomak Common Stock, (ii) certain subdivisions and combinations of Lomak Common Stock, (iii) the issuance to all holders of Lomak Common Stock of certain rights or warrants entitling them to subscribe for or purchase shares of Lomak Common Stock, (iv) the distribution to all holders of Lomak Common Stock of shares of capital stock (other than Lomak Common Stock) or evidences of indebtedness of Lomak or of assets (including securities, but excluding those rights, warrants, dividends and distributions referred to above or paid in cash), (v) distributions consisting of cash, excluding any quarterly cash dividend on Lomak Common Stock to the extent that the aggregate cash dividend per share of Lomak Common Stock in any quarter does not exceed the greater of (x) the amount per share of Lomak

Common Stock of the next preceding quarterly dividend on Lomak Common Stock to the extent that such preceding quarterly dividend did not require an adjustment of the conversion rate pursuant to this clause (v) (as adjusted to reflect subdivisions or combinations of Lomak Common Stock), and (y) 3.75% of the average of the daily Closing Price (as defined in the Indenture) of Lomak Common Stock during the ten consecutive Trading Days (as defined in the Indenture) immediately prior to the date of declaration of such dividend, and excluding any dividend or distribution in connection with the liquidation, dissolution or winding-up of Lomak, (vi) payment to holders of Lomak Common Stock in respect of a tender or exchange offer by Lomak or any subsidiary for Lomak Common Stock to the extent that the cash and value of any other consideration included in such payment per share of Lomak Common Stock exceeds the Current Market Price (as defined in the Indenture) per share of Lomak 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; and (vii) payment in respect of a tender offer or exchange offer by a person other than Lomak or any subsidiary of Lomak in which, as of the closing date of the offer, the Board of Directors is not recommending rejection of the offer. If an adjustment is required to be made as set forth in clause (v) above as a result of a distribution that is a quarterly dividend, such adjustment would be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded pursuant to such clause (v). If an adjustment is required to be made based upon the full amount of the distribution that is not a quarterly dividend, such adjustment would be based upon the full amount of the distribution. The adjustment referred to in clause (vii) above will only be made (A) if the tender offer or exchange offer is for an amount that increases that person's ownership of Lomak Common Stock to more than 25% of the total shares of Lomak Common Stock outstanding and (B) if the cash and value of any other consideration included in such payment per share of Lomak Common Stock exceeds the Current Market Price per share of Lomak Common Stock on the Business Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer. The adjustment referred to in clause (vii) above will not be made, however, if, as of the closing of the offer, the offering documents with respect to such offer disclose a plan or an intention to cause Lomak to engage in a consolidation or merger of Lomak or a sale of all or substantially all of Lomak's assets. The Convertible Debentures provide for corresponding anti-dilution adjustments.

Lomak from time to time may to the extent permitted by law reduce the conversion price of the Convertible Debentures (and thus the conversion price of the Convertible Preferred Securities) by any amount for any period of at least 20 days, in which case Lomak shall give at least 15 days' notice of such reduction, if the Lomak Board of Directors has made a determination that such reduction would be in the best interests of Lomak, which determination shall be conclusive. Lomak may, at its option, make such reductions in the conversion price, in addition to those set forth above, as the Lomak Board of Directors deems advisable to avoid or diminish any income tax to holders of Lomak 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. See "United States Federal Income Taxation--Adjustment of Conversion Price."

No adjustment in the conversion price will be required unless such adjustment would require a change of at least one percent (1%) in the conversion price then in effect; provided, however, that any adjustment that would not be required to be made shall be carried forward and taken into account in any subsequent adjustment. If any action would require adjustment of the conversion price pursuant to more than one of the provisions described above, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value to the holder of the Convertible Preferred Securities. Except as stated above, the conversion price will not be adjusted for the issuance of Lomak Common Stock or any securities convertible into or exchangeable for Lomak Common Stock or carrying the right to purchase any of the foregoing.

Conversion Price Adjustments--Merger, Consolidation or Sale of Assets of Lomak. If any transaction shall occur (including without limitation (i) any recapitalization or reclassification of shares of Lomak Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of Lomak Common Stock), (ii) any consolidation or merger of Lomak with or into another person or any merger of another person into Lomak (other than a merger that does not result in a reclassification, conversion, exchange or cancellation of Lomak Common Stock), (iii) any sale or transfer of all or substantially all of the assets of Lomak, or (iv) any compulsory share exchange) pursuant to which either shares of Lomak Common Stock shall be converted into the right to receive other securities, cash or other property, or, in the case of a sale or transfer of all or substantially all of the assets of Lomak, the holders of Lomak Common Stock shall be entitled to receive other securities, cash or other property, then appropriate provision shall be made so that the holder of each Convertible Preferred Security then outstanding shall have the right thereafter to convert such Convertible Preferred Security only into:

(x) in the case of any such transaction that does not constitute a Lomak Common Stock Fundamental Change (as defined below) and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the kind and amount of the securities, cash or other property that would have been receivable upon such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Lomak Common Stock issuable upon conversion of such Convertible Preferred Security immediately prior to such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange, after giving effect, in the case of any Non-Stock Fundamental Change (as defined below), to any adjustment in the conversion price in accordance with clause (i) of the following paragraph, and

(y) in the case of any such transaction that constitutes a Lomak Common Stock Fundamental Change, common stock of the kind received by holders of Lomak Common Stock as a result of such Lomak Common Stock Fundamental Change in an amount determined in accordance with clause (ii) of the following paragraph.

The company formed by such consolidation or resulting from such merger or that acquires assets or that acquires Lomak's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent document to establish such right. Such certificate or articles of incorporation or other constituent document shall provide for adjustments that, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent documents, shall be as nearly equivalent as may be practicable to the relevant adjustments provided for in the preceding paragraphs and in this paragraph.

Notwithstanding any other provision in the preceding paragraphs to the contrary, if any Fundamental Change occurs, then the conversion price in effect will be adjusted immediately after such Fundamental Change as follows:

(i) in the case of a Non-Stock Fundamental Change, the conversion price of the Convertible Preferred Securities immediately following such Non-Stock Fundamental Change shall be the lower of (A) the conversion price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to the preceding paragraphs, and (B) the product of (1) the greater of the Applicable Price (as defined below) and the then applicable Reference Market Price (as defined below) and (2) a fraction, the numerator of which is \$50 and the denominator of which is (x) the amount of the redemption price for one Convertible Preferred Security if the redemption date were the date of such Non-Stock Fundamental Change (or, for the twelve-month periods commencing November 1, 1997, November 1, 1998 and November 1, 1999 the product of 105.750%, 105.175% and 104.600%, respectively, times \$50) plus (y) any then-accrued and unpaid distributions on one Convertible Preferred Security; and

(ii) in the case of a Lomak Common Stock Fundamental Change, the conversion price of Convertible Preferred Securities immediately following such Lomak Common Stock Fundamental Change shall be the conversion price in effect immediately prior to such Lomak Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to the preceding paragraphs, multiplied by a fraction, the numerator of which is the Purchaser Stock Price (as defined below) and the denominator of which is the Applicable Price; provided, however, that in the event of a Lomak Common Stock Fundamental Change in which (A) 100% of the value of the consideration received by a holder of Lomak Common Stock is common stock of the successor, acquiror or other third party (and cash, if any, paid with respect to any fractional interests in such common stock resulting from such Lomak Common Stock Fundamental Change) and (B) all of the Lomak Common Stock shall have been exchanged for, converted into or acquired for, common stock of the successor, acquiror or other third party (and any cash with respect to fractional interests), the conversion price of the Convertible Preferred Securities immediately following such Lomak Common Stock Fundamental Change shall be the conversion price in effect immediately prior to such Lomak Common Stock Fundamental Change multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of shares of common stock of the successor, acquiror or other third party received by a holder of one share of Lomak Common Stock as a result of such Lomak Common Stock Fundamental Change.

Depending upon whether a Fundamental Change is a Non-Stock Fundamental Change or a Lomak Common Stock Fundamental Change, a holder may receive significantly different consideration upon conversion. In the event of a Non-Stock Fundamental Change, the holder has the right to convert Convertible Preferred Securities into the kind and amount of the shares of stock and other securities or property or assets (including cash), except as otherwise provided above, as is determined by the

number of shares of Lomak Common Stock receivable upon conversion at the conversion price as adjusted in accordance with clause (i) of the preceding paragraph. However, in the event of a Lomak Common Stock Fundamental Change in which less than 100% of the value of the consideration received by a holder of Lomak Common Stock is common stock of the successor, acquiror or other third party, a holder of a Convertible Preferred Security who converts such share following the Lomak Common Stock Fundamental Change will receive consideration in the form of such common stock only, whereas a holder who converted such share prior to the Lomak Common Stock Fundamental Change would have received consideration in the form of such common stock as well as any other securities or assets (which may include cash) issuable upon conversion of such Convertible Preferred Security immediately prior to such Lomak Common Stock Fundamental Change.

The term "Applicable Price" means (i) in the event of a Non-Stock Fundamental Change in which the holders of Lomak Common Stock receive only cash, the amount of cash received by a holder of one share of Lomak Common Stock and (ii) in the event of any other Fundamental Change, the average of the daily Closing Price (as defined in the Indenture) for one share of Lomak Common Stock during the 10 Trading Days immediately prior to the record date for the determination of the holders of Lomak Common Stock entitled to receive cash, securities, property or other assets in connection with such Fundamental Change or, if there is no such record date, prior to the date upon which the holders of Lomak Common Stock shall have the right to receive such cash, securities, property or other assets.

The term "Lomak Common Stock Fundamental Change" means any Fundamental Change in which more than 50% of the value (as determined in good faith by the Board of Directors of Lomak) of the consideration received by holders of Lomak Common Stock consists of common stock that, for the 10 Trading Days immediately prior to such Fundamental Change, has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on The Nasdaq National Market; provided, however, that a Fundamental Change shall not be a Lomak Common Stock Fundamental Change unless either (i) Lomak continues to exist after the occurrence of such Fundamental Change and the outstanding Convertible Preferred Securities continue to exist as outstanding Convertible Preferred Securities, or (ii) not later than the occurrence of such Fundamental Change, the outstanding Convertible Debentures are converted into or exchanged for debentures of a corporation succeeding to the business of Lomak, which debentures have terms substantially similar to those of the Convertible Debentures.

The term "Fundamental Change" means the occurrence of any transaction or event or series of transactions or events pursuant to which all or substantially all of the Lomak Common Stock shall be exchanged for, converted into, acquired for or shall constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided however, in the case of any such series of transactions or events, for purposes of adjustment of the conversion price, such Fundamental Change shall be deemed to have occurred when substantially all of the Lomak Common Stock shall have been exchanged for, converted into or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets, but the adjustment shall be based upon the consideration that the holders of Lomak Common Stock received in the transaction or event as a result of which more than 50% of the Lomak Common Stock shall have been exchanged for, converted into or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets.

The term "Non-Stock Fundamental Change" means any Fundamental Change other than a Lomak Common Stock Fundamental Change.

The term "Purchaser Stock Price" means, with respect to any Lomak Common Stock Fundamental Change, the average of the daily Closing Price for one share of the common stock received by holders of Lomak Common Stock (determined as provided in the Declaration) in such Lomak Common Stock Fundamental Change during the 10 Trading Days immediately prior to the date fixed for the determination of the holders of Lomak Common Stock entitled to receive such common stock or, if there is no such date, prior to the date upon which the holders of Lomak Common Stock shall have the right to receive such common stock.

The term "Reference Market Price" shall initially mean \$12.42 (which is an amount equal to 66 2/3% of the reported last sale price for Lomak Common Stock on the NYSE on October 16, 1997) and, in the event of any adjustment to the conversion price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the conversion price after giving effect to any such adjustment shall always be the same as the ratio of the initial Reference Market Price to the initial conversion price of \$23.50 per share.

## MANDATORY REDEMPTION

The Convertible Preferred Securities will be redeemed upon repayment of the Convertible Debentures at their maturity or to the extent that the Convertible Debentures are redeemed or repaid upon acceleration. The Convertible Debentures will mature on November 1, 2027, and may be redeemed, in whole or in part, at any time on or after November 4, 2000, or at any time in certain circumstances upon the occurrence of a Special Event (as defined below). Upon the repayment of the Convertible Debentures, whether at maturity or upon redemption, the proceeds from such repayment or payment shall simultaneously be applied to redeem pro rata Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Convertible Debentures so repaid or redeemed. If such redemption is made because of an optional redemption of the Convertible Debentures, the redemption of the Convertible Preferred Securities shall be at the appropriate Redemption Price (expressed as percentages of the principal amount of the Convertible Debentures) set forth below, together with accrued and unpaid interest on the Convertible Debentures to, but excluding, the redemption date, if redeemed during the 12-month period beginning November 1 of the applicable year; provided, that holders of Trust Securities shall be given not less than 30 nor more than 60 days notice of such redemption. See "Description of the Convertible Debentures--Redemption at the Option of Lomak." In the event that fewer than all of the outstanding Convertible Preferred Securities are to be redeemed, the Convertible Preferred Securities will be redeemed pro rata as described under "--Form, Denomination and Registration" below.

YEAR ----	REDEMPTION PRICE -----
2000	104.025%
2001	103.450
2002	102.875
2003	102.300
2004	101.725
2005	101.150
2006	100.575
2007 and thereafter	100.000

If Convertible Preferred Securities are redeemed on any distribution payment date, accumulated and unpaid distributions shall be payable to holders of record on the relevant record date.

Lomak shall also have the right to redeem, in whole but not in part, the Convertible Debentures at any time in certain circumstances upon the occurrence of a Special Event as described under "Description of the Convertible Debentures--Special Event Redemption" at the Make-Whole Amount referred to in such section together with accrued and unpaid interest (including compound interest) to the redemption date.

## REDEMPTION PROCEDURES FOR REDEMPTION BY THE TRUST

The Trust may not redeem fewer than all of the outstanding Convertible Preferred Securities unless all accrued and unpaid distributions have been paid on all Convertible Preferred Securities for all quarterly distribution periods terminating on or prior to the date of redemption.

The Trust shall not be required to (i) in the event of any redemption in part, issue, register the transfer of or exchange any Convertible Preferred Securities during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Convertible Preferred Securities and ending at the close of business on the earliest date in which such notice of redemption is deemed to have been given to all holders of Convertible Preferred Securities to be so redeemed or (ii) register the transfer of or exchange any Convertible Preferred Securities so selected for redemption, in whole or in part, except for the unredeemed portion of any Convertible Preferred Securities being redeemed in part.

If the Trust gives a notice of redemption in respect of Convertible Preferred Securities (which notice will be irrevocable), then, by 12:00 noon, New York City time, on the redemption date, provided that Lomak has paid to the Institutional Trustee a sufficient amount of cash in connection with the related redemption of the Convertible Debentures, the Trust will irrevocably deposit with the depository for the Global Securities (the "Depository") funds sufficient to pay the amount payable on redemption of all book-entry certificates and will give the Depository irrevocable instructions and authority to pay such amount in respect of Convertible Preferred Securities represented by the Global Certificates (as defined herein) and will irrevocably deposit with the paying agent for the Convertible Preferred Securities funds sufficient to pay such amount in respect

of any certificated Convertible Preferred Securities and will give such paying agent irrevocable instructions and authority to pay such amount to the holders of certificated Convertible Preferred Securities upon surrender of their certificates. If notice of redemption shall have been given and funds deposited as required, then, immediately prior to the close of business on the redemption date, distributions will cease to accrue and all rights of holders of such Convertible Preferred Securities so called for redemption will cease, except the right of the holders of such Convertible Preferred Securities to receive the Redemption Price plus accrued and unpaid distributions on the Convertible Preferred Securities to be redeemed, but without interest on such Redemption Price. In the event that any date fixed for redemption of Convertible Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Convertible Preferred Securities is improperly withheld or refused and not paid either by the Trust, or by Lomak pursuant to the Guarantee, distributions on such Convertible Preferred Securities will continue to accrue at the then applicable rate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

In the event that fewer than all of the outstanding Convertible Preferred Securities are to be redeemed, the Convertible Preferred Securities will be redeemed pro rata.

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), Lomak or its subsidiaries may at any time, and from time to time, purchase outstanding Convertible Preferred Securities by tender, in the open market or by private agreement.

#### LIQUIDATION DISTRIBUTION UPON DISSOLUTION

The Company, as the holder of the Common Securities, has the right at any time to dissolve the Trust and, after satisfaction of the liabilities of creditors of the Trust as provided by applicable law, cause the Convertible Debentures to be distributed to the holders of the Convertible Preferred Securities and Common Securities in liquidation of the Trust, subject to the Institutional Trustee having received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of Convertible Preferred Securities for United States federal income tax purposes; provided, however, that no such tax opinion will be required if a Special Event shall have occurred.

In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each a "Liquidation"), the then holders of the Convertible Preferred Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, distributions in an amount equal to the aggregate of the stated liquidation amount of \$50 per Convertible Preferred Security plus accrued and unpaid distributions thereon to the date of payment (the "Liquidation Distribution"), unless, in connection with such Liquidation, Convertible Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, the Convertible Preferred Securities have been distributed on a pro rata basis to the holders of the Convertible Preferred Securities.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Convertible Preferred Securities shall be paid on a pro rata basis. The holders of the Common Securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the Convertible Preferred Securities, except that if a Declaration Event of Default has occurred and is continuing, the Convertible Preferred Securities shall have a preference over the Common Securities with regard to such distributions.

Pursuant to the Declaration, the Trust shall dissolve (i) on November 1, 2032, the expiration of the term of the Trust, (ii) upon the bankruptcy of Lomak or the holder of the Common Securities, (iii) upon the filing of a certificate of dissolution or its equivalent with respect to the holder of the Common Securities or Lomak, the filing of a certificate of cancellation with respect to the Trust after obtaining the consent of the holders of at least a majority in liquidation amount of the Trust Securities affected thereby voting together as a single class to file such certificate of cancellation, or the revocation of the charter of the holder of the Common Securities or Lomak and the expiration of 90 days after the date of revocation without a reinstatement thereof, (iv) upon the distribution of Convertible Debentures upon the election by the Company to dissolve the Trust, (v) upon

the entry of a decree of a judicial dissolution of the holder of the Common Securities, Lomak or the Trust, (vi) upon the redemption of all the Trust Securities or (vii) upon the distribution of Lomak Common Stock to all holders of Convertible Preferred Securities upon conversion of all outstanding Convertible Preferred Securities.

There can be no assurance as to the market price for the Convertible Debentures which may be distributed in exchange for Convertible Preferred Securities if a dissolution and liquidation of the Trust were to occur. Accordingly, the Convertible Debentures that the investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Convertible Preferred Securities exchanged.

#### DECLARATION EVENTS OF DEFAULT

An event of default under the Indenture (an "Indenture Event of Default") constitutes an event of default under the Declaration with respect to the Trust Securities (a "Declaration Event of Default"); provided, that pursuant to the Declaration, the holder of the Common Securities will be deemed to have waived any Declaration Event of Default with respect to the Common Securities until all Declaration Events of Default with respect to the Convertible Preferred Securities have been cured, waived or otherwise eliminated. Until such Declaration Events of Default with respect to the Convertible Preferred Securities have been so cured, waived, or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the holders of the Convertible Preferred Securities and only the holders of the Convertible Preferred Securities will have the right to direct the Institutional Trustee with respect to certain matters under the Declaration, and therefore the Indenture.

If the Institutional Trustee fails to enforce its rights under the Convertible Debentures any holder of Convertible Preferred Securities may, to the fullest extent permitted by law, institute a legal proceeding against Lomak to enforce the Institutional Trustee's rights under the Convertible Debentures. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of Lomak to pay interest or principal on the Convertible Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, the redemption date), then a holder of Convertible Preferred Securities may institute a Direct Action for payment on or after the respective due date specified in the Convertible Debentures. In connection with such Direct Action, Lomak will be subrogated to the rights of such holders of Convertible Preferred Securities under the Declaration to the extent of any payment made by Lomak to such holder of Convertible Preferred Securities in such Direct Action. The holders of Convertible Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Convertible Debentures.

Upon the occurrence of a Declaration Event of Default, the Institutional Trustee as the sole holder of the Convertible Debentures will have the right under the Indenture to declare the principal of and interest on the Convertible Debentures to be immediately due and payable. Lomak and the Trust are each required to file annually with the Institutional Trustee an officer's certificate as to its compliance with all conditions and covenants under the Declaration.

#### VOTING RIGHTS

Except as described herein, under the Trust Act and under the Trust Indenture Act, and as otherwise required by law and the Declaration, the holders of the Convertible Preferred Securities have no voting rights.

Subject to the requirement of the Institutional Trustee obtaining a tax opinion in certain circumstances set forth in the last sentence of the next paragraph, the holders of a majority in aggregate liquidation amount of the Convertible Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee, or direct the exercise of any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Convertible Debentures, to (i) exercise the remedies available under the Indenture with respect to the Convertible Debentures, (ii) waive any past Indenture Event of Default that is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Convertible Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Convertible Debentures where such consent shall be required; provided, however, that if an Indenture Event of Default has occurred and is continuing then, the holders of 25% of the aggregate liquidation amount of the Convertible Preferred Securities may direct the Institutional Trustee to declare the principal of and interest on the Convertible Debentures immediately due and payable; provided, further, that, where a consent or action under the Indenture would require the consent or action of holders of more than a majority in principal amount of the Convertible Debentures then outstanding (a "Super-Majority") affected thereby,



only the holders of at least such Super-Majority in aggregate liquidation amount of the Convertible Preferred Securities may direct the Institutional Trustee to give such consent or take such action.

The Institutional Trustee shall notify all holders of the Convertible Preferred Securities of any notice of default received from the Debt Trustee with respect to the Convertible Debentures. Such notice shall state that such Indenture Event of Default also constitutes a Declaration Event of Default. Except with respect to directing the time, method and place of conducting a proceeding for a remedy, the Institutional Trustee shall not take any of the actions described in clauses (i), (ii) or (iii) above unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that, as a result of such action, the Trust will not be classified as other than a grantor trust for United States federal income tax purposes.

In the event the consent of the Institutional Trustee, as the holder of the Convertible Debentures, is required under the Indenture with respect to any amendment, modification or termination of the Indenture, the Institutional Trustee shall request the direction of the holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of a Super-Majority, the Institutional Trustee may only give such consent at the direction of the holders of at least the proportion in liquidation amount of the Trust Securities which the relevant Super-Majority represents of the aggregate principal amount of the Convertible Debentures outstanding. The Institutional Trustee shall be under no obligation to take any such action in accordance with the directions of the holders of the Trust Securities unless the Institutional Trustee has obtained an opinion of independent tax counsel experienced in such matters to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust.

A waiver of an Indenture Event of Default will constitute a waiver of the corresponding Declaration Event of Default.

Any required approval or direction of holders of Convertible Preferred Securities may be given at a separate meeting of holders of Convertible Preferred Securities convened for such purpose, at a meeting of all of the holders of Trust Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which holders of Convertible Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Convertible Preferred Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of Convertible Preferred Securities will be required for the Trust to redeem and cancel Convertible Preferred Securities or distribute Convertible Debentures in accordance with the Declaration.

Notwithstanding that holders of Convertible Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Convertible Preferred Securities that are owned at such time by Lomak or any entity directly controlling or controlled by, or under direct or indirect common control with, Lomak, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Convertible Preferred Securities were not outstanding.

The procedures by which holders of Convertible Preferred Securities may exercise their voting rights are described below. See "--Form, Denomination and Registration."

Holders of the Convertible Preferred Securities have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by Lomak as the indirect or direct holder of all of the Common Securities.

#### MODIFICATION OF THE DECLARATION

The Declaration may be modified and amended if approved by the Regular Trustees (and in certain circumstances the Institutional Trustee), provided that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Declaration or otherwise or (ii) the dissolution, winding-up or termination of the Trust other than pursuant to the terms of the Declaration, then the holders of the Trust Securities voting together as a single class will be entitled to vote on

such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a majority in liquidation amount of the Trust Securities affected thereby; provided that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Convertible Preferred Securities or the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority in liquidation amount of such class of Trust Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Declaration if such amendment or modification would (i) cause the Trust to be classified for purposes of United States federal income taxation as other than a grantor trust, (ii) reduce or otherwise adversely affect the powers of the Institutional Trustee or (iii) cause the Trust to be deemed an "investment company" that is required to be registered under the 1940 Act.

#### EXPENSES AND TAXES

In the Indenture, Lomak agreed to pay all debts and obligations (other than with respect to the Convertible Preferred Securities) and all costs and expenses of the Trust (including, but not limited to, all costs and expenses relating to the organization of the Trust, the fees and expenses of the Trustees and all costs and expenses relating to the operation of the Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than United States withholding taxes) imposed on the Trust by the United States, or any other taxing authority, so that the net amounts received and retained by the Trust and the Institutional Trustee after paying such expenses will be equal to the amounts the Trust and the Institutional Trustee would have received had no such costs or expenses been incurred by or imposed on the Trust. The foregoing obligations of Lomak are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations of Lomak directly against Lomak, and Lomak will irrevocably waive any right or remedy to require that any such Creditor take any action against the Trust or any other person before proceeding against Lomak.

#### MERGERS, CONSOLIDATIONS OR AMALGAMATION

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below or as described in "Liquidation Distribution Upon Dissolution." The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Institutional Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by a Trust organized as such under the laws of any state of the United States; provided, that (i) such successor entity either (x) expressly assumes all of the obligations of the Trust under the Trust Securities or (y) substitutes for the Convertible Preferred Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities"), so long as the Successor Securities rank the same as the Convertible Preferred Securities rank with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) Lomak expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Institutional Trustee as the holder of the Convertible Debentures, (iii) such merger, consolidation, amalgamation or replacement does not cause the Convertible Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (iv) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the holders' interest in the new entity), (v) such successor entity has a purpose substantially identical to that of the Trust, (vi) prior to such merger, consolidation, amalgamation or replacement, Lomak has received an opinion of independent counsel to the Trust experienced in such matters to the effect that: (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the holders' interest in the new entity), (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act and (C) following such merger, consolidation, amalgamation or replacement, the Trust (or such successor entity) will continue to be classified as a grantor trust for United States federal income tax purposes and (vii) Lomak guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee and the Common Securities Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate,

amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for United States federal income tax purposes.

#### REGISTRATION RIGHTS

Lomak and the Trust (together, the "Registrants") entered into a registration rights agreement with the Initial Purchasers (the "Registration Rights Agreement") pursuant to which the Registrants, at Lomak's expense, would, for the benefit of the holders, (i) file with the Commission the Shelf Registration Statement covering resale of the Registrable Securities within 90 days after the latest date of original issuance of the Convertible Preferred Securities, (ii) use their best efforts to cause the Shelf Registration Statement to become effective as promptly as practicable and (iii) use their best efforts to keep the Shelf Registration Statement effective until the earlier of (a) the sale pursuant to the Shelf Registration Statement or Rule 144 under the Securities Act of all the Registrable Securities and (b) the expiration of the holding period applicable to sales of Registrable Securities under Rule 144(k) under the Securities Act, or any successor provision. The Registrants will be permitted to suspend the use of the prospectus which is a part of the Shelf Registration Statement for a period not to exceed 30 days in any three month period or two periods not to exceed an aggregate of 60 days in any 12-month period under certain circumstances relating to pending corporate developments, public filings with the Commission and similar events. The Registrants have agreed to pay a liquidated damages amount to holders of Registrable Securities who have requested to sell pursuant to the Shelf Registration Statement if the Shelf Registration Statement is not timely filed or if the prospectus is unavailable for periods in excess of those permitted above until such time as the Shelf Registration Statement is filed or the prospectus is again made available, as the case may be. The Company has further agreed, if such failure to file or unavailability continues for an additional thirty-day period, to pay liquidated damages ("Liquidated Damages") to all holders of Registrable Securities, whether or not any such holder has requested to sell pursuant to the Shelf Registration Statement, until such time as the Shelf Registration Statement is filed or the prospectus is again made available, as the case may be. A holder who wishes to sell Registrable Securities pursuant to the Shelf Registration Statement will be required to provide certain advance notification of such proposed sales to the Company, and generally will be required to be named as a selling stockholder in the related prospectus, deliver a prospectus to purchasers and be bound by those provisions of the Registration Rights Agreement that are applicable to such holder (including indemnification provisions).

Lomak agreed in the Registration Rights Agreement to use its best efforts to cause the Lomak Common Stock issuable upon conversion of the Convertible Securities to be listed on the NYSE (or such other national securities exchange on which the Lomak Common Stock may be listed at such time) upon effectiveness of the Shelf Registration Statement.

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which is available upon request to Lomak or the Initial Purchasers.

#### FORM, DENOMINATION AND REGISTRATION

Convertible Preferred Securities were issued in fully registered form, without coupons.

Holders of Convertible Preferred Securities registered hereunder may take physical delivery of the securities in definitive form or the securities may be evidenced by a global Convertible Preferred Security (the "Global Security"), which will be deposited with, or on behalf of, The Depository Trust Company, New York, New York ("DTC") and registered in the name of Cede & Co. ("Cede"), as DTC's nominee.

Distributions on the Global Security will be made to Cede, the nominee for DTC, as the registered owner of the Global Security by wire transfer of immediately available funds. None of Lomak, the Trust or any Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on accounts of beneficial ownership interests in the Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC's practice is to credit Participants' accounts on the relevant payment date with payments in amounts proportionate to their respective beneficial interests in the Convertible Preferred Securities represented by the Global Security as shown on the records of DTC (adjusted as necessary so that such payments are made with respect to whole Convertible Preferred Securities only), unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants

to owners of beneficial interests in Convertible Preferred Securities represented by the Global Security held through such Participants will be the responsibility of such Participants, as is now the case with securities held for the accounts of customers registered in "street name."

Beneficial holders of Convertible Preferred Securities who desire to convert them into Underlying Lomak Common Stock should contact their brokers or other Participants or Indirect Participants to obtain information on procedures, including proper forms and cut-off times, for submitting such request. Because DTC can only act on behalf of Participants, who in turn act on behalf of Indirect Participants, the ability of a person having a beneficial interest in the Convertible Preferred Securities represented by the Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

None of Lomak, the Trust or any Trustee (or any registrar, paying agent or conversion agent) will have any responsibility for the performance by DTC or its Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations. DTC has advised Lomak and the Trust that it will take any action permitted to be taken by a holder of Convertible Preferred Securities (including, without limitation, the presentation of Convertible Preferred Securities for conversion) only at the direction of one or more Participants to whose account with DTC interests in the Global Security are credited.

DTC has advised Lomak and the Trust as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes to accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations such as the Initial Purchasers. Certain of such Participants (or their representatives), together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with a Participant, either directly or indirectly.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the Global Security.

Conveyance of notices and other communications by DTC to Participants, by Participants to Indirect Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements that may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the Convertible Preferred Securities are being redeemed, DTC will reduce the amount of the interest of each Participant in such Convertible Preferred Securities in accordance with its procedures.

Although voting with respect to the Convertible Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede will itself consent or vote with respect to Convertible Preferred Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede consenting or voting rights to those Participants to whose accounts the Convertible Preferred Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy). Lomak and the Trust believe that the arrangements among DTC, the Participants and Indirect Participants, and beneficial owners will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a holder of a beneficial interest in the Trust.

DTC may discontinue providing its services as securities depository with respect to the Convertible Preferred Securities at any time by giving reasonable notice to the Trust. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Convertible Preferred Securities are required to be printed and delivered. Additionally, the Regular Trustees (with the consent of Lomak) may decide to discontinue use of the system of book-entry transfers through DTC (or any successor depository) with respect to the Convertible Preferred Securities. In that event, certificates for the Convertible Preferred Securities will be printed and delivered.

Holder of Convertible Preferred Securities evidenced by the Global Security may request that any beneficial interest in the Convertible Preferred Securities may be exchanged for certificated securities in definitive form pursuant to the requirements

of DTC for such an exchange. Holders may request that any certificated Convertible Preferred Securities they hold in definitive registered form be exchanged for interests in the applicable Global Security. Certificated Convertible Preferred Securities may be issued in exchange for Convertible Preferred Securities represented by a Global Security if a depository is unwilling or unable to continue as a depository for the Global Security as set forth above.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Lomak and the Trust believe to be reliable, but neither Lomak nor the Trust takes responsibility for the accuracy thereof.

#### INFORMATION CONCERNING THE INSTITUTIONAL TRUSTEE

The Institutional Trustee, prior to the occurrence of a default with respect to the Trust Securities and after the curing of any defaults that may have occurred, undertakes to perform only such duties as are specifically set forth in the Declaration and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Institutional Trustee is under no obligation to exercise any of the powers vested in it by the Declaration at the request of any holder of Convertible Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of Convertible Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their voting rights, direct the Institutional Trustee to take any action it is empowered to take under the Declaration following a Declaration Event of Default. The Institutional Trustee also serves as Guarantee Trustee under the Guarantee and as Debt Trustee under the Indenture.

Conversion Agent, Paying Agent, Registrar and Transfer Agent. The Institutional Trustee acts as Registrar, Transfer Agent, Conversion Agent and Paying Agent for the Convertible Preferred Securities.

Registration of transfers of Convertible Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust or Lomak may require) in respect of any tax or other government charges that may be imposed in relation to it.

The Trust is not be required to register or cause to be registered the transfer of Convertible Preferred Securities after such Convertible Preferred Securities have been called for redemption.

#### GOVERNING LAW

The Declaration and the Convertible Preferred Securities are governed by, and construed in accordance with, the internal laws of the State of Delaware.

#### MISCELLANEOUS

The Regular Trustees are authorized and directed to operate the Trust in such a way so that the Trust will not be required to register as an "investment company" under the 1940 Act or characterized as other than a grantor trust for United States federal income tax purposes. Lomak is authorized and directed to conduct its affairs so that the Convertible Debentures will be treated as indebtedness of Lomak for United States federal income tax purposes. In this connection, Lomak and the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the Trust or the certificate of incorporation of Lomak, that each of Lomak and the Regular Trustees determine in their discretion to be necessary or desirable to achieve such end, as long as such action does not adversely affect the interests of the holders of the Convertible Preferred Securities or vary the terms thereof.

Holders of the Convertible Preferred Securities have no preemptive or similar rights.

#### DESCRIPTION OF THE GUARANTEE

Set forth below is a summary of information concerning the Guarantee which was be executed and delivered by Lomak for the benefit of the holders from time to time of Convertible Preferred Securities. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantee. The Guarantee incorporates by reference the terms of the Trust Indenture Act, and is qualified under the Trust Indenture Act. The

Bank of New York, as the Guarantee Trustee, holds the Guarantee for the benefit of the holders of the Convertible Preferred Securities.

#### GENERAL

Pursuant to and to the extent set forth in the Guarantee, Lomak has agreed to pay in full to the holders of the Convertible Preferred Securities (except to the extent paid by the Trust), as and when due, regardless of any defense, right of set off or counterclaim which the Trust may have or assert, the following payments (the "Guarantee Payments"), without duplication: (i) any accrued and unpaid distributions or Liquidated Damages that are required to be paid on the Convertible Preferred Securities to the extent the Trust has funds available therefor, (ii) the Redemption Price plus accrued and unpaid distributions, with respect to any Convertible Preferred Securities called for redemption by the Trust, to the extent the Trust has funds available therefor and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Convertible Debentures to the holders of Convertible Preferred Securities or the redemption of all the Convertible Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Convertible Preferred Securities to the date of payment to the extent the Trust has funds available therefor and (b) the amount of assets of the Trust remaining available for distribution to holders of Convertible Preferred Securities upon the liquidation of the Trust. The holders of a majority in liquidation amount of the Convertible Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Guarantee. If the Guarantee Trustee fails to enforce the Guarantee, any holder of Convertible Preferred Securities may directly institute a legal proceeding against Lomak to enforce the obligations of the Guarantor under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity. If Lomak were to default on its obligation to pay amounts payable on the Convertible Debentures, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Convertible Preferred Securities or otherwise, and in such event holders of the Convertible Preferred Securities would not be able to rely upon the Guarantee for payment of such amounts. Instead, a holder of the Convertible Preferred Securities would be required to rely on the enforcement (1) by the Institutional Trustee of its rights, as registered holder of the Convertible Debentures, against Lomak pursuant to the terms of the Convertible Debentures or (2) by such holder of Convertible Preferred Securities of its right against Lomak to enforce payments on Convertible Debentures. See "Description of the Convertible Debentures." The Declaration provides that each holder of Convertible Preferred Securities, by acceptance thereof, agrees to the provisions of the Guarantee, including the subordination provisions thereof, and the Indenture.

The Guarantee is a guarantee on a subordinated basis with respect to the Convertible Preferred Securities from the time of issuance of such Convertible Preferred Securities but does not apply to any payment of distributions or Redemption Price, or to payments upon the dissolution, winding-up or termination of the Trust, except to the extent the Trust shall have funds available therefor. If Lomak does not make interest payments on the Convertible Debentures, the Trust will not pay distributions on the Convertible Preferred Securities and will not have funds available therefor. See "Risk Factors--Limitations of the Guarantee" and "Description of the Convertible Debentures." The Guarantee, when taken together with Lomak's obligations under the Convertible Debentures, the Indenture and the Declaration, including its obligations to pay costs, expenses, debts and liabilities of the Trust (other than with respect to the Trust Securities) will provide a full and unconditional guarantee on a subordinated basis by Lomak of payments due on the Convertible Preferred Securities.

Lomak also agreed separately to irrevocably and unconditionally guarantee the obligations of the Trust with respect to the Common Securities (the "Common Securities Guarantee") to the same extent as the Guarantee, except that upon the occurrence and during the continuation of a Declaration Event of Default, holders of Convertible Preferred Securities shall have priority over holders of Common Securities with respect to Guarantee Payments.

#### CERTAIN COVENANTS OF LOMAK

In the Guarantee, Lomak has covenanted that, so long as any Convertible Preferred Securities remain outstanding, if (i) the Company has exercised its option to defer interest payments on the Convertible Debentures by extending the interest payment period and such extension shall be continuing, (ii) the Company shall be in default with respect to its payment or other obligations under the Guarantee or (iii) there shall have occurred and be continuing a Declaration Event of Default, then the Company (a) shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Lomak Common

Stock in connection with the satisfaction by Lomak of its obligations under any employee benefit plans, (ii) as a result of a reclassification of Lomak's capital stock or the exchange or conversion of one class or series of Lomak's capital stock for another class or series of Lomak's capital stock, (iii) the purchase of fractional interests in shares of Lomak's capital stock pursuant to the conversion or exchange provisions of such capital stock of Lomak or the security being converted or exchanged for capital stock of Lomak, (iv) dividends or distributions in Lomak Common Stock or (v) any declaration of a dividend in connection with the implementation or extension of a stockholders' rights plan, or the issuance of stock under any such plan (including the existing such plan) in the future or the redemption or repurchase of any such rights pursuant thereto) or make any guarantee payments with respect to the foregoing and (b) shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees) of the Company that rank pari passu with or junior to the Convertible Debentures.

#### AMENDMENTS AND ASSIGNMENT

Except with respect to any changes that do not materially adversely affect the rights of holders of Convertible Preferred Securities (in which case no vote will be required), the Guarantee may be amended only with the prior approval of the holders of at least a majority in liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid distributions to the date upon which the voting percentage is determined) of all the outstanding Convertible Preferred Securities. The manner of obtaining any such approval of holders of the Convertible Preferred Securities will be as set forth under "Description of the Convertible Preferred Securities--Voting Rights." All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of Lomak and shall inure to the benefit of the holders of the Convertible Preferred Securities then outstanding. Except in connection with any permitted merger or consolidation of Lomak with or into another entity or any permitted sale, transfer or lease of Lomak's assets to another entity as described under "Description of the Convertible Debentures--Certain Covenants," the Company may not assign its rights or delegate its obligations under the Guarantee without the prior approval of the holders of at least a majority of the aggregate stated liquidation amount of the Convertible Preferred Securities then outstanding.

#### TERMINATION OF THE GUARANTEE

The Guarantee will terminate as to each holder of Convertible Preferred Securities upon (i) full payment of the Redemption Price and accrued and unpaid distributions with respect to all Convertible Preferred Securities, (ii) upon distribution of the Convertible Debentures held by the Trust to the holders of the Convertible Preferred Securities, (iii) upon liquidation by the Trust or (iv) upon the distribution of Lomak Common Stock to such holder in respect of the conversion of such holder's Convertible Preferred Securities into Lomak Common Stock and will terminate completely upon full payment of the amounts payable in accordance with the Declaration. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder must restore payment of any sums paid under the Convertible Preferred Securities or the Guarantee.

#### EVENTS OF DEFAULT

An event of default under the Guarantee will occur upon (a) the failure of Lomak to perform any of its payment or other obligations thereunder or (b) if applicable, the failure by Lomak to deliver Lomak Common Stock upon an appropriate election by the holder or holders of Convertible Preferred Securities to convert the Convertible Preferred Securities into shares of the Lomak Common Stock.

The holders of a majority in liquidation amount of Convertible Preferred Securities relating to the Guarantee have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Convertible Preferred Securities. If the Guarantee Trustee fails to enforce the Guarantee, any holder of Convertible Preferred Securities relating to such Guarantee may institute a legal proceeding directly against Lomak to enforce the Guarantee Trustee's rights under the Guarantee, without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity. Notwithstanding the foregoing, if Lomak has failed to make a guarantee payment, a holder of Convertible Preferred Securities may directly institute a proceeding against Lomak for enforcement of the Guarantee for such payment. Lomak waives any right or remedy to require that any action be brought first against the Trust or any other person or entity before proceeding directly against Lomak.

## STATUS OF THE GUARANTEE

The Guarantee constitutes an unsecured obligation of Lomak and ranks (i) subordinate and junior in right of payment to all other liabilities of Lomak, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by Lomak and with any guarantee now or hereafter entered into by Lomak in respect of any preferred or preference stock of any affiliate of Lomak, and (iii) senior to Lomak Common Stock. The terms of the Convertible Preferred Securities provide that each holder of Convertible Preferred Securities issued by the Trust by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee relating thereto.

The Guarantee constitutes a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without instituting a legal proceeding against any other person or entity).

## INFORMATION CONCERNING THE GUARANTEE TRUSTEE

The Guarantee Trustee, prior to the occurrence of a default with respect to the Guarantee, undertakes to perform only such duties as are specifically set forth in the Guarantee and, after default with respect to the Guarantee, shall exercise the same degree of care as a prudent man would exercise in the conduct of his own affairs. Subject to such provision, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by the Guarantee at the request of any holder of Convertible Preferred Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby.

## GOVERNING LAW

The Guarantee is governed by, and construed in accordance with, the laws of the State of New York.

## DESCRIPTION OF THE CONVERTIBLE DEBENTURES

Set forth below is a description of the specific terms of the Convertible Debentures in which the Trust invested the proceeds from the issuance and sale of the Trust Securities. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to the Indenture, dated as of October 22, 1997, as supplemented by the First Supplemental Indenture dated as of October 22, 1997 (the "Indenture"), between Lomak and The Bank of New York, as Trustee (the "Debt Trustee"), a copy of which may be obtained from Lomak upon request. Certain capitalized terms used herein are defined in the Indenture. The Indenture will be qualified under the Trust Indenture Act.

Under certain circumstances involving the dissolution of the Trust, the Convertible Debentures may be distributed to the holders of the Convertible Preferred Securities in liquidation of the Trust. See "Description of the Convertible Preferred Securities--Liquidation Distribution Upon Dissolution."

## GENERAL

The Convertible Debentures were issued as unsecured debt under the Indenture. The Convertible Debentures are limited in aggregate principal amount to approximately \$123.7 million, such amount being the sum of the aggregate stated liquidation of the Convertible Preferred Securities and the capital contributed by Lomak in exchange for the Common Securities (the "Lomak Payment").

The Convertible Debentures are not subject to a sinking fund provision. The entire principal amount of the Convertible Debentures will mature and become due and payable, together with any accrued and unpaid interest thereon including compound interest, if any, on November 1, 2027.

If Convertible Debentures are distributed to holders of Convertible Preferred Securities in liquidation of such holders' interests in the Trust, such Convertible Debentures will initially be issued in the same form as the Convertible Preferred Securities that such Convertible Debentures replace. Under certain limited circumstances, Convertible Debentures may be issued in certificated form in exchange for a Global Security. See "Book-Entry and Settlement" below. In the event that Convertible



Debentures are issued in certificated form, such Convertible Debentures will be in denominations of \$50 and integral multiples thereof and may be transferred or exchanged at the offices described below. Payments on Convertible Debentures issued as a Global Security will be made to DTC, a successor depository or, in the event that no depository is used, to a Paying Agent for the Convertible Debentures. With respect to Convertible Debentures issued in certificated form, principal and interest will be payable, the transfer of the Convertible Debentures will be registrable and Convertible Debentures will be exchangeable for Convertible Debentures of other denominations of a like aggregate principal amount at the corporate trust office of the Debt Trustee at 101 Barclay Street, 21st Floor, New York, New York 10286; provided that payment of interest may be made at the option of Lomak by check mailed to the address of the holder entitled thereto or by wire transfer to an account appropriately designated by the holder entitled thereto. Notwithstanding the foregoing, so long as the holder of any Convertible Debenture is the Institutional Trustee, the payment of principal and interest on such Convertible Debenture will be made at such place and to such account as may be designated by the Institutional Trustee.

The Indenture does not contain provisions that afford holders of the Convertible Debentures protection in the event of a highly leveraged transaction involving Lomak that would adversely affect such holders.

#### INTEREST

Each Convertible Debenture shall bear interest at the rate of 5 3/4% per annum from the first date of original issuance, payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year (each an "Interest Payment Date"), commencing February 1, 1998 to the person in whose name such Convertible Debenture is registered, subject to certain exceptions, 15 days prior to such Interest Payment Date.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly period for which interest is computed will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on the Convertible Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

#### OPTION TO EXTEND INTEREST PAYMENT PERIOD

So long as Lomak shall not be in default in the payment of interest on the Convertible Debentures, Lomak shall have the right at any time, and from time to time, during the term of the Convertible Debentures to defer payments of interest by extending the interest payment period for a period not exceeding 20 consecutive quarters, at the end of which Extension Period, Lomak shall pay all interest then accrued and unpaid together with interest thereon compounded quarterly at the rate specified for the Convertible Debentures to the extent permitted by applicable law ("Compound Interest"); provided that during any such Extension Period, (a) Lomak shall not declare or pay dividends on, make any distribution with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock (other than (i) purchases or acquisitions of shares of Lomak Common Stock in connection with the satisfaction by Lomak of its obligations under any employee benefit plans, (ii) as a result of a reclassification of Lomak capital stock or the exchange or conversion of one class or series of Lomak's capital stock for another class or series of Lomak capital stock, (iii) the purchase of fractional interests in shares of Lomak's capital stock pursuant to the conversion or exchange provisions of such Lomak capital stock or the security being converted or exchanged for Lomak capital stock, (iv) dividends or distributions in Lomak Common Stock or (v) any declaration of a dividend in connection with the implementation or extension of a stockholders' rights plan, or the issuance of stock under any such plan (including the existing such plan) in the future, or the redemption or repurchase of any such rights pursuant thereto), (b) Lomak shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by Lomak that rank pari passu with or junior to the Convertible Debentures and (c) Lomak shall not make any guarantee payments with respect to the foregoing (other than pursuant to the Guarantee). Prior to the termination of any such Extension Period, Lomak may further defer payments of interest by extending the interest payment period; provided, however, that, such Extension Period, including all such previous and further extensions, may not exceed 20 consecutive quarters or extend beyond the maturity of the Convertible Debentures. Upon the termination of any Extension Period and the payment of all amounts then due, Lomak may commence a new Extension Period, subject to the terms set forth in this section. No interest during an Extension Period, except at the end thereof, shall be due and payable. Lomak has no present intention of exercising its right to defer payments of interest by extending the interest payment period on the Convertible Debentures. If the Institutional Trustee shall be the sole holder of

the Convertible Debentures, Lomak shall give the Regular Trustees and the Institutional Trustee notice of its election of an Extension Period one Business Day prior to the earlier of (i) the date distributions on the Convertible Preferred Securities are payable or (ii) the date the Regular Trustees are required to give notice to any applicable self-regulatory organization or to holders of the Convertible Debentures of the record or payment date of such related interest payment.

#### SUBORDINATION

The Indenture provides that the Convertible Debentures are subordinated and junior in right of payment to all Senior Indebtedness of Lomak. No payment of principal (including redemption payments, if any), premium, if any, or interest on the Convertible Debentures may be made (i) if any Senior Indebtedness of Lomak is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist or (ii) if the maturity of any Senior Indebtedness of Lomak has been accelerated because of a default. Lomak also may not make any payment upon or in respect of the Convertible Debentures if a default in the payment of the principal of, premium, if any, interest or other obligations in respect of Senior Indebtedness occurs and is continuing beyond any applicable period of grace. Payments on the Convertible Debentures may and shall be resumed, in case of a payment default, upon the date on which such default is cured or waived.

Upon any distribution of assets of Lomak to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due on all Senior Indebtedness of Lomak must be paid in full before the holders of Convertible Debentures are entitled to receive or retain any payment. Upon satisfaction of all claims of all Senior Indebtedness then outstanding, the rights of the holders of the Convertible Debentures will be subrogated to the rights of the holders of Senior Indebtedness of Lomak to receive payments or distributions applicable to Senior Indebtedness until all amounts owing on the Convertible Debentures are paid in full.

The term "Senior Indebtedness" means, with respect to Lomak, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor, for money borrowed under any credit agreements, notes, guarantees or similar documents and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, including, without limitation, all indebtedness and all obligations of the obligor to pay fees and other amounts, under the Credit Agreement, and any refinancing of the Credit Agreement in the bank credit market (including institutional participants therein), including interest accruing on or after a bankruptcy or similar event, whether or not an allowed claim therein, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of such obligor (contingent or otherwise) for the reimbursement on any letter of credit, bankers' acceptance, security purchase facility or similar credit transaction, (v) all obligations of such obligor (contingent or otherwise) with respect to an interest rate or other swap, cap or collar agreements, oil or gas commodity hedge transactions or other similar instruments or agreements or foreign currency hedge, exchange, purchase or similar instruments or agreements, (vi) all obligations of the types referred to in clauses (i) through (v) above of other persons for the payment of which such obligor is responsible or liable as obligor, guarantor or otherwise and (vii) all obligations of the types referred to in clauses (i) through (vi) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), whether outstanding on the date of the Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by such obligor, except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Convertible Debentures and (2) any indebtedness between or among such obligor or its affiliates, including all other debt securities and guarantees in respect of those debt securities, issued to (a) the Trust or a trustee of such trust and (b) any other trust, or a trustee of such trust, partnership or other entity affiliated with Lomak that is a financing vehicle of Lomak (a "financing entity") in connection with the issuance by such financing entity of Convertible Preferred Securities or other securities that rank pari passu with, or junior to, the Convertible Preferred Securities. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions irrespective of any deferrals, renewals, extensions or refundings of, or amendments, modifications, supplements or waivers of any term of such Senior Indebtedness.

The Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by Lomak. Lomak's operations are conducted through its direct and indirect wholly-owned subsidiaries. At September 30, 1997, indebtedness of

these entities aggregated approximately \$396 million, which indebtedness is effectively senior to the Convertible Debentures, leaving approximately \$109 million of borrowing capacity available under the Credit Agreement.

#### CERTAIN COVENANTS

In the Indenture, Lomak has covenanted that, so long as any Convertible Debentures are outstanding, if (i) there shall have occurred and be continuing any event that would constitute an Event of Default, (ii) Lomak shall be in default with respect to its payment of any obligations under the Guarantee, or (iii) Lomak shall have given notice of its election to defer interest payments on the Convertible Debentures by extending the interest payment period and such period, or any extension thereof, shall be continuing, then Lomak (a) shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock other than (i) purchases or acquisitions of shares of Lomak Common Stock in connection with the satisfaction by the Company of its obligations under any employee benefit plans, (ii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, (iii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock of the Company or the security being converted or exchanged for Lomak capital stock, (iv) dividends or distributions in Lomak Common Stock or (v) any declaration of a dividend in connection with the implementation or extension of a stockholders' rights plan, or the issuance of stock under any such plan (including the existing such plan) in the future or the redemption or repurchase of any such rights pursuant thereto) or make any guarantee payments with respect to the foregoing, and (b) shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees), issued by Lomak that rank pari passu with or junior to the Convertible Debentures.

Lomak has covenanted, in the Indenture, that if and so long as the Trust is the holder of the Convertible Debentures, Lomak will pay all fees and expenses related to the Trust and the offering of the Convertible Preferred Securities and will pay, directly or indirectly, all ongoing costs, expenses and liabilities of the Trust (including any taxes duties, assessments or governmental charges of whatever nature (other than United States withholding taxes) imposed by the United States or any other domestic taxing authority upon the Trust, but excluding obligations under the Convertible Preferred Securities).

Lomak has covenanted (i) to directly or indirectly maintain 100% ownership of the Common Securities; provided, however, that any permitted successor of Lomak under the Indenture may succeed to Lomak's ownership of such Common Securities, (ii) to use its reasonable efforts to cause the Trust (x) to remain a statutory business trust, except in connection with the distribution of Convertible Debentures to the holders of Trust Securities in liquidation of the Trust, the redemption of all of the Trust Securities of the Trust, or certain mergers, consolidations or amalgamations, each as permitted by the Declaration, and (y) to continue to be classified as a grantor trust for United States federal income tax purpose and (iii) to use its reasonable efforts to cause each holder of Trust Securities to be treated as owning an undivided beneficial interest in the Convertible Debentures.

Lomak may not merge or consolidate or sell or convey all or substantially all of its assets unless the successor corporation (if other than Lomak) is a domestic corporation and assumes Lomak's obligations on the Convertible Debentures and under the Indenture, and unless after giving effect to such transaction Lomak or the successor corporation would not be in default under the Indenture.

## REDEMPTION AT THE OPTION OF LOMAK

Lomak shall have the right to redeem the Convertible Debentures, in whole or in part, from time to time, on or after November 4, 2000, upon not less than 30 nor more than 60 days notice, at the following prices (expressed as percentages of the principal amount of the Convertible Debentures) together with accrued and unpaid interest, including Compound Interest (as defined herein) to, but excluding, the redemption date, if redeemed during the 12-month period beginning November 1:

YEAR	REDEMPTION PRICE
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2000	104.025%
2001	103.450
2002	102.875
2003	102.300
2004	101.725
2005	101.150
2006	100.575
2007 and thereafter	100.000

If Convertible Debentures are redeemed on any February 1, May 1, August 1 or November 1, accrued and unpaid interest shall be payable to holders of record on the relevant record date.

Lomak shall also have the right to redeem, in whole but not in part, the Convertible Debentures at any time in certain circumstances upon the occurrence of a Special Event as described under "--Special Event Redemption" at 100% of the principal amount thereof together with accrued and unpaid interest (including compound interest) to the redemption date, plus a Make-Whole Amount (as defined herein).

So long as the corresponding Convertible Preferred Securities are outstanding, the proceeds from the redemption of the Convertible Debentures will be used by the Trust to redeem Convertible Preferred Securities.

## SPECIAL EVENT REDEMPTION

If a Tax Event or Investment Company Act Event (each, a "Special Event") shall occur and be continuing, the Company may, at its option, redeem the Convertible Debentures in whole (but not in part) at any time within 90 days of the occurrence of such Special Event, at a redemption price (the "Special Event Redemption Price") equal to the Make-Whole Amount (as defined below). The "Make-Whole Amount" shall be equal to the greater of (x) 100% of the principal amount of the Convertible Debentures or (y) the sum, as determined by the Reference Treasury Dealer, of the present values of the remaining scheduled payments of principal and interest on the Convertible Debentures discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus, in each case, accrued and unpaid interest thereon to the date of redemption.

"Tax Event" means that the Regular Trustees shall have received an opinion of independent tax counsel experienced in such matters to the effect that as a result of (a) any amendment to, clarification of, or change (including any announced proposed change) in the laws, or any regulations thereunder, of the United States or any political subdivision or taxing authority thereof or therein, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action"), or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement, proposed change or decision is announced, in each case, on or after October 16, 1997 there is the creation by such change in tax law of more than an insubstantial risk that (i) the Trust is or will be, within 90 days of such opinion, subject to United States federal income tax with respect to income accrued or received on the Convertible Debentures, (ii) the Trust is, or will be, within 90 days of such opinion, subject to more than a de minimis amount of taxes, duties or other governmental charges, or (iii) interest paid in cash by Lomak to the Trust on the Convertible Debentures is not, or will not be, within 90 days of such opinion, deductible, in whole or in part, by Lomak for United States federal income tax purposes. Notwithstanding the foregoing, a Tax Event shall not include any change in tax law that requires Lomak for United States federal income tax purposes to defer taking a deduction for any original issue discount

("OID") that accrues with respect to the Convertible Debentures until the interest payment related to such OID is paid by the Company in cash; provided, that such change in tax law does not create more than an insubstantial risk that Lomak will be prevented from taking a deduction for OID accruing with respect to the Convertible Debentures at a date that is no later than the date the interest payment related to such OID is actually paid by Lomak in cash.

"Investment Company Event" means that the Regular Trustees shall have received an opinion of independent counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority on or after the date of this Offering Memorandum (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended (the "1940 Act").

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to (i) 1.00% plus (ii) (A) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity date corresponding to the maturity date of the Convertible Debentures (if no maturity date is within three months before or after the maturity date of the Convertible Debentures, yields for the two published maturities most closely corresponding to the maturity date of the Convertible Debentures shall be interpolated and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (B) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Convertible Debentures to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Convertible Debentures.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, the average of the Reference Treasury Dealer Quotations for such redemption date.

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

"Reference Treasury Dealer" means Morgan Stanley & Co. Incorporated and its successors; provided however, that if Morgan Stanley & Co. Incorporated shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

#### CONVERSION OF THE CONVERTIBLE DEBENTURES

The Convertible Debentures are convertible into Lomak Common Stock at the option of the holders of the Convertible Debentures at any time beginning 90 days following October 22, 1997, the first date that any Convertible Preferred Securities

were issued, and prior to the close of business on the Business Day prior to the maturity date of the Convertible Debentures (or, in the case of Convertible Debentures called for redemption, the close of business on the Business Day prior to the Redemption Date) at an initial conversion rate of 2.1277 shares of Lomak Common Stock for each Convertible Debenture (equivalent to a conversion price of \$23.50 per share of Lomak Common Stock), subject to adjustment as described under "Description of the Convertible Preferred Securities--Conversion Rights." The Trust has agreed not to convert Convertible Debentures held by it except pursuant to a notice of conversion delivered to the Conversion Agent by a holder of Convertible Preferred Securities. Upon surrender of a Convertible Preferred Security to the Conversion Agent for conversion, the Trust will distribute Convertible Debentures to the Conversion Agent on behalf of the holder of the Convertible Preferred Securities so converted, whereupon the Conversion Agent will convert such Convertible Debentures to Lomak Common Stock on behalf of such holder. Lomak's delivery to the holders of the Convertible Debentures (through the Conversion Agent) of the fixed number of shares of Lomak Common Stock into which the Convertible Debentures are convertible (together with the cash payment, if any, in lieu of fractional shares) will be deemed to satisfy Lomak's obligation to pay the principal amount of the Convertible Debentures so converted, and the accrued and unpaid interest thereon attributable to the period from the last date to which interest has been paid or duly provided for; provided, however, that if any Convertible Debenture is converted on or after a record date for payment of interest, the interest payable on the related interest payment date with respect to such Convertible Debenture shall be paid to the Trust (which will distribute such interest to the converting holder) or other holder of Convertible Debentures, as the case may be, despite such conversion; provided, further, that if a Redemption Date falls between such record date and the related interest payment date, the amount of such payment shall include interest accrued to, but excluding, such Redemption Date.

#### INDENTURE EVENTS OF DEFAULT

The Indenture provides that any one or more of the following described events, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Convertible Debentures: (i) failure for 30 days to pay interest on the Convertible Debentures, Compounded Interest and Liquidated Damages in respect thereof, when due; provided that a valid extension of an interest payment period will not constitute a default in the payment of interest (including any Compounded Interest or Liquidated Damages) for this purpose; or (ii) failure to pay principal of or premium, if any, on the Convertible Debentures when due whether at maturity, upon redemption, by declaration or otherwise; or (iii) failure by Lomak to deliver shares of Lomak Common Stock upon a valid election by a holder of Convertible Preferred Securities to convert such Convertible Preferred Securities; (iv) failure to observe or perform any other covenant contained in the Indenture for 90 days after notice to Lomak by the Debt Trustee or by the holders of not less than 25% in aggregate outstanding principal amount of the Convertible Debentures; (v) the dissolution, winding up or termination of the Trust, except in connection with the distribution of Convertible Debentures to the holders of Convertible Preferred Securities in liquidation of the Trust upon the redemption of all outstanding Convertible Preferred Securities and in connection with certain mergers, consolidations or amalgamations permitted by the Declaration; or (vi) certain events of bankruptcy, insolvency or reorganization of Lomak.

If any Indenture Event of Default shall occur and be continuing, the Institutional Trustee, as the holder of the Convertible Debentures, will have the right to declare the principal of and the interest on the Convertible Debentures (including any Compound Interest) and any other amounts payable under the Indenture to be forthwith due and payable and to enforce its other rights as a creditor with respect to the Convertible Debentures. An Indenture Event of Default also constitutes a Declaration Event of Default. The holders of Convertible Preferred Securities in certain circumstances have the right to direct the Institutional Trustee to exercise its rights as the holder of the Convertible Debentures. See "Description of the Convertible Preferred Securities--Declaration Events of Default" and "--Voting Rights." Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of Lomak to pay interest or principal on the Convertible Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, the redemption date), then a holder of Convertible Preferred Securities may institute a Direct Action for payment on or after the respective due date specified in the Convertible Debentures. Notwithstanding any payments made to such holder of Convertible Preferred Securities by Lomak in connection with a Direct Action, Lomak shall remain obligated to pay the principal of or interest on the Convertible Debentures held by the Trust or the Institutional Trustee of the Trust, and Lomak shall be subrogated to the rights of the holder of such Convertible Preferred Securities with respect to payments on the Convertible Preferred Securities to the extent of any payments made by Lomak to such holder in any Direct Action. The holders of Convertible Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Convertible Debentures.

The Indenture contains provisions permitting the holders of a majority in aggregate principal amount of the Convertible Debentures, on behalf of all of the holders of the Convertible Debentures, to waive any past default in the performance of any of

the covenants contained in the Indenture, except a default in the payment of the principal of or premium, if any, or interest on any of the Convertible Debentures.

#### BOOK-ENTRY AND SETTLEMENT

If distributed to holders of Convertible Preferred Securities in connection with the involuntary or voluntary dissolution, winding-up or liquidation of the Trust as a result of the occurrence of a Special Event, the Convertible Debentures will be issued in the same form as the Convertible Preferred Securities that such Convertible Debentures replace. Except under the limited circumstances described below, Convertible Debentures represented by a Global Security will not be exchangeable for, and will not otherwise be issuable as, Convertible Debentures in definitive form. The Global Securities described above may not be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or to successor depository or its nominee.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a Global Security.

Except as provided below, owners of beneficial interests in a Global Security will not be entitled to receive physical delivery of Convertible Debentures in definitive form and will not be considered the holders (as defined in the Indenture) thereof for any purpose under the Indenture, and no Global Security representing Convertible Debentures shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of DTC or its nominee or to a successor depository or its nominee. Accordingly, each beneficial owner must rely on the procedures of DTC or if such person is not a Participant, on the procedures of the Participant through which such person owns its interest to exercise any rights of a holder under the Indenture.

#### THE DEPOSITARY

If Convertible Debentures are distributed to holders of Convertible Preferred Securities in liquidation of such holders' interests in the Trust and a global security is issued, DTC will act as securities depository for the Convertible Debentures represented by such global security. For a description of DTC and the specific terms of the depository arrangements, see "Description of the Convertible Preferred Securities--Form, Denomination and Registration". As of the date of this Prospectus, the description therein of DTC's book-entry system and DTC's practices as they relate to purchases, transfers, notices and payments with respect to the Convertible Preferred Securities apply in all material respects to any debt obligations represented by one or more global securities held by DTC. Lomak may appoint a successor to DTC or any successor depository in the event DTC or such successor depository is unable or unwilling to continue as a depository for such global securities.

None of Lomak, the Trust, the Institutional Trustee, any paying agent and any other agent of Lomak or the Debt Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global security for such Convertible Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### DISCONTINUANCE OF THE DEPOSITARY'S SERVICES

A Global Security shall be exchangeable for Convertible Debentures registered in the names of persons other than DTC or its nominee only if (i) DTC notifies Lomak that it is unwilling or unable to continue as a depository for such Global Security and no successor depository shall have been appointed, (ii) DTC, at any time, ceases to be a clearing agency registered under the Exchange Act when DTC is required to be so registered to act as such depository and no successor depository shall have been appointed, (iii) Lomak, in its sole discretion, determines that such Global Security shall be so exchangeable or (iv) there shall have occurred an Event of Default with respect to such Convertible Debentures. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Convertible Debentures registered in such names as DTC shall direct. It is expected that such instructions will be based upon directions received by DTC from its Participants with respect to ownership of beneficial interests in such Global Security.

## MODIFICATIONS AND AMENDMENTS OF THE INDENTURE

The Indenture contains provisions permitting the Company and the Debt Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Convertible Debentures, to modify the Indenture or the rights of the holders of Convertible Debentures; provided, however, that no such modification may, without the consent of the holder of each outstanding Convertible Debenture affected thereby, (i) extend the stated maturity of the Convertible Debentures or reduce the principal amount thereof, or reduce the rate or extend the time for payment of interest thereon, or reduce any premium payable upon the redemption thereof, or adversely affect the right to convert Convertible Debentures or the subordination provisions of the Indenture, or (ii) reduce the percentage in aggregate principal amount of outstanding Convertible Debentures, the holders of which are required to consent to any such supplemental indenture.

In addition, the Company and the Debt Trustee may execute, without the consent of any holder of Convertible Debentures, any supplemental indenture to cure any ambiguities, comply with the Trust Indenture Act and for certain other customary purposes.

## INFORMATION CONCERNING THE DEBT TRUSTEE

The Debt Trustee, prior to default, undertakes to perform only such duties as are specifically set forth in the Indenture and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Debt Trustee is under no obligation to exercise any of the powers vested in it by the Indenture at the request of any holder of Convertible Debentures, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Debt Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Debt Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Indenture also contains limitations on the right of the Debt Trustee, as a creditor of Lomak, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. In addition, the Debt Trustee may be deemed to have a conflicting interest and may be required to resign as Debt Trustee if at the time of a default under the Indenture it is a creditor of Lomak. The Company may from time to time maintain deposit accounts and conduct its banking transactions with the Debt Trustee in the ordinary course of business.

## GOVERNING LAW

The Indenture and the Convertible Debentures are governed by, and construed in accordance with, the internal laws of the State of New York.

## MISCELLANEOUS

The Indenture provides that Lomak will pay all fees and expenses related to (i) the offering of the Trust Securities and the Convertible Debentures, (ii) the organization, maintenance and dissolution of the Trust, (iii) the retention of the LFT Trustees and (iv) the enforcement by the Institutional Trustee of the rights of the holders of the Convertible Preferred Securities. The payment of such fees and expenses will be fully and unconditionally guaranteed by Lomak.

Lomak has the right at all times to assign any of its respective rights or obligations under the Indenture to a direct or indirect wholly-owned subsidiary of Lomak; provided that, in the event of any such assignment, Lomak will remain liable for all of their respective obligations. Subject to the foregoing, the Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. The Indenture provides that it may not otherwise be assigned by the parties thereto.



EFFECT OF OBLIGATIONS UNDER THE  
 CONVERTIBLE DEBENTURES AND THE GUARANTEE

As set forth in the Declaration, the sole purpose of the Trust is to issue the Trust Securities evidencing undivided beneficial ownership interests in the assets of the Trust, and to invest the proceeds from such issuance and sale in the Convertible Debentures.

As long as payments of interest and other payments are made when due on the Convertible Debentures, such payments will be sufficient to cover distributions and payments due on the Trust Securities because of the following factors: (i) the aggregate principal amount of Convertible Debentures will be equal to the sum of the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and the interest and other payment dates on the Convertible Debentures will match the distribution rate and distribution and other payment dates for the Convertible Preferred Securities; (iii) Lomak shall pay, and the Trust shall not be obligated to pay, directly or indirectly, all costs, expenses, debt, and obligations of the Trust (other than with respect to the Trust Securities); and (iv) the Declaration further provides that the LFT Trustees shall not take or cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are available) and other payments due on the Convertible Preferred Securities (to the extent funds therefor are available) are guaranteed by Lomak as and to the extent set forth under "Description of the Guarantee" herein. If Lomak does not make interest payments on the Convertible Debentures purchased by the Trust, it is expected that the Trust will not have sufficient funds to pay distributions on the Convertible Preferred Securities. The Guarantee is a full guarantee on a subordinated basis with respect to the Convertible Preferred Securities issued by the Trust from the time of its issuance but does not apply to any payment of distributions unless and until the Trust has sufficient funds for the payment of such distributions. The Guarantee covers the payment of distributions and other payments on the Convertible Preferred Securities only if and to the extent that Lomak has made a payment of interest or principal on the Convertible Debentures held by the Trust as its sole asset. The Guarantee, when taken together with Lomak's obligations under the Convertible Debentures, the Indenture and the Declaration, including its obligations to pay costs, expenses, debts and liabilities of the Trust (other than respect to the Trust Securities), provides a full and unconditional guarantee of amounts on the Convertible Preferred Securities.

If Lomak fails to make interest or other payments on the Convertible Debentures when due (taking account of any Extension Period), the Declaration provides a mechanism whereby a holder of the Convertible Preferred Securities, using the procedures described in "Description of the Convertible Preferred Securities--Voting Rights," may direct the Institutional Trustee to enforce its rights under the Convertible Debentures. Notwithstanding the foregoing, in such circumstances a holder of Convertible Preferred Securities may institute a Direct Action for payment on or after the respective due date specified in the Convertible Debentures. In connection with such Direct Action, Lomak will be subrogated to the rights of such holder of Convertible Preferred Securities under the Declaration to the extent of any payment made by Lomak to such holder of Convertible Preferred Securities in such Direct Action. Lomak, under the Guarantee, acknowledges that the Guarantee Trustee shall enforce the Guarantee on behalf of the holders of the Convertible Preferred Securities. If Lomak fails to make payments under the Guarantee, the Guarantee provides a mechanism whereby the holders of the Convertible Preferred Securities may direct the Guarantee Trustee to enforce its rights thereunder. Any holder of Convertible Preferred Securities may institute a legal proceeding directly against Lomak to enforce such holder's right to receive payment under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity.

DESCRIPTION OF CAPITAL STOCK AND INDEBTEDNESS

As of the date hereof the authorized capital stock of the Company consists of (i) 10,000,000 shares of serial preferred stock, \$1.00 par value and (ii) 50,000,000 shares of Lomak Common Stock, \$.01 par value. As of December 29, 1997, the Company had outstanding 21,018,241 shares of Lomak Common Stock and 1,150,000 shares of \$2.03 Convertible Preferred Stock.

LOMAK COMMON STOCK

Holders of Lomak Common Stock are entitled to receive dividends if, when and as declared by the Board of Directors of the Company out of funds legally available therefor (however, the Indenture for the Convertible Debentures, the indenture for

the 8.75% Notes and the Credit Agreement contain certain restrictions on the payment of cash dividends). If there is any arrearage in the payment of dividends on any preferred stock, the Company may not pay dividends upon, repurchase or redeem shares of its Lomak Common Stock. All shares of Lomak Common Stock have equal voting rights on the basis of one vote per share on all matters to be voted upon by stockholders. Cumulative voting for the election of directors is not permitted. Shares of Lomak Common Stock have no preemptive, conversion, sinking fund or redemption provisions and are not liable for further call or assessment. Each share of Lomak Common Stock is entitled to share on a pro rata basis in any assets available for distribution to the holders of the Lomak Common Stock upon liquidation of the Company after satisfaction of any liquidation preference on any series of the Company's preferred stock. All outstanding shares of Lomak Common Stock are validly issued, fully paid and nonassessable.

#### OPTIONS

The Company's stock option plan, which is administered by the Compensation Committee, provides for the granting of options to purchase shares of Lomak Common Stock to key employees and certain other persons who are not employees for advice or other assistance or services to the Company. The plan permits the granting of options to acquire up to 3,000,000 shares of Lomak Common Stock subject to a limitation of 10% of the outstanding Lomak Common Stock on a fully diluted basis. At September 30, 1997, a total of 1,621,792 options had been granted under the plan of which options to purchase 733,892 shares were exercisable at that date. The options outstanding at September 30, 1997 were granted at an exercise price of \$3.38 to \$18.00 per share. The exercise price of all such options was equal to the fair market value of the Lomak Common Stock on the date of grant. All were options granted for a term of five years, with 30% of the options becoming exercisable after one year, an additional 30% becoming exercisable after two years and the remaining options becoming exercisable after three years.

#### PREFERRED STOCK

The Board of Directors of the Company, without action by stockholders, is authorized to issue shares of serial preferred stock in one or more series and, within certain limitations, to determine the voting rights (including the right to vote as a series on particular matters), preferences as to dividends and the liquidation, conversion, redemption and other rights of each such series. The Board of Directors could issue a series with rights more favorable with respect to dividends, liquidation and voting than those held by the holders of its Lomak Common Stock. At September 30, 1997, 1,150,000 shares of Preferred Stock were outstanding, designated as \$2.03 Convertible Preferred Stock.

The \$2.03 Convertible Preferred Stock bears an annual dividend rate of \$2.03 payable quarterly. If dividends have not been paid on the \$2.03 Convertible Preferred Stock, the Company cannot redeem or pay dividends on shares of stock ranking junior to the \$2.03 Convertible Preferred Stock. No new serial preferred stock can be created with rights superior to those of the \$2.03 Convertible Preferred Stock, as to dividends and liquidation rights, without the approval of the holders of a majority of the \$2.03 Convertible Preferred Stock. In addition, the holders of the \$2.03 Convertible Preferred Stock are entitled to one vote for each share owned. Additionally, if dividends remain unpaid for six full quarterly periods, or if any future class of preferred stockholders is entitled to elect members of the Board of Directors based on actual missed and unpaid dividends, the number of members of the Board of Directors will be increased to such number as may be necessary to entitle the holders of the \$2.03 Convertible Preferred Stock and such other future preferred stockholders, voting as a single class, to elect one-third of the members of the Board of Directors. The \$2.03 Convertible Preferred Stock has liquidation rights of \$25 per share. The Company may exchange the \$2.03 Convertible Preferred Stock for an aggregate of \$28,750,000 principal amount of its 8.125% Convertible Subordinated Notes due December 31, 2005. Each share of \$2.03 Convertible Preferred Stock is convertible into Lomak Common Stock at a conversion price of \$9.50 per share, subject to adjustment under certain circumstances. The conversion price will be reduced for a limited period (but to not less than \$5.21) if a change in control or fundamental change in the Company occurs at a time that the market price of the Lomak Common Stock is less than the conversion price. The Company may redeem the \$2.03 Convertible Preferred Stock at any time after November 1, 1998, at redemption prices declining from \$26.50 to \$25.00 per share, plus cumulative unpaid dividends.

#### 6% CONVERTIBLE SUBORDINATED DEBENTURES

On December 27, 1996, the Company sold \$55,000,000 aggregate principal amount of 6% Convertible Subordinated Debentures in a private offering not registered under the Securities Act. The 6% Convertible Subordinated Debentures are convertible at any time prior to maturity, unless previously redeemed or repurchased, into shares of Lomak Common Stock, at a

conversion price of \$19.25 per share, subject to adjustment under certain circumstances. The 6% Convertible Subordinated Debentures are unsecured and subordinate to all senior and senior subordinated indebtedness and do not restrict the incurrence of additional indebtedness by the Company or any of its subsidiaries. The 6% Convertible Subordinated Debentures will mature on February 1, 2007. The Company may redeem the 6% Convertible Subordinated Debentures, in whole or in part, on or after February 1, 2000, at certain redemption prices, plus accrued but unpaid interest at the date fixed for redemption. Upon certain changes of control of the Company, the Company is required to offer to repurchase each holder's 6% Convertible Subordinated Debentures at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase.

Pursuant to a Registration Rights Agreement between the Company and the initial purchasers of the 6% Convertible Subordinated Debentures, the Company has filed a shelf registration statement (the "6% Debenture Shelf Registration Statement") relating to the resale of the 6% Convertible Subordinated Debentures and the shares of Lomak Common Stock issuable upon conversion of the 6% Convertible Subordinated Debentures. The Company will use its reasonable best efforts to maintain the effectiveness of the 6% Debenture Shelf Registration Statement until the third anniversary of the issuance of the 6% Convertible Subordinated Debentures, except that it shall be permitted to suspend the use of the 6% Debenture Shelf Registration Statement during certain periods under certain circumstances. If the Company fails to meet certain of its obligations under the 6% Debenture Shelf Registration Statement, then a supplemental payment will be made to the holders of the 6% Convertible Subordinated Debentures or shares of Lomak Common Stock actually issued upon conversion of the 6% Convertible Subordinated Debentures. During the first 90 days of such a default, the supplemental payment will be \$.05 per week per \$1,000 principal amount of the 6% Convertible Subordinated Debentures and \$.0005 per week per share of such Lomak Common Stock. The amount of such supplemental payment will increase over time if the default continues, subject to a maximum supplemental payment of \$.20 per week per \$1,000 principal amount of 6% Convertible Subordinated Debentures and \$.002 per week per share of Lomak Common Stock.

#### CREDIT AGREEMENT

The Credit Agreement permits the Company to obtain revolving credit loans and to issue letters of credit for the account of the Company from time to time in an aggregate amount not to exceed \$400 million (of which not more than \$150 million may be represented by letters of credit). The Borrowing Base is currently \$325 million under the expanded facility and is subject to semi-annual determination and certain other redeterminations based upon a variety of factors, including the discounted present value of estimated future net cash flow from oil and gas production.

At the Company's option, loans may be prepaid, and revolving credit commitments may be reduced, in whole or in part at any time in certain minimum amounts. The Credit Agreement matures in February 2002.

The obligations of the Company under the Credit Agreement are unconditionally and irrevocably guaranteed by the Bank Guarantors.

At the Company's option, the applicable interest rate per annum is either the Eurodollar loan rate plus a margin ranging from .625% to 1.125% or the Alternate Base Rate (as defined) plus a margin ranging from 0% to .25%. The Alternate Base Rate is the higher of (a) the administrative agent bank's prime rate and (b) the federal funds effective rate plus .5%.

The Credit Agreement includes various covenants that require, among other things, that the Company (i) maintain a minimum consolidated tangible net worth of at least \$100 million plus 50% of the net proceeds from this Offering and any subsequent equity offering; (ii) maintain a ratio of EBITDA to consolidated interest expense on total debt for each period of four consecutive fiscal quarters of at least 2.5 to 1.0; and (iii) not make restricted payments (defined as dividends, distributions or guarantees to third parties or the retirement, repurchase or prepayment prior to the scheduled maturity of its subordinated debt) in an aggregate amount in any one fiscal year in excess of \$5 million plus 50% of the net proceeds from the Original Offering and any equity offerings subsequent to the Original Offering and 50% of the Company's consolidated net income earned after January 1, 1997. In addition, the Credit Agreement restricts the ability of the Company to dispose of assets, incur additional indebtedness, repay other indebtedness or amend other debt instruments, create liens on assets, make investments or acquisitions, engage in mergers or consolidations, make capital expenditures or engage in certain transactions with affiliates.

## 8.75% SENIOR SUBORDINATED NOTES

On March 14, 1997, the Company sold \$125,000,000 of 8.75% Senior Subordinated Notes due 2007 (the "8.75% Notes"). The 8.75% Notes are not redeemable at the Company's option prior to January 15, 2002. Thereafter, the 8.75% Notes will be subject to redemption at the option of the Company, in whole or in part, at redemption prices, plus accrued and unpaid interest, if any, beginning at 104.375% of the principal amount and declining to 100% in 2005. The 8.75% Notes are unsecured general obligations of the Company and are subordinated to all senior debt (as defined) of the Company which includes borrowings under the Credit Agreement. The 8.75% Notes are guaranteed on a senior subordinated basis by all of the subsidiaries of the Company and any future subsidiary of the Company and each guarantor is a wholly owned subsidiary of the Company. The guarantees are full, unconditional and joint and several. Separate financial statements of each guarantor are not presented because they are included in the consolidated financial statements of the Company and management has concluded that their disclosure provides no additional benefits.

The 8.75% Notes were issued pursuant to an indenture containing certain covenants that will, among other things, limit the ability of the Company and its subsidiaries to incur additional indebtedness and issue disqualified stock, pay dividends, make distributions, make investments, make certain other restricted payments, enter into certain transactions with affiliates, dispose of certain assets, incur liens securing indebtedness and engage in mergers and consolidations.

## UNITED STATES FEDERAL INCOME TAXATION

## GENERAL

The following is a summary of certain material United States federal income tax consequences pertaining to the purchase, ownership, disposition, and conversion of Convertible Preferred Securities. Unless otherwise stated, this summary deals only with Convertible Preferred Securities held as capital assets by holders who purchased the securities upon original issuance. This summary does not deal with special classes of holders such as banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, tax-exempt investors, or persons which hold the Convertible Preferred Securities as other than a capital asset. This summary does not address the tax consequences to persons which have a functional currency other than the U.S. Dollar or the tax consequences to shareholders, partners, or beneficiaries of a holder of Convertible Preferred Securities. Further, this summary does not include any description of any alternative minimum tax consequences or the tax laws of any state or local government or of any foreign government which may be applicable to the Convertible Preferred Securities. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

## CLASSIFICATION OF CONVERTIBLE DEBENTURES

Although the matter is not free from doubt, in connection with the issuance of the Convertible Preferred Securities, Vinson & Elkins L.L.P., counsel to the Company and the Trust, has rendered its opinion that the Convertible Debentures should be classified for United States federal income tax purposes as indebtedness of the Company under current law, and, by acceptance of a Convertible Preferred Security, each holder covenants to treat the Convertible Debentures as indebtedness and the Convertible Preferred Securities as evidence of an indirect beneficial ownership interest in the Convertible Debentures. The Internal Revenue Service (the "Service"), however, has announced in Notice 94-47 that it will scrutinize and may challenge the debt classification of instruments that have some features similar to the Convertible Debentures. Thus, no assurance can be given that the classification of the Convertible Debentures as indebtedness will not be challenged by the Service or, if challenged, that such a challenge will not be successful. The remainder of this discussion assumes that the Convertible Debentures will be classified as indebtedness of the Company for United States federal income tax purposes.

## CLASSIFICATION OF THE TRUST

In connection with the issuance of the Convertible Preferred Securities, Vinson & Elkins L.L.P., also rendered its opinion generally to the effect that, under then current law and assuming full compliance with the terms of the Declaration and Indenture (and certain other documents), and based on certain facts and assumptions contained in such opinion, the Trust will be classified for United States federal income tax purposes as a grantor trust and not as an association taxable as a corporation.

Accordingly, for United States federal income tax purposes, each holder of Convertible Preferred Securities generally will be considered to be the owner of an undivided interest in the Convertible Debentures, and each holder will be required to include in its gross income any original issue discount accrued with respect to its allocable share of those Convertible Debentures.

#### POTENTIAL EXTENSION OF INTEREST PAYMENT PERIOD AND ORIGINAL ISSUE DISCOUNT

Because the Company has the option, under the terms of the Convertible Debentures, to defer payments of interest by extending interest payment periods for up to 20 quarters, interest on the Convertible Debentures will be reportable as "original issue discount." Holders of debt instruments issued with OID must include that discount in income on an economic accrual basis regardless of their method of tax accounting, and without regard to whether such accrual causes amounts to be included in income prior to the receipt of cash attributable to the interest. Generally, all of a holder's taxable interest income with respect to the Convertible Debentures will be accounted for as OID. Actual payments and distributions of stated interest will not, however, be separately reported as includable in taxable income. The amount of OID which accrues in any quarter will approximately equal the amount of the interest which accrues on the Convertible Debentures in that quarter at the stated interest rate. In the event the interest payment period is extended, holders will continue to accrue OID approximately equal to the amount of the interest payment due at the end of the extended interest payment period on an economic accrual basis over the length of the extended interest payment period.

Because income on the Convertible Preferred Securities will constitute interest income, corporate holders of Convertible Preferred Securities will not be entitled to a dividends-received deduction with respect to any income recognized with respect to the Convertible Preferred Securities.

#### MARKET DISCOUNT AND BOND PREMIUM

Holdes of the Convertible Preferred Securities other than a holder who purchased the Convertible Preferred Securities upon original issuance may be considered to have acquired their undivided interests in the Convertible Debentures with "market discount" or "acquisition premium" as such terms are defined for United States federal income tax purposes. Such holders are advised to consult their tax advisors as to the income tax consequences associated with the acquisition, ownership, and disposition of the Convertible Preferred Securities.

#### RECEIPT OF CONVERTIBLE DEBENTURES OR CASH UPON LIQUIDATION OF THE TRUST

Under certain circumstances, as described under the caption "Description of the Convertible Preferred Securities--Liquidation Distribution Upon Dissolution," Convertible Debentures may be distributed to holders in exchange for the Convertible Preferred Securities and in liquidation of the Trust. Under current law, such a distribution to holders, for United States federal income tax purposes, would be treated as a nontaxable event to each holder, and each holder would receive an aggregate tax basis in the Convertible Debentures equal to such holder's aggregate tax basis in its Convertible Preferred Securities. A holder's holding period with respect to the Convertible Debentures so received in liquidation of the Trust would include the period during which the Convertible Preferred Securities were held by such holder. If, however, the related Special Event is a Tax Event which results in the Trust being treated as an association taxable as a corporation, the distribution would likely constitute a taxable event to holders of the Convertible Preferred Securities.

Under certain circumstances described herein (see "Description of the Convertible Preferred Securities"), the Convertible Debentures may be redeemed for cash and the proceeds of such redemption distributed to holders in redemption of their Convertible Preferred Securities. Under current law, such a redemption would, for United States federal income tax purposes, constitute a taxable disposition of the redeemed Convertible Preferred Securities, and a holder would recognize gain or loss as if it had sold such redeemed Convertible Preferred Securities for cash. See "--Sales of Convertible Preferred Securities" below.

#### SALES OF CONVERTIBLE PREFERRED SECURITIES

A holder which sells Convertible Preferred Securities will recognize gain or loss equal to the difference between the amount realized on the sale of the Convertible Preferred Securities and the holder's adjusted tax basis in such Convertible Preferred Securities. A holder's adjusted tax basis in the Convertible Preferred Securities generally will be equal to its initial

purchase price increased by OID previously includable in such holder's gross income to the date of disposition and decreased by payments received on the Convertible Preferred Securities to the date of disposition. Such gain or loss will be a capital gain or loss and will be long-term gain or loss if the Convertible Preferred Securities have been held for more than one year at the time of sale. For individuals long term capital gains are generally subject to a maximum tax rate of 28% (20% for assets held for 18 months or more).

A holder which disposes of or converts its Convertible Preferred Securities between record dates for payments of distribution thereon will be required to include in its income, as ordinary income, the accrued but unpaid interest on the Convertible Debentures through the date of disposition or conversion, and to add such amount to its adjusted tax basis in its pro rata share of the underlying Convertible Debentures which will be deemed disposed of or converted. To the extent the selling price is less than the holder's adjusted tax basis (which basis will include, in the form of OID, all accrued but unpaid interest), a holder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

#### CERTAIN NON-U.S. HOLDERS

For purposes of this discussion, the term "Non-U.S. Holder" refers to any corporation, individual, partnership, estate, or trust which is, for United States tax purposes, treated as a foreign corporation, a non-resident alien individual, or a non-resident fiduciary of a foreign estate or trust.

Under present United States federal income tax law, interest on the Convertible Debentures and the Convertible Preferred Securities, including OID, will generally be classified as "portfolio interest" to a Non-U.S. Holder of a Convertible Preferred Security provided such interest is not effectively connected with the conduct of a trade or business within the United States by the holder. As a result, payments by the Trust or any of its paying agents of stated interest to any holder of a Convertible Preferred Security who or which is a Non-U.S. Holder will not be subject to withholding of United States federal income tax provided:

(a) the beneficial owner of the Convertible Preferred Security does not actually or constructively (including by virtue of its interest in the underlying Convertible Debentures) own 10% or more of the total combined voting power of all classes of stock of Lomak entitled to vote, which ownership is determined after the application of certain attribution rules;

(b) the beneficial owner of the Convertible Preferred Security is not a controlled foreign corporation which is related to Lomak through stock ownership; and

(c) either (i) the beneficial owner of the Convertible Preferred Security or (ii) a securities clearing organization, a bank, or other financial institution which holds customers' securities in the ordinary course of its trade or business and which holds the Convertible Preferred Security in such capacity certifies to the Trust or its agent, under penalties of perjury, that it is not a United States person, or in the case of an individual, is neither a citizen nor a resident of the United States, and provides the owner's name and address to the Trust or its agent.

As discussed above, Lomak will treat the Convertible Debentures as indebtedness for United States federal income tax purposes. If, however, the Convertible Debentures were to be recharacterized as equity for United States federal income tax purposes, the income on the Convertible Debentures would be characterized as dividends, which would generally be subject to a 30% withholding tax when paid to a Non-U.S. Holder.

Lomak, by reason of its ownership of interests in oil and gas properties located in the United States is classified as a "United States real property holding corporation" for United States tax purposes. As a result, capital gain income realized by a Non-U.S. Holder upon the disposition of a Convertible Preferred Security will, except as set forth below, be treated income effectively connected with the conduct of a trade or business within the United States and will be taxed at regular United States capital gains rates. A Non-U.S. Holder will generally be subject to withholding of United States federal income tax in an amount equal to 10% of the amount realized on the disposition of a Convertible Preferred Security. A Non-U.S. Holder may request the Service to determine the maximum amount of tax which would be owing as a result of such disposition and the maximum

amount required to be withheld will not exceed the sum of (i) such liability and (ii) any unsatisfied prior withholding tax liabilities caused by prior foreign ownership with respect to the transferred securities.

Stock which is regularly traded on an established securities market ("Publicly Traded Stock"), such as shares of Lomak Common Stock, will only be treated as stock of a United States real property holding corporation with respect to a person who, at any time during the shorter of (i) that period after June 18, 1980 in which the person held such stock or (ii) the 5-year period ending on the date of the disposition of such stock, held more than 5 percent of such class of stock (a "5 Percent Shareholder"). Capital gain produced by the disposition of Publicly Traded Stock will, therefore, except in the case of a disposition by a 5 Percent Shareholder, not be subject to United States income tax if not effectively connected with the conduct of a trade or business within the United States by the holder. Generally no withholding is required on a disposition of Publicly Traded Stock, unless such stock is effectively connected with the conduct of a trade or business within the United States by the holder.

If a Non-U.S. Holder is treated as receiving a deemed dividend as a result of an adjustment of the conversion price of the Convertible Debentures, as described below under the heading "--Adjustment of Conversion Price," such deemed dividend will be subject to United States federal withholding tax at a 30% (or lower treaty) rate. Should the Trust be classified as an association taxable as a corporation for United States federal income tax purposes, distributions made in liquidation of the Trust would also be subject to various withholding requirements.

Non-U.S. Holders are encouraged to contact their tax advisors concerning the possible tax implications to such holders associated with the ownership and disposition of United States Real Property Interests, including Convertible Preferred Securities or shares of Lomak Common Stock.

#### PROPOSED TAX LEGISLATION

In recent years the Treasury Department has proposed legislation that would treat as equity instruments with features similar to those of the Convertible Preferred Securities. No such legislation has been enacted. No assurance, however, can be given that future legislation enacted after the date hereof will not include provisions that will adversely affect the federal income tax treatment of the Convertible Preferred Securities.

#### CONVERSION OF CONVERTIBLE PREFERRED SECURITIES INTO LOMAK COMMON STOCK

A holder will not recognize gain or loss upon the conversion, through the Conversion Agent, of Convertible Preferred Securities for a proportionate share of the Convertible Debentures held by the Trust.

A holder will not recognize income, gain, or loss upon the conversion, through the Conversion Agent, of Convertible Debentures into Lomak Common Stock. A holder will, however, recognize gain upon the receipt of cash in lieu of a fractional share of Lomak Common Stock equal to the amount of cash received less the holder's tax basis in such fractional share. A holder's tax basis in the Lomak Common Stock received upon exchange and conversion should generally be equal to the holder's tax basis in the Convertible Preferred Securities delivered to the Conversion Agent for exchange less the basis allocated to any fractional share for which cash is received, and a holder's holding period in the Lomak Common Stock received upon exchange and conversion should generally begin on the date the holder acquired the Convertible Preferred Securities delivered to the Conversion Agent for exchange.

#### ADJUSTMENT OF CONVERSION PRICE

Treasury Regulations promulgated under Section 305 of the Code would treat holders of Convertible Preferred Securities as having received a constructive distribution from Lomak in the event the conversion ratio of the Convertible Debentures is adjusted if (i) as a result of such adjustment, the proportionate interest (measured by the quantum of Lomak Common Stock into or for which the Convertible Debentures are convertible or exchangeable) of the holder's Convertible Preferred Securities in the assets or earnings and profits of Lomak is increased, and (ii) the adjustment is not made pursuant to a bona fide, reasonable, antidilution formula. An adjustment in the conversion ratio would not be considered made pursuant to such formula if the adjustment is made to compensate for certain taxable distributions with respect to the Lomak Common Stock. Thus, under certain circumstances, a reduction in the conversion price of the holders may result in deemed dividend income to holders to the extent of the current or accumulated earnings and profits of Lomak. Holders of the Convertible Preferred

Securities would be required to include their allocable share of such deemed dividend income in gross income but would not receive any cash related thereto.

#### INFORMATION REPORTING AND BACKUP WITHHOLDING

Generally, income on the Convertible Preferred Securities will be reported to holders on Forms 1099, which forms should be mailed to holders of Convertible Preferred Securities by January 31 following each calendar year.

Payments made on, and proceeds from the sale of, the Convertible Preferred Securities may be subject to "backup" withholding tax of 31% unless the holder complies with certain identification requirements. Any withheld amounts will be allowed as a credit against the holder's United States federal income tax, provided the required information is provided to the Service.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF THE CONVERTIBLE PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

#### ERISA CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan (a "Plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Convertible Preferred Securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA, whether the investment would constitute an improper delegation of fiduciary authority and whether the investment would be consistent with the documents and instruments governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also "Plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to such Plan. Unless exemptive relief is available under an applicable statutory or administrative exemption, a violation of these "prohibited transaction" rules may result in an excise tax or other liabilities for Parties in Interest. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code.

Under a regulation (the "Plan Assets Regulation") issued by the U.S. Department of Labor (the "DOL"), the assets of the Trust may be deemed to be "plan assets" of a Plan for purposes of ERISA and Section 4975 of the Code if "plan assets" of the Plan were used to acquire Convertible Preferred Securities. If the Convertible Preferred Securities were acquired and held by a Plan (or with the "plan assets" of such Plan) and the assets of the Trust were deemed to be "plan assets" of such Plan under the Plan Assets Regulation, certain transactions involving the Trust could be deemed to constitute direct or indirect prohibited transactions under Section 406 of ERISA and Section 4975 of the Code with respect to such Plan. For example, if the Company is a Party in Interest with respect to an investing Plan, extensions of credit between the Company and the Trust (as represented by the Convertible Debentures, the Guarantee and the Common Security Guarantee) would likely be prohibited by Section 406(a)(1)(B) of ERISA and Section 4975(c)(1)(B) of the Code, unless exemptive relief were available (see below). Because the assets of the Trust may be considered "plan assets" for ERISA purposes as a result of a Plan's acquisition and holding of Convertible Preferred Securities, a Plan fiduciary should consider (a) whether powers that potentially may be exercised by any person or entity with respect to the Trust or its assets would result in such person or entity being potentially deemed to be a fiduciary and, therefore, a Party in Interest with respect to a Plan acquiring or holding Convertible Preferred Securities and (b) if so, whether such acquisition and holding could result in a delegation of fiduciary authority that is impermissible under the Plan's governing instruments or any investment management agreement with the Plan. In making such



determinations, a Plan fiduciary should note that prior to an Indenture Event of Default, the LFT Trustees will have only limited custodial and ministerial authority with respect to the assets of the Trust.

The DOL has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Convertible Preferred Securities, assuming that assets of the Trust were deemed to be "plan assets" of Plans investing in the Trust. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers).

Because of the potential prohibited transaction exposures described above, the Convertible Preferred Securities may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14. Any purchaser or holder of the Convertible Preferred Securities or any interest therein will be deemed to have represented by its purchase and holding thereof that it either (a) is not a Plan or a Plan Asset Entity and is not purchasing or holding such securities on behalf of or with "plan assets" of any Plan or (b) is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 with respect to such purchase or holding. See "Transfer Restrictions" herein. Further, the fiduciaries of any Plan or Plan Asset Entity that may purchase or hold any Convertible Preferred Securities will be deemed as a result of such acquisition or holding to have (a) directed the Trust to invest in the Convertible Debentures and (b) authorized and directed any of the actions taken or that may be taken with respect to the Trust or the Convertible Preferred Securities by any of the Company, the LFT Trustees, the Institutional Trustee or the Guarantee Trustee as contemplated by the Indenture, the Declaration, the Guarantee or the Common Security Guarantee.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing Convertible Preferred Securities on behalf of or with "plan assets" of any Plan consult with their counsel regarding the potential consequences if the assets of the Trust were deemed to be "plan assets" and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

#### SELLING SECURITYHOLDERS

The Convertible Preferred Securities were originally issued by the Trust and sold by Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, Forum Capital Markets L.P. and McDonald & Company Securities Inc. (the "Initial Purchasers") in transactions exempt from the registration requirements of the Securities Act, to persons reasonably believed by such Initial Purchasers to be "qualified institutional buyers" (as defined in Rule 144A of the Securities Act) or to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3), or (7) under the Securities Act). The Arrow Shares were issued to Arrow in connection with the Arrow Acquisition. The purchasers of the Convertible Preferred Securities and Arrow, or their transferees, pledges, donees or successors (the "Selling Securityholders") may from time to time offer and sell pursuant to this Prospectus any or all of the Convertible Preferred Securities, the Convertible Subordinated Debentures, Lomak Common Stock issued upon conversion of the Convertible Preferred Securities, the associated Guarantee and the Arrow Shares.

The Offered Securities along with the Arrow Shares have been registered pursuant to the Registration Rights Agreement which provides that the Company file a registration statement with regard to the Offered Securities within ninety (90) days of the date of the Original Offering and keep such registration statement effective until the earlier of (i) the sale pursuant to the Shelf Registration Statement or Rule 144(a) under the Securities Act of all the Registrable Securities, and (ii) the expiration of the holding period applicable to sales of Registrable Securities under Rule 144(k) under the Securities Act, or any successor provision. Although none of the Selling Securityholders have advised the Company that they currently intend to sell all or any of the Offered Securities pursuant to this Prospectus, the Selling Securityholders may choose to sell the Offered Securities from time to time upon notice to Lomak and the Trust. See "Plan of Distribution."

Prior to any use of this Prospectus in connection with an offering of the Offered Securities, this Prospectus will be supplemented to set forth the name of and number of shares beneficially owned by the Selling Securityholders intending to sell such Offered Securities, and the number of Offered Securities to be offered. The Prospectus Supplement will also disclose whether any Selling Securityholder selling in connection with such Prospectus Supplement has held any position or office with, been employed by or otherwise has a material relationship with, Lomak or any of its affiliates during the three (3) years prior to the date of the Prospectus Supplement.

#### PLAN OF DISTRIBUTION

The Offered Securities may be sold from time to time to purchasers directly by the Selling Securityholders. Alternatively, the Selling Securityholders may from time to time offer the Offered Securities to or through underwriters, broker/dealers or agents, who may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Securityholders or the purchasers of such securities for whom they may act as agents. The Selling Securityholders and any underwriters, broker/dealers or agents that participate in the distribution of Offered Securities may be deemed to be "underwriters" within the meaning of the Securities Act and any profit on the sale of such securities and any discounts, commissions, concessions or other compensation received by any such underwriter, broker/dealer or agent may be deemed to be underwriting discounts and commissions under the Securities Act.

The Offered Securities may be sold from time to time in one or more transactions at fixed prices, at the prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. This sale of the Offered Securities may be effectuated in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Offered Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or in the over-the-counter market, or (iv) through the writing and exercise of options. At the time a particular offering of the Offered Securities is made, a Prospectus Supplement, if required, will be distributed which will set forth the aggregate amount of the type of Offered Securities being offered and the terms of the offering, including the name or names of any underwriters, broker/dealers or agents, any discounts, commissions and other terms constituting compensation from the Selling Securityholders and any discounts, commissions or concessions allowed or reallocated to be paid to broker/dealers. To comply with the securities laws of certain jurisdictions, if applicable, the Offered Securities will be offered or sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain jurisdictions the Offered Securities may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or any exemption from registration or qualification is available and is complied with.

The Selling Securityholders will be subject to applicable provisions of the Exchange Act and rules and regulations thereunder, which provisions may limit the timing of purchases and sales of any of the Offered Securities by the Selling Securityholders. The foregoing may affect the marketability of such securities.

Pursuant to the Registration Rights Agreement and the Company's agreement with Arrow, the Company shall pay all expenses of the registration of the Offered Securities including, without limitation, commission filing fees and expenses of compliance with state securities or "blue sky" laws; provided, however, that the Selling Securityholders will pay all underwriting discounts and selling commissions, if any. The Selling Securityholders will be indemnified by the Company and the Trust, jointly and severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith. The Company and the Trust will be indemnified by the Selling Securityholders severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith.

#### LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Convertible Preferred Securities, the enforceability of the Declaration and the creation of the Trust will be passed upon by Richards, Layton & Finger, special Delaware counsel to the Company and the Trust. Certain legal matters with respect to the validity of the Convertible Debentures and Guarantee being offered hereby and the Lomak Common Stock issuable upon conversion of the Convertible Debentures and certain United States federal income taxation matters will be passed upon for Lomak and the Trust by Vinson & Elkins L.L.P., Houston, Texas.

## EXPERTS

The Consolidated Financial Statements of the Company, as of December 31, 1995 and 1996 and for the three years then ended, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto incorporated by reference in this Prospectus in reliance upon the authority of said firm as experts in giving said reports.

The statements of revenues and direct operating expenses of the American Cometra Interests (referred to herein as the Cometra Properties) for the years ended December 31, 1994, 1995 and 1996, incorporated by reference in this Prospectus have been audited by Coopers & Lybrand L.L.P., independent accountants, and are incorporated by reference herein in reliance upon the authority of that firm as experts in accounting and auditing.

## GLOSSARY

The terms defined in this glossary are used throughout this Prospectus.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

Bcf. One billion cubic feet.

Bcfe. One billion cubic feet of natural gas equivalents, based on a ratio of 6 Mcf for each barrel of oil, which reflects the relative energy content.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory well. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Infill well. A well drilled between known producing wells to better exploit the reservoir.

Mbbl. One thousand barrels of crude oil or other liquid hydrocarbons.

Mcf. One thousand cubic feet.

Mcf/d. One thousand cubic feet per day.

Mcfe. One thousand cubic feet of natural gas equivalents, based on a ratio of 6 Mcf for each barrel of oil, which reflects the relative energy content.

Mmbbl. One million barrels of crude oil or other liquid hydrocarbons.

MmBtu. One million British thermal units. One British thermal unit is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

Mmcf. One million cubic feet.

Mmcfe. One million cubic feet of natural gas equivalents.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or gross wells.

Net oil and gas sales. Oil and natural gas sales less oil and natural gas production expenses.

Present Value. The pre-tax present value, discounted at 10%, of future net cash flows from estimated proved reserves, calculated holding prices and costs constant at amounts in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

Productive well. A well that is producing oil or gas or that is capable of production.

Proved developed non-producing reserves. Reserves that consist of (i) proved reserves from wells which have been completed and tested but are not producing due to lack of market or minor completion problems which are expected to be corrected and (ii) proved reserves currently behind the pipe in existing wells and which are expected to be productive due to both the well log characteristics and analogous production in the immediate vicinity of the wells.

Proved developed producing reserves. Proved reserves that can be expected to be recovered from currently producing zones under the continuation of present operating methods.

Proved developed reserves. Proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The completion for production of an existing wellbore in another formation from that in which the well has previously been completed.

Royalty interest. An interest in an oil and gas property entitling the owner to a share of oil and natural gas production free of costs of production.

Standardized Measure. The present value, discounted at 10%, of future net cash flows from estimated proved reserves after income taxes calculated holding prices and costs constant at amounts in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE TRUST OR ANY OF THEIR AGENTS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OFFERED HEREBY BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THE TRUST SINCE SUCH DATE.

LOMAK FINANCING TRUST  
 2,400,000  
 Trust Convertible Preferred Securities  
 5 3/4% Trust Convertible Preferred Securities  
 (LIQUIDATION AMOUNT \$50 PER CONVERTIBLE PREFERRED SECURITY)  
 GUARANTEED TO THE EXTENT SET FORTH HEREIN BY  
 Lomak Petroleum, Inc.

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and

LOMAK PETROLEUM, INC.  
 5,660,484 SHARES OF COMMON STOCK

January \_\_, 1998

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses in connection with the distribution of the Offered Securities (all of which shall be paid by the Registrant) being registered hereunder (other than underwriting discounts) are set forth in the following table (all amounts except the SEC registration fee are estimated):

SEC Registration Fee .....	\$36,364
Legal Fees and Expenses .....	7,500
Accounting Fees and Expenses .....	7,500
Printing and Engraving .....	15,000
Miscellaneous .....	8,636
	-----
Total .....	\$75,000

## ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company is a Delaware corporation. Section 145 of the Delaware General Corporation Law generally provides that a corporation is empowered to indemnify any person who is made a party to a proceeding or threatened proceeding by reason of the fact that he is or was a director, officer, employee or agent of the corporation or was, at the request of the corporation, serving in any of such capacities in another corporation or other enterprise. This statute describes in detail the right of the corporation to indemnify any such person.

Article SEVENTH, section (5) the Company Certificate of Incorporation provides:

Any former, present or future director, officer or employee of the Company or the legal representative of any such director, officer, or employee shall be indemnified by the Company

(a) against reasonable costs, disbursements and counsel fees paid or incurred where such person has been successful on the merits or otherwise in any pending, threatened or completed civil, criminal, administrative or arbitral action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding, or in defense of any claim, issue or matter therein, by reason of such person being or having been such director, officer or employee, and

(b) with respect to any such action, suit, proceeding, inquiry or investigation for which indemnification is not made under (a) above, against reasonable costs, disbursements (which shall include amounts paid in satisfaction of settlements, judgments, fines and penalties, exclusive, however, of any amount paid or payable to the Company) and counsel fees if such person also had no reasonable cause to believe the conduct was unlawful, with the determination as to whether the applicable standard of conduct was met to be made by a majority of the members of the Board of Directors (sitting as a committee of the Board) who were not parties to such inquiry, investigation, action, suit or proceeding or by any one or more disinterested counsel to whom the question may be referred to the Board of Directors; provided, however, in connection with any proceeding by or in the right of the Company, no indemnification shall be provided as to any person adjudged by any court to be liable for negligence or misconduct except as and to the extent determined by such court.

The termination of any such inquiry, investigation, action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that such person did not meet the standards of conduct set forth in subsection (b) above.

Reasonable costs, disbursements and counsel fees incurred by such person in connection with any inquiry, investigation action, suit or proceeding may be paid by the Company in advance of the final disposition of such matter if authorized by a majority of the Board of Directors (sitting as a committee of the Board) not parties to such matter upon receipt by The Company of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person is entitled to be indemnified as set forth herein.

The Board of Directors may, at any regular or special meeting of the Board, by resolution, accord similar indemnification (prospective or retroactive) to any director, trustee, officer or employee of any other company who is serving as such at the request of the Company because of the Company's interest in such other company and any officer, director or employee of any constituent corporation absorbed by the Company in a consolidation or merger, or the legal representative of any such director, trustee, officer or employee.

The indemnification herein provided shall not exclude any other rights to which such person may be entitled as a matter of law or which may be lawfully granted.

Article EIGHTH of the Company's Certificate of Incorporation provides:

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. This paragraph shall not eliminate or limit the liability of a director for any act or omission occurring prior to the effective date of its adoption. If the General Corporation Law of the State of Delaware is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of a director to the Corporation shall be limited or eliminated to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended from time to time. No repeal or modification of this Article VIII, directly or by adoption of an inconsistent provision of this Certificate of Incorporation, by the stockholders of the Corporation shall be effective with respect to any cause of action, suit claim or other matter, but for this Article VIII, would accrue or arise prior to such repeal or modification.

Article XII of the Company's Bylaws, incorporating the above provisions, provides for an indemnification agreement to be entered into by directors' and designated officers of the Company. All directors of the Company have executed an indemnification agreement the form of which was approved by stockholders at the Company's 1994 annual stockholders meeting.

Article XII of the Company's Bylaws also allows the Company to purchase liability insurance for Officers and Directors. As of the date hereof there is no such insurance in place.

Article XIII of the Company's Bylaws, with certain specified exceptions, limits the personal liability of the Directors to Lomak or its stockholders for monetary damages for breach of fiduciary duty to the fullest extent permitted by Delaware law, including any changes in Delaware law adopted in the future.

**INDEMNIFICATION OF TRUSTEES OF THE TRUST.** The Amended and Restated Declaration of Trust (the "Declaration") provides for full indemnification of any Trustee, affiliate of any regular Trustee, or any officers, directors, shareholders, members, partners, employees, representatives or agents of the Trust or its affiliates (each an "Indemnified Person") by Lomak in connection with any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by the Declaration or by law. The Declaration further provides that, to the fullest extent permitted by applicable law expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding, shall from time to time, be advanced by Lomak prior to the filing and disposition of such claim, demand,



action, suit or proceeding upon receipt by or an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified for the underlying cause of action as authorized by the Declaration.

The Selling Securityholders will be indemnified by Lomak and the Trust, jointly and severally, against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith. Lomak and the Trust will be indemnified by the Selling Securityholders severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant, pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. See Item 17, "Undertakings."

## ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

- 4.1 -- Form of Common Stock Certificate (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
- 4.2(a) -- Certificate of Incorporation of the Company dated March 24, 1980 (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
- 4.2(b) -- Certificate of Amendment of Certificate of Incorporation of the Company dated July 22, 1981 (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
- 4.2(c) -- Certificate of Amendment of Certificate of Incorporation of the Company's Registration Statement (No. 33-31558)).
- 4.2(d) -- Certificate of Amendment of Certificate of Incorporation of the Company dated December 28, 1988 (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
- 4.2(e) -- Certificate of Amendment of Certificate of Incorporation of the Company dated August 31, 1989 (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
- 4.2(f) -- Certificate of Amendment of Certificate of Incorporation of the Company dated May 30, 1991 (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
- 4.2(g) -- Certificate of Amendment to the Certificate of Incorporation of the Company dated November 20, 1992 (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
- 4.2(h) -- Certificate of Amendment to the Certificate of Incorporation of the Company dated May 24, 1996 (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
- 4.2(i) -- Certificate of Amendment to the Certificate of Incorporation of the Company dated October 2, 1996 (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
- 4.2(j) -- Restated Certificate of Incorporation as required by Item 102 of Regulation S-T (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
- 4.3 -- By-Laws of the Company (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
- 4.4\* -- Certificate of Trust of Lomak Financing Trust.
- 4.5\* -- Amended and Restated Declaration of Trust of Lomak Financing Trust dated as of October 22, 1997 by The Bank of New York (Delaware) and the Bank of New York as Trustees and Lomak Petroleum, Inc. as Sponsor.
- 4.6\* -- Indenture dated as of October 22, 1997, between Lomak Petroleum, Inc. and The Bank of New York.
- 4.7\* -- First Supplemental Indenture dated as of October 22, 1997, between Lomak Petroleum, Inc. and The Bank of New York.
- 4.8\* -- Form of 5 3/4% Preferred Convertible Securities (included in Exhibit 4.5 above).
- 4.9\* -- Form of 5 3/4% Convertible Junior Subordinated Debentures (included in Exhibit 4.7 above).
- 4.10\* -- Convertible Preferred Securities Guarantee Agreement dated October 22, 1997, between Lomak Petroleum, Inc., as Guarantor, and The Bank of New York as Preferred Guarantee Trustee.
- 4.11\* -- Common Securities Guarantee Agreement dated October 22, 1997, between Lomak Petroleum, Inc., as Guarantor, and The Bank of New York as Common Guarantee Trustee.
- 5.1(a)\* -- Opinion of Vinson & Elkins L.L.P. as to the legality of the Lomak Petroleum, Inc. Common Stock, Convertible Junior Subordinated Debentures, the 5 3/4% Convertible Preferred Securities, Preferred Securities Guarantee and Common Securities Guarantee being registered hereby and as to certain tax matters.
- 5.1(b)\* -- Opinion of Vinson & Elkins L.L.P. as to the legality of the Arrow Shares being registered hereby.
- 8.1\* -- Opinion of Vinson & Elkins L.L.P. as to tax matters (included in Exhibit 5.1(a)).
- 10.1\* -- Registration Rights Agreement dated October 22, 1997, by and among Lomak Petroleum, Inc., Lomak Financing Trust, Morgan Stanley & Co. Incorporated, Credit Suisse First Boston, Forum Capital Markets L.P. and McDonald & Company Securities, Inc.
- 10.2\* -- Agreement and Plan of Reorganization dated December 5, 1997 between Arrow Operating Company, Kelly W. Hoffman and L. S. Decker and Lomak Petroleum, Inc.
- 12.1\* -- Computation of Ratio of Earnings to Fixed Charges.
- 23.1\* -- Consent of Arthur Andersen L.L.P.
- 23.2\* -- Consent of Coopers & Lybrand L.L.P.

- 23.3\* -- Consent of Vinson & Elkins L.L.P. (included in Exhibit 5.1(b)).  
 24. -- Powers of Attorney (included on the signature page to this Registration Statement).  
 25.1\* -- Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 5 3/4% Convertible Junior Subordinated Debentures Indenture.  
 25.2\* -- Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Institutional Trustee under the Amended and Restated Declaration of Trust.  
 25.3\* -- Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Preferred Guarantee Trustee under the Preferred Securities Guarantee Agreement.

\* Filed herewith.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8, or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a

court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Lomak Petroleum, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Fort Worth, State of Texas on January , 1998.

LOMAK PETROLEUM, INC.

BY: /S/ JOHN H. PINKERTON

-----  
 John H. Pinkerton  
 President and  
 Chief Executive Officer  
 (Principal Executive Officer)

KNOW BY ALL THESE PRESENTS, that each of the undersigned directors and officers of Lomak Petroleum, Inc. hereby constitutes and appoints John H. Pinkerton and Thomas W. Stoelk, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and on his behalf and in his name, place and stead in any and all capacities, to sign, execute and file with the Securities and Exchange Commission and any state securities regulatory board or commission any documents relating to the proposed issuance and registration of the securities offered pursuant to this Registration Statement on Form S-3 under the Securities Act of 1933, including any and all amendments (including post-effective amendments and amendments thereto) to this Registration Statement on Form S-3 and any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
----- /s/ Thomas J. Edelman ----- Thomas J. Edelman	Chairman and Director	January , 1998
----- /s/ John H. Pinkerton ----- John H. Pinkerton	President, Chief Executive Officer and Director (Principal Executive Officer)	January , 1998
----- /s/ C. Rand Michaels ----- C. Rand Michaels	Vice Chairman and Director	January , 1998
----- /s/ Robert E. Aikman ----- Robert E. Aikman	Director	January , 1998
----- /s/ Allen Finkelson ----- Allen Finkelson	Director	January , 1998

Signature	Title	Date
----- /s/ Anthony V. Dub ----- Anthony V. Dub	Director	January , 1998
----- /s/ Ben A. Guill ----- Ben A. Guill	Director	January , 1998
----- /s/ Thomas W. Stoelk ----- Thomas W. Stoelk	Senior Vice President - Finance and Administration and Chief Financial Officer (Principal Financial Officer)	January , 1998
----- /s/ Geoffrey T. Doke ----- Geoffrey T. Doke	Controller and Chief Accounting Officer (Principal Accounting Officer)	January , 1998

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Lomak Financing Trust certifies that it has reasonable grounds to believe it meets all of the requirements for the filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Worth, State of Texas on \_\_\_\_\_, 1998.

## LOMAK FINANCING TRUST

By: /s/ John H. Pinkerton  
-----  
John H. Pinkerton, Trustee

By: /s/ Thomas W. Stoelk  
-----  
Thomas W. Stoelk, Trustee

## EXHIBIT INDEX

Exhibit No. -----	Description -----
4.4*	-- Certificate of Trust of Lomak Financing Trust.
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25.3*	-- Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Preferred Guarantee Trustee under the Preferred Securities Guarantee Agreement.

\* Filed herewith.

CERTIFICATE OF TRUST  
OF  
LOMAK FINANCING TRUST

THIS Certificate of Trust of Lomak Financing Trust (the "Trust"), dated as of October 8, 1997, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 DEL. C. Section 3801, ET SEQ.)

1. NAME. The name of the business trust formed hereby is Lomak Financing Trust.

2. DELAWARE TRUSTEES. The name and business of the trustee of the Trust with a principal place of business in the State of Delaware are The Bank of New York (Delaware). White Clay Center, Route 273, Newark, Delaware 19711.

3. EFFECTIVE DATE. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned, being the trustees of the Trust, have executed this certificate of Trust as of the date first-above written.

THE BANK OF NEW YORK (DELAWARE),  
As Delaware Trustee

By: -----

Name: Walter N. Gitlin  
Title: Authorized Signatory

John H. Pinkerton  
As Regular Trustee

-----



AMENDED AND RESTATED DECLARATION  
OF TRUST

LOMAK FINANCING TRUST

Dated as of October 22, 1997

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## CROSS-REFERENCE TABLE\*

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310(a)	.....	5.3(a)
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\* This Cross-Reference table does not constitute part of the Declaration and shall not affect the interpretation of any of its terms or provisions.

AMENDED AND RESTATED  
DECLARATION OF TRUST  
OF  
LOMAK FINANCING TRUST

October 22, 1997

AMENDED AND RESTATED DECLARATION OF TRUST

("Declaration") dated and effective as of October 22, 1997, by the Trustees (as defined herein), the Sponsor (as defined herein) and by the holders, from time to time, of undivided beneficial ownership interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, certain of the Trustees and the Sponsor established Lomak Financing Trust (the "Trust"), a trust under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of October 8, 1997 (the "Original Declaration"), and a Certificate of Trust filed with the Secretary of State of the State of Delaware on October 8, 1997, for the sole purpose of issuing and selling certain securities representing undivided beneficial ownership interests in the assets of the Trust and investing the proceeds thereof in certain Debentures (as defined herein) of the Debenture Issuer;

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration; and

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial ownership interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I.  
INTERPRETATION AND DEFINITIONS

SECTION 1.1           DEFINITIONS.  
-----

Unless the context otherwise requires:

a. Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

b. a term defined anywhere in this Declaration has the same meaning throughout;

c. all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

d. all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Declaration unless otherwise specified;

e. a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

f. a reference to the singular includes the plural and vice versa.

"144A GLOBAL SECURITY" has the meaning assigned such term in Section 9.4(b).

"AFFILIATE" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"AGENT" means any Paying Agent or Conversion Agent.

"AUTHORIZED OFFICER" of a Person means any Person that is authorized to bind such Person.

"BASE INDENTURE" means the Indenture dated as of October 22, 1997, between the Debenture Issuer and the Debenture Trustee.

"BOOK ENTRY INTEREST" means a beneficial interest in a Global Certificate, ownership and transfers of which shall be maintained and made through book entries by a Clearing Agency as described in Section 9.4.

"BUSINESS DAY" means any day other than a Saturday, Sunday or any other day on which banking institutions in New York, New York are permitted or required by any applicable law to close.

"BUSINESS TRUST ACT" means Chapter 38 of Title 12 of the Delaware Code, 12 DEL. CODE section 3801 ET SEQ., as it may be amended from time to time, or any successor legislation.

"CERTIFICATE" means a Common Security Certificate or a Convertible Preferred Security Certificate.



"CLEARING AGENCY" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as depositary for the Convertible Preferred Securities and in whose name or in the name of a nominee of that organization shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of the Convertible Preferred Securities.

"CLEARING AGENCY PARTICIPANT" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"CLOSING DATE" means October 22, 1997.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"COMMISSION" means the Securities and Exchange Commission.

"COMMON SECURITY" has the meaning specified in Section 7.1.

"COMMON SECURITIES GUARANTEE" means the guarantee agreement to be dated as of October 22, 1997 of the Sponsor in respect of the Common Securities.

"COMMON SECURITY CERTIFICATE" means a definitive certificate in fully registered form representing a Common Security substantially in the form of Exhibit A-2.

"COMMON STOCK" means the common stock of Lomak Petroleum, Inc., a Delaware corporation, par value \$.01 per share and any other shares of common stock as may constitute "Common Stock" under the Indenture.

"COMPANY INDEMNIFIED PERSON" means (a) any Regular Trustee; (b) any Affiliate of any Regular Trustee; (c) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Regular Trustee; or (d) any officer, employee or agent of the Trust or its Affiliates.

"CONVERSION AGENT" has the meaning specified in Section 7.4.

"CONVERTIBLE PREFERRED SECURITIES GUARANTEE" means the guarantee agreement to be dated as of October 22, 1997, of the Sponsor in respect of the Convertible Preferred Securities.

"CONVERTIBLE PREFERRED SECURITY" has the meaning specified in Section 7.1.

"CONVERTIBLE PREFERRED SECURITY BENEFICIAL OWNER" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest,

as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"CONVERTIBLE PREFERRED SECURITY CERTIFICATE" means a certificate representing a Preferred Security substantially in the form of Exhibit A-1.

"CORPORATE TRUST OFFICE" means the office of the Institutional Trustee at which the corporate trust business of the Institutional Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at 101 Barclay Street, Floor 21 West, New York, New York 10286.

"COVERED PERSON" means: (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Securities.

"DEBENTURE ISSUER" means Lomak Petroleum, Inc., a Delaware corporation, in its capacity as issuer of the Debentures under the Indenture.

"DEBENTURE TRUSTEE" means The Bank of New York, as trustee under the Indenture until a successor is appointed thereunder, and thereafter means such successor trustee.

"DEBENTURES" means the series of Debentures to be issued by the Debenture Issuer under the Indenture to be held by the Institutional Trustee, a specimen certificate for such series of Debentures being Exhibit B.

"DELAWARE TRUSTEE" has the meaning set forth in Section 5.1.

"DEFINITIVE CONVERTIBLE PREFERRED SECURITY CERTIFICATES" has the meaning set forth in Section 9.4.

"DISTRIBUTION" means a distribution payable to Holders of Securities in accordance with Section 6.1.

"DTC" means The Depository Trust Company, the initial Clearing Agency.

"EVENT OF DEFAULT" in respect of the Securities means an Event of Default (as defined in the Indenture) has occurred and is continuing in respect of the Debentures.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"FIDUCIARY INDEMNIFIED PERSON" has the meaning set forth in Section 10.4(b).

"GLOBAL CERTIFICATE" has the meaning set forth in Section 9.4(a).

"HOLDER" means a Person in whose name a Certificate representing a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

"INDEMNIFIED PERSON" means a Company Indemnified Person or a Fiduciary Indemnified Person.

"INDENTURE" means the Base Indenture as supplemented by the Supplemental Indenture.

"INITIAL PURCHASERS" means Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, Forum Capital L.P. and McDonald & Company Securities, Inc.

"INSTITUTIONAL TRUSTEE" means the Trustee meeting the eligibility requirements set forth in Section 5.3.

"INSTITUTIONAL TRUSTEE ACCOUNT" has the meaning set forth in Section 3.8(c).

"INVESTMENT COMPANY" means an investment company as defined in the Investment Company Act.

"INVESTMENT COMPANY ACT" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"LEGAL ACTION" has the meaning set forth in Section 3.6(g).

"LIST OF HOLDERS" has the meaning set forth in Section 2.2(a).

"LIQUIDATING DISTRIBUTION" has the meaning specified in the terms of Securities as set forth in Annex I.

"LOMAK" means Lomak Petroleum, Inc.

"MAJORITY IN LIQUIDATION AMOUNT OF THE SECURITIES" means, except as provided in the terms of the Convertible Preferred Securities or by the Trust Indenture Act, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holders of outstanding Convertible Preferred Securities or Holders of outstanding Common Securities voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount (including the

stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"MAKE-WHOLE AMOUNT" has the meaning set forth in the Supplemental Indenture.

"OFFICERS' CERTIFICATE" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"PAYING AGENT" has the meaning specified in Section 3.8(h).

"PERSON" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"PAYMENT AMOUNT" has the meaning set forth in Section 6.1.

"PLACEMENT AGREEMENT" means the Placement Agreement for the offering and sale of Convertible Preferred Securities substantially in the form of Exhibit C.

"PORTAL MARKET" means the Private Offerings, Resales and Trading through Automated Linkages Market operated by the National Association of Securities Dealers, Inc. or any successor thereto.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"QUORUM" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both of them.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement dated October 22, 1997 among Lomak Petroleum, Inc., the Trust and Morgan Stanley & Co. Incorporated, as the representative for the Initial Purchasers.

"REGULAR TRUSTEE" has the meaning set forth in Section 5.1.

"RELATED PARTY" means, with respect to the Sponsor, any direct or indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"RESPONSIBLE OFFICER" means, with respect to the Institutional Trustee, any officer within the Corporate Trust Office of the Institutional Trustee, including any vice president, any assistant vice president, any assistant secretary, the treasurer, any assistant treasurer or other officer of the Corporate Trust Office of the Institutional Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"RESTRICTED SECURITY" has the meaning specified in Section 9.1(d).

"RULE 144A" means Rule 144A as promulgated under the Securities Act, as amended, or any successor rule.

"RULE 144(K)" means Rule 144(k) as promulgated under the Securities Act, as amended, or any successor rule.

"RULE 3a-5" means Rule 3a-5 under the Investment Company Act, as amended, or any successor rule.

"SECURITIES" means the Common Securities and the Convertible Preferred Securities.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"SECURITIES GUARANTEES" means the Common Securities Guarantee and the Convertible Preferred Securities Guarantee.

"SPECIAL EVENT" has the meaning set forth in the Supplemental Indenture.

"SPONSOR" or "LOMAK" means Lomak Petroleum, Inc., a Delaware corporation, or any successor entity in a merger, consolidation or amalgamation, in its capacity as sponsor of the Trust.

"SUCCESSOR INSTITUTIONAL TRUSTEE" has the meaning set forth in Section 5.7.

"SUPER MAJORITY" has the meaning set forth in Section 2.6(a)(ii).

"SUPPLEMENTAL INDENTURE" means the First Supplemental Indenture dated as of October 22, 1997 among the Debenture Issuer and the Debenture Trustee pursuant to which the Debentures are to be issued.

"10% IN LIQUIDATION AMOUNT OF THE SECURITIES" means, except as provided in the terms of the Convertible Preferred Securities or by the Trust Indenture Act, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holders of outstanding Convertible Preferred Securities or Holders of outstanding Common Securities voting separately as a class, who are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"TRANSFER RESTRICTION TERMINATION DATE" means the first date on which the Securities and any Common Stock issued or issuable upon the conversion or exchange thereof (other than (i) Securities acquired by the Trust or any Affiliate thereof and (ii) Common Stock issued upon the conversion or exchange of any Security described in clause (i) above) may be sold pursuant to Rule 144(k).

"TREASURY REGULATIONS" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury.

"TRUSTEE" or "TRUSTEES" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

ARTICLE II.  
TRUST INDENTURE ACT

SECTION 2.1 TRUST INDENTURE ACT: APPLICATION.  
-----

a. This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.

b. The Institutional Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

c. If, and to the extent that, any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such duties imposed under the Trust Indenture Act shall control.

d. The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 LISTS OF HOLDERS OF SECURITIES.  
-----

a. Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Institutional Trustee (i) within 14 days after each record date for payment of Distributions, a list in such form as the Institutional Trustee may reasonably require of the names and addresses of the Holders of the Securities ("List of Holders") as of such record date, PROVIDED THAT, neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Institutional Trustee by the Sponsor and the Regular Trustees on behalf of the Trust, and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Institutional Trustee. The Institutional Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity), PROVIDED THAT, the Institutional Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

b. The Institutional Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.3                   REPORTS BY THE INSTITUTIONAL TRUSTEE.  
-----

Within 60 days after May 15 of each year, the Institutional Trustee shall provide to the Holders of the Convertible Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Institutional Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4                   PERIODIC REPORTS TO INSTITUTIONAL TRUSTEE.  
-----

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Delivery of such reports, information and documents to the Institutional Trustee is for informational purposes only and the Institutional Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Sponsor's compliance with any of its covenants hereunder (as to which the Institutional Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 2.5                   EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT.  
-----

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6                   EVENTS OF DEFAULT; WAIVER.  
-----

a. The Holders of a Majority in liquidation amount of Convertible Preferred Securities may by vote on behalf of the Holders of all of the Convertible Preferred Securities, waive any past Event of Default in respect of the Convertible Preferred Securities and its consequences, PROVIDED THAT, if the underlying Event of Default under the Indenture:

(i) is not waivable under the Indenture, the Event of Default under the Declaration shall also not be waivable; or

(ii) requires the consent or vote of greater than a majority in principal amount of the holders of the Debentures (a "Super Majority") to be waived



under the Indenture, the Event of Default under the Declaration may only be waived by the vote of the Holders of at least the proportion in liquidation amount of the Convertible Preferred Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding.

The foregoing provisions of this Section 2.6(a) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Convertible Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or an Event of Default with respect to the Convertible Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Convertible Preferred Securities of an Event of Default with respect to the Convertible Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Common Securities.

b. The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences, PROVIDED THAT, if the underlying Event of Default under the Indenture:

(i) is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration shall also not be waivable; or

(ii) requires the consent or vote of a Super Majority to be waived, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration may only be waived by the vote of the Holders of at least the proportion in liquidation amount of the Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding;

PROVIDED FURTHER, each Holder of Common Securities will be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Convertible Preferred Securities have been cured, waived or otherwise eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the Holders of the Convertible Preferred Securities and only the Holders of the Convertible Preferred Securities will have the right to direct the Institutional Trustee in accordance with the

terms of the Securities. The foregoing provisions of this Section 2.6(b) shall be in lieu of Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act and such Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act are hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

c. A waiver of an Event of Default under the Indenture by the Institutional Trustee at the direction of the Holders of the Convertible Preferred Securities, constitutes a waiver of the corresponding Event of Default under this Declaration. The foregoing provisions of this Section 2.6(c) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act.

SECTION 2.7 EVENT OF DEFAULT; NOTICE.

-----

a. The Institutional Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all defaults with respect to the Securities actually known to a Responsible Officer of the Institutional Trustee, unless such defaults have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 2.7(a) being hereby defined to be an Event of Default as defined in the Indenture, not including any periods of grace provided for therein and irrespective of the giving of any notice provided therein); PROVIDED THAT, except for a default in the payment of principal of (or premium, if any) or interest on any of the Debentures or in the payment of any sinking fund installment established for the Debentures, the Institutional Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Institutional Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

b. The Institutional Trustee shall not be deemed to have knowledge of any default except:

(i) a default under Sections 5.1(1) and 5.1(2) of the Indenture;

or

(ii) any default as to which the Institutional Trustee shall have received written notice or of which a Responsible Officer of the Institutional Trustee charged with the administration of the Declaration shall have actual knowledge.

ARTICLE III.  
ORGANIZATION

SECTION 3.1 NAME.  
----

The Trust is named "Lomak Financing Trust" as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 OFFICE.  
-----

The address of the principal office of the Trust is c/o Lomak Petroleum, Inc., 500 Throckmorton Street, Fort Worth, Texas 76102. On ten Business Days written notice to the Holders of Securities, the Regular Trustees may designate another principal office.

SECTION 3.3 PURPOSE.  
-----

The exclusive purposes and functions of the Trust are (a) to issue and sell Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise limited herein, to engage in only those other activities necessary, or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust.

SECTION 3.4 AUTHORITY.  
-----

a. Subject to the limitations provided in this Declaration and to the specific duties of the Institutional Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Institutional Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

b. Except as expressly set forth in this Declaration and except if a meeting of the Regular Trustees is called with respect to any matter over which the Regular Trustees have power to act, any power of the Regular Trustees may be exercised by, or with the consent of, any one such Regular Trustee.

c. Except as otherwise required by the Business Trust Act or applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6, PROVIDED, that the registration statement referred to in Section 3.6, including any amendments thereto, shall be signed by all of the Regular Trustees; and

d. a Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Regular Trustees have power and authority to cause the Trust to execute pursuant to Section 3.6.

SECTION 3.5 TITLE TO PROPERTY OF THE TRUST.  
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Except as provided in Section 3.8 with respect to the Debentures and the Institutional Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders of Securities shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial ownership interest in the assets of the Trust.

SECTION 3.6 POWERS AND DUTIES OF THE REGULAR TRUSTEES.  
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The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

a. to issue and sell the Securities in accordance with this Declaration; PROVIDED HOWEVER, that the Trust may issue no more than one series of Convertible Preferred Securities and no more than one series of Common Securities, and PROVIDED FURTHER, that there shall be no interests in the Trust other than the Securities, and the issuance of Securities shall be limited to a simultaneous issuance of both Convertible Preferred Securities and Common Securities on the Closing Date and Option Closing Date, if any;

b. in connection with the issue and sale of the Convertible Preferred Securities, at the direction of the Sponsor, to:

(i) prepare and execute, if necessary, an offering memorandum (the "Offering Memorandum") in preliminary and final form prepared by the Sponsor, in relation to the offering and sale of Convertible Preferred Securities to qualified institutional buyers in reliance on Rule 144A under the Securities Act, to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and to execute and file with the Commission, at such time as determined by the Sponsor, a registration statement filed on Form S-3 prepared by the Sponsor, including any amendments and supplements hereto in relation to the Convertible Preferred Securities;

(ii) execute and file an application, prepared by the Sponsor, to the PORTAL Market;

(iii) to execute and deliver letters, documents, or instruments with DTC relating to the Convertible Preferred Securities;

(iv) execute and file with the Commission, at such time as determined by the Sponsor, a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor relating to the registration of the Convertible Preferred Securities under Section 12(b) or 12(g) of the Exchange Act;

(v) execute and enter into the Subscription Agreement, the Debenture Purchase Agreement and the Registration Rights Agreement and other related agreements providing for the sale of the Convertible Preferred Securities;

(vi) execute and file with the Commission a registration statement on Form S-3 prepared by the Sponsor, including any amendments and supplements thereto, pertaining to the resale from time to time of Convertible Preferred Securities; and

(vii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Convertible Preferred Securities in any State in which the Sponsor has determined to qualify or register such Convertible Preferred Securities for sale or resale, as the case may be;

c. to acquire the Debentures with the proceeds of the sale of the Convertible Preferred Securities and the Common Securities; PROVIDED, HOWEVER, that the Regular Trustees shall cause legal title to the Debentures to be held of record in the name of the Institutional Trustee for the benefit of the Holders of the Convertible Preferred Securities and the Holders of Common Securities;

d. to give the Sponsor and the Institutional Trustee prompt written notice of the occurrence of a Special Event; PROVIDED THAT the Regular Trustees shall consult with the Sponsor and the Institutional Trustee before taking or refraining from taking any Ministerial Action in relation to a Special Event;

e. to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of Section 316 (c) of the Trust Indenture Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Convertible Preferred Securities and Holders of Common Securities as to such actions and applicable record dates;

f. to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Securities;

g. to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Institutional Trustee has the exclusive power to bring such Legal Action;

h. to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

i. to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

j. to give the certificate required by Section 314(a)(4) of the Trust Indenture Act to the Institutional Trustee, which certificate may be executed by any Regular Trustee;

k. to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

l. to act as, or appoint another Person to act as, registrar and transfer agent for the Securities;

m. to give prompt written notice to the Holders of the Securities of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Indenture;

n. to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

o. to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Convertible Preferred Securities or to enable the Trust to effect the purposes for which the Trust was created;

p. to take any action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust to be classified for United States federal income tax purposes as a grantor trust; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes,

PROVIDED THAT such action does not adversely affect the interests of Holders; and

q. to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none of the powers or the authority of the Institutional Trustee set forth in Section 3.8.

Pursuant to the Indenture, any reasonable expenses incurred by the Regular Trustees pursuant to this Section 3.6 shall be reimbursed by the Debenture Issuer.

The Trust initially appoints the Institutional Trustee as transfer agent and registrar for the Convertible Preferred Securities.

SECTION 3.7 PROHIBITION OF ACTIONS BY THE TRUST AND THE TRUSTEES.  
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a. The Trust shall not, and the Trustees (including the Institutional Trustee) shall not, with respect to the Trust, engage in any activity other than as required or authorized by this Declaration. In particular the Trust shall not and the Trustees (including the Institutional Trustee) shall not cause the Trust to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;

(ii) acquire any assets other than as expressly provided herein;

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness other than loans represented by the Debentures;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Securities in any way whatsoever;

(vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Securities; or

(vii) other than as provided in this Declaration or Annex I hereto, (A) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (B) waive any past default that is not waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that (x) the Trust will be deemed an Investment Company required to be registered under the Investment Company Act or (y) for United States federal income tax purposes the Trust will not be classified as a grantor trust.

#### SECTION 3.8 POWERS AND DUTIES OF THE INSTITUTIONAL TRUSTEE.

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a. The legal title to the Debentures shall be owned by and held of record in the name of the Institutional Trustee in trust for the benefit of the Holders of the Securities. The right, title and interest of the Institutional Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Institutional Trustee in accordance with Section 5.7. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

b. The Institutional Trustee shall not transfer its right, title and interest in the Debentures to the Regular Trustees or to the Delaware Trustee (if the Institutional Trustee does not also act as Delaware Trustee).

c. The Institutional Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Institutional Trustee Account") in the name of and under the exclusive control of the Institutional Trustee on behalf of the Holders of the Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Institutional Trustee, deposit such funds into the Institutional Trustee Account and make payments to the Holders of the Convertible Preferred Securities and Holders of the Common Securities from the Institutional Trustee



Account in accordance with Section 6.1. Funds in the Institutional Trustee Account shall be held uninvested until disbursed in accordance with this Declaration. The Institutional Trustee Account shall be an account that is maintained with a banking institution the rating on whose long-term unsecured indebtedness is at least equal to the rating assigned to the Convertible Preferred Securities by a "nationally recognized statistical rating organization," as that term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Convertible Preferred Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of Distribution issued by the Regular Trustees in accordance with the terms of the Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Debentures pursuant to the terms of the Securities.

d. The Institutional Trustee shall take all actions and perform such duties as may be specifically required of the Institutional Trustee pursuant to the terms of the Securities.

e. The Institutional Trustee shall take any Legal Action which arises out of or in connection with an Event of Default of which a Responsible Officer of the Institutional Trustee has actual knowledge or the Institutional Trustee's duties and obligations under this Declaration or the Trust Indenture Act; PROVIDED HOWEVER, that if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Convertible Preferred Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Convertible Preferred Securities of such Holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such Holder of Convertible Preferred Securities to the extent of any payment made by the Debenture Issuer to such Holder of Preferred Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Convertible Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

f. The Institutional Trustee shall not resign as a Trustee unless either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Securities pursuant to the terms of the Securities; or

(ii) a Successor Institutional Trustee has been appointed and has accepted that appointment in accordance with Section 5.7.

g. The Institutional Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if an Event of Default actually known to a Responsible Officer of the Institutional Trustee occurs and is continuing, the Institutional Trustee shall, for the benefit of Holders of the Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Securities.

h. The Institutional Trustee may authorize the Paying Agent (as defined herein) to pay Distributions, redemption payments or Liquidation Distributions on behalf of the Trust with respect to all Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Institutional Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Institutional Trustee.

i. Subject to this Section 3.8, the Institutional Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Institutional Trustee must exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Institutional Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

#### SECTION 3.9 CERTAIN DUTIES AND RESPONSIBILITIES OF THE INSTITUTIONAL TRUSTEE.

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(a) The Institutional Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Institutional Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) of which a Responsible Officer of the Institutional Trustee has actual knowledge, the Institutional Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Declaration shall be construed to relieve the Institutional Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

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

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

(ii) the Institutional Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Institutional Trustee, unless it shall be proved that the Institutional Trustee was negligent in ascertaining the pertinent facts;

(iii) the Institutional Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under this Declaration;

(iv) no provision of this Declaration shall require the Institutional Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or indemnity reasonably satisfactory to the Institutional Trustee against such risk or liability is not reasonably assured to it;

(v) the Institutional Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Institutional Trustee Account shall be to deal with such property in a similar manner as the Institutional Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Institutional Trustee under this Declaration and the Trust Indenture Act;

(vi) the Institutional Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Debentures or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Institutional Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree in writing with the Sponsor. Money held by the Institutional Trustee need not be segregated from other funds held by it except in relation to the Institutional Trustee Account maintained by the Institutional Trustee pursuant to Section 3.8(c)(i) and except to the extent otherwise required by law; and

(viii) the Institutional Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Institutional Trustee be liable for any default or misconduct of the Regular Trustees or the Sponsor.

SECTION 3.10 CERTAIN RIGHTS OF INSTITUTIONAL TRUSTEE.  
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(a) Subject to the provisions of Section 3.9:

(i) the Institutional Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Sponsor or the Regular Trustees contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever in the administration of this Declaration, the Institutional Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Institutional Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate

which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Regular Trustees;

(iv) the Institutional Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(v) the Institutional Trustee may consult with counsel of its selection or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Institutional Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(vi) the Institutional Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Institutional Trustee security and indemnity, reasonably satisfactory to the Institutional Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Institutional Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Institutional Trustee provided, that, nothing contained in this Section 3.10(a)(vi) shall be taken to relieve the Institutional Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Declaration;

(vii) the Institutional Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Institutional Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Institutional Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and the Institutional Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Institutional Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Institutional Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Institutional Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Institutional Trustee's or its agent's taking such action;

(x) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable to receive written instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Institutional Trustee (i) may request written instructions from the Holders of the Securities which instructions may only be given by the Holders of the same proportion in liquidation amount of the Securities as would be entitled to direct the Institutional Trustee under the terms of the Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in conclusively relying on or acting in or accordance with such instructions;

(xi) except as otherwise expressly provided by this Declaration, the Institutional Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration; and

(xii) the Institutional Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Declaration.

(b) No provision of this Declaration shall be deemed to impose any duty or obligation on the Institutional Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Institutional Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Institutional Trustee shall be construed to be a duty.

#### SECTION 3.11 DELAWARE TRUSTEE.

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Notwithstanding any other provision of this Declaration other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Institutional Trustee described in this Declaration. Except as set forth in Section 5.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.12 EXECUTION OF DOCUMENTS.  
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Except as otherwise required by the Business Trust Act or other applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6; PROVIDED THAT, the registration statement referred to in Section 3.6(b)(i), including any amendments thereto, shall be signed by all of the Regular Trustees.

SECTION 3.13 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.  
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The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Securities.

SECTION 3.14 DURATION OF TRUST.  
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The Trust, unless dissolved pursuant to the provisions of Article VIII hereof, shall dissolve on November 1, 2032.

SECTION 3.15 MERGERS.  
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(a) The Trust may not consolidate or amalgamate with or merge into or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any Person, except as described in Section 3.15(b) and (c) of this Declaration or Section 3 of Annex I.

(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Securities, the Delaware Trustee or the Institutional Trustee, consolidate or amalgamate with or merge into, or be replaced by a trust organized as such under the laws of any State; PROVIDED THAT:

(i) such successor entity ( the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Securities; or

(B) substitutes for the Convertible Preferred Securities other securities having substantially the same terms as the Convertible Preferred Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Convertible Preferred Securities rank with respect to Distributions and payments upon liquidation, redemption and otherwise;

(ii) the Debenture Issuer expressly acknowledges a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee as the Holder of the Debentures;

(iii) such merger, consolidation, amalgamation or replacement does not cause the Convertible Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;

(iv) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Securities (including any Successor Securities) in any material respect;

(v) such Successor Entity has a purpose substantially identical to that of the Trust;

(vi) prior to such merger, consolidation, amalgamation or replacement, the Sponsor has received an opinion of independent counsel to the Trust experienced in such matters to the effect that:

(A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the Successor Entity);

(B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes; and

(vii) the Sponsor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Securities Guarantees.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes.



ARTICLE IV.  
SPONSOR

SECTION 4.1 SPONSOR'S PURCHASE OF COMMON SECURITIES.  
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On the Closing Date the Sponsor will purchase all of the Common Securities issued by the Trust, in an amount at least equal to 3% of the capital of the Trust, at the same time as the Convertible Preferred Securities are sold.

SECTION 4.2 RESPONSIBILITIES OF THE SPONSOR.  
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In connection with the issue and sale of the Convertible Preferred Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) prepare and execute, if necessary, the Offering Memorandum in preliminary and final form, in relation to the offering and sale by the Trust of Convertible Preferred Securities to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to institutional "accredited investors" (as defined in Rule 501(a)(1),(2), (3) or (7) under the Securities Act);

(b) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 in relation to the resale of Convertible Preferred Securities and the Convertible Preferred Securities Guarantee, including any amendments thereto;

(c) prepare for execution and filing by the Trust of an application, prepared by the Sponsor, to the PORTAL Market;

(d) prepare for execution and filing by the Trust of documents, or instruments to be delivered to DTC relating to the Convertible Preferred Securities;

(e) prepare for execution and filing by the Trust of a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor relating to the registration of the Convertible Preferred Securities under Section 12(b) or 12(g) of the Exchange Act;

(f) to determine the States in which to take appropriate action to qualify or register for sale all or part of the Convertible Preferred Securities and the Convertible Preferred Securities Guarantees and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States;

(g) to negotiate the terms of, and execute, the Placement Agreement providing for the sale of the Convertible Preferred Securities; and

(h) to negotiate the terms of the Registration Rights Agreement providing for, among other things, the registration under the Securities Act of resales from time to time of the Convertible Preferred Securities.

ARTICLE V.  
TRUSTEES

SECTION 5.1 NUMBER OF TRUSTEES.  
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The number of Trustees initially shall be five (5), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Securities, the number of Trustees may be increased or decreased by vote of the Holders of a majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities; PROVIDED HOWEVER, that the number of Trustees shall in no event be less than two (2); PROVIDED FURTHER, that (1) one Trustee, in the case of a natural person, shall be a person who is a resident of the State of Delaware or that, if not a natural person, is an entity which has its principal place of business in the State of Delaware (the "Delaware Trustee"); (2) there shall be at least one Trustee who is an employee or officer of, or is affiliated with the Sponsor (a "Regular Trustee"); and (3) one Trustee shall be the Institutional Trustee at such time and for so long as this Declaration is required to qualify as an indenture under the Trust Indenture Act, and such Trustee may also serve as Delaware Trustee if it meets the applicable requirements.

SECTION 5.2 DELAWARE TRUSTEE.  
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If required by the Business Trust Act, the Delaware Trustee shall be:

(a) a natural person who is a resident of the State of Delaware;

or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law.

PROVIDED THAT, if the Institutional Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Institutional Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application. The initial Delaware Trustee shall be : The Bank of New York (Delaware).

SECTION 5.3 INSTITUTIONAL TRUSTEE; ELIGIBILITY.

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(a) There shall at all times be one Trustee which shall act as Institutional Trustee which shall:

(i) not be an Affiliate of the Sponsor; and

(ii) be a Person organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a Person or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 5.3(a)(ii), the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Institutional Trustee shall cease to be eligible to so act under Section 5.3(a), the Institutional Trustee shall immediately resign in the manner and with the effect set forth in Section 5.7(c).

(c) If the Institutional Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Institutional Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Convertible Preferred Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Institutional Trustee shall be: The Bank of New York.

SECTION 5.4 CERTAIN QUALIFICATIONS OF REGULAR TRUSTEES AND DELAWARE TRUSTEE

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GENERALLY.

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Each Regular Trustee and the Delaware Trustee (unless the Institutional Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

SECTION 5.5 REGULAR TRUSTEES.

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The initial Regular Trustees shall be:

John H. Pinkerton  
Thomas W. Stoelk  
Geoff Doke

(a) Except as expressly set forth in this Declaration and except if a meeting of the Regular Trustees is called with respect to any matter over which the Regular Trustees have power to act, any power of the Regular Trustees may be exercised by, or with the consent of, any one such Regular Trustee.

(b) Except as otherwise required by the Business Trust Act or applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6, PROVIDED, THAT, the registration statement referred to in Section 3.6, including any amendments thereto, shall be signed by all of the Regular Trustees; and

(c) a Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Regular Trustees have power and authority to cause the Trust to execute pursuant to Section 3.6.

SECTION 5.6 APPOINTMENT, REMOVAL AND RESIGNATION OF TRUSTEES.

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(a) Subject to Section 5.7(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

(b) The Trustee that acts as Institutional Trustee shall not be removed in accordance with Section 5.7(a) until a successor Institutional Trustee (a "Successor Institutional Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Institutional Trustee and delivered to the Regular Trustees and the Sponsor; and

(iii) the Trustee that acts as Delaware Trustee shall not be removed in accordance with this Section 5.7(a) until a successor Trustee possessing the

qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

(c) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; PROVIDED, HOWEVER, that:

(iv) No such resignation of the Trustee that acts as the Institutional Trustee shall be effective:

(A) until a Successor Institutional Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Institutional Trustee and delivered to the Trust, the Sponsor and the resigning Institutional Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Securities; and

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(d) The Holders of the Common Securities shall use their best efforts to promptly appointment a Successor Delaware Trustee or Successor Institutional Trustee as the case may be if the Institutional Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.7.

(e) If no Successor Institutional Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.7 within 60 days after delivery of an instrument of resignation or removal, the Institutional Trustee or Delaware Trustee resigning or being removed, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Institutional Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

(f) No Institutional Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

SECTION 5.7 VACANCIES AMONG TRUSTEES.  
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If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Regular Trustees or, if there are more than two, a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.7.

SECTION 5.8 EFFECT OF VACANCIES.  
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The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul, dissolve or terminate the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of a Regular Trustee in accordance with Section 5.7, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

SECTION 5.9 MEETINGS.  
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If there is more than one Regular Trustee, meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustee or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the

unanimous written consent of the Regular Trustees. In the event there is only one Regular Trustee, any and all action of such Regular Trustee shall be evidenced by a written consent of such Regular Trustee.

SECTION 5.10 DELEGATION OF POWER.  
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(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

SECTION 5.11 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.  
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Any Person into which the Institutional Trustee or the Delaware Trustee, as the case may be, may be merged or converted or with which either may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Institutional Trustee or the Delaware Trustee, as the case may be, shall be a party, or any Person succeeding to all or substantially all the corporate trust business of the Institutional Trustee or the Delaware Trustee, as the case may be, shall be the successor of the Institutional Trustee or the Delaware Trustee, as the case may be, hereunder, provided such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

ARTICLE VI.  
DISTRIBUTIONS

SECTION 6.1 DISTRIBUTIONS.  
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Holders of Securities shall receive Distributions (as defined herein) in accordance with the applicable terms of the relevant Holder's Securities. Distributions shall be made on the Convertible Preferred Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including Compounded Interest (as defined in the Indenture)), premium and/or principal on the Debentures held by the Institutional Trustee (the amount of any such payment being a "Payment Amount"),

the Institutional Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VII.  
ISSUANCE OF SECURITIES

SECTION 7.1 GENERAL PROVISIONS REGARDING SECURITIES.  
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(a) The Regular Trustees shall on behalf of the Trust issue one class of convertible preferred securities representing undivided beneficial ownership interests in the assets of the Trust having such terms as are set forth in Annex I (the "Convertible Preferred Securities"), one class of Convertible Preferred Securities representing undivided beneficial ownership interests in the assets of the Trust, having such terms as are set forth in the Declaration and Annex I, to be issued only in exchange for the Restricted Securities (the "New Convertible Preferred Securities," and together with the Restricted Securities, the "Convertible Preferred Securities") and one class of convertible common securities representing undivided beneficial ownership interests in the assets of the Trust having such terms as are set forth in Annex I (the "Common Securities"). The Trust shall issue no securities or other interests in the assets of the Trust other than the Convertible Preferred Securities and the Common Securities.

(b) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(c) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.

(d) Every Person, by virtue of having become a Holder or a Convertible Preferred Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of and shall be bound by this Declaration.

SECTION 7.2 EXECUTION AND AUTHENTICATION.  
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(a) The Certificates shall be signed on behalf of the Trust by a Regular Trustee. In case any Regular Trustee of the Trust who shall have signed any of the Securities shall cease to be such Regular Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Security, shall be the Regular Trustees of the Trust,



although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee.

(b) One Regular Trustee shall sign the Convertible Preferred Securities for the Trust by manual or facsimile signature. Unless otherwise determined by the Trust, such signature shall, in the case of Common Securities, be a manual signature.

A Convertible Preferred Security shall not be valid until authenticated by the manual signature of an authorized signatory of the Institutional Trustee. The signature shall be conclusive evidence that the Convertible Preferred Security has been authenticated under this Declaration.

Upon a written order of the Trust signed by one Regular Trustee, the Institutional Trustee shall authenticate the Convertible Preferred Securities for original issue. The aggregate number of Convertible Preferred Securities outstanding at any time shall not exceed the number set forth in Annex I hereto.

The Institutional Trustee may appoint an authenticating agent acceptable to the Trust to authenticate Convertible Preferred Securities. An authenticating agent may authenticate Convertible Preferred Securities whenever the Institutional Trustee may do so. Each reference in this Declaration to authentication by the Institutional Trustee includes authentication by such agent. An authenticating agent has the same rights as the Institutional Trustee to deal with the Company or an Affiliate.

#### SECTION 7.3 FORM AND DATING.

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The Convertible Preferred Securities and the Institutional Trustee's certificate of authentication shall be substantially in the form of Exhibit A-1 and the Common Securities shall be substantially in the form of Exhibit A-2, each of which is hereby incorporated in and expressly made a part of this Declaration. Certificates may be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof. The Securities may have letters, numbers, notations or other marks of identification or designation and such legends or endorsements required by law, stock exchange rule, agreements to which the Trust is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Trust). The Trust at the direction of the Sponsor shall furnish any such legend not contained in Exhibit A-1 to the Institutional Trustee in writing. Each Convertible Preferred Security Certificate shall be dated the date of its authentication. The terms and provisions of the Securities set forth in Annex I and the forms of Securities set forth in Exhibits A-1 and A-2 are part of the terms of this Declaration and to the extent applicable, the Institutional Trustee and the Sponsor, by their execution and delivery of this Declaration, expressly agree to such terms and provisions and to be bound thereby.

SECTION 7.4 PAYING AGENT AND CONVERSION AGENT.  
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The Trust shall maintain in the Borough of Manhattan, City of New York, State of New York, an office or agency where Convertible Preferred Securities not held in book-entry only form may be presented for payment ("Paying Agent"). The Trust shall maintain an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Trust may appoint the Paying Agent and the Conversion Agent and may appoint one or more additional paying agents and one or more additional conversion agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional conversion agent. The Trust may change any Paying Agent or Conversion Agent without prior notice to any Holder. The Trust shall notify the Institutional Trustee in writing of the name and address of any Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Paying Agent or Conversion Agent, the Institutional Trustee shall act as such. The Trust or any of its Affiliates may act as Paying Agent or Conversion Agent. The Trust shall act as Paying Agent and Conversion Agent for the Common Securities.

The Trust initially appoints the Institutional Trustee as Paying Agent and Conversion Agent for the Convertible Preferred Securities.

SECTION 7.5 PAYING AGENT TO HOLD MONEY IN TRUST.  
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The Trust shall require each Paying Agent other than the Institutional Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of the Holders or the Institutional Trustee all money held by the Paying Agent for the payment of principal or distribution on the Securities, and will notify the Institutional Trustee if there are insufficient funds. While any such insufficiency continues, the Institutional Trustee may require a Paying Agent to pay all money held by it to the Institutional Trustee. The Trust at any time may require the Paying Agent to pay all money held by it to the Institutional Trustee and to account for any money distributed to it. Upon payment over to the Institutional Trustee, the Paying Agent (if other than the Trust or an Affiliate of the Trust) shall have no further liability for the money. If the Trust or the Sponsor or an Affiliate of the Trust or the Sponsor acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

SECTION 7.6 OUTSTANDING CONVERTIBLE PREFERRED SECURITIES.  
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The convertible Preferred Securities outstanding at any time are all Convertible Preferred Securities authenticated by the Institutional Trustee except for those cancelled by it, those delivered by it for cancellation, and those described in this Section 7.6 as not outstanding.

If a Convertible Preferred Security is replaced, paid or purchased pursuant to Section 6.6 hereof, it ceases to be outstanding unless the Institutional Trustee receives proof satisfactory to it that the replaced, paid or purchased Convertible Preferred Security is held by a bona fide purchaser.

If Convertible Preferred Securities are considered paid in accordance with the terms of this Declaration, they cease to be outstanding and interest on them ceases to accrue.

A Convertible Preferred Security does not cease to be outstanding because one of the Trust, the Sponsor or an Affiliate of the Sponsor holds the Security.

SECTION 7.7 CONVERTIBLE PREFERRED SECURITIES IN TREASURY.  
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In determining whether the Holders of the required amount of Securities have concurred in any direction, waiver or consent, Convertible Preferred Securities owned by the Trust, the Sponsor or an Affiliate of the Sponsor, as the case may be, shall be disregarded and deemed not to be outstanding except for the purpose of determining whether the Institutional Trustee shall be fully protected in relying on any such direction, waiver or consent, only Securities which the Institutional Trustee actually knows are so owned shall be so disregarded.

ARTICLE VIII.  
TERMINATION OF TRUST

SECTION 8.1 TERMINATION OF TRUST.  
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(a) The Trust shall dissolve:

(i) upon the bankruptcy of the Sponsor or the Holder of the Common Securities;

(ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor or the Holder of the Common Securities; the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of at least a majority in liquidation amount of the Securities affected thereby voting together as a single class to file such certificate of cancellation or the revocation of the charter of the Sponsor or the Holders of the Common Securities and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iii) upon the entry of a decree of judicial dissolution of the Sponsor, the Trust or the Holder of the Common Securities of the Sponsor;

(iv) when all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Securities;

(v) upon the election of the holder of the Common Securities pursuant to which the Trust shall have been dissolved in accordance with the terms of the Securities and all of the Debentures held by the Institutional Trustee shall have been distributed to the Holders of Securities in exchange for all of the Securities;

(vi) upon the distribution of the Sponsor's Common Stock to all Holders of Convertible Preferred Securities upon conversion of all outstanding Convertible Preferred Securities;

(vii) at the option of the Company, as Holder of the Common Securities, to dissolve the Trust and, after satisfaction of the liabilities of creditors of the Trust as provided by applicable law, cause the Debentures to be distributed to the Holders of the Convertible Preferred Securities and Common Securities in liquidation of the Trust, subject to the Institutional Trustee having received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of Convertible Preferred Securities for United States federal income tax purposes; provided, however, that no such tax opinion will be required if a Special Event shall have occurred.

(viii) the expiration of the term of the Trust on November 1, 2032; or

(ix) before the issuance of any Securities, with the consent of all of the Regular Trustees and the Sponsor.

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a) and after completion of the winding up of the affairs of the Trust, the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Sections 3.9 and 3.10 and Article X shall survive the termination of the Trust.

ARTICLE IX.  
TRANSFER OF INTERESTS

SECTION 9.1 TRANSFER OF SECURITIES.  
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(a) Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the

Securities. Any transfer or purported transfer of any Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article IX, Convertible Preferred Securities shall be freely transferable.

(c) Subject to this Article IX, the Sponsor and any Related Party may only transfer Common Securities to the Sponsor or a Related Party of the Sponsor; PROVIDED THAT, any such transfer is subject to the condition precedent that the transferor obtain the written opinion of independent counsel experienced in such matters that such transfer would not cause more than an insubstantial risk that:

(i) the Trust would not be classified for United States federal income tax purposes as a grantor trust; and

(ii) the Trust would be an Investment Company required to register under the Investment Company Act or the transferee would become an Investment Company required to register under the Investment Company Act;

PROVIDED, FURTHER, that the Sponsor and any Related Party may transfer Common Securities to another Person when such transfer results from a merger, consolidation, or sale of all or substantially all of its assets by the Company to a Person in accordance with Article VIII of the Indenture.

(d) Each Security that bears or is required to bear the legend set forth in this Section 9.1(d) (a "Restricted Security") shall be subject to the restrictions on transfer provided in the legend set forth in this Section 9.1(d), unless such restrictions on transfer shall be waived by the written consent of the Regular Trustees, and the Holder of each Restricted Security, by such Holder's acceptance thereof, agrees to be bound by such restrictions on transfer. As used in this Section 9.1(d) and in Section 9.1(e), the terms "transfer" encompasses any sale, pledge, transfer or other disposition of any Restricted Security.

Prior to the Transfer Restriction Termination Date or the date referred to in the next succeeding paragraph, any certificate evidencing a Security shall bear a legend in substantially the following form, unless otherwise agreed by the Regular Trustees (with written notice thereof to the Indenture Trustee):

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT

(A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION) RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OR EXCHANGE OF SUCH SECURITY EXCEPT (A) TO LOMAK PETROLEUM, INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, THE TRANSFER AGENT FOR THE COMMON STOCK), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRUSTEE OR TRANSFER AGENT) OR (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITY EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE SECURITY EVIDENCED HEREBY PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, SUCH HOLDER MUST FURNISH TO THE TRANSFER AGENT SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE

REGISTRATION REQUIREMENTS OF THE SECURITIES ACT). IF THIS CERTIFICATE DOES NOT EVIDENCE COMMON STOCK AND IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE BANK OF NEW YORK, AS TRUSTEE, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS LOMAK PETROLEUM, INC. MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO THE SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT.

Following the Transfer Restriction Termination Date or the date a Security is effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering its offering and sale or it is sold to the public pursuant to Rule 144, any Security or security issued in exchange or substitution therefor (other than (i) Securities acquired by Lomak or any Affiliate and (ii) Common Stock issued upon the conversion or exchange of any Security described in clause (i) above) may, upon surrender of such Security for exchange to any Regular Trustee on behalf of the Trust in accordance with the provisions of this Section 9.1(d), be exchanged for a new Security or Securities, of like tenor and aggregate liquidation amount, which shall not bear the restrictive legend required by this Section 9.8(d).

Any Convertible Preferred Security or Common Stock issued upon the conversion or exchange of a Convertible Preferred Security that, prior to the Transfer Restriction Termination Date, is purchased or owned by the Company or any Affiliate thereof may not be resold by the Company or such Affiliate unless registered under the Securities Act or resold pursuant to an exemption from the registration requirements of the Securities Act in a transaction which results in such Convertible Preferred Securities or Common Stock, as the case may be, no longer being "restricted securities" (as defined under Rule 144).

#### SECTION 9.2 TRANSFER OF CERTIFICATES.

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The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may require) in respect of any tax or other government charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular

Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

**SECTION 9.3 DEEMED SECURITY HOLDERS.**  
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The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

**SECTION 9.4 BOOK ENTRY INTERESTS.**  
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(a) So long as Convertible Preferred Securities are eligible for book-entry settlement with the Clearing Agency or unless otherwise required by law, all Convertible Preferred Securities that are so eligible may be represented by one or more fully registered Convertible Preferred Security Certificates (each a "Global Certificate") in global form to be delivered to DTC, the initial Clearing Agency, by, or on behalf of, the Trust. Such Global Certificates shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of DTC, and no Convertible Preferred Security Beneficial Owner will receive a definitive Convertible Preferred Security Certificate representing such Convertible Preferred Security Beneficial Owner's interests in such Global Certificates, except as provided in Section 9.7 below. The transfer and exchange of beneficial interests in any such Security in global form shall be effected through the Clearing Agency in accordance with this Declaration and the procedures of the Clearing Agency therefor.

(b) Convertible Preferred Securities that upon initial issuance are beneficially owned by QIBs may, at the option of the Trust, be represented by a Global Certificate (a "144A Global Security"). The Institutional Trustee shall make appropriate endorsements to reflect increases or decreases in the amount of such Convertible Preferred Securities in global form to reflect any such transfers.

Except as provided below, beneficial owners of a Convertible Preferred Security in global form shall not be entitled to have certificates registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered Holders of such Convertible Preferred Security in global form.



(c) So long as the Convertible Preferred Securities are eligible for book-entry settlement and to the extent Convertible Preferred Securities held by QIBs are held in a global form, or unless otherwise required by law, upon any transfer of a definitive Convertible Preferred Security to a QIB in accordance with Rule 144A unless otherwise requested by the transferor, and upon receipt of the definitive Convertible Preferred Security or Convertible Preferred Securities being so transferred, together with a certification from the transferor that the transfer is being made in compliance with Rule 144A (or other evidence satisfactory to the Institutional Trustee on behalf of the Trust), the Institutional Trustee on behalf of the Trust shall make an endorsement on any 144A Global Security to reflect an increase in the number of Convertible Preferred Securities represented by such Global Certificate, and the Institutional Trustee on behalf of the Trust shall cancel such definitive Convertible Preferred Security or Convertible Preferred Securities in accordance with the standing instructions and procedures of the Clearing Agency, the number of Convertible Preferred Securities represented by such Convertible Preferred Security in global form to be increased accordingly; PROVIDED that no definitive Convertible Preferred Security, or portion thereof, in respect of which the Trust or an Affiliate of the Trust held any beneficial interest shall be included in such Convertible Preferred Security in global form until such definitive Convertible Preferred Security is freely tradable in accordance with Rule 144(k); PROVIDED FURTHER that the Trust shall issue Convertible Preferred Securities in definitive form upon any transfer of a beneficial interest in the Convertible Preferred Security in global form to the Company or any Affiliate of the Company.

(d) Any Global Certificate may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Declaration as may be required by the Clearing Agency, by any national securities exchange or by the National Association of Securities Dealers, Inc. in order for the Convertible Preferred Securities to be tradeable on the PORTAL Market or as may be required for the Convertible Preferred Securities to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange upon which the Convertible Preferred Securities may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Convertible Preferred Securities are subject.

(e) Unless and until definitive, fully registered Convertible Preferred Security Certificates (the "Definitive Convertible Preferred Security Certificates") have been issued to the Convertible Preferred Security Beneficial Owners of a Convertible Preferred Security in global form pursuant to Section 9.7:

(i) the provisions of this Section 9.4 shall be in full force and effect with respect to such Convertible Preferred Securities;

(ii) the Trust and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Declaration (including the payment of Distributions on the Global Certificates and receiving approvals, votes or consents hereunder) as the Holder of such Convertible Preferred Securities and the sole holder of the Global Certificates and shall have no obligation to the Convertible Preferred Security Beneficial Owners of such Convertible Preferred Securities;

(iii) to the extent that the provisions of this Section 9.4 conflict with any other provisions of this Declaration, the provisions of this Section 9.4 shall control; and

(iv) the rights of the Convertible Preferred Security Beneficial Owners of Convertible Preferred Securities in global form shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Convertible Preferred Security Beneficial Owners and the Clearing Agency and/or the Clearing Agency Participants. The Clearing Agency will make book-entry transfers among Clearing Agency Participants and receive and transmit payments of Distributions on the Global Certificates to such Clearing Agency Participants. DTC will make book entry transfers among the Clearing Agency Participants.

(f) Notwithstanding any other provisions of this Declaration (other than the provisions set forth in this Section 9.4(f)), a Convertible Preferred Security in global form may not be transferred as a whole except by the Clearing Agency to a nominee of the Clearing Agency or by a nominee of the Clearing Agency to the Clearing Agency or another nominee to a successor Clearing Agency or a nominee of such successor Clearing Agency.

#### SECTION 9.5 NOTICES TO CLEARING AGENCY.

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Whenever a notice or other communication to the Convertible Preferred Security Holders is required under this Declaration, unless and until Definitive Convertible Preferred Security Certificates shall have been issued to the Convertible Preferred Security Beneficial Owners pursuant to Section 9.7, the Regular Trustees shall give all such notices and communications specified herein to be given to the Convertible Preferred Security Holders to the Clearing Agency, and shall have no notice obligations to the Convertible Preferred Security Beneficial Owners.

#### SECTION 9.6 APPOINTMENT OF SUCCESSOR CLEARING AGENCY.

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If any Clearing Agency elects to discontinue its services as securities depository with respect to the Convertible Preferred Securities, the Regular Trustees may, in their sole discretion, appoint a successor Clearing Agency with respect to such Convertible Preferred Securities.

SECTION 9.7 DEFINITIVE CONVERTIBLE PREFERRED SECURITY CERTIFICATES UNDER CERTAIN  
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CIRCUMSTANCES.  
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If:

(a) a Clearing Agency elects to discontinue its services as securities depository with respect to the Convertible Preferred Securities and a successor Clearing Agency is not appointed within 90 days after such discontinuance pursuant to Section 9.6; or

(b) the Regular Trustees elect after consultation with the Sponsor to terminate the book entry system through the Clearing Agency with respect to the Convertible Preferred Securities in global form,

then:

(c) Definitive Convertible Preferred Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Convertible Preferred Securities; and

(d) upon surrender of the Global Certificates by the Clearing Agency, accompanied by registration instructions, the Regular Trustees shall cause Definitive Certificates to be delivered to Convertible Preferred Security Beneficial Owners of such Convertible Preferred Securities in accordance with the instructions of the Clearing Agency. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on and shall be protected in relying on, said instructions of the Clearing Agency. The Definitive Convertible Preferred Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Convertible Preferred Securities may be listed, or to conform to usage.

At such time as all interests in a Convertible Preferred Security in global form have been redeemed, converted, exchanged, repurchased or canceled, such Convertible Preferred Security in global form shall be, upon receipt thereof, canceled by the Trust in accordance with standing procedures and instructions of the Clearing Agency.

Convertible Preferred Securities that upon initial issuance are beneficially owned by persons that are not QIBs will be issued as Definitive Convertible Preferred Security Certificates and may not be represented by a Global Certificate.

SECTION 9.8 MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES.  
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If:

(a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Institutional Trustee or the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless,

then:

in the absence of notice that such Certificate shall have been acquire by a bona fide purchaser, the Institutional Trustee or any Regular Trustee on behalf of the Trust shall execute and deliver, in exchange for, or in lieu of, any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.8, the Institutional Trustee or the Regular Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X.  
LIMITATION OF LIABILITY OF HOLDERS OF  
SECURITIES, TRUSTEES OR OTHERS

SECTION 10.1 LIABILITY.  
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(a) Except as expressly set forth in this Declaration, the Securities Guarantees and the terms of the Securities, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities which shall be made solely from assets of the Trust; or

(ii) be required to pay to the Trust or to any Holder of Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Holder of the Common Securities shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Convertible Preferred Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

#### SECTION 10.2 EXCULPATION.

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(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions; PROVIDED, that if such Indemnified Person is the Institutional Trustee, the Institutional Trustee shall be liable for any such loss, damage or claim incurred by reason of its own negligent action, its own negligent failure to act and, or its own willful misconduct, subject to Section 3.9(b) hereof.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

#### SECTION 10.3 FIDUCIARY DUTY.

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(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Institutional Trustee under the

Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between any Covered Person and any Indemnified Person; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Securities, the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(iii) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(iv) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

#### SECTION 10.4 INDEMNIFICATION.

(a)(i) The Debenture Issuer shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in

good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Debenture Issuer shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such Person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under paragraphs (i) and (ii) of this Section 10.4(a) (unless ordered by a court) shall be made by the Debenture Issuer only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Regular Trustees by a majority vote of a quorum consisting of such Regular Trustees who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal

counsel in a written opinion, or (3) by the Common Security Holder of the Trust.

(v) Expenses (including attorneys' fees) incurred by a Company Indemnified Person in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a) shall be paid by the Debenture Issuer in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Debenture Issuer as authorized in this Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Debenture Issuer if a determination is reasonably and promptly made (i) by the Regular Trustees, by a majority vote of a Quorum of disinterested Regular Trustees, (ii) if such a Quorum is not obtainable, or, even if obtainable, if a Quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion or (iii) the Common Security Holder of the Trust, that, based upon the facts known to the Regular Trustees, counsel or the Common Security Holder at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Regular Trustees, independent legal counsel or Common Security Holder reasonably determine that such person deliberately breached his duty to the Trust or its Common or Convertible Preferred Security Holders.

(vi) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Section 10.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Debenture Issuer or Convertible Preferred Security Holders of the Trust or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 10.4(a) shall be deemed to be provided by a contract between the Debenture Issuer and each Company Indemnified Person who serves in such capacity at any time while this Section 10.4(a) is in effect. Any repeal or modification of this Section 10.4(a) shall not affect any rights or obligations then existing.

(vii) The Debenture Issuer or the Trust may purchase and maintain insurance on behalf of any Person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Debenture Issuer



would have the power to indemnify him against such liability under the provisions of this Section 10.4(a)

(viii) For purposes of this Section 10.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 10.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a Person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a Person.

(b) To the fullest extent permitted by law, the Debenture Issuer agrees to indemnify the (i) Institutional Trustee, (ii) the Delaware Trustee, (iii) any Affiliate of the Institutional Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Institutional Trustee and the Delaware Trustee (each of the Persons in (i) through (iv) being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration or the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 10.4(b) shall survive the satisfaction and discharge of this Declaration.

#### SECTION 10.5 OUTSIDE BUSINESS.

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Any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee (subject to Section 5.3(c)) may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, or the Institutional Trustee shall be obligated to present any particular investment or other

opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Institutional Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depository for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI.  
ACCOUNTING

SECTION 11.1 FISCAL YEAR.  
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The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

SECTION 11.2 CERTAIN ACCOUNTING MATTERS.  
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(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books, records and supporting documents, which shall reflect in detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting in compliance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for the United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year of the Trust by a firm of independent certified public accountants selected by the Regular Trustees.

(b) The Regular Trustees shall cause to be prepared and delivered to each of the Holders of Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related income or loss.

(c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on

a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

SECTION 11.3 BANKING.

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The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; PROVIDED, HOWEVER, that all payments of funds in respect of the Debentures held by the Institutional Trustee shall be made directly to the Institutional Trustee Account and no other funds of the Trust shall be deposited in the Institutional Trustee Account. The sole signatories for such accounts shall be designated by the Regular Trustees; PROVIDED, HOWEVER, that the Institutional Trustee shall designate the signatories for the Institutional Trustee Account.

SECTION 11.4 WITHHOLDING.

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The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over-withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce subsequent Distributions by the amount of such withholding.

ARTICLE XII.  
AMENDMENTS AND MEETINGS

SECTION 12.1 AMENDMENTS.

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(a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Regular Trustees (or, if there are more than two Regular Trustees a majority of the Regular Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee; and

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee;

(b) no amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Institutional Trustee shall have first received an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee shall have first received:

(A) an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

(B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor trust;

(B) reduce or otherwise adversely affect the powers of the Institutional Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(c) at such time after the Trust has issued any securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Convertible Preferred Securities or Common Securities may be effected only with such additional requirements as may be set forth in the terms of such Convertible Preferred Securities;

(d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Securities;

(e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(f) the rights of the Holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(g) notwithstanding Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Securities to:

(i) cure any ambiguity;

(ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;

(iii) add to the covenants, restrictions or obligations of the Sponsor; and

(iv) to conform to any change in Rule 3a-5 or written change in interpretation or application of Rule 3a-5 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the right, preferences or privileges of the Holders.

SECTION 12.2 MEETINGS OF THE HOLDERS OF SECURITIES; ACTION BY WRITTEN CONSENT.

(a) Meetings of the Holders of any class of Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Securities) to consider and act on any matter on which Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange on which the Convertible Preferred Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 10% in liquidation amount of such class of Securities. Such direction shall be given by delivering to the Regular Trustees one or more calls in a writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Security Certificates held by the Holders of Securities exercising the right to call a meeting and only those Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provisions shall apply to meetings of Holders of Securities:

(i) notice of any such meeting shall be given to all the Holders of Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Convertible Preferred Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Securities owning not less than the minimum amount of Securities in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Security Holder for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;

(ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Convertible Preferred Securities are then listed or trading, otherwise provides, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII.  
REPRESENTATIONS OF INSTITUTIONAL TRUSTEE  
AND DELAWARE TRUSTEE

SECTION 13.1 REPRESENTATIONS AND WARRANTIES OF INSTITUTIONAL TRUSTEE.  
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The Trustee that acts as initial Institutional Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Institutional Trustee represents and warrants, as applicable, to the Trust and the Sponsor at the time of the Successor Institutional Trustee's acceptance of its appointment as Institutional Trustee that:

(a) the Institutional Trustee is a New York banking corporation with trust powers, duly organized, validly existing and in good standing, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration;

(b) the execution, delivery and performance by the Institutional Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Institutional Trustee. The Declaration has been duly executed and delivered by the Institutional Trustee, and it constitutes a legal, valid and binding obligation of the Institutional Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance of the Declaration by the Institutional Trustee does not conflict with or constitute a breach of the charter or by-laws of the Institutional Trustee; and

(d) no consent, approval or authorization of, or registration with or notice to, any New York or federal banking authority is required for the execution, delivery or performance by the Institutional Trustee, of the Declaration.

SECTION 13.2 REPRESENTATIONS AND WARRANTIES OF DELAWARE TRUSTEE.  
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The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee that:

(a) The Delaware Trustee is a Delaware banking corporation with trust powers, duly organized, validly existing and in good standing, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration.

(b) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration. The Declaration under Delaware law constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) No consent, approval or authorization of, or registration with or notice to, any Delaware or federal banking authority is required for the execution, delivery or performance by the Delaware Trustee, of the Declaration.

(d) The Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware.

ARTICLE XIV.  
MISCELLANEOUS

SECTION 14.1 NOTICES.

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All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Securities):

Lomak Financing Trust  
c/o Lomak Petroleum, Inc.  
500 Throckmorton Street  
Fort Worth, TX 76102  
Attention: Corporate Secretary  
Facsimile No.: (818) 870-2914



(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as Delaware Trustee may give notice of to the Holders of the Securities):

The Bank of New York (Delaware)  
 23 White Clay Center  
 Route 273  
 Newark, Delaware 19711  
 Attention: Corporate Trust Department

(c) if given to the Institutional Trustee, at its Corporate Trust Office to the attention of Corporate Trust Trustee Administration, Facsimile No.: (212) 815- 5917 (or such other address as the Institutional Trustee may give notice of to the Holders of the Securities).

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

Lomak Petroleum, Inc.  
 500 Throckmorton Street  
 Fort Worth, TX 76102  
 Attention: Corporate Secretary  
 Facsimile No.: (818) 870-2914

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

#### SECTION 14.2 GOVERNING LAW.

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This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 14.3 INTENTION OF THE PARTIES.

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It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 14.4 HEADINGS.

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Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 14.5 SUCCESSORS AND ASSIGNS.

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Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

SECTION 14.6 PARTIAL ENFORCEABILITY.

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If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 14.7 COUNTERPARTS.

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This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

\_\_\_\_\_  
John H. Pinkerton, as Regular Trustee

\_\_\_\_\_  
Thomas W. Stoelk, as Regular Trustee

\_\_\_\_\_  
Geoff Doke, as Regular Trustee

THE BANK OF NEW YORK (Delaware)  
as Delaware Trustee

By: \_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK,  
as Institutional Trustee

By: \_\_\_\_\_  
Name:  
Title:

LOMAK PETROLEUM, INC., as Sponsor  
and Debenture Issuer

By: \_\_\_\_\_  
Name:  
Title:

ANNEX I  
TERMS OF  
5-3/4% CONVERTIBLE PREFERRED SECURITIES  
5-3/4% CONVERTIBLE COMMON SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of October 22, 1997 (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Convertible Preferred Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Prospectus referred to below):

1. DESIGNATION AND NUMBER.  
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(a) CONVERTIBLE PREFERRED SECURITIES. 2,400,000 Convertible Preferred Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of One Hundred Twenty Million Dollars (\$120,000,000), and a liquidation amount with respect to the assets of \$50 per convertible preferred security, are hereby designated for the purposes of identification only as "5-3/4% Trust Convertible Preferred Securities" (the "Convertible Preferred Securities"). The Convertible Preferred Security Certificates and the New Convertible Preferred Security Certificates evidencing the Convertible Preferred Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Convertible Preferred Securities are listed; PROVIDED, that the New Convertible Preferred Security Certificates shall not contain any of the provisions following the Trustee's authentication, and shall not bear legends required by Section 9.1(d).

(b) COMMON SECURITIES. 74,227 Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of Three Million Seven Hundred Eleven Thousand Three Hundred Fifty Dollars (\$3,711,350), and a liquidation amount with respect to the assets of the Trust of \$50 per common security, are hereby designated for the purposes of identification only as "5-3/4% Common Securities" (the "Common Securities"). The Common Securities Certificates evidencing the Common Securities shall be in the form of Exhibit A-2 to the Declaration, with and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

2. DISTRIBUTIONS.  
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(a) Distributions payable on each Security will be fixed at a rate per annum of 5-3/4% (the "Coupon Rate") of the stated liquidation amount of \$50 per

Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one quarter will accumulate at the Coupon Rate compounded quarterly (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such accumulated distributions unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

(b) Distributions on the Securities will be cumulative, will accrue from October 22, 1997, and will be payable quarterly in arrears, on February 1, May 1, August 1, and November 1 of each year, commencing on February 1, 1998, except as otherwise described below. So long as the Debenture Issuer shall not be in default in the payment of interest on the Debentures, the Debenture Issuer has the right under the Indenture to defer payments of interest on the Debentures by extending the interest payment period from time to time on the Debenture for a period not exceeding 20 consecutive quarters (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures, PROVIDED THAT no Extension Period shall last beyond the date of maturity or any redemption date of the Debentures. As a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accumulate (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; PROVIDED THAT such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters or extend beyond the maturity or any redemption date of the Debentures. Payments of accumulated Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust at the close of business on the relevant record dates, which shall be fifteen days prior to the relevant payment dates which payment dates correspond to the record and interest payment dates on the Debentures. The relevant record dates for the Common Securities shall be the same record date as for the Convertible Preferred Securities. Distributions payable on any Securities that are not punctually paid on any Distribution payment date, as a result of the Debenture Issuer having failed to make a payment under the Debentures (other than as provided in Section 2(b)), will cease to be payable to the Person in whose name

such Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person whose name such Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any date on which Distributions are payable on the Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay).

(d) In the event of an election by the Holder to convert its Securities through the Conversion Agent into Common Stock pursuant to the terms of the Securities as set forth in this Annex I to the Declaration, no payment, allowance or adjustment shall be made with respect to accumulated and unpaid Distributions on such Securities, or be required to be made; PROVIDED, HOWEVER, that Holders of Securities at the close of business on any record date for the payment of Distributions will be entitled to receive the Distributions payable on such Securities on the corresponding payment date notwithstanding the conversion of such Securities into Common Stock following such record date; PROVIDED, HOWEVER, that if the date of any redemption of related Debentures falls between such record date and such corresponding Distribution payment date, the amount of such Distribution shall include accumulated and unpaid Distributions accrued to but excluding such date of redemption.

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Securities.

### 3. LIQUIDATION DISTRIBUTION UPON DISSOLUTION.

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In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Securities will be entitled to receive out of the assets of the Trust available for distribution to Holders of Securities, after satisfaction of liabilities of creditors, an amount equal to the aggregate of the stated liquidation amount of \$50 per Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, such dissolution, winding-up or termination occurs in accordance with Section 8.1(a)(vii) of the Declaration in which event Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such Securities, with an interest rate equal to the Coupon Rate of, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, such Securities, shall be distributed on a Pro Rata basis to the Holders of the Securities in exchange for such Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the

Securities shall be paid on a Pro Rata basis.

The Company, as the Holder of the Common Securities, has the right at any time to dissolve the Trust and, after satisfaction of the liabilities of creditors of the Trust as provided by applicable law, cause the Debentures to be distributed to the Holders of the Convertible Preferred Securities and Common Securities in liquidation of the Trust, subject to the Institutional Trustee having received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of Convertible Preferred Securities for United States federal income tax purposes; provided, however, that no such tax opinion will be required if a Special Event shall have occurred.

#### 4. REDEMPTION AND DISTRIBUTION.

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(a) Upon the repayment of the Debentures in whole or in part, whether at maturity or upon redemption (either at the option of the Debenture Issuer or pursuant to a Special Event as described below, in each case in accordance with the terms of the Indenture), the proceeds from such repayment or payment shall be simultaneously applied to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed at a redemption price per Security equal to the redemption price of the Debentures. Holders will be given not less than 30 nor more than 60 days' notice of such redemption.

(b) If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Convertible Preferred Securities will be redeemed Pro Rata and the Convertible Preferred Securities to be redeemed will be as described in Section 4(f) below.

(c) The Debentures are redeemable by the Debenture Issuer, in whole or in part, from time to time, on or after November 4, 2000, at the prices set forth in the Indenture, plus accrued and unpaid interest thereon to the date fixed for redemption. In addition, if a Special Event shall occur and be continuing, the Regular Trustees may with the consent of the Debenture Issuer redeem the Debentures in whole, but not in part, at any time within 90 days of the occurrence of such Special Event, at a redemption price equal to the Make-Whole Amount.

On and from the date fixed by the Regular Trustees for any distribution of Debentures upon dissolution of the Trust: (i) the Securities will no longer be deemed to be outstanding, (ii) The Depository Trust Company (the "Depository") or its nominee (or any successor Clearing Agency or its nominee), as the record Holder of the Convertible Preferred Securities held in global form, will receive a registered certificate or certificates representing the Debentures held in global form to be delivered upon such distribution, and (iii) certificates representing Securities held in definitive form, except for certificates representing Convertible Preferred Securities held by the Depository or its nominee (or any successor Clearing Agency or its

nominee), will be deemed to represent Debentures having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on such Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissue.

(e) The Trust may not redeem fewer than all the outstanding Securities unless all accrued and unpaid Distributions have been paid on all Securities for all quarterly Distribution periods terminating on or before the date of redemption.

(f) Notice of any redemption of, or notice of distribution of Debentures in exchange for the Securities (a "Redemption/Distribution Notice") will be given by the Trust by mail to each Holder of Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 4(f), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, or by such other means suitable to assure delivery of such written notice, to Holders of Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder of Securities shall affect the validity of the redemption or exchange proceedings with respect to any other Holder of Securities.

(g) In the event that fewer than all the outstanding Securities are to be redeemed, the Securities to be redeemed shall be redeemed Pro Rata from each Holder of Convertible Preferred Securities, it being understood that, in respect of Convertible Preferred Securities registered in the name of and held of record by the Depository or its nominee (or any successor Clearing Agency or its nominee) or any nominee, the distribution of the proceeds of such redemption will be made to each Clearing Agency Participant (or Person on whose behalf such nominee holds such securities) in accordance with the procedures applied by such agency or nominee.

(h) If Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice may only be issued if the Debentures are redeemed as set out in this Section 4 (which notice will be irrevocable), then (A) with respect to Convertible Preferred Securities held in book-entry form by 12:00 noon, New York City time, on the redemption date, provided that the Debenture Issuer has paid the Institutional Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Institutional Trustee will deposit irrevocably with the depository, The Depository Trust Company, or its nominee, Cede & Co., (or successor Clearing Agency or its nominee) funds sufficient to pay the applicable Redemption Price with respect to such Convertible Preferred Securities and



will give The Depository Trust Company irrevocable instructions and authority to pay the Redemption Price to the Holders of such Convertible Preferred Securities, and (B) with respect to Convertible Preferred Securities issued in definitive form and Common Securities, provided that the Debenture Issuer has paid the Institutional Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Institutional Trustee will pay the relevant Redemption Price to the Holders of such Securities by check mailed to the address of the relevant Holder appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the required date of such deposit, distributions will cease to accrue on the Securities so called for redemption and all rights of Holders of such Securities so called for redemption will cease, except the right of the Holders of such Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Regular Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Securities that have been so called for redemption. If any date fixed for redemption of Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Securities is improperly withheld or refused and not paid either by the Institutional Trustee or by the Sponsor as guarantor pursuant to the relevant Securities Guarantee, Distributions on such Securities will continue to accrue from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(i) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to (A) in respect of Convertible Preferred Securities held in global form, the Depository or its nominee (or any successor Clearing Agency or its nominee), (B) with respect to Convertible Preferred Securities held in definitive form, to the Holder thereof, and (C) in respect of the Common Securities, to the Holder thereof.

(j) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Convertible Preferred Securities by tender, in the open market or otherwise.

#### 5. CONVERSION RIGHTS.

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The Holders of Securities shall have the right at any time, beginning January 20, 1998 through the close of business on October 31, 2027 (or, in the case of Securities called for redemption, prior to the close of business on the Business Day

prior to the redemption date), at their option, to cause the Conversion Agent to convert Securities, on behalf of the converting Holders, into shares of Common Stock in the manner described herein on and subject to the following terms and conditions:

(a) The Securities will be convertible at the office of the Conversion Agent into fully paid and nonassessable shares of Common Stock pursuant to the Holder's direction to the Conversion Agent to exchange such Securities for a portion of the Debentures theretofore held by the Trust on the basis of one Security per \$50 principal amount of Debentures, and immediately convert such amount of Debentures into fully paid and nonassessable shares of Common Stock at an initial rate of 2.1277 shares of Common Stock per \$50 principal amount of Debentures (which is equivalent to a conversion price of \$23.50 per share of Common Stock, subject to certain adjustments set forth in Sections 6.3 and 6.4 of the Supplemental Indenture (as so adjusted, "Conversion Price")).

(b) In order to convert Securities into Common Stock the Holder shall submit to the Conversion Agent at the office referred to above an irrevocable request to convert Securities on behalf of such Holder (the "Conversion Request"), together, if the Securities are in certificated form, with such certificates. The Conversion Request shall (i) set forth the number of Securities to be converted and the name or names, if other than the Holder, in which the shares of Common Stock should be issued and (ii) direct the Conversion Agent (a) to exchange such Securities for a portion of the Debentures held by the Trust (at the rate of exchange specified in the preceding paragraph) and (b) to immediately convert such Debentures on behalf of such Holder into Common Stock (at the conversion rate specified in the preceding paragraph). The Conversion Agent shall notify the Trust of the Holder's election to exchange Securities for a portion of the Debentures held by the Trust and the Trust shall, upon receipt of such notice, deliver to the Conversion Agent the appropriate principal amount of Debentures for exchange in accordance with this Section. The Conversion Agent shall thereupon notify the Sponsor of the Holder's election to convert such Debentures into shares of Common Stock. Holders of Securities at the close of business on a Distribution record date will be entitled to receive the Distribution payable on such securities on the corresponding Distribution payment date notwithstanding the conversion of such Securities following such record date but prior to such distribution payment date; PROVIDED, HOWEVER, that if the date of any redemption of the related Debentures falls between such record date and the related Distribution payment date, the amount of such Distribution shall include accumulated and unpaid Distributions accrued to but excluding such date of redemption. Except as provided above, neither the Trust nor the Sponsor will make, or be required to make, any payment, allowance or adjustment upon any conversion on account of any accumulated and unpaid Distributions accrued on the Securities (including any Additional Amounts accrued thereon) surrendered for conversion, or on account of any accumulated and unpaid dividends on the shares of Lomak's Common Stock issued upon such conversion. Securities shall be deemed to have been converted immediately prior to the close of business on the day on which a Notice of Conversion relating to such Securities is

received by the Trust in accordance with the foregoing provision (the "Conversion Date"). The Person or Persons entitled to receive Lomak's Common Stock issuable upon conversion of the Debentures shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the Conversion Date, Lomak shall issue and deliver at the office of the Conversion Agent a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with the cash payment, if any, in lieu of any fraction of any share to the Person or Persons entitled to receive the same, unless otherwise directed by the Holder in the notice of conversion and the Conversion Agent shall distribute such certificate or certificates to such Person or Persons.

(c) Each Holder of a Security by his acceptance thereof appoints The Bank of New York as "Conversion Agent" for the purpose of effecting the conversion of Securities in accordance with this Section. In effecting the conversion and transactions described in this Section, the Conversion Agent shall be acting as agent of the Holders of Securities directing it to effect such conversion transactions. The Conversion Agent is hereby authorized (i) to exchange Securities from time to time for Debentures held by the Trust in connection with the conversion of such Securities in accordance with this Section and (ii) to convert all or a portion of the Debentures into Common Stock and thereupon to deliver such shares of Common Stock in accordance with the provisions of this Section and to deliver to the Trust a new Debenture or Debentures for any resulting unconverted principal amount.

(d) No fractional shares of Common Stock will be issued as a result of conversion, but in lieu thereof, such fractional interest will be paid in cash by Lomak to the Conversion Agent, which in turn will make such payment to the Holder or Holders of Securities so converted.

(e) Lomak shall at all times reserve and keep available out of its authorized and unissued Lomak Common Stock, solely for issuance upon the conversion of the Debentures, free from any preemptive or other similar rights, such number of shares of Lomak Common Stock as shall from time to time be issuable upon the conversion of all the Debentures then outstanding. Notwithstanding the foregoing, Lomak shall be entitled to deliver upon conversion of Debentures, shares of Lomak Common Stock reacquired and held in the treasury of Lomak (in lieu of the issuance of authorized and unissued shares of Lomak Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances. Any shares of Lomak Common Stock issued upon conversion of the Debentures shall be duly authorized, validly issued and fully paid and nonassessable. The Trust shall deliver the shares of Lomak Common Stock received upon conversion of the Debentures to the converting Holder free and clear of all liens, charges, security interests and encumbrances, except for United States withholding taxes. Each of Lomak and the Trust shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all applicable requirements as to registration or

qualification of Lomak Common Stock (and all requirements to list Lomak Common Stock issuable upon conversion of Debentures that are at the time applicable), in order to enable Lomak to lawfully issue Lomak Common Stock to the Trust upon conversion of the Debentures and the Trust to lawfully deliver Lomak Common Stock to each Holder upon conversion of the Securities.

(f) Lomak will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Lomak Common Stock on conversion of Debentures and the delivery of the shares of Lomak Common Stock by the Trust upon conversion of the Securities. Lomak shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Lomak Common Stock in a name other than that in which the Securities so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Trust the amount of any such tax, or has established to the satisfaction of the Trust that such tax has been paid.

(g) Nothing in the preceding paragraph (f) shall limit the requirement of the Trust to withhold taxes pursuant to the terms of the Securities or set forth in this Annex I to the Declaration or to the Declaration itself or otherwise require the Institutional Trustee or the Trust to pay any amounts on account of such withholdings.

#### 6. VOTING RIGHTS - CONVERTIBLE PREFERRED SECURITIES.

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(a) Except as provided under Sections 6(b) and 8 and as otherwise required by law and the Declaration, the Holders of the Convertible Preferred Securities will not have voting rights.

(b) Subject to the requirements set forth in this paragraph, the Holders of a Majority in aggregate liquidation amount of the Convertible Preferred Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Debentures, to (i) exercise the remedies available under the Indenture with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 5.13 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required, PROVIDED, HOWEVER, that if an Indenture Event of Default has occurred and is continuing, then the holders of 25% of the aggregate liquidation amount of the Convertible Preferred Securities may direct the Institutional Trustee to declare the principal of and interest on the Debentures immediately due and payable and, PROVIDED, FURTHER, that, where a consent under the Indenture would require the consent or act of the Holders of greater than a majority of the Holders in principal amount of Debentures affected thereby, (a "Super Majority"), the Institutional Trustee

may only give such consent or take such action at the written direction of the Holders of at least the proportion in liquidation amount of the Convertible Preferred Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. The Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Convertible Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Convertible Preferred Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action. If the Institutional Trustee fails to enforce its rights under the Debentures any Holder of Convertible Preferred Securities may, to the fullest extent permitted by law, institute a legal proceeding against the Company to enforce the Institutional Trustee's rights under the Debentures. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a holder of Convertible Preferred Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Convertible Preferred Securities of such holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such holder of Convertible Preferred Securities to the extent of any payment made by the Debenture Issuer to such holder of Convertible Preferred Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

Any approval or direction of Holders of Convertible Preferred Securities may be given at a separate meeting of Holders of Convertible Preferred Securities convened for such purpose, at a meeting of all of the Holders of Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Convertible Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Convertible Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Convertible Preferred Securities will be required for the Trust to redeem and cancel Convertible Preferred Securities or

to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

Notwithstanding that Holders of Convertible Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Convertible Preferred Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

7. VOTING RIGHTS - COMMON SECURITIES.  
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(a) Except as provided under Sections 7(b), (c) and 8 and as otherwise required by law and the Declaration, the Holders of the Common Securities will not have voting rights.

(b) The Holders of the Common Securities are entitled (i) in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees and (ii) in accordance with Section 8.1(a)(vii) of the Declaration hereof, to vote to dissolve the Trust and after satisfaction of the liabilities of the creditors of the Trust as provided by applicable law, cause the Debentures to the holders of the Convertible Preferred Securities and Common Securities in liquidation of the Trust.

(c) Subject to Section 2.6 of the Declaration and only after any Event of Default with respect to the Convertible Preferred Securities has been cured, waived, or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including (i) directing the time method, place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 5.13 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable, PROVIDED THAT, if an Indenture Event of Default has occurred and is continuing, then the holders of 25% of the aggregate liquidated amount of the Convertible Preferred Securities may direct the Institutional Trustee to declare the principal of and interest on the Debentures immediately due and payable and, PROVIDED, FURTHER, that, where a consent or action under the Indenture would require the consent or act of the Holders of greater than a majority in principal amount of Debentures affected thereby (a "Super Majority"), the Institutional Trustee may only give such consent or take such action at the written direction of the Holders of at least the proportion in liquidation amount of the Common Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures

outstanding. Pursuant to this Section 6(c), the Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Convertible Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action. If the Institutional Trustee fails to enforce its rights under the Declaration, any Holder of Common Securities may to the fullest extent permitted by law, institute a legal proceeding directly against any Person to enforce the Institutional Trustee's rights under the Declaration, without first instituting a legal proceeding against the Institutional Trustee or any other Person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

#### 8. AMENDMENTS TO DECLARATION.

(a) In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of outstanding Securities voting together as a single class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in liquidation amount of the Securities affected thereby; PROVIDED, HOWEVER, if any amendment or proposal referred to in clause (i) above would adversely affect only the Convertible Preferred Securities or only the Common

Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Securities.

(b) In the event the consent of the Institutional Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination on the Indenture or the Debentures, the Institutional Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; PROVIDED, HOWEVER, that where a consent under the Indenture would require the consent of the holders of greater than a majority in aggregate principal amount of the Debentures (a "Super Majority"), the Institutional Trustee may only give such consent at the direction of the Holders of at least the proportion in liquidation amount of the Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding; PROVIDED, FURTHER, that the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Securities under this Section 8(b) unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action.

9. PRO RATA.

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A reference in these terms of the Securities to any distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default under the Declaration has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Convertible Preferred Securities pro rata according to the aggregate liquidation amount of Convertible Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Convertible Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Convertible Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

10. RANKING.

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The Convertible Preferred Securities rank PARI PASSU and payment thereon shall be made Pro Rata with the Common Securities except that, where a Declaration Event of Default occurs and is continuing, the rights of Holders of the Common Securities to payment in respect of Distributions and payments upon liquidation,



redemption and otherwise are subordinated to the rights to payment of the Holders of the Convertible Preferred Securities.

11. ACCEPTANCE OF SECURITIES GUARANTEE AND INDENTURE.  
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Each Holder of Convertible Preferred Securities and Common Securities, by the acceptance thereof, agrees to the provisions of the Convertible Preferred Securities Guarantee and the Common Securities Guarantee, respectively, including the subordination provisions therein and to the provisions of the Indenture.

12. NO PREEMPTIVE RIGHTS.  
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The Holders of the Securities shall have no preemptive rights to subscribe for any additional securities.

13. MISCELLANEOUS.  
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These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Convertible Preferred Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.

## EXHIBIT A-1

## FORM OF CONVERTIBLE PREFERRED SECURITY CERTIFICATE

[IF THE CONVERTIBLE PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE INSERT - THIS CONVERTIBLE PREFERRED SECURITY IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE DECLARATION HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY (THE "DEPOSITORY") OR A NOMINEE OF THE DEPOSITORY. THIS CONVERTIBLE PREFERRED SECURITY IS EXCHANGEABLE FOR CONVERTIBLE PREFERRED SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE DECLARATION AND NO TRANSFER OF THIS CONVERTIBLE PREFERRED SECURITY (OTHER THAN A TRANSFER OF THIS CONVERTIBLE PREFERRED SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS CONVERTIBLE PREFERRED SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE TRUST OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CONVERTIBLE PREFERRED SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

CERTIFICATE NUMBER: CUSIP NO.

NUMBER OF CONVERTIBLE PREFERRED SECURITIES:

Certificate Evidencing Convertible Preferred Securities

of

LOMAK FINANCING TRUST

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE

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"SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OR EXCHANGE OF SUCH SECURITY EXCEPT (A) TO LOMAK PETROLEUM, INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, THE TRANSFER AGENT FOR THE COMMON STOCK), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRUSTEE OR TRANSFER AGENT) OR (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITY EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE SECURITY EVIDENCED HEREBY PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, SUCH HOLDER MUST FURNISH TO THE TRANSFER AGENT SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION

REQUIREMENTS OF THE SECURITIES ACT). IF THIS CERTIFICATE DOES NOT EVIDENCE COMMON STOCK AND IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE BANK OF NEW YORK, AS TRUSTEE, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS LOMAK MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO THE SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT.

5-3/4% Trust Convertible Preferred Securities (liquidation amount \$50 per Trust Convertible Preferred Security)

Lomak Financing Trust, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that (the "Holder") is the registered owner of convertible preferred securities of the Trust representing undivided beneficial ownership interests in the assets of the Trust designated the 5-3/4% Trust Convertible Preferred Securities (liquidation amount \$50 per Trust Convertible Preferred Security) (the "Convertible Preferred Securities"). Subject to the terms of the Declaration (as defined herein), the Convertible Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer.

The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Convertible Preferred Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of October 22, 1997, as the same may be amended from time to time (the Declaration"), including the designation of the terms of the Convertible Preferred Securities as set forth in Annex I to the Declaration.

Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Convertible Preferred Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Convertible Preferred Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Convertible Preferred Securities as evidence of indirect beneficial ownership in the Debentures.

Unless the Institutional Trustee's Certificate of Authentication hereon has been properly executed, these Convertible Preferred Securities shall not be entitled to any benefit under the Declaration or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Trust has executed this certificate this \_\_\_\_ day of October, 1997.

Lomak Financing Trust

By: \_\_\_\_\_  
Name:  
Title: Regular Trustee

[FORM OF CERTIFICATE OF AUTHENTICATION]

INSTITUTIONAL TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Convertible Preferred Securities referred to in the within-mentioned Declaration.

Dated: October \_\_, 1997

The Bank of New York,  
as Institutional Trustee or as Authentication Agent

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory

## [FORM OF REVERSE OF SECURITY]

Distributions payable on each Convertible Preferred Security will be fixed at a rate per annum of 5 3/4% (the "Coupon Rate") of the stated liquidation amount of \$50 per Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one quarter will accumulate at the Coupon Rate compounded quarterly (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such accumulated distributions unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, Distributions on the Convertible Preferred Securities will be cumulative, will accrue from October 22, 1997 and will be payable quarterly in arrears, on February 1, May 1, August 1 and November 1 of each year, commencing on February 1, 1998, which payment dates shall correspond to the interest payment dates on the Debentures, to Holders of record at the close of business on the regular record date for such Distribution which shall be the close of business 15 days prior to such Distribution payment date unless otherwise provided in the Declaration. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period") PROVIDED THAT no Extension Period shall last beyond the date of the maturity or any redemption date of the Debentures and, as a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accumulate (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; PROVIDED THAT such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters or extend beyond the maturity or any redemption date of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Convertible Preferred Securities shall be redeemable by the Company or the Trust as provided in the Declaration, including upon the occurrence of a Special Event at the Make-Whole Amount. In addition, the Company, as Holder of the Common Securities, has the right at any time to dissolve the Trust and, after satisfaction of the liabilities of creditors of the Trust as provided by applicable law, cause the Debentures to be distributed to the Holders of the Convertible Preferred Securities and Common Securities in liquidation of

the Trust, subject to the Institutional Trustee having received an opinion of counsel to the effect that such distribution will not be a taxable event to holders of Convertible Preferred Securities for United States federal income tax purposes; provided, however, that no such tax opinion will be required if a Special Event shall have occurred.

The Convertible Preferred Securities shall be convertible into shares of Common Stock, through (i) the exchange of Convertible Preferred Securities for a portion of the Debentures and (ii) the immediate conversion of such Debentures into Debenture Issuer Common Stock, in the manner and according to the terms set forth in the Declaration.

## CONVERSION REQUEST

To: The Bank of New York,  
as Institutional Trustee of  
Lomak Financing Trust

The undersigned owner of these Convertible Preferred Securities hereby irrevocably exercises the option to convert these Convertible Preferred Securities, or the portion below designated, into Common Stock of Lomak Petroleum, Inc. (the "Lomak Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust (as amended from time to time, the "Declaration"), dated as of October 22, 1997, by John H. Pinkerton, Thomas W. Stoelk and Geoff Doke, as Regular Trustees, The Bank of New York (Delaware), as Delaware Trustee, The Bank of New York, as Institutional Trustee, Lomak Petroleum, Inc., as Sponsor, and by the Holders, from time to time, of individual beneficial interests in the Trust to be issued pursuant to the Declaration. Pursuant to the aforementioned exercise of the option to convert these Convertible Preferred Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in the Declaration) to (i) exchange such Convertible Preferred Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Convertible Preferred Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debentures on behalf of the undersigned, into Lomak Common Stock (at the conversion rate specified in the terms of the Convertible Preferred Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

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Date: \_\_\_\_\_, \_\_\_\_\_

in whole \_\_\_\_

in part \_\_\_\_

Number of Convertible Preferred Securities to be converted: \_\_\_\_\_

If a name or names other than the undersigned, please indicate in the spaces below the name or names in which the shares of Lomak Common Stock are to be issued, along with the address or addresses of such person or persons

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip Code, and Social Security or Other Identifying Number

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature Guarantee:\* \_\_\_\_\_

- - - - -  
\*(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

[FORM OF ASSIGNMENT FOR DEFINITIVE CONVERTIBLE PREFERRED SECURITY]

For value received \_\_\_\_\_ hereby sell(s), assign(s) and transfer(s) unto \_\_\_\_\_

(Please insert social security or other taxpayer identification number of assignee.)

the within security and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said security on the books of the Trust, with full power of substitution in the premises.

In connection with any transfer of the within security occurring prior to the Transfer Restriction Termination Date, the undersigned confirms that such security is being transferred:

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--- To Lomak Petroleum, Inc. (the "Company") or a subsidiary thereof; or

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--- Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or

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--- To an Institutional Accredited Investor pursuant to and in compliance with the Securities Act of 1933, as amended; or

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--- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended;

and unless the box below is checked, the undersigned confirms that such security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

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--- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange.

\_\_\_\_\_  
Signature Guarantee\*

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of this Security in every particular without alteration or enlargement or any change whatever.

- - - - -  
\*(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)



## EXHIBIT A-2

## FORM OF COMMON SECURITY CERTIFICATE

Certificate Number Number of Common Securities

Certificate Evidencing Common Securities

of

LOMAK FINANCING TRUST

5-3/4% Common Securities  
(liquidation amount \$50 per Common Security)

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD UNLESS SUCH OFFER AND SALE ARE REGISTERED UNDER OR ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT. THE TRANSFER OF THE SECURITY EVIDENCED HEREBY IS ALSO SUBJECT TO THE RESTRICTIONS SET FORTH IN THE DECLARATION REFERRED TO BELOW.

Lomak Financing Trust, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Lomak Petroleum, Inc., a Delaware corporation (the "Holder"), is the registered owner of common securities of the Trust representing undivided beneficial ownership interests in the assets of the Trust designated the 5-3/4% Common Securities (liquidation amount \$50 per Common Security) (the "Common Securities").

The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of October 22, 1997, as the same may be amended from time to time (the "Declaration"), including the designation of the terms of the Common Securities as set forth in Annex I to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration.

The Holder is entitled to the benefits of the Common Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Common Securities Guarantee and the Indenture to a Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this certificate, the Sponsor is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Common Securities as evidence of indirect beneficial ownership in the Debentures.

IN WITNESS WHEREOF, the Trust has executed this certificate this \_\_\_\_ day of October 1997.

LOMAK FINANCING TRUST

By: \_\_\_\_\_

Name:

Title: Regular Trustee

A2-2

## [FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of 5-3/4% (the "Coupon Rate") of the stated liquidation amount of \$50 per Common Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one quarter will accumulate at the Coupon Rate thereon compounded quarterly (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, Distributions on the Common Securities will be cumulative, will accrue from October 22, 1997 and will be payable quarterly in arrears, on February 1, May 1, August 1 and November 1 of each year, commencing on February 1, 1998 which payment dates shall correspond to the interest payment dates on the Debentures, to Holders of record at the close of business on the regular record date for such Distribution which shall be the close of business 15 days prior to such Distribution payment date unless otherwise provided in the Declaration. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period") provided that no Extension Period shall last beyond the date of maturity of the Debentures and, as a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accumulate (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; PROVIDED THAT such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters or extend beyond the date of maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Common Securities shall be redeemable as provided in the Declaration.

The Common Securities shall be convertible into shares of Lomak Common Stock, through (i) the exchange of Common Securities for a portion of the Debentures and (ii) the immediate conversion of such Debentures into Lomak Common Stock, in the manner and according to the terms set forth in the Declaration.

## CONVERSION REQUEST

To: The Bank of New York  
as Institutional Trustee of  
Financing Trust

The undersigned owner of these Common Securities hereby irrevocably exercises the option to convert these Common Securities, or the portion below designated, into Common Stock of Lomak Petroleum, Inc. (the "Lomak Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust as amended from time to time (the "Declaration"), dated as of October 22, 1997, John H. Pinkerton, Thomas W. Stoelk and Geoff Doke as Regular Trustees, The Bank of New York (Delaware), as Delaware Trustee, The Bank of New York, as Institutional Trustee, Lomak Petroleum, Inc., as Sponsor, and by the Holders, from time to time, of individual beneficial interests in the Trust to be issued pursuant to the Declaration. Pursuant to the aforementioned exercise of the option to convert these Common Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in the Declaration) to (i) exchange such Common Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Common Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debenture on behalf of the undersigned, into Lomak Common Stock (at the conversion rate specified in the terms of the Common Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.



Date: \_\_\_\_\_, \_\_\_\_\_

in whole \_\_\_\_ in part \_\_\_\_  
Number of Convertible Preferred Securities to be  
converted: \_\_\_\_\_

If a name or names other than the  
undersigned, please indicate in the spaces  
below the name or names in which the shares  
of Lomak Common Stock are to be issued,  
along with the address or addresses of such  
person or persons

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature (for conversion only)

Please Print or Typewrite Name and Address,  
Including Zip Code, and Social Security or Other  
Identifying Number

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature Guarantee:\* \_\_\_\_\_

- - - - -

\*(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

[FORM OF ASSIGNMENT FOR SECURITY OR  
COMMON STOCK ISSUABLE UPON CONVERSION THEREOF]

For value received \_\_\_\_\_ hereby sell(s), assign(s)  
and transfer(s) unto \_\_\_\_\_  
(Please insert social security or other  
taxpayer identification number of assignee.)

the within security and hereby irrevocably constitutes and appoints  
\_\_\_\_\_ attorney to transfer the said security on the books of the  
Company, with full power of substitution in the premises.

In connection with any transfer of the within security occurring prior to the  
Transfer Restriction Termination Date, the undersigned confirms that such  
Security is being transferred:

---

--- To Lomak Petroleum, Inc. or a subsidiary thereof; or

---

--- Pursuant to and in compliance with Rule 144A under the Securities Act of  
1933, as amended; or

---

--- To an Institutional Accredited Investor pursuant to and in compliance with the  
Securities Act of 1933, as amended; or

---

--- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933,  
as amended;

and unless the box below is checked, the undersigned confirms that such security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

---

--- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange.

\_\_\_\_\_  
Signature Guarantee\*

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of this Security in every particular without alteration or enlargement or any change whatever.

- - - - -  
\*(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B  
SPECIMEN OF DEBENTURE

B-1

EXHIBIT C  
PLACEMENT AGREEMENT

C-1

LOMAK PETROLEUM, INC.,  
as Issuer

TO

THE BANK OF NEW YORK  
as Trustee

Indenture

Dated as of October 22, 1997

Subordinated Debentures

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INDENTURE, dated as of October 22, 1997, between Lomak Petroleum, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 500 Throckmorton Street, Fort Worth, Texas 76102 and The Bank of New York, a New York banking corporation having its principal corporate trust office at 101 Barclay Street, Floor 21 West, New York, New York 10286, as Trustee (herein called the "Trustee").

#### RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its secured or unsecured subordinated debentures, notes or other evidences of indebtedness (herein called the "Debentures"), to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Debentures by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Debentures or of a series thereof, as follows:

#### ARTICLE I

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1 DEFINITIONS. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such

accounting principles as are generally accepted in the United States of America at the date of such computation; and

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

"ACT", when used with respect to any Holder of a Debenture, has the meaning specified in SECTION 1.4.

"AFFILIATE" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"AUTHENTICATING AGENT" means any Person authorized by the Trustee pursuant to SECTION 6.13 to act on behalf of the Trustee to authenticate Debentures of one or more series.

"AUTHORIZED NEWSPAPER" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place, in connection with which the term is used, or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"BEARER DEBENTURE" means any Debenture in the form established pursuant to Section 2.1 which is payable to bearer.

"BOARD OF DIRECTORS" means either the board of directors of the Company or any duly authorized committee of that board.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BOOK-ENTRY DEBENTURE" means a Debenture bearing the legend specified in SECTION 2.4, evidencing all or part of a series of Debentures, issued to the Depositary for such series or its nominee, and registered in the name of such Depositary or nominee. Book-Entry Debentures shall not be deemed to be securities in global form for purposes of SECTIONS 2.1 and 2.3 and ARTICLE III of this Indenture.

"BUSINESS DAY", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Debentures, means each

Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or other location are authorized or obligated by law or executive order to close.

"CEDEL S.A." means Cedel Bank, societe anonyme, or its successor.

"COMMISSION" means the United States Securities and Exchange Commission.

"COMMON SECURITIES" means undivided beneficial interests in the assets of the Lomak Trust which rank pari passu with Preferred Securities issued by such Lomak Trust; PROVIDED, HOWEVER, that upon the occurrence of an Event of Default, the rights of holders of Common Securities to payment in respect to distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of Preferred Securities.

"COMMON SECURITIES GUARANTEE" means any guarantee that the Company enters into that operates directly or indirectly for the benefit of holders of Common Securities of Lomak Trust.

"COMMON STOCK" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. Subject to the anti-dilution provisions of any convertible Debenture, however, shares of Common Stock issuable on conversion of a Debenture shall include only shares of the class designated as Common Stock of the Company at the date of any supplemental indenture, Board Resolution or other instrument authorizing such Debenture or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of the payment of dividends or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by the Company, provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all classes resulting from all such reclassifications.

"COMPANY" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"COMPANY REQUEST" or "COMPANY ORDER" means a written request or order signed in the name of the Company by the Chairman of the Board of Directors or the President or any Executive Vice President or any Vice President and by the



Treasurer or the Secretary or any Assistant Treasurer or any Assistant Secretary of the Company and delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered.

"CORPORATION" means a corporation, association, company, joint-stock company or business trust.

"COUPON" means any interest Coupon appertaining to a Bearer Debenture.

"CREDIT AGREEMENT" means the credit agreement dated February 14, 1997, by and among the Company, as borrower, Bank One, Texas, N.A., as administrative agent, The Chase Manhattan Bank, as syndicate agent, NationsBank of Texas, N.A., as documentation agent, and the banks and financial institutions, and other entities party thereto as lenders.

"DEBENTURE REGISTER" and "DEBENTURE REGISTRAR" have the respective meanings specified in SECTION 3.5.

"DEBENTURES" has the meaning stated in the first recital of this Indenture and more particularly means any Debentures authenticated and delivered under this Indenture.

"DECLARATION," with respect to a Lomak Trust, means the Amended and Restated Declaration of Trust of such Lomak Trust.

"DEFAULTED INTEREST" has the meaning specified in SECTION 3.7.

"DEFEASANCE" has the meaning specified in SECTION 4.4

"DEPOSITARY" means, with respect to the Debentures of any series issuable or issued in whole or in part in the form of one or more Book-Entry Debentures, the clearing agency registered under the Exchange Act specified for that purpose as contemplated by SECTION 3.1.

"DOLLAR" or "\$" means a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

"EURO-CLEAR" means Morgan Guaranty Trust Company of New York, Brussels Office, or its successor as operator of the Euro-clear System.

"EVENT OF DEFAULT" has the meaning specified in SECTION 5.1.

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

"GUARANTOR" means the Company in its capacity as guarantor under any Trust Securities Guarantees.

"HOLDER" when used with respect to any Debenture, means in the case of a Registered Debenture, the Person in whose name the Debenture is registered in the Debenture Register and in the case of a Bearer Debenture the bearer thereof and, when used with respect to any Coupon, means the bearer thereof.

"INDENTURE" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of Debentures of any series established as contemplated by SECTION 3.1.

"INSTITUTIONAL TRUSTEE" has the meaning set forth in the Declaration of Lomak Trust.

"INTEREST" when used with respect to an Original Issue Discount Debenture which by its terms bears interest only at Maturity, means interest payable at Maturity.

"INTEREST PAYMENT DATE" when used with respect to any Debenture, means the Stated Maturity of an installment of interest on such Debenture.

"LOMAK TRUST" means Lomak Financing Trust, a Delaware statutory business trust, or any substantially similar Delaware statutory business trust sponsored by the Company.

"MATURITY" when used with respect to any Debenture, means the date on which the principal of such Debenture or an installment of such principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, notice of option to elect repayment or otherwise.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of the Board of Directors or the President or any Executive Vice President or any Vice President and by the Treasurer or the Secretary or any Assistant Treasurer or any Assistant Secretary of the Company and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be an employee of or counsel for the Company and who shall be acceptable to the Trustee.

"ORIGINAL ISSUE DISCOUNT DEBENTURE" means any Debenture which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to SECTION 5.2.

"OUTSTANDING," when used with respect to Debentures of any series, means, as of the date of determination, all Debentures of such series theretofore authenticated and delivered under this Indenture, except:

(i) Debentures of such series theretofore canceled by the Trustee or any Paying Agent or delivered to the Trustee for cancellation or that have previously been canceled;

(ii) Debentures of such series for whose payment or redemption of which money or United States Government Obligations in the necessary amount has been theretofore deposited in accordance with Article IV with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of Debentures of such series and any Coupons appertaining thereto; PROVIDED THAT, if Debentures of such series or portions of Debentures of such series are to be redeemed prior to the Maturity thereof, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Debentures of such series which have been paid pursuant to SECTION 3.6 or in exchange for or in lieu of which other Debentures of such series have been authenticated and delivered pursuant to this Indenture, other than any Debentures of such series in respect of which there shall have been presented to the Trustee proof satisfactory to it that Debentures of such series are held by a bona fide purchaser in whose hands Debentures of such series are valid obligations of the Company; and

(iv) Debentures of such series as to which Defeasance has been effected pursuant to SECTION 4.4.

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite aggregate principal amount of the Outstanding Debentures of such series have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether a quorum is present at a meeting of Holders of Debentures of such series (A) the principal amount of an Original Issue Discount Debenture of such series that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof pursuant to SECTION 5.2, (B) the principal amount of a Debenture of such series denominated in a foreign currency or currencies shall be the U.S. dollar equivalent, determined on the date of original issuance of such Debenture, of the principal amount (or, in the case of an Original Issue Discount Debenture of such series, the U.S. dollar

equivalent on the date of original issuance of such Debenture of the amount determined as provided in (A) above) of such Debenture, and (C) Debentures of such series owned by the Company or any other obligor upon such Debentures, or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, or upon any such determination as to the presence of a quorum, only Debentures of such series which the Trustee actually knows to be so owned shall be so disregarded. Debentures of such series so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debentures and that the pledgee is not the Company or any other obligor upon such Debentures or any Affiliate of the Company or of such other obligor.

"PAYING AGENT" means any Person authorized by the Company to pay the principal of and any premium and interest on any Debentures or any Coupons appertaining thereto on behalf of the Company.

"PERSON" means a legal person, including any individual, corporation, estate, partnership, joint venture, trust, association, joint stock company, limited liability company, unincorporated association or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"PLACE OF PAYMENT," when used with respect to the Debentures of any series, means the place or places where, subject to the provisions of SECTION 10.2, the principal of and any premium and interest on Debentures of such series are payable as specified as contemplated by SECTION 3.1.

"PREDECESSOR DEBENTURE" of a Debenture of any series means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such Debenture; and, for the purposes of this definition, a Debenture of any series authenticated and delivered under SECTION 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Debenture or a Debenture to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Debenture or the Debenture to which the mutilated, destroyed, lost or stolen Coupon appertains, as the case may be.

"PREFERRED SECURITIES" means undivided beneficial interests in the assets of Lomak Trust which rank pari passu with Common Securities issued by such Lomak Trust; PROVIDED HOWEVER, that upon the occurrence of an Event of Default, the rights of holders of Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of Preferred Securities.

"PREFERRED SECURITIES GUARANTEE" means any guarantee that the Guarantor may enter into with The Bank of New York or other Persons that operates directly or indirectly for the benefit of holders of Preferred Securities of Lomak Trust.

"REDEMPTION DATE," when used with respect to any Debenture to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE," when used with respect to any Debenture to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"REGISTERED DEBENTURE" means any Debenture in the form established pursuant to SECTION 2.1 which is registered in the Debenture Register.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Registered Debentures of any series means the date specified for that purpose as contemplated by SECTION 3.1, whether or not such day is a Business Day.

"REPRESENTATIVE" means the (a) indenture trustee or other trustee, agent or representative for any Senior Indebtedness or (b) with respect to any Senior Indebtedness that does not have any such trustee, agent or other representative, (i) in the case of such Senior Indebtedness issued pursuant to an agreement providing for voting arrangements as among the holders or owners of such Senior Indebtedness, any holder or owner of such Senior Indebtedness acting with the consent of the required persons necessary to bind such holders or owners of such Senior Indebtedness and (ii) in the case of all other such Senior Indebtedness, the holder or owner of such Senior Indebtedness.

"RESPONSIBLE OFFICER" means, when used with respect to the Trustee, any vice president, any assistant vice president, any assistant secretary, any assistant treasurer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"RULE 144(k)" means Rule 144(k) under the Securities Act or any successor rule.

"SECURITIES ACT" means the Securities Act of 1933, as amended, or any successor statute.

"SENIOR INDEBTEDNESS" means, with respect to the Company, (i) the principal, premium, if any, and interest in respect of (a) indebtedness of the Company for money borrowed under any credit agreements, notes, guarantees or similar documents and (b) indebtedness evidenced by securities, debentures, bonds or other

similar instruments issued by the Company, including, without limitation, all indebtedness and all obligations of the Company to pay fees and other amounts, under the Credit Agreement, and any refinancing of the Credit Agreement in the bank credit market (including institutional participants therein), including interest accruing on or after a bankruptcy or other similar event, whether or not an allowed claim therein; (ii) all capital lease obligations of the Company; (iii) all obligations of the Company issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Company and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of the Company (contingent or otherwise) for the reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the Company (contingent or otherwise) with respect to interest rate or other swap, cap or collar agreements, oil or gas commodity hedge transactions or other similar instruments or agreements or foreign currency hedge, exchange, purchase or similar instruments or agreements; (vi) all obligations of the types referred to in clauses (i) through (v) of other Persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vii) all obligations of the types referred to in clauses (i) through (vi) of other Persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), whether outstanding on the date of the Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by the Company, except for (A) any such indebtedness that is by its terms subordinated to or pari passu with the Debentures, and (B) any indebtedness between or among the Company or its Affiliates, including all other debt securities and guarantees in respect of those debt securities, issued to (a) Lomak Trust or a trustee of such trust and (b) any other trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing vehicle of the Company (a "FINANCING ENTITY") in connection with the issuance by such Financing Entity of Preferred securities or other securities that rank pari passu with, or junior to, such Preferred securities.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on Registered Debentures of any series means a date fixed by the Trustee pursuant to SECTION 3.7.

"STATED MATURITY" when used with respect to any Debenture or any installment of principal thereof or interest thereon, means the date specified in such Debenture or a Coupon representing such installment of interest as the fixed date on which the principal of such Debenture or such installment of principal or interest is due and payable.

"SUBSIDIARY" means, with respect to any Person, (i) any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, (ii) any general partnership, joint venture,

business trust or similar entity, at least a majority of whose outstanding partnership or similar interests shall at the time be owned by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner.

"TRANSFER RESTRICTION TERMINATION DATE" means the first date on which the Preferred Securities, the Debentures and any Common Stock issued or issuable upon the conversion or exchange thereof (other than (i) such securities acquired by the Company or any Affiliate thereof and (ii) Common Stock issued upon the conversion or exchange of any such security described in clause (i) above) may be sold pursuant to Rule 144(k).

"TRUSTEE" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Debentures of any series shall mean the Trustee with respect to Debentures of that series.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed, PROVIDED, HOWEVER, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"TRUST SECURITIES" means Common Securities and Preferred Securities of a Lomak Trust.

"TRUST SECURITIES GUARANTEES" means the Common Securities Guarantee and the Preferred Securities Guarantee.

"UNITED STATES" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"UNITED STATES ALIEN" means any Person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a nonresident alien fiduciary of a foreign estate or trust of a foreign partnership.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations of the United States for the payment of which its full faith and credit is pledged, or obligations of a

person controlled or supervised by and acting as an agency or instrumentality of the United States and the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. Government Obligations held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depository receipt.

"VOTING STOCK" as applied to stock of any Person, means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

"YIELD TO MATURITY" means the yield to maturity on Debentures of any series, calculated at the time of issuance of such series, or, if applicable, at the most recent redetermination of interest on such series, and calculated in accordance with accepted financial practice.

SECTION 1.2 COMPLIANCE CERTIFICATES AND OPINIONS. Except as otherwise expressly provided by this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion by or on behalf of the Company with respect to compliance with a condition or covenant provided for in this Indenture, except for certificates provided for in SECTION 10.9, shall include:

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



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

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

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3 FORM OF DOCUMENTS DELIVERED TO TRUSTEE. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.4 ACTS OF HOLDERS. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. If Debentures of any series are issuable as Bearer Debentures of such series, any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders of Debentures of such series may, alternatively, be

embodied in and evidenced by the record of Holders of Debentures of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Debentures of such series duly called and held in accordance with the provisions of ARTICLE XIII, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent or proxy, or of the holding by any Person of a Debenture of any series, shall be sufficient for any purpose of this Indenture and (subject to SECTION 6.2) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Debentures of any series shall be proved in the manner provided in SECTION 13.6.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to the execution thereof. Where such execution is by a signer acting in a capacity other than the signer's individual capacity, such certificate or affidavit shall also constitute sufficient proof of the signer's authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The principal amount and serial numbers of Registered Debentures of any series held by any Person, and the date of holding the same, shall be proved by the Debenture Register.

(d) The principal amount and serial numbers of Bearer Debentures of any series held by any Person, and the date of holding the same, may be proved by the production of such Bearer Debentures or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Debentures therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Debentures, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Debenture continues until (i) another certificate or affidavit bearing a later date issued in respect of the same Bearer Debenture is produced, or (ii) such Bearer Debenture is produced to the Trustee by some other Person, or (iii) such Bearer Debenture is surrendered in exchange for a

Registered Debenture, or (iv) such Bearer Debenture is no longer Outstanding. The principal amount and serial numbers of Bearer Debentures held by any Person, and the date of holding the same, may also be proved in any other manner which the Trustee deems sufficient.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Debenture of any series shall bind every future Holder of the same Debenture and the Holder of every Debenture issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Debenture.

(f) With respect to the Debentures of any series, upon receipt by the Trustee of (i) any written notice directing the time, method or place of conducting any proceeding or exercising any trust or power pursuant to SECTION 5.1 with respect to Debentures of such series or (ii) any written demand, request or notice with respect to any matter on which the Holders of Debentures of such series are entitled to act under this Indenture, in each case from Holders of less than, or proxies representing less than, the requisite principal amount of Outstanding Debentures of such series entitled to give such demand, request or notice, the Trustee shall establish a record date for determining Holders of Outstanding Debentures of such series entitled to join in such demand, request or notice, which record date shall be the close of business on the day the Trustee received such demand, request or notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such demand, request or notice whether or not such Holders remain Holders after such record date; PROVIDED, HOWEVER, that unless the Holders of the requisite principal amount of Outstanding Debentures of such series shall have joined in such demand, request or notice prior to the day which is the ninetieth day after such record date, such demand, request or notice shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, (i) after the expiration of such 90-day period, a new demand, request or notice identical to a demand, request or notice which has been canceled pursuant to the proviso to the preceding sentence or (ii) during any such 90-day period, a new demand, request or notice which has been canceled pursuant to the proviso to the preceding sentence or (iii) during any such 90-day period, a new demand, request or notice contrary to or different from such demand, request or notice, in either of which events a new record date shall be established pursuant to the provisions of this clause.

(g) The Company may set any day as the record date for the purpose of determining the Holders of Outstanding Debentures of any series entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders of Debentures of such series. With regard to any record date set pursuant to this paragraph, the Holders of Outstanding Debentures of such series on such record date

(or their duly appointed agents), and only such Persons, shall be entitled to give or take the relevant action, whether or not such Holders remain Holders after such record date. With regard to any action that may be given or taken hereunder only by Holders of a requisite principal amount of Outstanding Debentures of any series (or their duly appointed agents) and for which a record date is set pursuant to this paragraph, the Company may, at its option, set an expiration date after which no such action purported to be given or taken by any Holder shall be effective hereunder unless given or taken on or prior to such expiration date by Holders of the requisite principal amount of Outstanding Debentures of such series on such record date (or their duly appointed agents). On or prior to any expiration date set pursuant to this paragraph, the Company may, on one or more occasions at its option, extend such date to any later date. Nothing in this paragraph shall prevent any Holder (or any duly appointed agent thereof) from giving or taking, after any expiration date, any action identical to, or, at any time, contrary to or different from, any action given or taken, or purported to have been given or taken, hereunder by a Holder on or prior to such date, in which event the Company may set a record date in respect thereof pursuant to this clause. Notwithstanding the foregoing or the Trust Indenture Act, the Company shall not set a record date for, and the provisions of this clause shall not apply with respect to, any action to be given or taken by Holders pursuant to SECTION 5.1, 5.2 or 5.12.

SECTION 1.5 NOTICES, ETC., TO TRUSTEE AND COMPANY. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(a) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(b) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture, to the attention of its Treasurer, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6 NOTICE TO HOLDERS OF DEBENTURES; WAIVER. Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of Debentures of any event:

(a) such notice shall be sufficiently given to Holders of Registered Debentures of any series if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Debenture affected by such event, at the address of such Holder as it appears in the Debenture Register, not earlier than the earliest

date, and not later than the latest date, prescribed for the giving of such notice; and

(b) such notice shall be sufficiently given to Holders of Bearer Debentures of any series if published in an Authorized Newspaper in The City of New York and in such other city or cities as may be specified in such Debentures on a Business Day at least twice, the first such publication to be not earlier than the earliest date, and the second such publication to be not later than the latest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders of Registered Debentures by mail, then such notification as shall be made with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. In any case where notice to Holders of Registered Debentures is given by mail, neither the failure to mail such notice, nor any defect in any notice mailed to any particular Holder of a Registered Debenture shall affect the sufficiency of such notice with respect to other Holders of Registered Debentures or the sufficiency of any notice to Holders of Bearer Debentures given as provided herein.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Debentures as provided above, then such notification as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Debentures as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice to Holders of Registered Debentures given as provided herein.

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

SECTION 1.7 LANGUAGE OF NOTICES, ETC. Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

SECTION 1.8 CONFLICT WITH TRUST INDENTURE ACT. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture

by any of Sections 310 to 318, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

SECTION 1.9 EFFECT OF HEADINGS AND TABLE OF CONTENTS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.10 SUCCESSORS AND ASSIGNS. The Company may assign any of its rights and obligations under this Indenture to a wholly-owned Subsidiary of the Company, but no such assignment shall relieve the Company from its obligations hereunder. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.11 SEPARABILITY CLAUSE. In case any provision in this Indenture or the Debentures or Coupons shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.12 BENEFITS OF INDENTURE. Nothing in this Indenture or the Debentures or Coupons, express or implied, shall give to any Person, other than the parties hereto, any Authenticating Agent, any Paying Agent, any Debentures Registrar and their successors hereunder, the holders of Trust Securities, and the Holders of Debentures and Coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.13 GOVERNING LAW. This Indenture and the Debentures and Coupons shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

SECTION 1.14 LEGAL HOLIDAYS. In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Maturity or Stated Maturity of any Debenture of any series shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Debentures or Coupons other than a provision in the Debentures of any series which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal (and premium, if any) need not be made on the next succeeding Business Day at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such succeeding Business Day.

SECTION 1.15 JUDGMENT CURRENCY. The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the

purpose of obtaining judgment in any court it is necessary to convert the sum due on the Debentures of any series from the currency in which such sum is payable in accordance with the terms of such Debentures (the "REQUIRED CURRENCY") into a currency in which a judgment will be rendered (the "JUDGMENT CURRENCY"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding that on which a final unappealable judgment is rendered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "NEW YORK BANKING DAY" means any day except a Saturday, Sunday or a legal holiday in The City of New York or a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

SECTION 1.16 IMMUNITY OF INCORPORATORS, SHAREHOLDERS, OFFICERS, DIRECTORS AND EMPLOYEES. No recourse under or upon any obligation, covenant or agreement of this Indenture, or of a Debenture of any series, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations of the Company, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, shareholders, officers, directors or employees, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations or agreements contained in this Indenture or in any of the Debentures or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, shareholder, officer, director or employee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations or agreements contained in this Indenture or in any of the Debentures or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of such Debentures.

All payments of interest and other amounts, if any, to be made by the Trustee hereunder shall be made only from the money deposited with the Trustee and only to the extent that the Trustee shall have sufficient income or proceeds to make such payments in accordance with the terms of this Indenture, and each Holder thereof, by its acceptance of a Debenture, agrees that it will look solely to the income and proceeds deposited with the Trustee to the extent available for distribution to such Holder as provided and that the Trustee is not personally liable in any manner to such Holder for any amounts payable or any liability under this Indenture or any Debenture.

## ARTICLE II

### DEBENTURE FORMS

SECTION 2.1 FORMS GENERALLY. The Registered Debentures, if any, of each series and the Bearer Debentures, if any, of each series and related Coupons shall be in such form (including temporary or permanent global form) as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Debentures or Coupons, as evidenced by their execution of the Debentures or Coupons. If temporary Debentures of any series are issued in global form as permitted by Section 3.4, the form thereof shall be established as provided in the preceding sentence. If the forms of Debentures or Coupons of any series (or any such temporary global Debenture) are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or any Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Debentures (or any such temporary global Debenture) or Coupons.

Unless otherwise specified as contemplated by Section 3.1, Debentures in bearer form shall have interest Coupons attached.

The definitive Debentures and Coupons, if any, shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Debentures or Coupons, as evidenced by their execution of such Debentures or Coupons.

### SECTION 2.2 FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificates of authentication shall be in substantially the following form:



This is one of the Debentures of the series designated therein referred to in the within-mentioned Indenture.

The Bank of New York,  
As Trustee

By: \_\_\_\_\_  
Authorized Signatory

SECTION 2.3 DEBENTURES IN GLOBAL FORM. If Debentures of a series are issuable in global form, as contemplated by Section 3.1, then, notwithstanding clause (e) of Section 3.1 and the provisions of Section 3.2, any such Debenture shall represent such of the Outstanding Debentures of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Debentures from time to time endorsed thereon and that the aggregate amount of Outstanding Debentures represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Debenture in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Debentures represented thereby shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 3.3 or Section 3.4. Subject to the provisions of Section 3.3 and, if applicable, Section 3.4, the Trustee shall deliver and redeliver any Debenture in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 3.3 or 3.4 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Debenture in global form shall be in writing but need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel.

The provisions of the last sentence of Section 3.3 shall apply to any Debenture represented by a Debenture in global form if such Debenture was never issued and sold by the Company and the Company delivers to the Trustee the Debenture in global form together with written instructions (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Debentures represented thereby, together with the written statement contemplated by the last sentence of Section 3.3.

Notwithstanding the provisions of Sections 2.1 and 3.7, unless otherwise specified as contemplated by Section 3.1, payment of principal of and any premium and interest on any Debenture in permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 3.8 and except as provided in the preceding paragraph, the Company, the Trustee and any agent of the Company and the Trustee shall treat a Person as the Holder of such principal amount of Outstanding Debentures represented by a permanent global Debenture as shall be specified in a written statement of the Holder of such permanent global Debenture or, in the case of a permanent global Debenture in bearer form, of Euro-clear or Cedel S.A. which is provided to the Trustee by such Person.

SECTION 2.4 FORM OF LEGEND FOR BOOK-ENTRY DEBENTURES. Any Book-Entry Debenture authenticated and delivered hereunder shall bear a legend in substantially the following form:

"This Debenture is a Book-Entry Debenture within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Debenture is exchangeable for Debentures registered in the name of a Person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Debenture (other than a transfer of this Debenture as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in such limited circumstances."

SECTION 2.5 FORM OF CONVERSION NOTICE. The form of conversion notice for the conversion of Debentures into shares of Common Stock or other securities of the Company shall be in substantially the form included with the applicable form of Debentures as shall be established pursuant to Section 2.1 hereinabove.

### ARTICLE III

#### THE DEBENTURES

SECTION 3.1 AMOUNT UNLIMITED; ISSUABLE IN SERIES. The aggregate principal amount of Debentures which may be authenticated and delivered under this Indenture is unlimited.

The Debentures may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and, subject to Section 3.3, set forth, or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Debentures of any series:

(a) the title of the Debentures of the series (which shall distinguish the Debentures of the series from all other series of Debentures);

(b) any limit upon the aggregate principal amount of the Debentures of the series which may be authenticated and delivered under this Indenture except for Debentures of the series authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Debentures of the series pursuant to Section 3.4, 3.5, 3.6, 9.6 or 11.7 and except for any Debentures which, pursuant to Section 3.3, are deemed never to have been authenticated and delivered hereunder;

(c) whether Debentures of the series are to be issuable as Registered Debentures, Bearer Debentures or both, whether any Debentures of the series are to be issuable initially in temporary global form and whether any Debentures of the series are to be issuable in permanent global form with or without Coupons and, if so, whether beneficial owners of interests in any such permanent global Debenture may exchange such interests for Debentures of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 3.5;

(d) the Person to whom any interest on any Registered Debenture of the series shall be payable, if other than the Person in whose name that Debenture (or one or more Predecessor Debentures) is registered at the close of business on the Regular Record Date for such interest, the manner in which, or the Person to whom, any interest on any Bearer Debenture of the series shall be payable, if otherwise than upon presentation and surrender of the Coupons appertaining thereto as they severally mature, and the extent to which, or the manner in which, any interest payable on a temporary global Debenture on an Interest Payment Date will be paid if other than in the manner provided in Section 3.4;

(e) the date or dates, or the method by which such date or dates will be determined or extended, on which the principal of the Debentures of the series is payable;

(f) the rate or rates at which the Debentures of the series shall bear interest, if any, or the formula pursuant to which such rate or rates shall be determined, the date or dates from which any such interest shall accrue, the Interest Payment Dates on which any such interest shall be payable, and the Regular Record Date for any interest payable on any Registered Debentures on any Interest Payment Date and the basis upon which interest shall be calculated if other than that of a 360-day year consisting of twelve 30-day months;

(g) the place or places where, subject to the provisions of Sections 11.4 and 10.2, the principal of and any premium and interest on Debentures of the series shall be payable, any Registered Debentures of the series may be surrendered for registration of transfer, Debentures of the series may be

surrendered for conversion or exchange, notices and demands to or upon the Company in respect of the Debentures of the series and this Indenture may be served and where notices to Holders of Bearer Debentures pursuant to Section 1.6 will be published;

(h) the right, if any, to extend the interest payment periods and the duration of such extension;

(i) the period or periods within which, the price or prices at which and the terms and conditions upon which Debentures of the series may be redeemed, in whole or in part, at the option of the Company;

(j) the obligation, if any, of the Company to redeem, repay or purchase Debentures of the series, or particular Debentures within the series, pursuant to any sinking fund or analogous provisions and the period or periods within which, the price or prices at which and the terms and conditions upon which such Debentures shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(k) the terms of any right to convert or exchange Debentures of the series, either at the option of the Holder thereof or the Company, into or for shares of Common Stock of the Company or other securities or property, including without limitation the period or periods within which and the price or prices (including adjustments thereto) at which any Debentures of the series shall be converted or exchanged, in whole or in part and any other provision in addition to or in lieu of those set forth in this Indenture;

(l) the denominations in which any Registered Debentures of the series shall be issuable, if other than denominations of \$1,000 and any integral multiple thereof, and the denomination or denominations in which any Bearer Debentures of the series shall be issuable, if other than the denomination of \$5,000;

(m) the currency or currencies, including composite currencies, in which payment of the principal of and any premium and interest on the Debentures of the series shall be payable if other than the currency of the United States of America;

(n) if the principal of and any premium or interest on the Debentures of the series are to be payable, at the election of the Holders thereof or the Company, in a currency or currencies, including composite currencies, other than that or those in which the Debentures are stated to be payable, the currency or currencies in which payment of the principal of and any premium and interest on Debentures of such series as to which such

election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(o) if the amount of payments of principal of and any premium or interest on the Debentures of the series may be determined with reference to an index, the manner in which such amounts shall be determined;

(p) if other than the principal amount thereof, the portion of the principal amount of any Debentures of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2;

(q) the Person who shall be the Debenture Registrar, if other than the Trustee;

(r) whether the Debentures of the series shall be issued upon original issuance in whole or in part in the form of one or more Book-Entry Debentures and, in such case, (a) the Depositary with respect to such Book-Entry Debenture or Debentures; and (b) the circumstances under which any such Book-Entry Debenture may be exchanged for Debentures registered in the name of, and any transfer of such Book-Entry Debenture may be registered to, a Person other than such Depositary or its nominee, if other than as set forth in Section 3.5;

(s) if the provisions of Section 4.4 or 4.5 are applicable to the Debentures of such series;

(t) provisions, if any, granting special rights to the Holders of Debentures of the series upon the occurrence of such events as may be specified;

(u) any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to Debentures of the series, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(v) whether and under what conditions additional amounts will be payable to Holders of Debentures of the series pursuant to Section 10.4;

(w) the terms and conditions, if any, pursuant to which such Debentures are secured;

(x) the subordination terms of the Debentures of the series;

(y) the restrictions, if any, limiting the transfer of the Debentures; and

(z) any other terms of the series.

All Debentures of any one series and the Coupons appertaining to any Bearer Debentures of such series shall be substantially identical except, in the case of Registered Debentures, as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 3.3) set forth in, or determined in the manner provided in, the Officers' Certificate referred to above or in any such indenture supplemental hereto. Not all Debentures of any one series need be issued at the same time, and, unless otherwise provided, a series may be reopened for issuances of additional Debentures of such series.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms, or the manner of determining the terms, of the series.

SECTION 3.2 DENOMINATIONS. Unless otherwise provided as contemplated by Section 3.1 with respect to Debentures of any series, any Registered Debentures of a series shall be issuable in denominations of \$1,000 and any integral multiple thereof and any Bearer Debentures shall be issuable in the denomination of \$5,000.

SECTION 3.3 EXECUTION, AUTHENTICATION, DELIVERY AND DATING. Debentures shall be signed on behalf of the Company by both (a) its Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or its President or one of its Vice Presidents and (b) its Treasurer or one of its Assistant Treasurers or its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Debentures may be manual or facsimile. Coupons shall bear the facsimile signature of the Treasurer of the Company.

Debentures and Coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Debentures or did not hold such offices at the date of such Debentures.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debentures of any series, together with any Coupons appertaining thereto executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of Debentures of such series, and the Trustee in accordance with the Company Order shall authenticate and make Debentures of any series available for delivery; PROVIDED, HOWEVER, that, in connection with its original issuance, no Bearer Debenture of such series shall be mailed or otherwise delivered to any location in the United States; and

PROVIDED, FURTHER, that a Bearer Debenture of such series may be delivered in connection with its original issuance only if the Person entitled to receive such Bearer Debenture shall have furnished a certificate in the form specified in the Debenture of such series as to certain tax matters in respect of United States citizens, dated no earlier than 15 days prior to the earlier of the date on which the Bearer Debenture of such series is delivered and the date on which any temporary global Debenture first becomes exchangeable for such Bearer Debenture in accordance with the terms of such temporary global Debenture and this Indenture. If any Debenture of such series shall be represented by a permanent global Bearer Debenture of such series, then, for purposes of this Section and Section 3.4, the notation of a beneficial owner's interest therein upon original issuance of such Debenture or upon exchange of a portion of a temporary global Debenture shall be deemed to be delivery in connection with its original issuance of such beneficial owner's interest in such permanent global Debenture. Except as permitted by Section 3.6, the Trustee shall not authenticate and make available for delivery any Bearer Debenture of such series unless all appurtenant Coupons for interest then matured have been detached and canceled.

If all the Debentures of any series are not to be issued at one time and if the Board Resolution and indenture supplement establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of Debentures of such series and determining the terms of such series, such as interest rate, maturity date, date of issuance and date from which interest shall accrue.

If the forms or terms of the Debentures of any series, together with any Coupons appertaining thereto, have been established in or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating Debentures of such series, and accepting the additional responsibilities under this Indenture in relation to such Debentures of such series, the Trustee shall be entitled to receive, and (subject to Section 6.2) shall be fully protected in relying upon, (i) an Officer's Certificate issued pursuant to Section 1.2, (ii) a Board Resolution and (iii) an Opinion of Counsel stating:

(a) that such forms have been established in conformity with the provisions of this Indenture;

(b) that such terms, or the manner of determining such terms, have been established in conformity with the provisions of this Indenture;

(c) that Debentures of such series, together with any Coupons appertaining thereto, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except, as enforcement may be limited by bankruptcy,

insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights generally and general equity principles (regardless of whether enforceability is considered in a proceeding at law or equity): and

(d) that the Company has complied with all laws and requirements in respect of the execution and delivery by the Company of Debentures of such series.

If such forms or terms have been so established, the Trustee shall not be required to authenticate Debentures of such series if the issue of such Debentures pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under such Debentures and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee or if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith shall determine that such action would expose the Trustee to personal liability to existing Holders.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all Debentures of any series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraphs at or prior to the time of authentication of each Debenture of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Debenture of such series to be issued.

Each Registered Debenture shall be dated the date of its authentication; and each Bearer Debenture shall be dated as of the date of original issuance of the first Debenture of such series to be issued.

No Debenture of such series or any Coupon appertaining thereto shall be entitled to any benefit under this Indenture nor shall such Debenture or Coupon be a valid obligation for any purpose unless there appears on the Debenture or the Coupon appertaining to such Debenture, a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Debenture shall be conclusive evidence, and the only evidence, that such Debenture has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Debenture shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Debenture to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Debenture has never been issued and sold by the Company, for all purposes of this Indenture such Debenture shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.



SECTION 3.4 TEMPORARY DEBENTURES. Pending the preparation of definitive Debentures of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and make available for delivery, temporary Debentures of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Debentures in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more Coupons or without Coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Debentures or Coupons may determine, as evidenced by their execution of such Debentures or Coupons. In the case of Debentures of any series issuable as Bearer Debentures, such temporary Debentures may be in global form. A temporary Bearer Debenture shall be delivered only in compliance with the conditions set forth in Section 3.3.

If temporary Debentures of any series are issued, the Company will cause definitive Debentures of such series to be prepared without unreasonable delay. After the preparation of definitive Debentures of such series, the temporary Debentures of such series shall be exchangeable for definitive Debentures of such series upon surrender of the temporary Debentures of such series at the office or agency of the Company maintained pursuant to Section 10.2 in a Place of Payment for such series for the purpose of exchanges of Debentures of such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Debentures of any series (accompanied by any unmatured Coupons appertaining thereto) the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like aggregate principal amount of definitive Debentures of such series and of like tenor of authorized denominations; PROVIDED, HOWEVER, that no definitive Bearer Debenture shall be delivered in exchange for a temporary Registered Debenture.

SECTION 3.5 REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE. The Company shall cause to be kept at an office or agency to be maintained by the Company in accordance with Section 10.2 a register (the "DEBENTURE REGISTER") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Debentures and the registration of transfers of Registered Debentures. The Trustee is hereby appointed "DEBENTURE REGISTRAR" for the purpose of registering Registered Debentures and transfers of Registered Debentures as herein provided.

Upon due surrender for registration of transfer of any Registered Debenture of any series at the office or agency of the Company maintained pursuant to Section 10.2 for such purpose in a Place of Payment for such series, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Registered Debentures of the such series of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Registered Debentures of any series may be exchanged for other Registered Debentures of such series of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Debentures to be exchanged at any such office or agency. Whenever any Debentures are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Debentures which the Holder making the exchange is entitled to receive. Bearer Debentures will not be issued in exchange for Registered Debentures.

At the option of the Holder, Bearer Debentures of any series may be exchanged for Registered Debentures of such series of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Bearer Debentures of such series to be exchanged at any such office or agency, with all unmatured Coupons, and all matured Coupons in default appertaining thereto. If the Holder of a Bearer Debenture of such series is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Debentures of such series are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Debentures of such series shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that, except as otherwise provided in Section 10.2, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Debenture of any series is surrendered at any such office or agency in exchange for a Registered Debenture of such series and of like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, the Bearer Debenture of such series shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date for payment, as the case may be, and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Debenture of such series issued in exchange for such Bearer Debenture, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Whenever any Debentures of any series are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Debentures of such series which the Holder making the exchange is entitled to receive.

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

Every Registered Debenture presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee or any transfer agent) be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Debenture Registrar or any transfer agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Debentures, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Debentures, other than exchanges pursuant to Section 3.4, 9.6 or 11.7 not involving any transfer.

The Trustee shall not be required (i) to issue, register the transfer of or exchange Debentures of any series during a period beginning at the opening of business 15 days before any selection of Debentures of such series to be redeemed and ending at the close of business on (A) if Debentures of such series are issuable only as Registered Debentures, the day of the mailing of the relevant notice of redemption and (B) if Debentures of such series are issuable as Bearer Debentures, the day of the first publication of the relevant notice of redemption or, if Debentures of such series are also issuable as Registered Debentures and there is no publication, the mailing of the relevant notice of redemption, (ii) to register the transfer of or exchange any Registered Debenture so selected for redemption, in whole or in part, except the unredeemed portion of any Debenture being redeemed in part, or (iii) to exchange any Bearer Debenture so selected for redemption except that such a Bearer Debenture may be exchanged for a Registered Debenture of such series and like tenor, PROVIDED that such Registered Debenture shall be simultaneously surrendered for redemption.

Notwithstanding the foregoing and except as otherwise specified or contemplated by Section 3.1, any Book-Entry Debenture shall be exchangeable pursuant to this Section 3.5 or Sections 3.4, 9.6 and 11.7 for Debentures registered in the name of, and a transfer of a Book-Entry Debenture of any series may be registered to, any Person other than the Depository for such Debenture or its nominee only if (i) such Depository notifies the Company that it is unwilling or unable to continue as Depository for such Book-Entry Debenture or if at any time such Depository ceases to be a clearing agency registered under the Exchange Act, (ii) the Company executes and delivers to the Trustee a Company Order that such Book-Entry Debenture shall be so exchangeable and the transfer thereof so registerable or (iii) there shall have occurred and be continuing an Event of Default, with respect to the Debentures of such series. Upon the occurrence in respect of any Book-Entry Debenture of any

series of any one or more of the conditions specified in clauses (i), (ii) or (iii) of the preceding sentence or such other conditions as may be specified as contemplated by Section 3.1 for such series, such Book-Entry Debenture may be exchanged for Debentures registered in the names of, and the transfer of such Book-Entry Debenture may be registered to, such Persons (including Persons other than the Depository with respect to such series and its nominees) as such Depository shall direct. Notwithstanding any other provision of this Indenture, any Debenture authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, any Book-Entry Debenture shall also be a Book-Entry Debenture and shall bear the legend specified in Section 2.4 except for any Debenture authenticated and delivered in exchange for, or upon registration or transfer of, any Book-Entry Debenture pursuant to the preceding sentence.

Notwithstanding anything in this Indenture or in the terms of a Debenture to the contrary, the exchange of Bearer Debentures for Registered Debentures will be subject to satisfaction of the provisions of the United States federal income tax laws in effect at the time of such exchange. None of the Company, the Trustee or any Authenticating Agent of the Company or the Trustee (any of which, other than the Company, shall rely on an Officers' Certificate and an Opinion of Counsel) shall be required to exchange any Bearer Debenture for a Registered Debenture if as a result thereof and in the Company's reasonable judgment, the Company would incur adverse consequences under then applicable United States federal income tax laws.

**SECTION 3.6 MUTILATED, DESTROYED, LOST AND STOLEN DEBENTURES AND COUPONS.** If any mutilated Debenture of any series or a Debenture of any series with a mutilated Coupon appertaining thereto is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a new Debenture of the same series and of principal amount and like tenor and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to the surrendered Debenture and such mutilated Debenture or a Debenture with a mutilated Coupon, if any, shall be canceled by the Trustee in accordance with the Indenture.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Debenture of any series or Coupon appertaining thereto and (ii) such security or indemnity as may be required by them, then, in the absence of notice to the Company or the Trustee that such Debenture or Coupon has been acquired by a bona fide purchaser, the Company shall, subject to the following paragraph, execute, and the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Debenture or in exchange for the Debenture to which a destroyed, lost or stolen Coupon appertains (with all appurtenant Coupons not destroyed, lost or stolen), a new Debenture of such series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any,

appertaining to such destroyed, lost or stolen Debenture or to the Debenture to which such destroyed, lost or stolen Coupon appertains.

In case any such mutilated, destroyed, lost or stolen Debenture or Coupon appertaining thereto has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Debenture pay such Debenture or Coupon; PROVIDED, HOWEVER, that principal of and any premium and interest on Bearer Debentures shall, except as otherwise provided in Section 10.2, be payable only at an office or agency located outside the United States.

Upon the issuance of any new Debenture under this Section, the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Debenture of any series, with any Coupons appertaining thereto, issued pursuant to this Section in lieu of any destroyed, lost or stolen Debenture or in exchange for a Debenture to which a destroyed, lost or stolen Coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture and any Coupons appertaining thereto, or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone, and any such new Debenture and Coupons, if any, shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures of such series and their Coupons appertaining thereto, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures or Coupons.

#### SECTION 3.7 PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise provided as contemplated by Section 3.1 with respect to any series of Debentures, interest on any Registered Debenture which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Debenture (or one or more Predecessor Debentures) is registered at the close of business on the Regular Record Date for such interest.

Unless otherwise provided as contemplated by Section 3.1 with respect to any series of Debentures, any interest on any Registered Debenture of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (a) and (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Debentures of such series (or their respective Predecessor Debentures) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Registered Debenture of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Debentures of such series at the address of such Holder as it appears in the Debenture Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Registered Debentures of such series (or their respective Predecessor Debentures) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (b); and

(b) The Company may make payment of any Defaulted Interest on the Registered Debentures of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Debentures may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 3.5, each Debenture delivered under this Indenture upon registration of, transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Debenture.

Except as otherwise specified as contemplated by Section 3.1, in the case of any Debenture which is converted into Common Stock of the Company after any Regular Record Date and on or prior to the next succeeding Interest Payment Date

(other than any Debenture whose Maturity is prior to such Interest Payment Date), interest whose Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Debenture (or one or more Predecessor Debentures) is registered at the close of business on such Regular Record Date. However, if a Redemption Date falls between a Regular Record Date and the subsequent Interest Payment Date, the amount of such payment shall include accumulated and unpaid interest accrued to, but excluding, such Redemption Date and shall be made on such Redemption Date. Except as otherwise expressly provided in the first two sentences of this paragraph, in the case of any Debenture which is converted, interest whose Stated Maturity is after the date of conversion of such Debenture shall not be payable.

SECTION 3.8 PERSONS DEEMED OWNERS. Prior to due presentment of a Registered Debenture for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Debenture is registered as the owner of such Registered Debenture for the purpose of receiving payment of principal of (and premium, if any) and (subject to Sections 3.5 and 3.7) any interest on such Debenture and for all other purposes whatsoever, whether or not such Debenture shall be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Title to any Bearer Debenture and any Coupons appertaining thereto shall pass by delivery. The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Debenture and the bearer of any Coupon as the absolute owner of such Debenture or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Debenture or Coupon shall be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Notwithstanding the foregoing, with respect to any Book-Entry Debenture, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by a Depositary or impair, as between a Depositary and holders of beneficial interests in any Book-Entry Debenture, the operation of customary practices governing the exercise of the rights of the Depositary (or its nominee) as Holder of such Book-Entry Debenture.

SECTION 3.9 CANCELLATION. All Debentures and Coupons surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Registered Debentures and matured Coupons so delivered shall be promptly canceled by the Trustee. All Bearer Debentures and

unmatured Coupons so delivered shall be canceled. All Bearer Debentures and unmatured Coupons held by the Trustee pending such cancellation or reissuance shall be deemed to be delivered for cancellation for all purposes of this Indenture and the Debentures. The Company may at any time deliver to the Trustee for cancellation any Debentures previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Debentures previously authenticated hereunder which the Company has not issued and sold, and all Debentures so delivered shall be promptly canceled by the Trustee. No Debentures shall be authenticated in lieu of or in exchange for any Debentures canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Debentures and Coupons held by the Trustee shall be returned to the Company.

SECTION 3.10 COMPUTATION OF INTEREST. Except as otherwise specified as contemplated by Section 3.1 for Debentures of any series, interest on the Debentures of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 3.11 ELECTRONIC DEBENTURE ISSUANCE. The Debentures may, pursuant to a Board Resolution and Officers' Certificate complying with Section 3.1 hereof, be issued by means of an electronic issuance system. Any such Debenture issuance instructions may specify the name, address and taxpayer identification number of the Holder, the principal amount and Maturity of the Debenture, the interest rate to be borne by the Debenture and any other terms not inconsistent with such Board Resolution and Officers' Certificate. Nothing in this Section 3.11 shall be construed as prohibiting the Company from issuing Debentures by any means not inconsistent with the provisions of this Indenture.

SECTION 3.12 CUSIP NUMBERS. The Company in issuing the Debentures may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debentures, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.



## ARTICLE IV

## SATISFACTION AND DISCHARGE

SECTION 4.1 SATISFACTION AND DISCHARGE OF INDENTURE. Except as otherwise specified as contemplated by Section 3.1, this Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Debentures herein expressly provided for, and any right to receive additional amounts, as provided in Section 10.4), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either

(1) all Debentures theretofore authenticated and delivered and all Coupons, if any, appertaining thereto (other than (i) Coupons appertaining to Bearer Debentures surrendered for exchange for Registered Debentures and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 3.5, (ii) Debentures and Coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, (iii) Coupons appertaining to Debentures called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 11.6, and (iv) Debentures and Coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(2) all such Debentures and, in the case of (i) or (ii) below, any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation,

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the

purpose, an amount sufficient to pay and discharge the entire indebtedness on such Debentures and Coupons not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and any interest to the date of such deposit (in the case of Debentures which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.6, the obligations of the Company to any Authenticating Agent under Section 6.13 and, if money shall have been deposited with the Trustee pursuant to clause (a)(2) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 10.3 shall survive.

SECTION 4.2 APPLICATION OF TRUST MONEY. Subject to the provisions of the last paragraph of Section 10.3, all money and U.S. Government Obligations deposited with the Trustee pursuant to Section 4.1 or 4.3 and all money received by the Trustee in respect of such U.S. Government Obligations shall be held in trust and applied by it, in accordance with the provisions of the Debentures, the Coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and any interest for whose payment such money and U.S. Government Obligations have been deposited with or received by the Trustee. Money deposited pursuant to this Section not in violation of this Indenture shall not be subject to claims of the holders of Senior Indebtedness under Article XV.

SECTION 4.3 COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE. If applicable to Debentures of any series, the Company may elect, at its option at any time, to have Section 4.4 or Section 4.5 applied to any such series of Debentures or any Debentures of such series, as the case may be, designated pursuant to Section 3.1 as being defeasible pursuant to such Section 4.4 or 4.5, in accordance with any applicable requirements provided pursuant to Section 3.1 and upon compliance with the conditions set forth below in this Article. Any such election shall be evidenced by a Board Resolution or in another manner specified as contemplated by Section 3.1 for such Debentures.

SECTION 4.4 DISCHARGE AND DEFEASANCE. If this Section 4.4 is specified, as contemplated by Section 3.1, to be applicable to Debentures of any series, then notwithstanding Section 4.1 and upon compliance with the applicable conditions set forth in 4.6: (1) the Company shall be deemed to have paid and discharged the entire indebtedness on all the Outstanding Debentures of any such series ("Defeasance"); and (2) the provisions of this Indenture as it relates to such Outstanding Debentures shall no longer be in effect (except as to the rights of Holders of Debentures of such series to receive, solely from the trust fund described in Section 4.6, payment of (a) the principal of (and premium, if any) and any installment of principal of (and premium, if any) or interest on Debentures of such series on the Stated Maturity of such principal (and premium, if any) or installment of principal (and premium, if any) or interest or upon optional redemption and/or (b) any mandatory sinking fund payments or analogous payments applicable to the Debentures of such series on that day on which such payments are due and payable in accordance with the terms of the Indenture and of Debentures of such series, the Company's obligations with respect to Debentures of such series under Sections 3.4, 3.5, 3.6, 10.2, 10.3, and 10.4 and the rights, powers, trusts, duties and immunities of the Trustee hereunder, including those under Section 6.8 hereof;

SECTION 4.5 COVENANT DEFEASANCE. If this Section 4.5 is specified, as contemplated by Section 3.1, to be applicable to any series of Debentures or any Debentures of such series, as the case may be, (a) the Company shall be released from its obligations under Sections 10.4 through 10.7, inclusive, and any covenants provided pursuant to Section 3.1(u) or 9.1(b) for the benefit of the Holders of Debentures of such series that pursuant to the terms of such Debentures of such series are defeasible pursuant to this Section 4.5 and (b) the occurrence of any event specified in Sections 5.1(d) (with respect to any of Sections 10.3 through 10.7, inclusive, and any such covenants provided pursuant to Section 3.1(u), 9.1(b), or 9.1(f) and 5.1(g) (if pursuant to the terms of such Debentures this Section 4.5 is applicable to any such event specified in Section 5.1(g)) shall be deemed not to be or result in an Event of Default, in each case with respect to Debentures of such series as provided in this Section on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that, with respect to Debentures of such series, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified Section (to the extent so specified in the case of Section 5.1(d) and 5.1(g)), whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document, but the remainder of this Indenture and such Debentures shall be unaffected thereby.

SECTION 4.6 CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE. The following shall be the conditions to the application of Section 4.4 or Section 4.5 to any applicable series of Debentures or any Debentures of such series, as the case may be.

(a) either

(1) with respect to all Outstanding Debentures of such series or such Debentures of such Series, as the case may be, with reference to this Section 4.6, the Company has deposited or caused to be deposited with the Trustee irrevocably (but subject to the provisions of Section 4.2 and the last paragraph of Section 10.3), as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Debentures of such series, (i) lawful money of the United States in an amount, or (ii) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide not later than the opening of business on the due dates of any payment referred to in clause (i) or (ii) of this subparagraph (a)(1) lawful money of the United States in an amount, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge (A) the principal of (and premium, if any) and each installment of principal (and premium, if any) and interest on such Debentures the Stated Maturity of such principal or installment of principal or interest or upon optional redemption and (B) any mandatory sinking fund payments or analogous payments applicable to the Debentures of such series on the day on which such payments are due and payable in accordance with the terms of this Indenture and of the Debentures of such series; or

(2) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 3.1, to be applicable to the Debentures of such series;

(b) the Company has paid or caused to be paid all other sums payable with respect to the Debentures of such series;

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

(d) no Event of Default or event which with the giving of notice or lapse of time, or both, would become an Event of Default with respect to the Debentures of such series shall have occurred and be continuing on the date of such deposit and no Event of Default under Section 5.1(e) or Section 5.1(f) or event which with the giving of notice or lapse of time, or both, would become an Event of Default under Section 5.1(e) or Section 5.1(f) shall have occurred and be continuing on the 91st day after such date;

(e) in the event of an election to have Section 4.4 apply to the Debentures of any series, the Company has delivered to the Trustee an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of Debentures of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;

(f) in the event of an election to have Section 4.5 apply to Debentures of any series, the Company shall have delivered to the Trustee an Opinion of Counsel, to the effect that the Holders of Debentures of such series will not recognize gain or loss for federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to the Debentures of such series and will be subject to United States federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur;

(g) if the Debentures of such series are then listed on any domestic or foreign securities exchange, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that such deposit, defeasance and discharge will not cause the Debentures of such series to be delisted;

(h) no default in the payment of the principal (and premium, if any) or any interest on any Senior Indebtedness beyond any applicable grace period shall have occurred and be continuing;

(i) no other default with respect to any Senior Indebtedness shall have occurred and be continuing and shall have resulted in the acceleration of such Senior Indebtedness; and

(j) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the Defeasance or Covenant Defeasance with respect to Debentures of such series have been complied with and an Opinion of Counsel to the effect that either (i) as a result of such deposit and the related exercise of the Company's option under this Article, registration is not required under the Investment Company Act of 1940, as amended, by the Company, the trust funds representing such deposit or the Trustee or (ii) all necessary registrations under said Act have been effected.

Any deposits with the Trustee referred to in Section 4.6(a)(1) above shall be irrevocable and shall be made under the terms of an escrow/trust agreement in form and substance satisfactory to the Trustee. If any Outstanding Debentures of such series are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory sinking fund requirement, the applicable escrow trust agreement shall provide therefor and the Company shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Upon Defeasance with respect to all the Debentures of any series, the terms and conditions of the Debentures of such series, including the terms and conditions with respect thereto set forth in this Indenture, shall no longer be binding upon, or applicable to, the Company; PROVIDED that the Company shall not be discharged from any payment obligations in respect of Debentures of such series which are deemed not to be Outstanding under clause (iii) of the definition thereof if such obligations continue to be valid obligations of the Company under applicable law.

Notwithstanding the cessation, termination and discharge of all obligations, covenants and agreements (except as provided above in this Section 4.6) of the Company under this Indenture with respect to the Debentures of any series, the obligations of the Company to the Trustee under Section 6.6, and the obligations of the Trustee under Section 4.2 and the last paragraph of Section 10.3 shall survive with respect to the Debentures of such series.

Anything in this Article to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in this Section 4.6 with respect to Debentures of any series which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect the Defeasance or Covenant Defeasance, as the case may be, with respect to Debentures of such series.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to this Section 4.6 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Debentures.

## ARTICLE V

## REMEDIES

SECTION 5.1 EVENTS OF DEFAULT. "Event of Default", wherever used herein with respect to Debentures of any series, unless otherwise provided the applicable supplemental indenture, means any one or more of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest upon or any additional amounts payable in respect of any Debenture of such series when it becomes due and payable, and continuance of such default for a period of 30 days (whether or not such payment is prohibited by the subordination provisions set forth in Article XV hereof); PROVIDED, HOWEVER, that a valid extension of an interest payment period by the Company in accordance with the terms of any indenture supplemental hereto, shall not constitute a default in the payment of interest (including any Compounded Interest (as defined in the Supplemental Indenture) or liquidated damages thereon) for this purpose; or

(b) default in the payment of the principal of (or premium, if any, on) any Debenture of such series as and when the same shall become due and payable whether at maturity, upon redemption, by declaration or otherwise, or in any payment required by any sinking or analogous fund established with respect to that series (whether or not such payment is prohibited by the subordination provisions set forth in Article XV hereof); PROVIDED, HOWEVER, that a valid extension of the maturity of the Debentures of such series in accordance with the terms of any indenture supplemental hereto shall not constitute a default in the payment of principal or premium, if any; or

(c) if the Debentures of such series are convertible or exchangeable into or for shares of Common Stock of the Company or other securities, cash or other property pursuant to any supplemental indenture, Board Resolution or other instrument authorizing Debentures of such series, failure by the Company to convert such Debentures (whether or not conversion or exchange is prohibited by the subordination provisions set forth in Article XV); or

(d) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of any series of Debentures other than such series), and continuance of such default or breach for a period of 90 days after there has

been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Debentures of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default," hereunder; or

(e) the entry by a court having jurisdiction in the premises of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidation, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors; or

(g) in the event Debentures of any series are issued to a Lomak Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Lomak Trust, such Lomak Trust shall have voluntarily or involuntarily dissolved, wound-up its business or otherwise terminated its existence except in connection with (i) the distribution of Debentures of such series to holders of Trust Securities in liquidation of their interest in such Lomak Trust, (ii) the redemption of all of the outstanding Trust Securities of such Lomak Trust or (iii) certain mergers, consolidations or amalgamations, each as permitted by the Declaration of such Lomak Trust; or

(h) any other Event of Default provided with respect to Debentures of such series.



## SECTION 5.2 ACCELERATION OF MATURITY; RESCISSION AND

ANNULMENT. If an Event of Default described in clause (a), (b), (c), (d), (g) or (h) (if the Event of Default under clause (d) is with respect to less than all series of Debentures then Outstanding) of Section 5.1 above occurs and is continuing, then, and in each and every such case, unless the principal of all of the Debentures of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Debentures of such series then Outstanding hereunder (each such series voting as a separate class), by notice in writing to the Company (and to the Trustee if given by the Holders of Debentures of such series), may declare the entire principal (or, if the Debentures of such series are Original Issue Discount Debentures, such portion of the principal amount as may be specified in the terms of such series) of all Debentures of such series and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If an Event of Default described in clause (d) (if the Event of Default under clause (d) relates to all series of Debentures then Outstanding), (e) or (f) of Section 5.1 occurs and is continuing, then and in each and every such case, unless the principal of all the Debentures of all series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of all the Debentures of all series then Outstanding hereunder (treated as one class), by notice in writing to the Company (and to the Trustee if given by Holders of Debentures), may declare the entire principal (or, if any Debentures are Original Issue Discount Debentures such portion of the principal as may be specified in the terms thereof) of all Debentures of all series then Outstanding and interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal (or, if any Debentures are Original Issue Discount Debentures, such portion of the principal as may be specified in the terms thereof) of the Debentures of any series (or of all the Debentures of all series, as the case may be) then Outstanding shall have been so declared due and payable, and before any judgment or decree for the payment of such moneys shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Debentures of such series (or of all Debentures of all series, as the case may be) and the principal of (and premium, if any on) Debentures of such series (or of all Debentures of all series, as the case may be) which shall have become due otherwise than by acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Debentures) specified in the Debentures of such series (or at the respective rates of interest or Yields to Maturity of all Debentures of all series, as the case may be) to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee, and each predecessor Trustee, their respective agents, attorneys and counsel, and all other expenses and

liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, other than the non-payment of the principal of Debentures of such series (or, if any Debentures are Original Issue Discount Debentures, such portion of the principal as may be specified in the terms thereof) which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holders of a majority in aggregate principal amount of all the Debentures of such series, each series voting as a separate class (or of all Debentures of all series, as the case may be, voting as a single class), then Outstanding, by written notice to the Company and to the Trustee, may waive all such defaults with respect to the Debentures of such series (or with respect to all Debentures of all series, as the case may be) and rescind and annul such declaration and its consequence, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

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

**SECTION 5.3 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.** The Company covenants that if, (a) default is made in the payment of any interest on any Debenture of any series, or any payment required by any sinking or analogous fund established with respect to Debentures of such series as and when the same shall have become due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of the principal of (or premium, if any, on) any Debenture of any series when the same shall have become due and payable, whether upon maturity of the Debentures of such series or upon redemption or upon declaration or otherwise, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of Debentures of such series and any Coupons appertaining thereto, the whole amount then due and payable on such Debentures of such series and Coupons for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable under applicable law, interest on any overdue principal and on the premium, if any, and overdue interest, at the rate or rates prescribed therefor in Debentures of such series and, if the Debentures of such series are held by a Lomak Trust or a trustee of such trust, without duplication of any other amounts paid by such Lomak Trust or trustee in respect thereof, upon overdue installments of interest at the rate per annum expressed in the Debentures of such series; and in addition thereto, such further amount as shall be sufficient to cover the

costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel under Section 6.6.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon Debentures of such series and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon Debentures of such series, wherever situated.

If an Event of Default with respect to Debentures of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Debentures of such series and any Coupons appertaining thereto by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, either at law or in equity or in bankruptcy or otherwise whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4 TRUSTEE MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Debentures of any series or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Debentures of such series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and any premium and interest owing and unpaid in respect of the Debentures of any series and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Debentures of such series and Coupons allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same,

and any custodian, receiver, assignee, trustee, liquidation, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of

Debentures of such series and Coupons appertaining thereto to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Debentures of such series and Coupons appertaining thereto, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.6.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Debenture of any series or any Coupon appertaining thereto, any plan of reorganization, arrangement, adjustment or composition affecting the Debentures of such series or Coupons appertaining thereto or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder of Debentures of any series or Coupon appertaining thereto in any such proceeding.

SECTION 5.5 TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF DEBENTURES OR COUPONS. All rights of action and claims under this Indenture or under any of the terms established with respect to the Debentures of any series or Coupons appertaining thereto may be prosecuted and enforced by the Trustee without the possession of any of the Debentures of such series or Coupons appertaining thereto or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel due under Section 6.6, be for the ratable benefit of the Holders of the Debentures of such series and Coupons appertaining thereto in respect of which such judgment has been recovered.

SECTION 5.6 APPLICATION OF MONEY COLLECTED. Any money collected by the Trustee pursuant to this Article with respect to Debentures of any series shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Debentures of such series or any Coupons appertaining thereto, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 6.6;

SECOND: To the payment of all Senior Indebtedness of the Company and to the extent required by Article XV:

THIRD: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the Debentures of such series and Coupons appertaining thereto in respect of which or for the benefit of which

such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on Debentures of such series and Coupons appertaining thereto for principal and any premium and interest, respectively; and

FOURTH: To the payment of the remainder, if any, to the Company.

SECTION 5.7 LIMITATION ON SUITS. No Holder of any Debenture of any series or any Coupons appertaining thereto shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless;

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Debentures of such series and of the continuance thereof with respect to the Debentures of such series specifying such Event of Default, as hereinbefore provided;

(b) the Holders of not less than 25% in principal amount of the Outstanding Debentures of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

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

(e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Holders of a majority in principal amount of the Outstanding Debentures of such series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 5.8 UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST. Notwithstanding any other provision in this Indenture, but subject to Article XV of this Indenture, the Holder of any Debenture of any series or Coupon appertaining thereto shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (subject to Section 3.7)

interest on Debenture of such series, and any additional amounts contemplated by Section 10.4 in respect of Debentures of such series or payment of any Coupons appertaining thereto on the Stated Maturity or Maturities expressed in Debentures of such series or Coupons appertaining thereto (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 5.9 RESTORATION OF RIGHTS AND REMEDIES. If the Trustee or any Holder of Debentures of any series or Coupon appertaining thereto has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders of Debentures of such series and any Coupons appertaining thereto shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.10 RIGHTS AND REMEDIES CUMULATIVE. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures or Coupons in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Debentures or Coupons is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11 DELAY OR OMISSION NOT WAIVER. No delay or omission of the Trustee or of any Holder of any Debenture or Coupon to exercise any right or remedy accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Subject to the provisions of Section 5.7, every right and remedy given by this Article or by law to the Trustee or to the Holders of Debentures or Coupons may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Debentures or Coupons, as the case may be.

SECTION 5.12 CONTROL BY HOLDERS OF DEBENTURES. The Holders of a majority in aggregate principal amount of the Outstanding Debentures of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Debentures of such series, provided that,

(a) such direction shall not be in conflict with any rule of law or with this Indenture, and

(b) the Trustee may take any other action deemed proper by the Trustee; provided, however, that such direction shall not be in conflict with any rule of law or with this Indenture or be unduly prejudicial to the rights of Holders of Debentures of any other series at the time Outstanding. Subject to the provisions of Section 6.2, the Trustee shall have the right to decline to follow any such direction if the trustee in good faith shall, by a Responsible Officer or Officers of the Trustee upon advice of counsel, determine that the proceeding so directed would involve the Trustee in personal liability.

SECTION 5.13 WAIVER OF PAST DEFAULTS. The Holders of not less than a majority in principal amount of the Outstanding Debentures of any series may on behalf of the Holders of all the Debentures of such series and any Coupons appertaining thereto waive any past default hereunder with respect to the Debentures of such series and its consequences, except a default

(a) in the payment of the principal of (or premium, if any) or any interest on any Debenture of such series as and when the same shall become due by the terms of Debentures of such series otherwise than by acceleration (unless such default has been cured and sums sufficient to pay all matured installments of interest and principal and any premium has been deposited with the Trustee (in accordance with Section 5.2)), or

(b) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Debenture of such series affected;

PROVIDED, HOWEVER, that if the Debentures of such series are held by a Lomak Trust or a trustee of such trust, such waiver or modification to such waiver shall not be effective until the holders of a majority in liquidation preference of Trust Securities of the applicable Lomak Trust shall have consented to such waiver or modification to such waiver; provided further, that if the consent of the Holder of each Outstanding Debenture of such series is required, such waiver shall not be effective until each holder of the Trust Securities of the applicable Lomak Trust shall have consented to such waiver.

Upon any such waiver, the default covered thereby shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture and the Company, the Trustee and the holders of the Debentures of such series shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.14 UNDERTAKING FOR COSTS. All parties to this Indenture agree, and each Holder of any Debenture or Coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Debentures of any series, or to any suit instituted by any Holder of any Debenture or Coupon for the enforcement of the payment of the principal of or any premium or interest on such Debenture or the payment of any Coupon on or after the Stated Maturity or Maturities expressed in such Debenture or Coupon (or, in the case of redemption, on or after the Redemption Date).

SECTION 5.15 WAIVER OF STAY OR EXTENSION LAWS. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

## ARTICLE VI

### THE TRUSTEE

SECTION 6.1 DUTIES AND RESPONSIBILITIES OF THE TRUSTEE; DURING DEFAULT; PRIOR TO DEFAULT. With respect to the Holders of any series of Debentures issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Debentures of such series and after the curing or waiving of all Events of Default which may have occurred with respect to Debentures of such series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Debentures of such series has occurred (which has not been cured or waived), the Trustee shall exercise with respect to the Debentures of such series such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.



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

(a) prior to the occurrence of an Event of Default with respect to the Debentures of any series and after the curing or waiving of all such Events of Default with respect to the Debentures of such series which may have occurred:

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

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

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

No provision of this Indenture shall require the Trustee to extend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 6.2 CERTAIN RIGHTS OF TRUSTEE. Subject to the provisions of the Trust Indenture Act:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, Coupon, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order or as otherwise expressly provided herein and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

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

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

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, Coupon, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(i) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Debentures and this Indenture.

SECTION 6.3 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF DEBENTURES. The recitals contained herein and in the Debentures (except the Trustee's certificates of authentication) and in any Coupons shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Debentures or Coupons. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Debentures or the proceeds thereof.

SECTION 6.4 MAY HOLD DEBENTURES. The Trustee, any Authenticating Agent, any Paying Agent, any Debenture Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Debentures and Coupons and, subject to Section 6.9 and 6.11, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Debenture Registrar or such other agent.

SECTION 6.5 MONEY HELD IN TRUST. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 6.6 COMPENSATION AND REIMBURSEMENT. The Company, as borrower, agrees:

(a) to pay to the Trustee or any successor Trustee from time to time such compensation as shall be agreed in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee or any predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the compensation and the

expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee and any predecessor Trustee for, and to hold it harmless against, any and all loss, damage, claim, liability or expense, including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(e) or Section 5.1(f), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar laws.

The Trustee shall have a lien prior to the Debentures as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee pursuant to this Section 6.6, except with respect to funds held in trust for the benefit of the Holders of particular Debentures.

The provisions of this Section 6.6 shall survive the termination of this Indenture.

**SECTION 6.7 RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.**

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 6.8.

(b) The Trustee may resign at any time with respect to the Debentures of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.8 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debentures of such series.

(c) The Trustee may be removed at any time with respect to the Debentures of any series by Act of the Holders of a majority in principal amount of the Outstanding Debentures of such series delivered to the Trustee and to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.8 shall not have been delivered to the Trustee within 30 days after the delivery of

such Act of removal, the Trustee being removed may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debentures of such series.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder of a Debenture who has been a bona fide Holder of a Debenture for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.10 and Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any such Holder of a Debenture who has been a bona fide Holder of Debenture for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Debentures, or (ii) subject to Section 5.14 any Holder of a Debenture who has been a bona fide Holder of a Debenture for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Debentures and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Debentures of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Debentures of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Debentures of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Debentures of any particular series) and shall comply with the applicable requirements of Section 6.8. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Debentures of any series shall be appointed by Act of the Holders of a majority in principal amount of Outstanding Debentures of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.8, become the successor Trustee with respect to the Debentures of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Debentures of any series shall have been so appointed by the

Company or the Holders of Debentures of such series and accepted appointment in the manner required by Section 6.8, any Holder of a Debenture of such series who has been a bona fide Holder of a Debenture of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debentures of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Debentures of any series and each appointment of a successor Trustee with respect to the Debentures of any series in the manner provided in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the Debentures of such series and the address of its Corporate Trust Office.

SECTION 6.8 ACCEPTANCE OF APPOINTMENT BY SUCCESSOR. (a) In case of the appointment hereunder of a successor Trustee with respect to all Debentures, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but on the written request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Debentures of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Debentures of such series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and conform to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debentures of such series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Debentures, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debentures of such series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees as co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by

any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debentures of such series to which the appointment of such successor Trustee relates; but, on the written request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Debentures of such series to which the appointment of such successor Trustee relates.

(c) Upon the written request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 6.9 DISQUALIFICATION; CONFLICTING INTERESTS. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 6.10 CORPORATE TRUSTEE REQUIRED; ELIGIBILITY. There shall be at all times a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereunder specified in this Article.

SECTION 6.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Debentures), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

SECTION 6.12 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS. Any corporation into which the Trustee may be merged or converted or

with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Debentures shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Debentures so authenticated with the same effect as if such successor Trustee had itself authenticated such Debentures.

SECTION 6.13 APPOINTMENT OF AUTHENTICATING AGENT. The Trustee may appoint an Authenticating Agent or Agents with respect to Debentures of one or more series which shall be authorized to act on behalf of the Trustee to authenticate Debentures of each such series issued upon original issue or upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.6, and Debentures of such series so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Debentures by the Trustee or the Trustee's certificate of authentication such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of such Authenticating Agent, shall continue to be an Authenticating Agent provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of



resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall promptly give notice of such appointment to all Holders of Debentures pursuant to Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment with respect to Debentures of one or more series is made pursuant to this Section, the Debentures of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Debentures of the series designated therein referred to in the within-mentioned Indenture.

The Bank of New York.  
As Trustee

By \_\_\_\_\_  
Authenticating Agent

By \_\_\_\_\_  
Authorized Signatory

If all of the Debentures of any series may not be originally issued at one time, and if the Company has an Affiliate eligible to be appointed as an Authenticating Agent hereunder or the Trustee does not have an office capable of authenticating Debentures of such series upon original issuance located in a Place of Payment where the Company wishes to have Debentures of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel), shall appoint in accordance with this Section an Authenticating Agent (which if so requested by the Company, shall be such Affiliate of the Company) having an office in a Place of Payment designated by the Company with respect to such series of Debentures.

SECTION 6.14. NOTICE OF DEFAULTS. If a default occurs hereunder with respect to Debentures of any series, the Trustee shall give the Holders of Debentures of such series notice of such default as and to the extent provided by the Trust

Indenture Act; provided, however, that in the case of any default of the character specified in Section 5.1(d) with respect to Debentures of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "DEFAULT" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Debentures of such series.

## ARTICLE VII

### HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 7.1 PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of Debentures (i) contained in the most recent list furnished to the Trustee as provided in Section 312(a) of the Trust Indenture Act, (ii) received by the Trustee in its capacity as Debenture Registrar and (iii) filed with it within the two preceding years pursuant to Section 313(c)(2) of the Trust Indenture Act. The Trustee may (A) destroy any list furnished to it as provided in Section 312(a) of the Trust Indenture Act upon receipt of a new list so furnished, (B) destroy any information received by it as Paying Agent (if so acting) hereunder upon delivering to itself as Trustee, not earlier than March 20 or September 20 of each year, a list containing the names and addresses of the Holders of Debentures obtained from such information since the delivery of the next previous list, if any, (C) destroy any list delivered to itself as Trustee which was compiled from information received by it as Paying Agent (if so acting) hereunder upon the receipt of a new list so delivered and (D) destroy not earlier than two years after filing, any information filed with it pursuant to Section 313(c)(2) of the Trust Indenture Act. For purposes of Section 312(a) of the Trust Indenture Act, the term "STATED INTERVALS" shall mean January 15 and July 15.

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

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 7.1(a), or

(ii) inform such applicants as to the approximate number of Holders of Debentures of such series whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.1(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

(c) Every Holder of Debentures or Coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Debentures in accordance with Section 7.1(b), regardless of the source from which such information was derived and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 7.1(b).

SECTION 7.2 REPORTS BY TRUSTEE. The Trustee shall in each year transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act in the manner provided pursuant thereto. If required by Section 313(a) of the Trust Indenture Act, the Trustee shall, within sixty days after each May 15 following the date of this Indenture deliver to Holders a brief report, dated as of such May 15, which complies with the provisions of Section 313(a).

A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Debentures are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when any Debentures are listed on any stock exchange or market center and any delisting thereof.

SECTION 7.3 REPORTS BY COMPANY. The Company shall:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports required to be filed with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(c) transmit to all Holders, in the manner and to the extent provided in Trust Indenture Act Section 313(c), within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

#### ARTICLE VIII

##### CONSOLIDATION, MERGER, SALE OR CONVEYANCE

###### SECTION 8.1 COMPANY MAY CONSOLIDATE, ETC. ON CERTAIN TERMS.

The Company shall not merge or consolidate with any other corporation or sell or convey all or substantially all of its assets to any Person, unless (a) either the Company shall be the continuing corporation, or the successor corporation (if other than the Company) shall be a corporation organized under the laws of the United States of America or any State thereof and shall expressly assume the due and punctual payment of the principal of and interest on all the Debentures, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Company, by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (b) the Company or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition.

SECTION 8.2 SUCCESSOR CORPORATION SUBSTITUTED. In case of any such consolidation, merger, sale or conveyance, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Company prior to such succession any or all of the Debentures issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall make available for delivery any securities which previously shall have been signed and delivered by the officers of the Company, to the Trustee for authentication, and any Debentures which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Debentures thereafter to be issued as may be appropriate.

In the event of any such sale or conveyance (other than a conveyance by way of lease) the Company or any successor corporation which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under this Indenture and the Debentures and may be liquidated and dissolved.

SECTION 8.3 OPINION OF COUNSEL TO TRUSTEE. The Trustee shall receive an Opinion of Counsel, prepared in accordance with Section 1.2, as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

SECTION 9.1 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS. Without the consent of any Holders of Debentures or Coupons, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Debentures; or

(b) to add to the covenants of the Company for the benefit of the Holders of Debentures of all or any series (and if such covenants are to be for the benefit of Debentures of less than all series, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(c) to add any additional Events of Default (and if such Events of Default are to be for the benefit of Debentures of less than all series, stating that such Events of Default are expressly being included solely for the benefit of such series); or

(d) to add to or change any of the provisions of this Indenture to provide that Bearer Debentures may be registerable as to principal, to change or eliminate any restrictions on the payment of principal of or any premium or interest on Bearer Debentures, to permit Bearer Debentures to be issued in exchange for Registered Debentures, to permit Bearer Debentures to be issued in exchange for Bearer Debentures of other authorized denominations or to permit or facilitate the issuance of Debentures in uncertificated form, provided that any such action shall not adversely affect the interests of the Holders of Debentures of any series or any related Coupons in any material respect; or

(e) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Debenture Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(f) to establish the form or terms of Debentures of any series and any related Coupons as permitted by Sections 2.1 and 3.1; or

(g) to evidence and provide for the acceptance of appointment thereunder by a successor Trustee with respect to the Debentures of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.8(b); or

(h) to make provision with respect to the conversion rights of Holders pursuant to the requirements of Article XIV, including providing for the conversion of the Debentures into any security or property (other than the Common Stock of the Company);

(i) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture

under the Trust Indenture Act, or under any similar federal statute hereafter enacted; or

(j) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, PROVIDED that such action shall not adversely affect the interests of the Holders of Debentures of any series or any related Coupons in any material respect.

SECTION 9.2 SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Debentures of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Debentures of such series and any related Coupons under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Debenture affected thereby,

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Debenture of any series, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change any obligation of the Company to pay additional amounts pursuant to Section 10.4 (except as contemplated by Section 8.1 and permitted by Section 9.1(a)), or reduce the amount of the principal of an Original Issue Discount Debenture that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2 or change the coin or currency in which any Debenture or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(b) reduce the percentage in principal amount of the Outstanding Debentures of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of certain defaults hereunder and their consequences provided for in this Indenture, or reduce the requirements of Section 13.4 for quorum or voting, or

(c) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 10.2, or

(d) modify any of the provisions of this Section or Section 5.13, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Debenture affected thereby; PROVIDED, HOWEVER, that this clause shall not be deemed to require the consent of any Holder of a Debenture of such series or Coupon with respect to changes in the references to "the Trustee" and concomitant changes in this Section or the deletion of this proviso, in accordance with the requirements of Sections 6.7(b) and 9.1(h), or

(e) make any change that adversely affects the right to convert any Debenture of any series as provided in Article XIV or pursuant to Section 3.1 (except as permitted by Section 9.1) or decrease the conversion rate or increase the conversion price of any such Debenture of such series, or

(f) if the Debentures of any series are secured, change the terms and conditions pursuant to which the Debentures of such series are secured in a manner adverse to the Holders of the secured Debentures of such series, or

(g) make any change in Article XV that adversely affects the rights of any Holders of Outstanding Debentures of such series.

If the Debentures of such series are held by a Lomak Trust or a trustee of such trust, such supplemental indenture shall not be effective until the holders of a majority in liquidation preference of Trust Securities of the applicable Trust shall have consented to such supplemental indenture; PROVIDED that if the consent of the Holder of each Outstanding Debenture of such series is required, such supplemental indenture shall not be effective until each holder of the Trust Securities of the applicable Lomak Trust shall have consented to such supplemental indenture.

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

It shall not be necessary for any Act of Holders of Debentures of any series under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.3 EXECUTION OF SUPPLEMENTAL INDENTURES. In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the



Trustee shall be entitled to receive, and (subject to Section 6.2) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.4 EFFECT OF SUPPLEMENTAL INDENTURES. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Debentures theretofore or thereafter authenticated and delivered hereunder and of any Coupons appertaining thereto shall be bound thereby.

SECTION 9.5 CONFORMITY WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act of 1939, as amended, in effect on such date.

SECTION 9.6 REFERENCE IN DEBENTURES TO SUPPLEMENTAL INDENTURES. Debentures of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debentures of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Debentures of such series.

## ARTICLE X

### COVENANTS

SECTION 10.1 PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST. The Company covenants and agrees for the benefit of Debentures of any series that it will duly and punctually pay the principal of and any premium and interest on the Debentures of such series in accordance with the terms of the Debentures of such series, any Coupons appertaining thereto and this Indenture. Unless otherwise specified as contemplated by Section 3.1 with respect to Debentures of such series, any interest due on Bearer Debentures of such series on or before Maturity shall be payable only upon presentation and surrender outside the United States of the several Coupons for such interest installments as are evidenced thereby as they severally mature.

SECTION 10.2 MAINTENANCE OF OFFICE OR AGENCY. If Debentures of any series are issuable only as Registered Debentures, the Company will maintain in

each Place of Payment for such series an office or agency where Debentures of such series may be presented or surrendered for payment, where Debentures of such series may be surrendered for registration of transfer, exchange, or conversion and where notices and demands to or upon the Company in respect of the Debentures of such series and this Indenture may be served. If Debentures of any series are issuable as Bearer Debentures, the Company will maintain (a) in The City of New York, an office or agency where any Registered Debentures of such series may be presented or surrendered for payment, where any Registered Debentures of such series may be surrendered for registration of transfer, where Debentures of such series may be surrendered for conversion or exchange, where notices and demands to or upon the Company in respect of Debentures of such series and this Indenture may be served and where Bearer Debentures of such series and related Coupons may be presented or surrendered for payment in the circumstances described in the following paragraph (and not otherwise), (b) subject to any laws or regulations applicable thereto, in a Place of Payment for such series which is located outside the United States, an office or agency where Debentures of such series and related Coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Debentures of such series pursuant to Section 10.4); PROVIDED, HOWEVER, that if the Debentures of such series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Debentures of such series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as Debentures of such series are listed on such exchange, and (c) subject to any laws or regulations applicable thereto in a Place of Payment for such series located outside the United States an office or agency where any Registered Debentures of such series may be surrendered for registration of transfer, where Debentures of such series may be surrendered for conversion or exchange and where notices and demands to or upon the Company in respect of the Debentures of such series and this Indenture may be served. The Company will give prompt notice to the Trustee and to the Holders as provided in Sections 1.5 and 1.6, respectively, of the location and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency in respect of Debentures of any series or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Debentures of such series may be made and notices and demands may be made or served at the Corporate Trust Office of the Trustee.

No payment of principal, premium or interest on Bearer Debentures shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to any account maintained with a bank located in the United States; PROVIDED, HOWEVER, that if the Debentures of any series are denominated and payable in Dollars, payment of principal of and any premium and interest on any Bearer Debenture of such series (including any additional amounts payable on Debentures of such series pursuant to Section 10.4) shall be made at the office of the Company's Paying Agent in The City of New York,

if (but only if) payment in Dollars of the full amount of such principal, premium, interest or additional amounts, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Debentures of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Debentures of any series for such purposes. The Company will give prompt written notice to the Trustee and the Holders of Debentures of such series of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 10.3 MONEY FOR DEBENTURES PAYMENTS TO BE HELD IN TRUST. If the Company shall at any time act as its own Paying Agent with respect to Debentures of any series, it will, on or before each due date of the principal of and any premium or interest on any of the Debentures of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and any premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure to act.

Whenever the Company shall have one or more Paying Agents for Debentures of any series it will, prior to each due date of the principal of and any premium or interest on any Debentures of such series, deposit with a Paying Agent a sum sufficient to pay the principal and any premium or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of its action or failure to act.

The Company will cause each Paying Agent for Debentures of any series other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(a) hold all sums held by it for the payment of the principal of and any premium or interest on Debentures of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee written notice of any default by the Company (or any other obligor upon the Debentures of such series) in the making of any

payment of principal of and any premium or interest on the Debentures of such series; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and any premium or interest on any Debenture of any series and remaining unclaimed for two years after such principal and any premium or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of the Debenture of such series or any Coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money and all liability of the Company as trustee thereof shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper in each Place of Payment, notice that such money remains unclaimed and that after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.4 LIMITATION ON DIVIDENDS. If Debentures of any series are issued to a Lomak Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Lomak Trust and (a) there shall have occurred any event that would constitute an Event of Default, (b) the Guarantor shall be in default with respect to its payment of any obligations under the Preferred Securities Guarantee or the Common Securities Guarantee relating to such Lomak Trust, or (c) the Company shall have given notice to the Trustee and the Holders of the Debentures of its election to defer payments of interest on Debentures of such series by extending the interest payment period as provided herein and such period, or any extension thereof, shall be continuing, then (y) the Company shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Common Stock of the Company in connection with the satisfaction by the Company

of its obligations under any employee benefit plans, (ii) as a result of a reclassification of capital stock of the Company or the exchange or conversion of one class or series of the Company's capital stock for another class or series of capital stock of the Company, (iii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock of the Company or the security being converted or exchanged for Common Stock, (iv) dividends or distributions of Lomak Common Stock or (v) any declaration of a dividend in connection with the implementation or extension of a stockholders' rights plan or the issuance of stock under such plan or the redemption or repurchase of any such rights pursuant thereto (including the existing such plan)) or make any guarantee payments with respect to the foregoing, and (z) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Company which rank pari passu with or junior to the Debentures of such series.

SECTION 10.5 COVENANTS AS TO LOMAK TRUST. In the event Debentures are issued to a Lomak Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Lomak Trust, for so long as such Trust Securities remain outstanding, the Company will (a) maintain 100% direct or indirect ownership of the Common Securities of such Lomak Trust; PROVIDED, HOWEVER, that any permitted successor of the Company under the Indenture may succeed to the Company's ownership of the Common Securities, (b) use its reasonable efforts to cause such Lomak Trust (i) to remain a statutory business trust, except in connection with a distribution of Debentures of such series to the holders of Trust Securities in liquidation of such Lomak Trust, the redemption of all of the Trust Securities of such Lomak Trust, or certain mergers, consolidations or amalgamations, each as permitted by the Declaration of such Lomak Trust, (ii) to continue to be classified as a grantor trust for United States federal income tax purposes and (iii) to continue to qualify for an exemption from registration under the Investment Company Act of 1940, as amended, and (c) use its reasonable efforts to cause each holder of Trust Securities to be treated as owning an undivided beneficial interest in the Debentures of such series.

SECTION 10.6 ADDITIONAL AMOUNTS. If the Debentures of any series provide for the payment of additional amounts, the Company will pay to the Holder of any Debenture of such series or any Coupon appertaining thereto additional amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of any Debenture of any series or payment of any related Coupon or the net proceeds received on the sale or exchange of any Debenture of any series, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Section to the extent that, in such context additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of additional amounts (if applicable) in any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

If the Debentures of any series provide for the payment of additional amounts, at least 10 days prior to the first Interest Payment Date with respect to Debentures of such series (or if the Debentures of such series will not bear interest prior to Maturity, the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of principal and any premium or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's principal Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of and any premium or interest on the Debentures of such series shall be made to Holders of Debentures of such series or any Coupons appertaining thereto who are United States Aliens without withholding for or on account of any tax assessment or other governmental charge described in the Debentures of such series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Debentures of such series or any Coupons appertaining thereto and the Company will pay to the Trustee or such Paying Agent the additional amounts required by this Section. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or willful misconduct on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

SECTION 10.7 EXISTENCE. Subject to Article VIII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 10.8 [Intentionally Omitted]

SECTION 10.9 STATEMENT BY OFFICERS AS TO DEFAULT. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate signed by its principal executive officer, principal financial officer or principal accounting officer stating whether or not to the best knowledge of the signer thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

The Company shall file with the Trustee written notice of the occurrence of any default or Event of Default within five Business Days of its

becoming aware of any such default or Event of Default and the action which the Company proposes to take with respect thereto.

SECTION 10.10 CALCULATION OF ORIGINAL ISSUE DISCOUNT. The Company shall file with the Trustee promptly at the end of each year a written notice specifying the amount of Original Issue Discount (including daily rates and accrual periods) accrued on Outstanding Debentures as of the end of such year.

SECTION 10.11 FINANCIAL INFORMATION; SEC REPORTS. The Company will deliver to the Trustee (a) as soon as available and in any event within 90 days after the end of each fiscal year of the Company a consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of operations, stockholders' equity and cash flows for such fiscal year, all reported on by an independent public accountant of nationally recognized standing and (b) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company (i) an unaudited consolidated financial report for such quarter; PROVIDED that the foregoing shall not be required for any fiscal year or quarter, as the case may be, with respect to which the Company files or expects to file with the Trustee an annual report or quarterly report, as the case may be, pursuant to the second paragraph of this Section 10.11.

The Company shall file with the Trustee, within 15 days after it files such annual and quarterly reports, information, documents and other reports with the Commission, copies of its annual report and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

With respect to Debentures originally issued in an offering not registered pursuant to the Securities Act, if prior to the Transfer Restriction Termination Date, the Company is neither subject to Section 13 or 15(d) of the Exchange Act, the Company shall at the request of any Holder provide to such Holder and any prospective purchaser designated by such Holder such information, if any, required by Rule 144A(d)(4) under the Securities Act.

## ARTICLE XI

### REDEMPTION OF DEBENTURES

SECTION 11.1 APPLICABILITY OF ARTICLE. Debentures of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Debentures of any series) in accordance with this Article.

SECTION 11.2 ELECTION TO REDEEM; NOTICE TO TRUSTEE. The election of the Company to redeem Debentures of any series shall be evidenced by an Officers' Certificate. In the case of any redemption, at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Debentures of such series to be redeemed. In the case of any redemption of Debentures of such series (a) prior to the expiration of any restriction on such redemption provided in the terms of such Debentures of such series or elsewhere in this Indenture, or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of Debentures of such series, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 11.3 SELECTION BY TRUSTEE OF DEBENTURES TO BE REDEEMED. If less than all the Debentures of any series and of like tenor are to be redeemed, the particular Debentures of such series to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Debentures of such series and of like tenor not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection, for redemption of portions (equal to the minimum authorized denomination for Debentures of such series or any integral multiple thereof) of the principal amount of Registered Debentures of such series of a denomination larger than the minimum authorized denomination for Debentures of such series. If so specified in the Debentures of any series, partial redemptions must be in an amount not less than \$1,000,000 principal amount of Debentures.

If Debentures of any series selected for partial redemption are converted in part before termination of the conversion right with respect to the portion of the Debenture of such series so selected, the converted portion of the Debentures of such series shall be deemed (so far as may be) to be the portion selected for redemption. Debentures (or portions thereof) which have been converted during a selection of Debentures of such series to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection. In any case where more than one Debenture of such series is registered in the same name, the Trustee in its discretion may treat the aggregate principal amount so registered as if it were represented by one Debenture of such series.

The Trustee shall promptly notify the Company in writing of the Debentures of such series selected for redemption and, in the case of any Debentures of such series selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Debentures of such series shall relate, in the case of any Debentures of such series redeemed or to be redeemed only in part, to



the portion of the principal amount of the Debentures of such series which has been or is to be redeemed.

SECTION 11.4 NOTICE OF REDEMPTION. Notice of redemption shall be given in the manner provided in Section 1.6 to the Holders of Debentures to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall identify the Debentures (including the CUSIP number) to be redeemed and shall state:

(a) the Redemption Date;

(b) the Redemption Price;

(c) if less than all the Outstanding Debentures of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Debentures of such series to be redeemed, and a statement to the effect that on or after the Redemption Date upon surrender of such Debenture a new Debenture of such series in the principal amount equal to the unredeemed portion will be issued;

(d) that on the Redemption Date the Redemption Price will become due and payable upon each such Debenture of such series to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;

(e) the place or places where such Debentures of such series, together in the case of Bearer Debentures of such series with all Coupons appertaining thereto, if any maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price;

(f) that the redemption is for a sinking fund, if such is the case; and

(g) if applicable, the conversion rate or price, the date on which the right to convert the Debentures of such series to be redeemed will terminate and the place or places where such Debentures may be surrendered for conversion.

A notice of redemption published as contemplated by SECTION 1.6 need not identify particular Registered Debentures of such series to be redeemed.

Notice of redemption of Debentures to be redeemed at the election of the Company shall be given by the Company or, at the Company's written request, by the Trustee in the name and at the expense of the Company.

SECTION 11.5 DEPOSIT OF REDEMPTION PRICE. Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in SECTION 10.3) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Debentures which are to be redeemed on that date.

If any Debenture called for redemption is converted into Common Stock of the Company, any money deposited with the Trustee or with any Paying Agent or so segregated and held in trust for the redemption of such Debenture shall (subject to any right of the Holder of such Debenture or any Predecessor Debenture to receive interest as provided in the last paragraph of SECTION 3.7) be paid to the Company upon Company Request or, if then held by the Company, shall be discharged from such trust.

SECTION 11.6 DEBENTURES PAYABLE ON REDEMPTION DATE. Notice of redemption having been given as aforesaid, the Debentures so to be redeemed shall on the Redemption Date become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Debentures shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Debentures so to be redeemed except to the extent provided below, shall be void. Upon surrender of any such Debenture for redemption in accordance with said notice together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Debenture shall be paid by the Company at the Redemption Price together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest on Bearer Debentures whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in SECTION 10.2) and, unless otherwise specified as contemplated by SECTION 3.1, only upon presentation and surrender of Coupons for such interest; and provided, further, that, unless otherwise specified as contemplated by SECTION 3.1, installments of interest on Registered Debentures whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Debentures or one or more Predecessor Debentures, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of SECTION 3.7.

If any Bearer Debenture surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Debenture may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Debenture shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be

entitled to receive the amount so deducted; PROVIDED, HOWEVER, that interest represented by Coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in SECTION 10.2) and unless otherwise specified as contemplated by SECTION 3.1 only upon presentation and surrender of those Coupons.

If any Debenture called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Debenture.

SECTION 11.7 DEBENTURES REDEEMED IN PART. Any Registered Debenture of any series which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Debenture without service charge, a new Registered Debenture or Debentures of such series and of like tenor of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Debenture of such series so surrendered.

## ARTICLE XII

### SINKING FUNDS

SECTION 12.1 APPLICABILITY OF ARTICLE. The provisions of this Article shall be applicable to any sinking fund for the retirement of Debentures of any series except as otherwise specified as contemplated by SECTION 3.1 for Debentures of such series.

The minimum amount of any sinking fund payment provided for by the terms of Debentures of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Debentures of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Debentures of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in SECTION 12.2. Each sinking fund payment shall be applied to the redemption of Debentures of any series as provided for by the terms of Debentures of such series.

SECTION 12.2 SATISFACTION OF SINKING FUND PAYMENTS WITH DEBENTURES. The Company (a) may deliver Outstanding Debentures of any series (other than any previously called for redemption), together in the case of any Bearer Debentures of such series with all unmatured Coupons appertaining thereto, and (b) may apply as a credit Debentures of such series which have been redeemed either at

the election of the Company pursuant to the terms of the Debentures of such series or through the application of permitted optional sinking fund payments pursuant to the terms of the Debentures, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Debentures of such series required to be made pursuant to the terms of the Debentures of such series; PROVIDED that the Debentures of such series have not been previously so credited. The Debentures shall be received and credited for such purpose by the Trustee at the Redemption Price specified in the Debentures of such series for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 12.3 REDEMPTION OF DEBENTURES FOR SINKING FUND. Not less than 60 days prior to each sinking fund payment date for Debentures of any series, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for such series pursuant to the terms of such series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Debentures of such series pursuant to SECTION 12.2 and will also deliver to the Trustee any Debentures of such series to be so delivered. Not less than 45 days before each such sinking fund payment date the Trustee shall select the Debentures of such series to be redeemed upon such sinking fund payment date in the manner specified in SECTION 11.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in SECTION 11.4. Such notice having been duly given, the redemption of such Debentures of such series shall be made upon the terms and in the manner stated in SECTIONS 11.6 and 11.7.

### ARTICLE XIII

#### MEETINGS OF HOLDERS OF DEBENTURES

SECTION 13.1 PURPOSES FOR WHICH MEETINGS MAY BE CALLED. A meeting of Holders of Debentures of any series of Debentures may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Debentures of such series.

SECTION 13.2 CALL, NOTICE AND PLACE OF MEETINGS. (a) The Trustee may at any time call a meeting of Holders of Debentures of such series for any purpose specified in SECTION 13.1, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of Holders of Debentures of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in SECTION 1.6, not less than 21 nor more than 180 days prior to the date fixed for the meeting (or, in the case of a

meeting of Holders with respect to Debentures of any series all or part of which are represented by a Book-Entry Debenture, not less than 20 nor more than 40 days).

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 25% in principal amount of the Outstanding Debentures of any series shall have requested the Trustee to call a meeting of the Holders of Debentures of such series for any purpose specified in SECTION 13.1, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Debentures of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

SECTION 13.3 PERSONS ENTITLED TO VOTE AT MEETINGS. Upon the calling of any meeting of Holders with respect to the Debentures of any series all or part of which are represented by a Book-Entry Debenture, a record date shall be established by the Company for determining Holders of Outstanding Debentures of such series entitled to vote at such meeting, which record date shall be the close of business on the day the notice of the meeting of Holders is given in accordance with SECTION 13.2. The Holders on such record date, and their designated proxies, and only such Persons, shall be entitled to vote at any meeting of Holders. To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Debentures of such series or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Debentures of such series; PROVIDED, HOWEVER, that in the case of any meeting of Holders with respect to the Debentures of any series all or part of which are represented by a Book-Entry Debenture, only Holders, or their designated proxies, of record on the record date established pursuant to SECTION 13.3 hereof shall be entitled to vote at such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 13.4 QUORUM; ACTION. The Persons entitled to vote a majority in principal amount of the Outstanding Debentures of any series shall constitute a quorum for a meeting of Holders of Debentures of such series; PROVIDED, HOWEVER, that if any action is to be taken at such meeting with respect to a consent or waiver which this Indenture expressly provides may be given by the Holders of a specified percentage in aggregate principal amount of Outstanding Debentures of such series that is less or greater than a majority in principal amount of the Outstanding Debentures of such series, then, with respect to such action (and only such action) the Persons entitled to vote such lesser or greater percentage in principal amount of the Outstanding Debentures of such series shall constitute a quorum. In the absence of a

quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Debentures of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in SECTION 13.2 (A), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the outstanding Debentures of such series which shall constitute a quorum. Notwithstanding the foregoing, no meeting of Holders with respect to Debentures of any series which is represented in whole or in part by a Book-Entry Debenture, shall be adjourned to a date more than 90 days after the record date for such meeting unless the Trustee shall send out a new notice of meeting and establish, in accordance with SECTION 13.3, a new record date for Holders entitled to vote at such meeting.

Except as limited by the proviso to SECTION 9.2, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Debentures of such series; PROVIDED, HOWEVER, that, except as limited by the proviso to SECTION 9.2, any resolution with respect to any consent or waiver which this Indenture expressly provides may be given by the Holders of a specified percentage in aggregate principal amount of Outstanding Debentures of such series that is less or greater than a majority in principal amount of the Outstanding Debentures of such series may be adopted at a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid only by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Debentures of such series.

Any resolution passed or decision taken at any meeting of Holders of Debentures of any series duly held in accordance with this Section shall be binding on all the Holders of Debentures of such series and the Coupons appertaining thereto, whether or not present or represented at the meeting.

SECTION 13.5 DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS. (a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Debentures of any series in regard to proof of the holding of Debentures of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as

otherwise permitted or required by any such regulations, the holding of Debentures of such series shall be proved in the manner specified in SECTION 1.4 and the appointment of any proxy shall be proved in the manner specified in SECTION 1.4 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by SECTION 1.4 to certify to the holding of Bearer Debentures of such series. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in SECTION 1.4 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Debentures of such series as provided in SECTION 13.2(B), in which case the Company or the Holders of Debentures of such series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Debentures of such series represented at the meeting.

(c) At any meeting each Holder of a Debenture of such series or proxy shall be entitled to one vote for each \$ 1,000 principal amount of the Outstanding Debentures of such series held or represented by him; PROVIDED, HOWEVER, that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Debenture of such series or proxy.

(d) Any meeting of Holders of Debentures of any series duly called pursuant to SECTION 13.2 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Debentures of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

#### SECTION 13.6 COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders of Debentures of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Debentures of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Debentures of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Debentures of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting

forth a copy of the notice of the meeting and showing that said notice was given as provided in SECTION 13.2 and, if applicable, SECTION 13.4. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

#### ARTICLE XIV

##### CONVERSION OF DEBENTURES

SECTION 14.1 APPLICABILITY OF ARTICLE. The provisions of this Article shall be applicable to the Debentures of any series which are convertible into shares of Common Stock of the Company, and the issuance of such shares of Common Stock upon the conversion of Debentures of such series, except as otherwise specified as contemplated by SECTION 3.1 for the Debentures of such series. The terms and provisions applicable to the conversion of Debentures of any series into securities of the Company (other than Common Stock) shall, if applicable, be set forth in an Officers' Certificate or established in one or more indentures supplemental hereto, prior to the issuance of Debentures of such series in accordance with SECTION 3.1.

SECTION 14.2 EXERCISE OF CONVERSION PRIVILEGE. In order to exercise a conversion privilege, the Holder of a Debenture of any series with such a privilege shall surrender such Debenture to the Company at the office or agency maintained for that purpose pursuant to SECTION 10.2, accompanied by written notice to the Company that the Holder elects to convert such Debenture or a specified portion thereof. Such notice shall also state, if different from the name and address of such Holder, the name or names (with address) in which the certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued. Debentures of such series surrendered for conversion shall be duly endorsed by or accompanied by instruments of transfer in forms satisfactory to the Company and the Trustee duly executed by the registered Holder or its attorney duly authorized in writing. As promptly as practicable after the receipt of such notice and of any payment required pursuant to a Board Resolution and, subject to SECTION 3.1, set forth, or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto setting forth the terms of Debentures and the surrender of such Debentures in accordance with such reasonable regulations as the Company may prescribe, the Company shall issue and shall deliver, at the office or agency at which such Debenture is surrendered, to such Holder or on its written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Debenture (or specified portion thereof), in accordance with the provisions of such Board Resolution, Officers' Certificate or supplemental indenture, and cash as provided therein in respect of any fractional share of such



Common Stock otherwise issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the date on which such notice and such payment, if required, shall have been received in proper order for conversion by the Company and such Debenture shall have been surrendered as aforesaid (unless such Holder shall have so surrendered such Debenture and shall have instructed the Company to effect the conversion on a particular date following such surrender and such Holder shall be entitled to convert such Debenture on such date, in which case such conversion shall be deemed to be effected immediately prior to the close of business on such date) and at such time the rights of the Holder of such Debenture as such Debenture Holder shall cease and the person or persons in whose name or names any certificate or certificates for shares of Common Stock of the Company shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby. Except as set forth above and subject to the final paragraph of SECTION 3.7, no payment or adjustment shall be made upon any conversion on account of any interest accrued on the Debentures of such series surrendered for conversion or on account of any dividends on the Common Stock of the Company issued upon such conversion.

In the case of any Debenture of any series which is converted in part only, upon such conversion the Company shall execute and the Trustee shall authenticate and make available for delivery to or on the order of the Holder thereof, at the expense of the Company, a new Debenture or Debentures of such series, of authorized denominations, in aggregate principal amount equal to the unconverted portion of such Debenture.

SECTION 14.3 NO FRACTIONAL SHARES. No fractional share of Common Stock of the Company shall be issued upon conversions of Debentures of any series. If more than one Debenture of such series shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Debentures of such series (or specified portions thereof to the extent permitted hereby) so surrendered. If, except for the provisions of this SECTION 14.3, any Holder of a Debenture or Debentures of such series would be entitled to a fractional share of Common Stock of the Company upon the conversion of such Debenture or Debentures, or specified portions thereof, the Company shall pay to such Holder an amount in cash equal to the current market value of such fractional share computed, (a) if such Common Stock is listed or admitted to unlisted trading privileges on a national securities exchange, on the basis of the last reported sale price regular way on such exchange on the last trading day prior to the date of conversion upon which such a sale shall have been effected, or (b) if such Common Stock is not at the time so listed or admitted to unlisted trading privileges on a national securities exchange or market, on the basis of the average of the bid and asked prices of such Common Stock in the over-the-counter market, on the last trading day prior to the date of conversion, as reported by the National Quotation Bureau, Incorporated or similar organization if the National Quotation Bureau, Incorporated is no longer reporting such information,

or if not so available, the fair market price as determined by the Board of Directors. For purposes of this Section, "TRADING DAY" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday other than any day on which the Common Stock is not traded on the New York Stock Exchange, or if the Common Stock is not traded on the New York Stock Exchange, on the principal exchange or market on which the Common Stock is traded or quoted.

SECTION 14.4 ADJUSTMENT OF CONVERSION PRICE. The conversion price of Debentures of any series that is convertible into Common Stock of the Company shall be adjusted for any stock dividends, stock splits, reclassification, combinations or similar transactions in accordance with the terms of the supplemental indenture or Board Resolutions setting forth the terms of the Debentures of such series.

Whenever the conversion price is adjusted, the Company shall compute the adjusted conversion price in accordance with terms of the applicable Board Resolution or supplemental indenture and shall prepare an Officers' Certificate setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed at each office or agency maintained for the purpose of conversion of Debentures of such series pursuant to SECTION 10.2 and, if different, with the Trustee. The Company shall forthwith cause a notice setting forth the adjusted conversion price to be mailed, first class postage prepaid, to each Holder of Debentures of such series at its address appearing on the Debenture Register and to any conversion agent other than the Trustee.

SECTION 14.5 NOTICE OF CERTAIN CORPORATE ACTIONS. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its retained earnings (other than a dividend for which approval of any shareholders of the Company is required); or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights, options or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights (other than any such grant for which approval of any shareholders of the Company is required); or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock) or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; then the Company shall cause to be filed with the Trustee, and shall cause to be mailed to all Holders at their last addresses as they shall appear in the Debenture Register, at least 20 days (or 10 days in any case specified in clause (a) or (b) above) prior to the applicable record date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, or (ii) the date on which such reclassification, consolidation, merger, share exchange, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, dissolution, liquidation or winding up. If at any time the Trustee shall not be the conversion agent, a copy of such notice shall also forthwith be filed by the Company with the Trustee.

The provisions of this Section 14.15 shall not be applicable to a series of Debentures if the applicable Board Resolution or supplemental provision relating to such series contains notice provisions that differ from the foregoing.

**SECTION 14.6 RESERVATION OF SHARES OF COMMON STOCK.** The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock or treasury shares, for the purpose of effecting the conversion of Debentures, the full number of shares of Common Stock of the Company then issuable upon the conversion of all outstanding Debentures of any series that has conversion rights.

**SECTION 14.7 PAYMENT OF CERTAIN TAXES UPON CONVERSION.** The Company will pay any and all taxes that may be payable in respect of the issue or delivery of shares of its Common Stock on conversion of Debentures pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of its Common Stock in a name other than that of the Holder of the Debenture or Debentures to be converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid.

**SECTION 14.8 NONASSESSABILITY.** The Company covenants that all shares of Common Stock which may be issued upon conversion of Debentures will upon issue in accordance with the terms hereof be duly and validly issued and fully paid and nonassessable.

SECTION 14.9 EFFECT OF CONSOLIDATION OR MERGER ON CONVERSION PRIVILEGE. Unless otherwise provided as contemplated by SECTION 3.1 with respect to Debentures of any series, in case of any consolidation of the Company with, or merger of the Company into or with any other Person, or in case of any sale of all or substantially all of the assets of the Company, the Company or the Person formed by such consolidation or the Person into which the Company shall have been merged or the Person which shall have acquired such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Debenture then outstanding of any series that is convertible into Common Stock shall have the right, which right shall be the exclusive conversion right thereafter available to said Holder (until the expiration of the conversion right of such Debenture), to convert such Debenture into the kind and amount of shares of stock or other securities or property (including cash) receivable upon such consolidation, merger or sale by a holder of the number of shares of Common Stock into which such Debenture might have been converted immediately prior to such consolidation, merger or sale, subject to compliance with the other provisions of this Indenture, such Debenture and such supplemental indenture. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in such Debenture. The above provisions of this Section shall similarly apply to successive consolidations, mergers or sales. Unless otherwise provided as contemplated by SECTION 3.1 with respect to Debentures of any series, it is expressly agreed and understood that anything in this Indenture to the contrary notwithstanding, if, pursuant to such merger, consolidation or sale, holders of outstanding shares of Common Stock do not receive shares of common stock of the surviving corporation but receive other securities, cash or other property or any combination thereof, Holders of Debentures shall not have the right to thereafter convert their Debentures into common stock of the surviving corporation or the corporation which shall have acquired such assets, but rather, shall have the right upon such conversion to receive the other securities, cash or other property receivable by a holder of the number of shares of Common Stock into which the Debentures held by such Holder might have been converted immediately prior to such consolidation, merger or sale, all as more fully provided in the first sentence of this SECTION 14.9. Anything in this SECTION 14.9 to the contrary notwithstanding, the provisions of this SECTION 14.9 shall not apply to a merger or consolidation of another corporation with or into the Company pursuant to which both of the following conditions are applicable: (i) the Company is the surviving corporation and (ii) the outstanding shares of Common Stock are not changed or converted into any other securities or property (including cash) or changed in number or character or reclassified pursuant to the terms of such merger or consolidation.

As evidence of the kind and amount of shares of stock or other securities or property (including cash) into which Debentures may properly be convertible after any such consolidation, merger or sale, or as to the appropriate adjustments of the conversion prices applicable with respect thereto, the Trustee shall be furnished with and may accept the certificate or opinion of an independent certified

public accountant with respect thereto; and, in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely thereon, and shall not be responsible or accountable to any Holder of Debentures for any provision in conformity therewith or approved by such independent certified accountant which may be contained in said supplemental indenture.

SECTION 14.10 DUTIES OF TRUSTEE REGARDING CONVERSION. Neither the Trustee nor any conversion agent shall at any time be under any duty or responsibility to any Holder of Debentures of any series that is convertible into Common Stock to determine whether any facts exist which may require any adjustment of the conversion price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, whether herein or in any supplemental indenture (or whether a supplemental indenture need be entered into), any resolutions of the Board of Directors or written instrument executed by one or more officers of the Company provided to be employed in making the same. Neither the Trustee nor any conversion agent shall be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Debentures and neither the Trustee nor any conversion agent makes any representation with respect thereto. Neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property upon the surrender of any Debenture for the purpose of conversion or to comply with any of the covenants of the Company contained in this ARTICLE XIV or in the applicable supplemental indenture, resolutions of the Board of Directors or written instrument executed by one or more duly authorized officers of the Company. All Debentures delivered for conversion shall be delivered to the Trustee to be canceled by or at the direction of the Trustee, which shall dispose of the same as provided in SECTION 3.9.

SECTION 14.11 REPAYMENT OF CERTAIN FUNDS UPON CONVERSION. Any funds which at any time shall have been deposited by the Company or on its behalf with the Trustee or any other paying agent for the purpose of paying the principal of, and premium, if any, and interest, if any, on any of the Debentures (including funds deposited for the sinking fund referred to in ARTICLE III hereof) and which shall not be required for such purposes because of the conversion of such Debentures as provided in this ARTICLE XIV shall after such conversion be repaid to the Company by the Trustee upon the Company's written request, subject to the final paragraph of Section 3.7 hereof.

#### ARTICLE XV

##### SUBORDINATION OF DEBENTURES

## SECTION 15.1 DEBENTURES SUBORDINATE TO SENIOR INDEBTEDNESS.

The Company covenants and agrees, and each Holder of a Debenture, by the Holder's acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the indebtedness represented by the Debentures and the payment of the principal of (and premium, if any) and interest on each and all of the Debentures are hereby expressly made subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness of the Company, whether outstanding at the date of this Indenture or thereafter incurred. No provision of this Article shall prevent the occurrence of any default or Event of Default hereunder.

## SECTION 15.2 PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC.

Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness of the Company shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made by the Company on account of the principal (and premium, if any) or interest on the Debentures; and upon any such dissolution or winding-up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Debentures or the Trustee would be entitled to receive from the Company, except for the provisions of this Article, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, or by the Holders of the Debentures or by the Trustee under the Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company (PRO RATA to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders of the Debentures or to the Trustee.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee before all Senior Indebtedness of the Company is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments

evidencing such Senior Indebtedness may have been issued, and their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness of the Company, as the case may be, remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness.

For purposes of this Article only, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which are subordinated in right of payment to all Senior Indebtedness which may at the time be outstanding to substantially the same extent as, or to a greater extent than, the Debentures are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another Person upon the terms and conditions set forth in ARTICLE VIII shall not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of the Company for the purposes of this Section if the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer such properties and assets substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions set forth in ARTICLE VIII.

**SECTION 15.3 PRIOR PAYMENT TO SENIOR INDEBTEDNESS UPON ACCELERATION OF DEBENTURES.** In the event that any Debentures are declared due and payable before their Stated Maturity, then and in such event the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness or provision shall be made for such payment in cash, before the Holders of the Debentures are entitled to receive any payment (including any payment which may be payable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Debentures) by the Company on account of the principal of (or premium, if any) or interest on the Debentures or on account of the purchase or other acquisition of Debentures; PROVIDED, HOWEVER, that nothing in this Section shall prevent the satisfaction of any sinking fund payment in accordance with ARTICLE XII by delivering and crediting pursuant to SECTION 12.2 Debentures which have been acquired (upon redemption or otherwise) prior to such declaration of acceleration or which have been converted pursuant to ARTICLE XIV.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Debenture prohibited by the foregoing provisions of this Section, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee or, as the case may be, such

Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section shall not apply to any payment with respect to which SECTION 14.2 would be applicable.

**SECTION 15.4 NO PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT.**

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Indebtedness of the Company, as the case may be, beyond any applicable grace period with respect thereto, or in the event that the maturity of any Senior Indebtedness of the Company, as the case may be, has been accelerated because of a default, then, in any such case, no payment shall be made by the Company with respect to the principal (including redemption and sinking fund payments) of, or premium, if any, or interest on the Debentures until such default is cured or waived or ceases to exist or any such acceleration or demand for payment has been rescinded.

The Company may and shall resume payments on and distributions in respect of the Debentures on the date upon which the default is cured or waived or ceases to exist.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraph of this SECTION 15.4 such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee in writing within 90 days of such payment of the amounts then due and owing on the Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Indebtedness.

**SECTION 15.5 PAYMENT PERMITTED IN CERTAIN SITUATIONS.** Nothing contained in this Article or elsewhere in this Indenture or in any of the Debentures shall prevent (a) the Company, at any time except during the pendency of any dissolution, winding-up, liquidation or reorganization of the Company, whether voluntary or involuntary or any bankruptcy, insolvency, receivership or other proceedings of the Company referred to in Section 15.2 or under the conditions described in Section 15.3 or 15.4, from making payments at any time of principal of or premium, if any, or interest on the Debentures, or (b) the application by the Trustee of any money deposited with it hereunder to the payment of or on account of the principal of, or premium, if any, or interest on the Debentures or the retention of such payment by the Holders, if, at the time of such application by the Trustee, it did not



have actual knowledge that such payment would have been prohibited by the provisions of this Article.

SECTION 15.6 SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS. Subject to the payment in full of all Senior Indebtedness or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Indebtedness, the rights of the Holders of Debentures shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article (equally and ratably with the holders of indebtedness of the Company which by its express terms is subordinated to indebtedness of the Company to substantially the same extent as the Debentures are subordinated to the Senior Indebtedness and is entitled to like rights of subrogation) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness until the principal of (and premium, if any) and interest on the Debentures shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of Debentures or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to or for the benefit of the holders of Senior Indebtedness by Holders of Debentures or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of Debentures, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

SECTION 15.7 PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS. The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of Debentures on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Debentures is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of Debentures, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article of the holders of Senior Indebtedness, is intended to rank equally with all other general obligations of the Company), to pay to the Holders of Debentures the principal of (and premium, if any) and interest on the Debentures as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of Debentures and creditors of the Company, as the case may be, other than the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 15.8 TRUSTEE TO EFFECTUATE SUBORDINATION. Each Holder of a Debenture by such Holder's acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

SECTION 15.9 NO WAIVER OF SUBORDINATION PROVISIONS. No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Debentures, without incurring responsibility to the Holders of Debentures and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of Debentures to the holders of Senior Indebtedness do any one or more of the following: (a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (c) release any Person liable in any manner for the collection of Senior Indebtedness; and (d) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 15.10 NOTICE TO TRUSTEE. The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article. Notwithstanding the provisions of this Article or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article, unless and until a Responsible Officer of the Trustee shall have received written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of SECTION 6.2, shall be entitled in all respects to assume that no such facts exist; PROVIDED, HOWEVER, that if the Trustee shall have not received the notice provided for in this Section at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Debentures, then, anything herein contained to

the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 6.2, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

**SECTION 15.11 RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT.** Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 6.2, and the Holders of Debentures shall be entitled to conclusively rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Debentures, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior Indebtedness and other indebtedness of the Company, as the case may be, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

**SECTION 15.12 TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR INDEBTEDNESS.** With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into the Indenture against the Trustee. Except with respect to Section 15.4, the Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders or creditors if it shall in good faith pay over or distribute to Holders of Debentures or to the Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 15.13 RIGHTS OF TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS, PRESERVATION OF TRUSTEE'S RIGHTS. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.6.

SECTION 15.14 ARTICLE APPLICABLE TO PAYING AGENTS. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "TRUSTEE" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; PROVIDED, HOWEVER, that Section 14.13 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

SECTION 15.15 CERTAIN CONVERSIONS DEEMED PAYMENT. For the purposes of this Article only, (a) the issuance and delivery of junior securities (or cash paid in lieu of fractional shares) upon conversion of Debentures in accordance with ARTICLE XIV, or pursuant to the terms set forth in an Officers' Certificate or established in one or more indentures supplemental hereto in accordance with SECTION 3.1, shall not be deemed to constitute a payment or distribution on account of the principal of or premium or interest on Debentures or on account of the purchase or other acquisition of Debentures, and (b) the payment, issuance or delivery of cash, property or securities (other than junior securities and cash paid in lieu of fractional shares) upon conversion of a Debenture shall be deemed to constitute payment on account of the principal of such Debenture. For the purposes of this Section, the term "JUNIOR SECURITIES" means (i) shares of any stock of any class of the Company and (ii) securities of the Company which are subordinated in right of payment to all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Debentures are so subordinated as provided in this Article. Nothing contained in this Article or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of Debentures, the right, which is absolute and unconditional, of the Holder of any Debenture to convert such Debenture in accordance with Article XIV.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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

LOMAK PETROLEUM, INC.

By \_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK, AS TRUSTEE

By \_\_\_\_\_  
Name:  
Title:

=====

FIRST SUPPLEMENTAL INDENTURE

between

Lomak Petroleum, Inc.

and

The Bank of New York

Dated as of October 22, 1997

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FIRST SUPPLEMENTAL INDENTURE, dated as of October 22, 1997 (the "First Supplemental Indenture"), between Lomak Petroleum, Inc., a Delaware corporation (the "Company"), and The Bank of New York, as trustee (the "Trustee") under the Indenture dated as of October 22, 1997 between the Company and the Trustee (the "Base Indenture" and together with the First Supplemental Indenture, the "Indenture").

WHEREAS, the Company executed and delivered the Base Indenture to the Trustee to provide for the future issuance of the Company's unsecured junior subordinated debt securities to be issued from time to time in one or more series as might be determined by the Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered as provided in the Base Indenture;

WHEREAS, pursuant to the terms of the Base Indenture, the Company desires to provide for the establishment of a new series of its Debentures to be known as its 5-3/4% Convertible Junior Subordinated Debentures (the "Convertible Debentures"), the form and substance of such Convertible Debentures and the terms, provisions and conditions thereof to be set forth as provided in the Base Indenture and this First Supplemental Indenture;

WHEREAS, Lomak Financing Trust, a Delaware statutory business trust (the "Trust"), has offered to Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, Forum Capital L.P. and McDonald & Company Securities, Inc. (together the "Initial Purchasers") in a private placement \$120,000,000 aggregate liquidation amount of its 5-3/4% Trust Convertible Preferred Securities (the "Convertible Preferred Securities"), representing undivided beneficial interests in the assets of the Trust and proposes to invest the proceeds from such offering, together with the proceeds of the issuance and sale by the Trust to the Company of \$3,711,350 aggregate liquidation amount of its Common Securities, in \$123,711,350 aggregate principal amount of the Convertible Debentures; and

WHEREAS, the Company has requested that the Trustee execute and deliver this First Supplemental Indenture and all requirements necessary to make this First Supplemental Indenture a valid instrument in accordance with its terms, and to make the Convertible Debentures, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been performed, and the execution and delivery of this First Supplemental Indenture has been duly authorized in all respects.

NOW THEREFORE, in consideration of the purchase and acceptance of the Convertible Debentures by the Holders thereof, and for the purpose of setting forth, as provided in the Base Indenture, the form and substance of the Convertible Debentures and the terms, provisions and conditions thereof, the Company covenants and agrees with the Trustee as follows:

ARTICLE I  
DEFINITIONS

SECTION 1.1      Definition of Terms.  
-----

For all purposes of the First Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms which are defined in the Base Indenture have the same meanings when used in this First Supplemental Indenture;

(b) the terms defined in this Article have the meaning assigned to them in this Article and include the plural as well as the singular;

(c) all other terms used herein which are defined in the Trust Indenture Act, whether directly or by reference therein, have the meanings assigned to them therein;

(d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation;

(e) a reference to a Section or Article is to a Section or Article of this First Supplemental Indenture;

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

(g) headings are for convenience of reference only and do not affect interpretation; and

(h) the following terms have the meanings given to them in the Declaration: (i) Business Day; (ii) Clearing Agency; (iii) Common Stock; (iv) Convertible Preferred Security Certificate; (v) Delaware Trustee; (vi) Distribution; (vii) DTC; (viii) Institutional Trustee; (ix) Placement Agreement; (x) PORTAL Market; (xi) QIB; (xii) Rule 144A; (xiii) Rule 144(k) and (xiv) Regular Trustees.

"APPLICABLE PRICE" means (i) in the event of a Non-Stock Fundamental Change in which the holders of the Common Stock receive only cash, the amount of cash received by a holder of one share of Common Stock and (ii) in the event of any other Fundamental Change, the average of the daily Closing Price for one share of Common Stock during the 10 Trading Days immediately prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Fundamental Change or, if there is no such record date, prior to the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets.

"CLOSING PRICE" of any common stock on any day shall mean the last recorded sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way of such common stock, in each case on the New York Stock Exchange Composite Tape or, if the common stock is not listed or admitted to trading on such exchange, on the principal national securities exchange on which such common stock is listed or admitted to trading, or, if not listed or admitted to trading on any national securities exchange, the average of the closing bid and asked prices as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Company for that purpose or, if not so available in such manner, as otherwise determined in good faith by the Board of Directors.

"COMMON STOCK FUNDAMENTAL CHANGE" means any Fundamental Change in which more than 50% of the value (as determined in good faith by the Board of Directors of the Company) of the consideration received by holders of Common Stock consists of common stock that, for the 10 Trading Days immediately prior to such Fundamental Change, has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on The Nasdaq National Market; PROVIDED, HOWEVER, that a Fundamental Change shall not be a Common Stock Fundamental Change unless either (i) the Company continues to exist after the occurrence of such Fundamental Change and the outstanding Convertible Debentures continue to exist as outstanding Convertible Debentures, or (ii) not later than the occurrence of such Fundamental Change, the outstanding Convertible Debentures are converted into or exchanged for debentures of a corporation succeeding to the business of the Company, which debentures have terms substantially similar to those of the Convertible Debentures.

"COMPOUNDED INTEREST" shall have the meaning specified in Section 4.1.

"CONVERTIBLE PREFERRED SECURITIES" has the meaning specified in the recitals to this First Supplemental Indenture.

"CONVERSION PRICE" has the meaning set forth in Section 6.1.

"DECLARATION" means the Amended and Restated Declaration of Trust of Lomak Financing Trust, a Delaware statutory business trust, dated as of October 22, 1997.

"DEFERRED INTEREST" has the meaning specified in Section 4.1.

"DISSOLUTION EVENT" means that the Trust is to be dissolved in accordance with the Declaration, and the Convertible Debentures held by the Institutional Trustee are to be distributed to the holders of the Trust Securities issued by the Trust PRO RATA in accordance with the Declaration.

"EXTENDED INTEREST PAYMENT PERIOD" has the meaning specified in Section 4.1.

"FUNDAMENTAL CHANGE" means the occurrence of any transaction or event or series of transactions or events pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or shall constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); PROVIDED, HOWEVER, in the case of any such series of transactions or events, for purposes of adjustment of the Conversion Price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock shall have been exchanged for, converted into or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets, but the adjustment shall be based upon the consideration that the holders of Common Stock received in the transaction or event as a result of which more than 50% of the Common Stock shall have been exchanged for, converted into or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets.

"GLOBAL DEBENTURE" has the meaning specified in Section 2.4.

"INVESTMENT COMPANY EVENT" means that the Regular Trustees shall have received an opinion of independent counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulations by any legislative body, court, governmental agency or regulatory authority on or after October 22, 1997 (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an "investment company" which is required to be registered under the Investment Company Act of 1940, as amended (the "1940 Act").

"MAKE-WHOLE AMOUNT" means the greater of (x) 100% of the unpaid principal amount of the Convertible Debentures or (y) the sum, as determined by the Reference Treasury Dealer, of the present values of the remaining scheduled payments of principal and interest on the Convertible Debentures discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus, in each case, accrued and unpaid interest thereon to the date of redemption. As used in this definition, the following terms have the following meanings:

"ADJUSTED TREASURY RATE" means, with respect to any redemption date, the rate per annum equal to (i) 1.00% plus (ii) (A) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity date corresponding to the maturity date of the Convertible Debentures (if no maturity date is within three months before or after the maturity date of the Convertible Debentures, yields for the two published maturities most closely corresponding to the maturity date of the Convertible Debentures shall be interpolated and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (B) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"COMPARABLE TREASURY ISSUE" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Convertible Debentures to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Convertible Debentures.

"COMPARABLE TREASURY PRICE" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, the average of the Reference Treasury Dealer quotations for such redemption date.

"REFERENCE TREASURY DEALER" means Morgan Stanley & Co. Incorporated and its successors; provided however, that if Morgan Stanley & Co. Incorporated shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

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

"TREASURY RATE" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"MATURITY DATE" means the date on which the Convertible Debentures mature and on which the principal shall be due and payable together with all accrued and unpaid interest thereon including Compounded Interest, if any.

"NON BOOK-ENTRY CONVERTIBLE PREFERRED SECURITIES" has the meaning set forth in Section 2.4.

"NON-STOCK FUNDAMENTAL CHANGE" means any Fundamental Change other than a Common Stock Fundamental Change.

"OPTIONAL REDEMPTION PRICE" has the meaning specified in Section 3.2.

"PURCHASER STOCK PRICE" means, with respect to any Common Stock Fundamental Change, the average of the daily Closing Price for one share of the common stock received by holders of Common Stock in such Common Stock Fundamental Change during the 10 Trading Days immediately prior to the date fixed for the determination of the holders of Common Stock entitled to receive such common stock or, if there is no such date, prior to the date upon which the holders of Common Stock shall have the right to receive such common stock.

"REFERENCE MARKET PRICE" initially means \$12.42 and, in the event of any adjustment to the Conversion Price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such

adjustment shall always be the same as the ratio of the initial Reference Market Price to the initial Conversion Price.

"SPECIAL EVENT" means a Tax Event or an Investment Company Event.

"TAX EVENT" means that the Regular Trustees shall have received an opinion of independent tax counsel experienced in such matters (a "Dissolution Tax Opinion") to the effect that on or after October 22, 1997, as a result of (a) any amendment to, clarification of, or change (including any announced proposed change) in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement, proposed change or decision is announced, in each case, on or after, October 22, 1997, there is more than an insubstantial risk that (i) the Trust is or will be within 90 days of the date thereof, subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges, or (iii) interest payable in cash by the Debenture Issuer to the Trust on the Debentures is not, or within 90 days of the date thereof will not be, deductible, in whole or in part, by the Debenture Issuer for United States federal income tax purposes. Notwithstanding the foregoing, a Tax Event shall not include any change in tax law that requires the Debenture Issuer for United States federal income tax purposes to defer taking a deduction for any original issue discount ("OID") that accrues with respect to the Debentures until the interest payment related to such OID is paid by the Debenture Issuer in cash; PROVIDED, that such change in tax law does not create more than an insubstantial risk that the Debenture Issuer will be prevented from taking a deduction for OID accruing with respect to the Debentures at a date that is no later than the date the interest payment related to such OID is actually paid by the Debenture Issuer in cash.

"TRADING DAY" shall mean a day on which any securities are traded on the national securities exchange or quotation system used to determine the Closing Price.

ARTICLE II

GENERAL TERMS AND CONDITIONS  
OF THE CONVERTIBLE DEBENTURES

SECTION 2.1 Designation and Principal Amount.  
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There is hereby authorized a series of Debentures designated the "5-3/4% Convertible Junior Subordinated Debentures," limited in aggregate principal amount to \$123,711,350, which amount shall be as set forth in any written order of the Company for the authentication and delivery of Convertible Debentures pursuant to Section 3.3 of the Base Indenture.

SECTION 2.2 Maturity.  
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The Maturity Date is November 1, 2027.

SECTION 2.3 Form and Payment.  
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Except as provided in Section 2.4, the Convertible Debentures shall be issued to the Trust in fully registered certificated form without Coupons in denominations of \$50 in principal amount and integral multiples thereof. Principal and interest on the Convertible Debentures issued in certificated form will be payable, the transfer of such Convertible Debentures will be registrable and such Convertible Debentures will be exchangeable for Convertible Debentures bearing identical terms and provisions at the office or agency of the Trustee; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to the Holder at such address as shall appear in the Debenture Register. Notwithstanding the foregoing, so long as the Holder of any Convertible Debentures is the Institutional Trustee, the payment of the principal of and interest (including Compounded Interest, if any) on such Convertible Debentures held by the Institutional Trustee will be made at such place and to such account as may be designated by the Institutional Trustee.

SECTION 2.4 Exchange and Registration of Transfer of Convertible  
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Debentures; Restrictions on Transfers; Depositary.  
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If distributed to holders of Convertible Preferred Securities in connection with a Dissolution Event, the Convertible Debentures will be issued to such holders in the same form as the Convertible Preferred Securities that such Convertible Debentures replace in accordance with the following procedures:

- (a) So long as Convertible Debentures are eligible for book-entry settlement with the Depositary, or unless otherwise required by law, all Convertible Debentures that are so eligible may be represented by one or more Convertible Debentures in global form registered in the name of the Depositary



or the nominee of the Depositary, except as otherwise specified below. The transfer and exchange of beneficial interests in any such Convertible Debenture in global form shall be effected through the Depositary in accordance with the Indenture and the procedures of the Depositary therefor.

Convertible Debentures that are distributed to QIBs in replacement of Convertible Preferred Securities represented by a global convertible Preferred Security will be represented by a global Convertible Debenture (the "144A Global Debenture"). The 144A Global Debenture shall be referred to herein as a "Global Debenture." Convertible Debentures that are distributed to QIBs in replacement of Certificated Convertible Preferred Securities will be represented by definitive Convertible Debentures as set forth in Section 2.4(b).

Except as provided below, beneficial owners of a Convertible Debenture in global form shall not be entitled to have certificates registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered Holders of such Convertible Debentures in global form.

(b) Convertible Preferred Securities held in certificated form, except for certificates representing Convertible Preferred Securities held by the Depositary or its nominee (or any successor Clearing Agency or its nominee), shall upon presentation to the Trustee by the Institutional Trustee or by the holder thereof or by the Institutional Trustee on behalf of such holders shall be exchanged for Convertible Debentures in fully registered certificated form of like aggregate principal amount and tenor.

(c) So long as the Convertible Debentures are eligible for book-entry settlement, and to the extent that Convertible Debentures are held by QIBs, in a Global Debenture, or unless otherwise required by law, upon any transfer of a definitive Convertible Debenture to a QIB in accordance with Rule 144A, unless otherwise requested by the transferor, and upon receipt of the definitive Convertible Debenture or Convertible Debentures being so transferred, together with a certification from the transferor that the transfer is being made in compliance with Rule 144A (or other evidence satisfactory to the Trustee), the Trustee shall make an endorsement on any 144A Global Debenture to reflect an increase in the aggregate principal amount of the Convertible Debentures represented by such Global Debenture, and the Trustee shall cancel such definitive Convertible Debenture or Convertible Debentures in accordance with the standing instructions and procedures of the Depositary, the aggregate principal amount of Convertible Debentures represented by such Global Debenture to be increased accordingly; PROVIDED that no definitive Convertible Debenture, or portion thereof, in respect of which the Company or an Affiliate of the Company held any beneficial interest shall be included in such Global Debenture until such definitive Convertible Debenture is freely tradable in accordance with Rule 144(k); PROVIDED FURTHER that the Trustee shall, at the

written request of the Company, issue Convertible Debentures in definitive form upon any transfer of a beneficial interest in the Global Debenture to the Company or any Affiliate of the Company.

Any Global Debenture may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of the Indenture as may be required by the Depositary, by the American Stock Exchange or by the National Association of Securities Dealers, Inc. in order for the Convertible Debentures to be tradeable on the PORTAL Market or as may be required for the Convertible Debentures to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange upon which the Convertible Debentures may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Convertible Debentures are subject.

(d) Each Convertible Debenture that bears or is required to bear the legend set forth in this Section 2.4(d) (a "Restricted Security") shall be subject to the restrictions on transfer provided in the legend set forth in this Section 2.4(d), unless such restrictions on transfer shall be waived by the written consent of the Company, and the Holder of each Restricted Security, by such securityholder's acceptance thereof, agrees to be bound by such restrictions on transfer. As used in this Section 2.4(d) and in Section 2.4(e), the terms "transfer" encompasses any sale, pledge, transfer or other disposition of any Restricted Security.

Prior to the Transfer Restriction Termination Date, any certificate evidencing a Convertible Debenture shall bear a legend in substantially the following form, unless otherwise agreed by the Company (with written notice thereof to the Trustee):

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT

(OR ANY SUCCESSOR PROVISION) RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OR EXCHANGE OF SUCH SECURITY EXCEPT (A) TO LOMAK PETROLEUM, INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, THE TRANSFER AGENT FOR THE COMMON STOCK), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRUSTEE OR TRANSFER AGENT), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITY EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE SECURITY EVIDENCED HEREBY PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, SUCH HOLDER MUST FURNISH TO THE TRANSFER AGENT SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT). IF THIS CERTIFICATE DOES NOT EVIDENCE COMMON STOCK AND THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE BANK OF NEW YORK, AS TRUSTEE, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS LOMAK PETROLEUM, INC. MAY

REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF HOLDING PERIOD APPLICABLE TO THE SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT.

Following the Transfer Restriction Termination Date or the sale of a Debenture pursuant to an effective registration statement or Rule 144 (or any successor provision) under the Securities Act, any Convertible Debenture or security issued in exchange or substitution therefor (other than (i) Convertible Debentures acquired by the Company or any Affiliate thereof since the issue date of the Convertible Preferred Securities and (ii) Common Stock issued upon the conversion or exchange of any Convertible Debenture described in clause (i) above) may upon surrender of such Convertible Debenture for exchange to the security Registrar in accordance with the provisions of this Section 2.4, be exchanged for a new Convertible Debenture or Convertible Debentures, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.4(d).

Notwithstanding any other provisions of the Indenture (other than the provisions set forth in this Section 2.4(d)), a Global Debenture may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee to a successor Depositary or a nominee of such successor Depositary.

The Depositary shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depositary Trust Company to act as Depositary with respect to the Convertible Debentures in global form. Initially, the Global Debentures shall be issued to the Depositary, registered in the name of Cede & Co., as the nominee of the Depositary, and deposited with the Trustee as custodian for Cede & Co.

If at any time the Depositary for the Global Debentures notifies the Company that it is unwilling or unable to continue as Depositary for such Convertible Debentures, the Company may appoint a successor Depositary with respect to such Convertible Debentures. If a successor Depositary for the Convertible Debentures is not appointed by the Company within 90 days after the Company receives such notice, the Company will execute, and the Trustee, upon receipt of an Officers' Certificate for authentication and delivery of Convertible Debentures, will authenticate and deliver, Convertible Debentures in definitive form, in an aggregate principal amount equal to the principal amount of the Global Debentures, in exchange for such Global Debentures.

Definitive Convertible Debentures issued in exchange for all or a part of a Global Debenture pursuant to this Section 2.4(d) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such definitive Convertible Debentures to the person in whose names such definitive Convertible Debentures are so registered.

At such time as all interests in a Global Debenture have been redeemed, converted, exchanged, repurchased or canceled, such Global Debenture shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and instructions of the Depositary. At any time prior to such cancellation, if any interest in a Global Debenture is exchanged for definitive Convertible Debentures, redeemed, converted, exchanged, repurchased by the Company pursuant to Article III or canceled, or transferred for part of a Global Debenture, the principal amount of such Global Debenture shall, in accordance with the standing procedures and instructions of the Depositary be reduced or increased, as the case may be, and an endorsement shall be made on such Global Debenture by, or at the direction of, the Trustee to reflect such reduction or increase.

(e) Any Convertible Debenture or Common Stock issued upon the conversion or exchange of a Convertible Debenture that, prior to the Transfer Restriction Termination Date, is purchased or owned by the Company or any Affiliate thereof may not be resold by the Company or such Affiliate unless registered under the Securities Act or resold pursuant to an exemption from the registration requirements of the Securities Act in a transaction which results in such Convertible Debentures or Common Stock, as the case may be, no longer being "restricted securities" (as defined under Rule 144).

SECTION 2.5 Interest.  
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(a) Each Convertible Debenture will bear interest at the rate of 5-3/4% per annum (the "COUPON RATE") from October 22, 1997 until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the Coupon Rate, compounded quarterly, payable (subject to the provisions of Article IV) quarterly in arrears on February 1, May 1, August 1 and November 1 of each year (each, an "INTEREST PAYMENT DATE), commencing on February 1, 1998, to the Person in whose name such Convertible Debenture or any predecessor Convertible Debenture is registered, at the close of business on the Regular Record Date for such interest installment shall be the close of business on the fifteenth day prior to that Interest Payment Date.

(b) The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the

following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on the Convertible Debentures is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

SECTION 2.6 No Satisfaction and Discharge.  
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The Convertible Debentures are not entitled to the benefit of the Satisfaction and Discharge Provisions of Article IV of the Base Indenture.

ARTICLE III  
REDEMPTION OF THE CONVERTIBLE DEBENTURES

SECTION 3.1 Special Event Redemption.  
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If a Special Event has occurred and is continuing then, notwithstanding Section 3.2(a), the Company shall have the right upon not less than 30 days nor more than 60 days notice to the Holders of the Convertible Debentures to redeem the Convertible Debentures, in whole but not in part, for cash within 90 days following the occurrence of such Tax Event (the "90-DAY PERIOD") at a redemption price (the "SPECIAL EVENT REDEMPTION PRICE") equal to the Make-Whole Amount. The Special Event Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or such earlier time as the Company determines, PROVIDED that the Company shall deposit with the Trustee an amount sufficient to pay the Special Event Redemption Price prior to the redemption date. Subject to the foregoing provisions of this Section 3.1, the Company shall be permitted to redeem the Convertible Debentures pursuant to this Section 3.1, regardless of whether the Company would also be permitted to redeem the Convertible Debentures pursuant to Section 3.2 hereof.

SECTION 3.2 Optional Redemption by Company.  
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(a) Subject to the provisions of Section 3.2(b) and to the provisions of Article XI of the Base Indenture, except as otherwise may be specified in Section 3.1 or elsewhere in this First Supplemental Indenture, the Company shall have the right to redeem the Convertible Debentures, in whole or in part, from time to time, on or after November 4, 2000. Any redemption pursuant to this paragraph will be made upon not less than 30 days nor more than 60 days notice to the Holders of the Convertible Debentures, at the following prices (expressed as percentages of the principal amount

of the Convertible Debentures) (the "OPTIONAL REDEMPTION PRICE") together with accrued and unpaid interest, including Compounded Interest to, but excluding, the Redemption Date, if redeemed during the 12-month period beginning November 1:

Year -----	Redemption Price -----
2000	104.025
2001	103.450
2002	102.875
2003	102.300
2004	101.725
2005	101.150
2006	100.575
2007 and thereafter	100.000

If Convertible Debentures are redeemed on any February 1, May 1, August 1 and November 1, accrued and unpaid interest shall be payable to holders of record on the relevant Regular Record Date.

So long as the corresponding Convertible Preferred Securities are outstanding, the proceeds from the redemption of the Convertible Debentures will be used to redeem Convertible Preferred Securities.

If the Convertible Debentures are only partially redeemed pursuant to this Section 3.2, the Convertible Debentures will be selected for redemption by any method utilized by the Trustee. The Optional Redemption Price, together with any required interest payment, shall be paid prior to 12:00 noon, New York time, on the Redemption Date or at such earlier time as the Company determines provided that the Company shall deposit with the Trustee an amount sufficient to pay the Optional Redemption Price, together with any required interest payment, by 10:00 a.m., New York time, on the date such amounts are to be paid.

(b) If a partial redemption of the Convertible Debentures would result in the delisting of the Convertible Preferred Securities issued by the Trust from any national securities exchange or other organization on which the Convertible Preferred Securities are then listed, the Company shall not be permitted to effect such partial redemption and may only redeem the Convertible Debentures in whole.

(c) Subject to the foregoing provisions of this Section 3.2, the Company shall be permitted to redeem the Convertible Debentures pursuant to this Section 3.2, regardless of whether the Company would also be permitted to redeem the Convertible Debentures pursuant to Section 3.1 hereof.

SECTION 3.3 No Sinking Fund.  
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The Convertible Debentures are not entitled to the benefit of any sinking fund.

ARTICLE IV  
EXTENSION OF INTEREST PAYMENT PERIOD

SECTION 4.1 Extension of Interest Payment Period.  
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As long as an Event of Default under Section 5.1(a) of the Base Indenture shall not have occurred and be continuing, the Company shall have the right, at any time and from time to time during the term of the Convertible Debentures, to defer payments of interest by extending the interest payment period of such Convertible Debentures for a period not exceeding 20 consecutive quarters (the "EXTENDED INTEREST PAYMENT PERIOD"), during which Extended Interest Payment Period no interest shall be due and payable; PROVIDED that no Extended Interest Payment Period may extend beyond the Maturity Date or any earlier Redemption Date. To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to this Section 4.1, will bear interest thereon at the Coupon Rate compounded quarterly for each quarter of the Extended Interest Payment Period ("COMPOUNDED INTEREST"). At the end of the Extended Interest Payment Period, the Company shall pay all interest accrued and unpaid on the Convertible Debentures, including any Compounded Interest ("DEFERRED INTEREST") that shall be payable to the Holders of the Convertible Debentures in whose names the Convertible Debentures are registered in the Debenture Register on the first Regular Record Date after the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters, or extend beyond the Maturity Date or any earlier Redemption Date. Upon the termination of any Extended Interest Payment Period and upon the payment of all Deferred Interest then due, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof, but the Company may prepay at any time all or any portion of the interest accrued during an Extended Interest Payment Period.

SECTION 4.2 Notice of Extension.  
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(a) If the Institutional Trustee is the only registered Holder of the Convertible Debentures at the time the Company selects an Extended Interest Payment Period, the Company shall give written notice to the Regular Trustees, the Institutional Trustee and the Trustee of its selection of such Extended Interest Payment Period one Business Day before the earlier of (i) the next succeeding date on which Distributions



on the Trust Securities issued by the Trust are payable, or (ii) the date the Trust is required to give notice of the record date, or the date such Distributions are payable, to the American Stock Exchange or other applicable self-regulatory organization or to holders of the Convertible Preferred Securities issued by the Trust, but in any event at least one Business Day before such record date.

(b) If the Institutional Trustee is not the only Holder of the Convertible Debentures at the time the Company selects an Extended Interest Payment Period, the Company shall give the Holders of the Convertible Debentures and the Trustee written notice of its selection of such Extended Interest Payment Period at least 10 Business Days before the earlier of (i) the next succeeding Interest Payment Date or (ii) the date the Company is required to give notice of the record or payment date of such interest payment to the American Stock Exchange or other applicable self-regulatory organization or to Holders of the Convertible Debentures.

(c) The quarter in which any notice is given pursuant to paragraphs (a) or (b) of this Section 4.2 shall be counted as one of the 20 consecutive quarters permitted in the maximum Extended Interest Payment Period permitted under Section 4.1.

SECTION 4.3            Limitation of Transactions.  
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If the Company shall exercise its right to defer payment of interest as provided in Section 4.1, then (i) the Company shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock (other than (A) purchases or acquisitions of shares of its common stock in connection with the satisfaction by the Company of its obligations under any employee benefit plans, (B) as a result of a reclassification of its capital stock or the exchange or conversion of one class or series of its capital stock for another class or series of its capital stock, (C) the purchase of fractional interests in shares of its capital stock pursuant to the conversion or exchange provisions of such capital stock or security being converted or exchanged for Lomak capital stock, (D) dividends or distributions in Lomak Common Stock and (E) any declaration of a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan (including such existing plan) in the future or the redemption or repurchase or any such rights pursuant thereto), (ii) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Company which rank pari passu with or junior to the Convertible Debentures and (iii) the Company shall not make any guarantee payments with respect to the foregoing (other than pursuant to the Trust Securities Guarantees).

ARTICLE V  
EXPENSES

SECTION 5.1      Payment of Expenses.  
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In connection with the offering, sale and issuance of the Convertible Debentures to the Institutional Trustee and in connection with the sale of the Trust Securities by the Trust, the Company, in its capacity as borrower with respect to the Convertible Debentures, shall:

(a) pay all costs and expenses relating to the offering, sale and issuance of the Convertible Debentures, including commissions to the purchasers payable pursuant to the Placement Agreement and compensation of the Trustee under the Indenture in accordance with the provisions of Section 6.6 of the Base Indenture;

(b) pay all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the fees and expenses of the Institutional Trustee and the Delaware Trustee, the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets);

(c) pay all costs and expenses related to the enforcement by the Institutional Trustee of the rights of the holders of the Convertible Preferred Securities;

(d) be primarily liable for any indemnification obligations arising with respect to the Declaration; and

(e) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

SECTION 5.2      Payment Upon Resignation or Removal.  
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Upon termination of this First Supplemental Indenture or the Base Indenture or the removal or resignation of the Trustee pursuant to Section 6.7 of the Base Indenture, the Company shall pay to the Trustee all amounts accrued to the date of such termination, removal or resignation. Upon termination of the Declaration or the removal or resignation of the Delaware Trustee or the Institutional Trustee, as the

case may be, pursuant to Section 5.6 of the Declaration, the Company shall pay to the Delaware Trustee or the Institutional Trustee, and their respective counsel, as the case may be, all amounts accrued to the date of such termination, removal or resignation.

ARTICLE VI  
CONVERSION OF CONVERTIBLE DEBENTURES

SECTION 6.1 Conversion Rights.  
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Subject to and upon compliance with the provisions of this Article VI, the Convertible Debentures are convertible, at the option of the Holder, at any time beginning January 20, 1998 through the close of business on October 31, 2027 (or, in the case of Convertible Debentures called for redemption, prior to the close of business on the Business Day prior to the corresponding Redemption Date) into fully paid and nonassessable shares of Common Stock of the Company at an initial conversion rate of 2.1277 shares of Common Stock for each \$50 in aggregate principal amount of Convertible Debentures (equal to a conversion price of \$23.50 per share of Common Stock (the "Conversion Price")), subject to adjustment as described in this Article VI. A Holder of Convertible Debentures may convert any portion of the principal amount of the Convertible Debentures into that number of fully paid and nonassessable shares of Common Stock obtained by dividing the principal amount of the Convertible Debentures to be converted by such Conversion Price. All calculations under this Article VI shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

SECTION 6.2 Conversion Procedures.  
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(a) In order to convert all or a portion of the Convertible Debentures, the Holder thereof shall deliver to the Conversion Agent an irrevocable Notice of Conversion setting forth the principal amount of Convertible Debentures to be converted, together with the name or names, if other than the Holder, in which the shares of Common Stock should be issued upon conversion and, if such Convertible Debentures are definitive Convertible Debentures, surrender to the Conversion Agent the Convertible Debentures to be converted, duly endorsed or assigned to the Company or in blank. In addition, a holder of Convertible Preferred Securities may exercise its right under the Declaration to convert such Convertible Preferred Securities into Common Stock by delivering to the Conversion Agent an irrevocable Notice of Conversion setting forth the information called for by the preceding sentence and directing the Conversion Agent (i) to exchange such Convertible Preferred Security for a portion of the Convertible Debentures held by the Trust (at an exchange rate of \$50 principal amount of Convertible Debentures for each Convertible Preferred Security) and (ii) to immediately convert such Convertible Debentures, on behalf of such holder, into Common Stock of the Company pursuant to this Article VI and, if such Convertible Preferred Securities are in definitive form, surrendering such

Convertible Preferred Securities, duly endorsed or assigned to the Company or in blank. So long as any Convertible Preferred Securities are outstanding, the Trust shall not convert any Convertible Debentures except pursuant to a Notice of Conversion delivered to the Conversion Agent by a holder of Convertible Preferred Securities.

If a Notice of Conversion is delivered on or after the Regular Record Date and prior to the subsequent Interest Payment Date, the Holder will be entitled to receive the interest payable on the subsequent Interest Payment Date on the portion of Convertible Debentures to be converted notwithstanding the conversion thereof prior to such Interest Payment Date. However, if a Redemption Date falls between a Regular Record Date and the subsequent Interest Payment Date, the Holder will be entitled to receive, on such Interest Payment Date, the interest accrued to, but excluding, the Redemption Date. Except as otherwise provided in the first and second sentences of this paragraph, in the case of any Convertible Debenture which is converted, interest whose Stated Maturity is after the date of conversion of such Convertible Debenture shall not be payable, and the Company shall not make nor be required to make any other payment, adjustment or allowance with respect to accrued but unpaid interest on the Convertible Debentures being converted, which shall be deemed to be paid in full. Each conversion shall be deemed to have been effected immediately prior to the close of business on the day on which the Notice of Conversion was received (the "CONVERSION DATE") by the Conversion Agent from the Holder or from a holder of the Convertible Preferred Securities effecting a conversion thereof pursuant to its conversion rights under the Declaration, as the case may be. The Person or Persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock as of the Conversion Date. As promptly as practicable on or after the Conversion Date, the Company shall issue and deliver at the office of the Conversion Agent, unless otherwise directed by the Holder in the Notice of Conversion, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with the cash payment, if any, in lieu of any fraction of any share to the Person or Persons entitled to receive the same. The Conversion Agent shall deliver such certificate or certificates to such Person or Persons.

(b) The Company's delivery upon conversion of the fixed number of shares of Common Stock into which the Convertible Debentures are convertible (together with the cash payment, if any, in lieu of fractional shares) shall be deemed to satisfy the Company's obligation to pay the principal amount at Maturity of the portion of Convertible Debentures so converted and any unpaid interest (including Compounded Interest) accrued on such Convertible Debentures at the time of such conversion.

(c) No fractional shares of Common Stock will be issued as a result of conversion, but in lieu thereof, the Company shall pay to the Conversion Agent a cash adjustment in an amount equal to the same fraction of the Closing Price of such fractional interest on the date on which the Convertible Debentures were duly

surrendered to the Conversion Agent for conversion, or, if such day is not a Trading Day, on the next Trading Day, and the Conversion Agent in turn will make such payment, if any, to the Holder of the Convertible Debentures or the holder of the Convertible Preferred Securities so converted.

(d) In the event of the conversion of any Convertible Debenture in part only, a new Convertible Debenture or Convertible Debentures for the unconverted portion thereof will be issued in the name of the Holder thereof upon the cancellation thereof in accordance with Section 14.2 of the Base Indenture.

(e) In effecting the conversion transactions described in this Section 6.2, the Conversion Agent is acting as agent of the holders of Convertible Preferred Securities (in the exchange of Convertible Preferred Securities for Convertible Debentures) and as agent of the Holders of Convertible Debentures (in the conversion of Convertible Debentures into Common Stock), as the case may be. The Conversion Agent is hereby authorized (i) to exchange Convertible Debentures held by the Trust from time to time for Convertible Preferred Securities in connection with the conversion of such Convertible Preferred Securities in accordance with this Article VI and (ii) to convert all or a portion of the Convertible Debentures into Common Stock and thereupon to deliver such shares of Common Stock in accordance with the provisions of this Article VI and to deliver to the Trust a new Convertible Debenture or Convertible Debentures for any resulting unconverted principal amount.

SECTION 6.3            Conversion Price Adjustments.  
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The Conversion Price shall be adjusted from time to time as follows:

(a) In case the Company shall, while any of the Convertible Debentures are outstanding, (i) pay a dividend or make a distribution with respect to Common Stock in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock, (iii) combine outstanding shares of Common Stock into a smaller number of shares or (iv) issue by reclassification of its shares of Common Stock any shares of capital stock of the Company, the conversion privilege and the Conversion Price for the Convertible Debentures shall be adjusted so that the Holder of any Convertible Debenture thereafter surrendered for conversion shall be entitled to receive the number of shares of capital stock of the Company which such Holder would have owned immediately following such action had such Convertible Debenture been converted immediately prior thereto. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend or other distribution and shall become effective immediately after the effective date in case of a subdivision, combination or reclassification (or immediately after the record date if a record date shall have been established for such event). If, as a result of an adjustment made pursuant to this subsection (a), the Holder of any Convertible Debenture thereafter surrendered for conversion shall become

entitled to receive shares of two or more classes or series of capital stock of the Company, the Board of Directors (whose determination shall be conclusive and shall be described in a Board Resolution filed with the Trustee) shall determine the allocation of the adjusted Conversion Price for the Convertible Debentures between or among shares of such classes or series of capital stock.

(b) In case the Company shall, while any of the Convertible Debentures are outstanding, issue rights or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock (as determined pursuant to subsection (g) below) on the record date mentioned below, the Conversion Price for the Convertible Debentures shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase would purchase at such current market price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants. To the extent that no shares of Common Stock are so delivered after the expiration of such rights or warrants, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. For the purposes of this subsection, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company shall not issue any rights or warrants in respect of shares of Common Stock held in the treasury of the Company. In case any rights or warrants referred to in this subsection in respect of which an adjustment shall have been made shall expire unexercised within 45 days after the same shall have been distributed or issued by the Company, the Conversion Price shall be readjusted at the time of such expiration to the Conversion Price that would have been in effect if no adjustment had been made on account of the distribution or issuance of such expired rights or warrants.

(c) Subject to the last sentence of this subsection (c), in case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets or rights or warrants to subscribe for or purchase any of its securities (excluding any rights or warrants referred to in subsection

(b), any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in subsection (a) of this Section 6.3), the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the effectiveness of the Conversion Price reduction contemplated by this subsection (c) by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (g)) of the Common Stock on the date fixed for the payment of such distribution (the "REFERENCE DATE") less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors), on the Reference Date, of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed or of such subscription rights or warrants applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the Reference Date; PROVIDED, HOWEVER, that in the event the numerator shall be less than one, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder of Convertible Debentures shall have the right to receive upon conversion the amount of such distribution such Holder would have received had such Holder converted each Convertible Debenture immediately prior to the Reference Date. In the event that no such dividend or distribution is so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not occurred. If the Board of Directors determines the fair market value of any distribution for purposes of this subsection (c) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider the prices in such market over the same period used in computing the current market price per share of Common Stock (determined as provided in subsection (g)). For purposes of this subsection (c), any dividend or distribution that includes shares of Common Stock or rights or warrants to subscribe for or purchase shares of Common Stock shall be deemed instead to be (i) a dividend or distribution of the evidences of indebtedness, shares of capital stock, cash or assets other than such shares of Common Stock or such rights or warrants (making any Conversion Price reduction required by this subsection (c)) immediately followed by (ii) a dividend or distribution of such shares of Common Stock or such rights or warrants (making any further Conversion Price reduction required by subsection (a) or (b)), except (A) the Reference Date of such dividend or distribution as defined in this subsection (c) shall be substituted as (1) "the record date in the case of a dividend or other distribution," and (2) "the record date for the determination of stockholders entitled to receive such rights or warrants" and (3) "the date fixed for such determination" within the meaning of subsections (a) and (b) and (B) any shares of Common Stock included in such dividend or distribution shall not be

deemed outstanding for purposes of computing any adjustment of the Conversion Price in subsection (a).

(d) In case the Company shall pay or make a dividend or other distribution on its Common Stock exclusively in cash (excluding any quarterly cash dividend on Common Stock to the extent that the aggregate cash dividend per share of Common Stock in any quarter does not exceed the greater of (i) the amount per share of Common Stock of the next preceding quarterly dividend on Common Stock to the extent such preceding quarterly dividend did not require an adjustment of the Conversion Price pursuant to this subsection (d) (as adjusted to reflect subdivisions or combinations of Common Stock), and (ii) 3.75% of the current market price per share determined as provided in subsection (g), and excluding any dividend or distribution in connection with the liquidation, dissolution or winding-up of the Company), the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the effectiveness of the Conversion Price reduction contemplated by this subsection (d) by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (g)) of the Common Stock on the date fixed for the payment of such distribution less the amount of cash so distributed (and not excluded as provided above) applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock (determined as provided in subsection (g)), such reduction to become effective immediately prior to the opening of business on the day following the date fixed for the payment of such distribution; PROVIDED, HOWEVER, that in the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the current market price per share (as defined in subsection (g)) of the Common Stock on the record date mentioned above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder of shares of Convertible Debentures shall have the right to receive upon conversion the amount of cash such Holder would have received had such Holder converted each Convertible Debenture immediately prior to the record date for the distribution of the cash. If an adjustment is required to be made pursuant to this subsection (d) as a result of a distribution that is a quarterly dividend, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded as provided above. If an adjustment is required to be made pursuant to this subsection (d) as a result of a distribution that is not a quarterly dividend, such adjustment shall be based upon the full amount of the distribution. In the event that no such dividend or distribution is so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such Record Date had not been fixed.



(e) In case a tender or exchange offer (other than an odd-lot offer) made by the Company or any Subsidiary of the Company for all or any portion of the Company's Common Stock shall expire and such tender or exchange offer shall involve the payment by the Company or such subsidiary of consideration per share of Common Stock having a fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) at the last time (the "EXPIRATION TIME") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Closing Price of the Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the effectiveness of the Conversion Price reduction contemplated by this subsection (e) by a fraction (which shall not be greater than one) of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Closing Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (i) the fair market value (determined as aforesaid) of the aggregate consideration payable to 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 exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "PURCHASED SHARES") and (ii) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Closing Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Time.

(f) In case a tender or exchange offer made by a Person other than the Company or any Subsidiary of the Company for all or any portion of the Common Stock shall expire and such tender or exchange offer shall involve the payment by a Person other than the Company or any Subsidiary of the Company of consideration per share of Common Stock having a fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) at the applicable Expiration Time that exceeds the Closing Price of the Common Stock on the Trading Day next succeeding the applicable Expiration Time in which as of the closing date of the offer the Board of Directors of the Company is not recommending rejection of the offer, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the effectiveness of the Conversion Price reduction contemplated by this subsection (f) by a fraction (which shall not be greater than one) of which the

numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Closing Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (i) the fair market value (determined as aforesaid) of the aggregate consideration payable to 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 exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "PURCHASED SHARES") and, (ii) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Closing Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Time; PROVIDED, HOWEVER, that the reduction of the Conversion Price contemplated by this subsection (f) will only be made if the tender offer or exchange offer is made for an amount which increases that Person's ownership of Common Stock to more than 25% of the total shares of Common Stock outstanding and PROVIDED, FURTHER, that the reduction of the Conversion Price contemplated by this subsection (f) will not be made if as of the close of the offer, the offering documents with respect to such offer disclose a plan or an intention to cause the Company to engage in a consolidation or merger of the Company or a sale of all or substantially all of the assets of the Company.

(g) For the purpose of any computation under subsection (b), (c) or (d), the current market price per share of Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices for the ten Trading Day period ending on the earlier of the day in question and, if applicable, the day before the "ex" date with respect to the issuance or distribution requiring such computation; PROVIDED, HOWEVER, that if more than one event occurs that would require an adjustment pursuant to subsections (a) through (f), inclusive, the Board of Directors may make such adjustments to the Closing Prices during such ten Trading Day period as it deems appropriate to effectuate the intent of the adjustments in this Section 7.3, in which case any such determination by the Board of Directors shall be set forth in a Board Resolution and shall be conclusive. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the American Stock Exchange or on such successor securities exchange as the Common Stock may be listed or in the relevant market from which the Closing Prices were obtained without the right to receive such issuance or distribution, and (2) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such securities exchange or in such market after the Expiration Time of such offer.

(h) The Company may make such reductions in the Conversion Price, in addition to those required by subsections (a) through (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase 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 Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least twenty (20) days, the reduction is irrevocable during the period, and the Board of Directors shall have made a determination that such reduction would be in the best interest of the Company, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to Holders of record of the Convertible Debentures a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period it will be in effect.

(i) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price; PROVIDED, HOWEVER, that any adjustments which by reason of this subsection (i) are not required to be made shall be carried forward and taken into account in determining whether any subsequent adjustment shall be required.

(j) If any action would require adjustment of the Conversion Price pursuant to more than one of the provisions described above, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value to the Holder of Convertible Debentures.

SECTION 6.4 Merger, Consolidation, or Sale of Assets.  
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(a) In the event that the Company shall be a party to any transaction (including without limitation (i) any recapitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), (ii) any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company), (iii) any sale or transfer of all or substantially all of the assets of the Company or (iv) any compulsory share exchange) pursuant to which either shares of Common Stock shall be converted into the right to receive other securities, cash or other property, or, in the case of a sale or transfer of all or substantially all of the assets of the Company, the holders of Common Stock shall be entitled to receive other securities, cash or other property, then lawful provision shall be made as part of the terms of such transaction whereby

the Holder of each Convertible Debenture then outstanding shall have the right thereafter to convert such Convertible Debenture only into:

(A) in the case of any such transaction that does not constitute a Common Stock Fundamental Change and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the kind and amount of the securities, cash or other property that would have been receivable upon such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock issuable upon conversion of such Convertible Debenture immediately prior to such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange, after giving effect, in the case of any Non-Stock Fundamental Change (as defined below), to any adjustment in the Conversion Price in accordance with clause (i) of subsection (c) of this Section 6.4; and

(B) in the case of any such transaction that constitutes a Common Stock Fundamental Change, common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined in accordance with clause (ii) of subsection (c) of this Section 6.4.

(b) The company or the Person formed by such consolidation or resulting from such merger or which acquired such assets or which acquires the Company's shares, as the case may be, shall make provision in its certificate or articles of incorporation or other constituent document to establish such right. Such certificate or articles of incorporation or other constituent document shall provide for adjustments which, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article VI. The above provisions shall similarly apply to successive transactions of the foregoing type.

(c) Notwithstanding any other provision of this Section 6.4 to the contrary, if any Fundamental Change occurs, then the Conversion Price in effect will be adjusted immediately after such Fundamental Change as follows:

(i) in the case of a Non-Stock Fundamental Change, the Conversion Price of the Convertible Debentures immediately following such Non-Stock Fundamental Change shall be the lower of (A) the Conversion Price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant Section 6.3, and (B) the product of (1) the greater of the Applicable Price and the then applicable Reference Market Price and (2) a fraction, the numerator of which is \$50 and the denominator of which is (x) the amount of the Optional Redemption Price set forth in Section 3.2 for \$50 in principal amount of Convertible Debentures

if the redemption date were the date of such Non-Stock Fundamental Change (or, for the twelve-month periods commencing November 1, 1997, November 1, 1998 and November 1, 1999, the product of 105.750%, 105.175% and 104.600% respectively, times \$50) plus (y) any then-accrued and unpaid interest on \$50 principal amount of Convertible Debentures; and

(ii) in the case of a Common Stock Fundamental Change, the Conversion Price of the Convertible Debentures immediately following such Common Stock Fundamental Change shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to Section 6.3, multiplied by a fraction, the numerator of which is the Purchaser Stock Price and the denominator of which is the Applicable Price; PROVIDED, HOWEVER, that in the event of a Common Stock Fundamental Change in which (A) 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or other third party (and cash, if any, paid with respect to any fractional interests in such common stock resulting from such Common Stock Fundamental Change) and (B) all of the Common Stock shall have been exchanged for, converted into or acquired for, common stock of the successor, acquiror or other third party (and any cash with respect to fractional interests), the Conversion Price of the Convertible Debentures immediately following such Common Stock Fundamental Change shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of shares of common stock of the successor, acquiror or other third party received by a holder of one share of Common Stock as a result of such Common Stock Fundamental Change.

SECTION 6.5 Notice of Adjustments of Conversion Price.  
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Whenever the Conversion Price is adjusted as herein provided:

(a) the Company shall compute the adjusted Conversion Price and shall prepare a certificate signed by the Chief Financial Officer or the Treasurer of the Company setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the Trustee and the transfer agent for the Convertible Preferred Securities and the Convertible Debentures; and

(b) a notice stating the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall as soon as practicable be mailed by the Company to all record holders of Convertible Preferred Securities and the Convertible Debentures at their last addresses as they appear upon the transfer books of the Company and the Trust.

SECTION 6.6 Prior Notice of Certain Events.  
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In case:

(a) the Company shall (i) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash that would not require an adjustment pursuant to Section 6.3(c) or (d) or (ii) authorize a tender or exchange offer that would require an adjustment pursuant to Section 6.3(e);

(b) the Company shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants;

(c) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company shall be required, or of the sale or transfer of all or substantially all of the assets of the Company or of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or other property; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall (i) if any Convertible Preferred Securities are outstanding, cause to be filed with the transfer agent for the Convertible Preferred Securities, and shall cause to be mailed to the holders of record of the Convertible Preferred Securities, at their last addresses as they shall appear upon the stock transfer books of the Trust or (ii) shall cause to be mailed to all Holders at their last addresses as they shall appear in the Debenture Register, at least 15 days prior to the applicable record or effective date hereinafter specified, a notice stating (A) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

## SECTION 6.7 Certain Additional Rights.

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In case the Company shall, by dividend or otherwise, declare or make a distribution on the Common Stock referred to in Section 6.3 (c) or 6.3(d) (including, without limitation, dividends or distributions referred to in the last sentence of Section 6.3(e)), the Holder of the Convertible Debentures, upon the conversion thereof subsequent to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution and prior to the effectiveness of the Conversion Price adjustment in respect of such distribution, shall also be entitled to receive for each share of Common Stock into which the Convertible Debentures are converted, the portion of the shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock; PROVIDED, HOWEVER, that, at the election of the Company (whose election shall be evidenced by a resolution of the Board of Directors) with respect to all Holders so converting, the Company may, in lieu of distributing to such Holder any portion of such distribution not consisting of cash or securities of the Company, pay such Holder an amount in cash equal to the fair market value thereof (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors). If any conversion of Convertible Debentures described in the immediately preceding sentence occurs prior to the payment date for a distribution to holders of Common Stock which the Holder of Convertible Debentures so converted is entitled to receive in accordance with the immediately preceding sentence, the Company may elect (such election to be evidenced by a resolution of the Board of Directors) to distribute to such Holder a due bill for the shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets to which such Holder is so entitled, PROVIDED, that such due bill (a) meets any applicable requirements of the principal national securities exchange or other market on which the Common Stock is then traded and (b) requires payment or delivery of such shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets no later than the date of payment or delivery thereof to holders of shares of Common Stock receiving such distribution.

## SECTION 6.8 Trustee Not Responsible for Determining Conversion Price or Adjustments.

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Neither the Trustee nor any Conversion Agent shall at any time be under any duty or responsibility to any Holder of any Convertible Debenture to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or whether this supplemental indenture need be entered into. Neither the Trustee nor any Conversion Agent shall be accountable with respect to the validity or value (or the kind of account) of any shares of Common Stock or of any securities or property, which may at any time be issued or delivered upon the conversion of any Convertible Debenture; and neither the Trustee

nor any Conversion Agent makes any representation with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property upon the surrender of any Convertible Debenture for the purpose of conversion.

ARTICLE VII  
FORM OF CONVERTIBLE DEBENTURE

SECTION 7.1 Form of Convertible Debenture.  
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The Convertible Debentures and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following forms:

[(FORM OF FACE OF CONVERTIBLE DEBENTURE)]

[IF THE DEBENTURE IS TO BE A GLOBAL DEBENTURE, INSERT THE FOLLOWING - - THIS DEBENTURE IS A BOOK-ENTRY DEBENTURE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS DEBENTURE IS EXCHANGEABLE FOR CONVERTIBLE DEBENTURES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS DEBENTURE (OTHER THAN A TRANSFER OF THIS DEBENTURE AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN SUCH LIMITED CIRCUMSTANCES.

UNLESS THIS DEBENTURE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY DEBENTURE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]



No. \_\_\_\_\_

CUSIP NO. \_\_\_\_\_

LOMAK PETROLEUM, INC.

5-3/4% CONVERTIBLE JUNIOR SUBORDINATED DEBENTURE

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OR EXCHANGE OF SUCH SECURITY EXCEPT (A) TO LOMAK PETROLEUM, INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, THE TRANSFER AGENT FOR THE COMMON STOCK), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRUSTEE OR TRANSFER AGENT) OR (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITY EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE SECURITY EVIDENCED HEREBY PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE BANK OF

NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, SUCH HOLDER MUST FURNISH TO THE TRANSFER AGENT SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT). IF THIS CERTIFICATE DOES NOT EVIDENCE COMMON STOCK AND IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE BANK OF NEW YORK, AS TRUSTEE, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS LOMAK PETROLEUM, INC. MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT.

Lomak Petroleum, Inc., a Delaware corporation (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to, The Bank of New York, as Institutional Trustee for Lomak Financing Trust or registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_)1 on November 1, 2027, and to pay interest on said principal sum from February 1, 1998, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on February 1, May 1, August 1 and November 1 of each year commencing February 1, 1998, at the rate of 5 3/4% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on this Convertible Debenture is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest

- - - - -  
 1 In the case of a Global Debenture the bracketed text will be replaced with the following: "principal amount set forth on Schedule A hereto".

installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture (referred to on the reverse hereof) be paid to the person in whose name this Convertible Debenture (or one or more Predecessor Debentures, as defined in said Indenture) is registered on the Regular Record Date for such interest installment, which shall be the close of business on the fifteenth day prior to such Interest Payment Date unless otherwise provided in the Indenture. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on such Regular Record Date and may be paid to the Person in whose name this Convertible Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of the Convertible Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Convertible Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Convertible Debenture shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to the registered Holder at such address as shall appear in the Debenture Register. Notwithstanding the foregoing, so long as the Holder of this Convertible Debenture is the Institutional Trustee, the payment of the principal of (and premium, if any) and interest on this Convertible Debenture will be made at such place and to such account as may be designated by the Institutional Trustee.

The indebtedness evidenced by this Convertible Debenture is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Convertible Debenture is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Convertible Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Convertible Debenture shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

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

IN WITNESS WHEREOF, the Company has caused this instrument to  
be executed.

LOMAK PETROLEUM, INC.

By: -----

Name:  
Title

Attest:

By: -----

Name:  
Title:

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

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

Dated:

THE BANK OF NEW YORK,  
as Trustee

By

-----  
Authorized Signatory

## [FORM OF REVERSE OF DEBENTURE]

This Convertible Debenture is one of a duly authorized series of Debentures of the Company (herein sometimes referred to as the "Debentures"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of October 22, 1997, duly executed and delivered between the Company and The Bank of New York, as Trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of October 22, 1997, between the Company and the Trustee (the Indenture as so supplemented, the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Convertible Debentures. By the terms of the Indenture, the Debentures are issuable thereunder in series that may vary as to amount, date of maturity, rate of interest and in other respects as provided in the Indenture. This series of Debentures is limited in aggregate principal amount as specified in said First Supplemental Indenture and herein sometimes referred to as the "Convertible Debentures."

Because of the occurrence and continuation of a Special Event, in certain circumstances, this Convertible Debenture may become due and payable at a redemption price (the "Special Event Redemption Price") equal to the Make-Whole Amount. The Special Event Redemption Price shall be paid prior to 12:00 noon, New York City time, on the date of such redemption or at such earlier time as the Company determines. The Company shall also have the right to redeem this Convertible Debenture at the option of the Company, upon not less than 30 nor more than 60 days notice, without premium or penalty, in whole or in part at any time on or after November 4, 2000 (an "Optional Redemption") at the following prices (expressed as percentages of the principal amount of the Convertible Debentures) (the "Optional Redemption Price") together with accrued and unpaid interest, including Compounded Interest to, but excluding, the redemption date, if redeemed during the 12-month period beginning November 1:

Year ----	Redemption Price -----
2000	104.025
2001	103.450
2002	102.875
2003	102.300
2004	101.725
2005	101.150
2006	100.575
2007 and thereafter	100.000

If Convertible Debentures are redeemed on any February 1, May 1, August 1 or November 1, accrued and unpaid interest shall be payable to holders of record on the relevant record date.

So long as the corresponding Convertible Preferred Securities are outstanding, the proceeds from the redemption of any of the Convertible Debentures will be used to redeem Convertible Preferred Securities.

If the Convertible Debentures are only partially redeemed by the Company pursuant to an Optional Redemption, the Convertible Debentures will be redeemed PRO RATA or by lot or by any other method utilized by the Trustee;

In the event of redemption of this Convertible Debenture in part only, a new Convertible Debenture or Convertible Debentures of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Convertible Debentures may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Debentures of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Debentures of such series; PROVIDED, HOWEVER, that no such supplemental indenture shall (a) extend the fixed maturity of any Debenture of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or make any change that adversely affects the right to convert any Debenture of any series or make any change in the subordination provisions that adversely affects the rights of any Holders of any Debenture of any series, without the consent of the Holder of each Debenture so affected, or (b) reduce the aforesaid percentage of Debentures of such series, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of each Debenture of any series then outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Debentures of any series at the time outstanding affected thereby, on behalf of all of the Holders of the Debentures of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any Debentures of such series or a



failure to convert any Debentures of such series in accordance with its terms upon an election by the Holders thereof. Any such consent or waiver by the registered Holder of this Convertible Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Convertible Debenture and of any Convertible Debenture issued in exchange therefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Convertible Debenture.

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

As long as an Event of Default under Section 5.1(a) of the Indenture shall not have occurred and be continuing, the Company shall have the right at any time during the term of the Convertible Debentures and from time to time to extend the interest payment period of such Convertible Debentures for up to 20 consecutive quarters (an "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Convertible Debentures to the extent that payment of such interest is enforceable under applicable law). Before the termination of any such Extended Interest Payment Period, the Company may further extend such Extended Interest Payment Period, PROVIDED that such Extended Interest Payment Period together with all such further extensions thereof shall not exceed 20 consecutive quarters. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest and any additional amounts then due, the Company may commence a new Extended Interest Payment Period.

As provided in the Indenture and subject to certain limitations therein set forth, this Convertible Debenture is transferable by the registered Holder hereof on the Debenture Register of the Company, upon surrender of this Convertible Debenture for registration of transfer at the office or agency of the Trustee in the City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Convertible Debentures of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Convertible Debenture, the Company, the Trustee, any paying agent and the Debenture Registrar

may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Convertible Debenture shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Debenture Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

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

The Holder of any Convertible Debenture has the right, exercisable at any time beginning January 20, 1998 through the close of business (New York time) on October 31, 2027 (or, in the case of a Convertible Debenture called for redemption, prior to the close of business on the Business Day prior to the corresponding redemption date), to convert the principal amount thereof (or any portion thereof that is an integral multiple of \$50) into shares of Common Stock at the initial conversion rate of 2.1277 shares of Common Stock for each Convertible Debenture (equivalent to a Conversion Price of \$23.50 per share of Common Stock), subject to adjustment under certain circumstances.

To convert a Convertible Debenture, a Holder must (a) complete and sign a conversion notice substantially in the form attached hereto, (b) surrender the Convertible Debenture to a Conversion Agent, (c) furnish appropriate endorsements or transfer documents if required by the Conversion Agent and (d) pay any transfer or similar tax, if required. Upon conversion, no adjustment or payment will be made for interest or dividends, but if any Holder surrenders a Convertible Debenture for conversion on or after the Regular Record Date for the payment of an installment of interest and prior to the opening of business on the next Interest Payment Date, then, notwithstanding such conversion, the interest payable on such Interest Payment Date will be paid to the registered Holder of such Convertible Debenture on such Regular Record Date. In such event, such Convertible Debenture, when surrendered for conversion, need not be accompanied by payment of an amount equal to the interest payable on such Interest Payment Date on the portion so converted. However, if a Redemption Date falls between a Regular Record Date and the subsequent Interest Payment Date, the Holder will be entitled to receive, on such Redemption Date, the interest accrued to, but excluding, the Redemption Date. The number of shares issuable upon conversion of a Convertible Debenture is determined by dividing the principal amount of the Convertible Debenture converted by the Conversion Price in

effect on the Conversion Date. No fractional shares will be issued upon conversion but a cash adjustment will be made for any fractional interest. The outstanding principal amount of any Convertible Debenture shall be reduced by the portion of the principal amount thereof converted into shares of Common Stock.

The Convertible Debentures of this series are issuable only in registered form without Coupons in denominations of \$50 and any integral multiple thereof.<sup>2</sup> This Global Debenture is exchangeable for Convertible Debentures in definitive form only under certain limited circumstances set forth in the Indenture. Convertible Debentures of this series so issued are issuable only in registered form without Coupons in denominations of \$50 and any integral multiple thereof.<sup>3</sup> As provided in the Indenture and subject to certain limitations therein set forth, Convertible Debentures of this series are exchangeable for a like aggregate principal amount of Convertible Debentures of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Convertible Debenture that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THE CONVERTIBLE DEBENTURES WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF.

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<sup>2</sup> This text will appear in the case of registered definitive certificates issued to Institutional Accredited Investors.

<sup>3</sup> This text will appear in the case of a Global Debenture.

[FORM OF ELECTION TO CONVERT]  
ELECTION TO CONVERT

To: Lomak Petroleum, Inc.

The undersigned owner of this Convertible Debenture hereby irrevocably exercises the option to convert this Convertible Debenture, or the portion below designated, into Common Stock of LOMAK PETROLEUM, INC. in accordance with the terms of the Indenture referred to in this Convertible Debenture, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Date: \_\_\_\_\_, \_\_\_\_

in whole

Portions of Convertible Debenture to be converted (\$50 or integral multiples-thereof):  
\$ \_\_\_\_\_

-----  
Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip Code, and Social Security or Other Identifying Number

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Signature Guarantee: 4  
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4 Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership of participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

## ASSIGNMENT

[FORM OF ASSIGNMENT FOR, CONVERTIBLE DEBENTURES  
THAT ARE NOT GLOBAL DEBENTURES]

For value received \_\_\_\_\_ hereby sell(s), assign(s) and transfer(s)  
unto \_\_\_\_\_

(Please insert Social security or other taxpayer  
identification number of assignee.)

the within Security and hereby irrevocably constitutes and appoints  
\_\_\_\_\_ attorney to transfer the said Convertible Debenture on the books  
of the Trust, with full power of substitution in the premises.

In connection with any transfer of the within Convertible Debenture occurring  
prior to the Transfer Restriction Termination Date, the undersigned confirms  
that such Security is being transferred:

- To Lomak Petroleum, Inc. or a subsidiary thereof;  
or
- Pursuant to and in compliance with Rule 144A under  
the Securities Act of 1933, as amended; or
- To an Institutional Accredited Investor pursuant  
to and in compliance with the Securities Act of  
1933, as amended; or
- Pursuant to and in compliance with Rule 144 under  
the Securities Act of 1933, as amended;

and unless the box below is checked, the undersigned confirms that such Security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

[ ] The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange.

-----  
Signature Guarantee\*\*\*\*\*

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of this Security in every particular without alteration or enlargement or any change whatever.

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\*\*\*\*\* (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)



ARTICLE VIII  
ORIGINAL ISSUE OF CONVERTIBLE DEBENTURES

SECTION 8.1 Original Issue of Convertible Debentures.  
-----

Convertible Debentures in the aggregate principal amount of up to \$123,711,350 may, upon execution of this First Supplemental Indenture, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and make available for delivery said Convertible Debentures to or upon the written order of the Company, signed by its Chairman, its Executive Vice President, its President, or any Vice President and its Treasurer or an Assistant Treasurer, without any further action by the Company.

ARTICLE IX  
MISCELLANEOUS

SECTION 9.1 Ratification of Indenture; First Supplemental Indenture  
-----  
Controls.  
-----

The Indenture, as supplemented by this First Supplemental Indenture, is in all respects ratified and confirmed, and this First Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided. The provisions of this First Supplemental Indenture shall supersede the provisions of the Indenture to the extent the Indenture is inconsistent herewith.

SECTION 9.2 Trustee Not Responsible for Recitals.  
-----

The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this First Supplemental Indenture.

SECTION 9.3 Governing Law.  
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This First Supplemental Indenture and each Debenture shall be deemed to be a contract made under the internal laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State.



SECTION 9.4 Separability.  
-----

In case any one or more of the provisions contained in this First Supplemental Indenture or in the Convertible Debentures shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this First Supplemental Indenture or of the Convertible Debentures, but this First Supplemental Indenture and the Convertible Debentures shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 9.5 Counterparts.  
-----

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

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed on the date or dates indicated in the acknowledgements and as of the day and year first above written.

LOMAK PETROLEUM, INC.

By -----

Name:  
Title:

THE BANK OF NEW YORK,  
as Trustee

By -----

Name:  
Title:

=====

CONVERTIBLE PREFERRED SECURITIES GUARANTEE AGREEMENT

Lomak Financing Trust

Dated as of October 22, 1997

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THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION) RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OR EXCHANGE OF SUCH SECURITY EXCEPT (A) TO LOMAK PETROLEUM INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE BANK OF NEW YORK, AS TRUSTEE, A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRUSTEE OR THE TRANSFER AGENT) OR (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITY EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE SECURITY EVIDENCED HEREBY PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, SUCH HOLDER MUST FURNISH TO THE TRANSFER AGENT SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE TRANSFER AGENT MAY REASONABLY REQUIRE TO

CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT). IF THIS CERTIFICATE DOES NOT EVIDENCE COMMON STOCK AND IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE BANK OF NEW YORK, AS TRUSTEE, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS LOMAK PETROLEUM, INC. MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO THE SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT.

## ASSIGNMENT

[FORM OF ASSIGNMENT FOR, CONVERTIBLE PREFERRED SECURITIES  
THAT ARE NOT GLOBAL DEBENTURES]

For value received \_\_\_\_\_ hereby sell(s), assign(s) and transfer(s)  
unto \_\_\_\_\_ (Please insert Social security or  
other taxpayer identification  
number of assignee.)

the within Security and hereby irrevocably constitutes and appoints  
\_\_\_\_\_ attorney to transfer the said Convertible Preferred Security on  
the books of Lomak Financing Trust (the "Trust"), with full power of  
substitution in the premises.

In connection with any transfer of the within Convertible Preferred Security  
occurring prior to the Transfer Restriction Termination Date, the undersigned  
confirms that such Security is being transferred:

- To Lomak Petroleum, Inc. (the "Company") or a subsidiary  
thereof; or
- Pursuant to and in compliance with Rule 144A under the  
Securities Act of 1933, as amended; or
- To an Institutional Accredited Investor pursuant to and in  
compliance with the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the  
Securities Act of 1933, as amended;



and unless the box below is checked, the undersigned confirms that such Security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

---  
| |


The transferee is an Affiliate of the Company.

Dated: -----

-----

-----

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange.

Signature Guarantee\*

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NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of this Security in every particular without alteration or enlargement or any change whatever.

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\*(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

## PREFERRED SECURITIES GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (the "Preferred Securities Guarantee"), dated as of October 22, 1997, is executed and delivered by Lomak Petroleum, Inc. a Delaware corporation (the "Guarantor"), and The Bank of New York, as trustee (the "Preferred Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of Lomak Financing Trust, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of October 22, 1997 among the trustees of the Issuer named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof up to 2,200,000 preferred securities, having an aggregate liquidation amount of up to \$110,000,000 designated the 5-3/4% Trust Convertible Preferred Securities.

WHEREAS, as incentive for the Holders to purchase the Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Preferred Securities Guarantee, to pay to the Holders of the Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

WHEREAS, as of the date hereof, the Guarantor is also executing and delivering a guarantee agreement (the "Common Securities Guarantee") in substantially identical terms to this Preferred Securities Guarantee for the benefit of the holders of the Common Securities (as defined herein), except that if an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments under the Common Securities Guarantee are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments under this Preferred Securities Guarantee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Preferred Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Preferred Securities Guarantee for the benefit of the Holders.

ARTICLE I  
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation  
-----

In this Preferred Securities Guarantee, unless the context otherwise requires:

- (a) Capitalized terms used in this Preferred Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) terms defined in the Declaration as at the date of execution of this Preferred Securities Guarantee have the same meaning when used in this Preferred Securities Guarantee unless otherwise defined in this Preferred Securities Guarantee;
- (c) a term defined anywhere in this Preferred Securities Guarantee has the same meaning throughout;
- (d) all references to "the Preferred Securities Guarantee" or "this Preferred Securities Guarantee" are to this Preferred Securities Guarantee as modified, supplemented or amended from time to time;
- (e) all references in this Preferred Securities Guarantee to Articles and Sections are to Articles and Sections of this Preferred Securities Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Preferred Securities Guarantee, unless otherwise defined in this Preferred Securities Guarantee or unless the context otherwise requires; and
- (g) a reference to the singular includes the plural and vice versa.

"AUTHORIZED OFFICER" of a Person means any Person that is authorized to bind such Person PROVIDED, HOWEVER, that the Authorized Officer signing an Officers' Certificate given pursuant to Section 314(a)(4) of the Trust Indenture Act shall be the principal executive, financial or accounting officer of such Person.

"CORPORATE TRUST OFFICE" means the office of the Preferred Guarantee Trustee at which the corporate trust business of the Preferred Guarantee Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at 101 Barclay Street, Floor 21 West, New York, New York 10286.

"COVERED PERSON" means any Holder or beneficial owner of Preferred Securities.

"EVENT OF DEFAULT" means (a) a default by the Guarantor on any of its payment or other obligations under this Preferred Securities Guarantee or (b) if applicable, the failure by the Guarantor to deliver Common Stock upon an appropriate election by the Holders of Preferred Securities to convert the Preferred Securities into shares of Common Stock.

"GUARANTEE PAYMENTS" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions (as defined in the Declaration) or Liquidated Damages (as such term may be defined in a supplement to the Indenture or a registration rights agreement entered into in connection with the issuance of the Preferred Securities) that are required to be paid on such Preferred Securities to the extent the Issuer shall have funds available therefor, (ii) the redemption price (the "Redemption Price"), and all accrued and unpaid Distributions to the date of redemption to the extent the Issuer has funds available therefor, with respect to any Preferred Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders in exchange for Preferred Securities as provided in the Declaration or the redemption of all the Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Preferred Securities to the date of payment, to the extent the Issuer shall have funds available therefor, and (b) the amount of assets of the Issuer remaining available for distribution to Holders upon liquidation of the Issuer (in either case, the "Liquidation Distribution"). If an Event of Default (as defined in the Indenture) has occurred and is continuing, the rights of holders of the Common Securities to receive payments under the Common Securities Guarantee Agreement are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments.

"HOLDER" shall mean any holder, as registered on the books and records of the Issuer, of any Preferred Securities; PROVIDED, HOWEVER, that, in determining whether the holders of the requisite percentage of Preferred Securities have given

any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"INDEMNIFIED PERSON" means the Preferred Guarantee Trustee, any Affiliate of the Preferred Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Preferred Guarantee Trustee.

"INDENTURE" means the Indenture dated as of October 22, 1997, between the Guarantor (the "Debenture Issuer") and The Bank of New York, as trustee, as supplemented by the First Supplemental Indenture dated as of October 22, 1997, between the Debenture Issuer and The Bank of New York, as trustee.

"MAJORITY IN LIQUIDATION AMOUNT OF THE PREFERRED SECURITIES" means, except as provided in the terms of the Preferred Securities, or except as provided by the Trust Indenture Act, a vote by Holder(s), voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Preferred Securities.

"PREFERRED GUARANTEE TRUSTEE" means The Bank of New York, until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Preferred Securities Guarantee and thereafter means each such Successor Preferred Guarantee Trustee.

"PREFERRED SECURITIES" means the 5-3/4% Trust Convertible Preferred Securities.

"RESPONSIBLE OFFICER" means, with respect to the Preferred Guarantee Trustee, any officer within the Corporate Trust Office of the Preferred Guarantee Trustee, including any vice president, any assistant vice president, any assistant secretary, the treasurer, any assistant treasurer or other officer of the Corporate Trust Office of the Preferred Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"SUCCESSOR PREFERRED GUARANTEE TRUSTEE" means a successor Preferred Guarantee Trustee possessing the qualifications to act as Preferred Guarantee Trustee under Section 4.1.

"Trust Securities" means the Common Securities and the Preferred Securities.

ARTICLE II  
TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application  
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(a) Upon its public offering pursuant to the registration requirements of the Securities Act, this Preferred Securities Guarantee will be subject to the provisions of the Trust Indenture Act that will be required to be part of this Preferred Securities Guarantee and shall, to the extent applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this Preferred Securities Guarantee limits, qualifies or conflicts with the duties imposed by Section 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.2 Lists of Holders  
-----

(a) The Guarantor shall provide the Preferred Guarantee Trustee with a list, in such form as the Preferred Guarantee Trustee may reasonably require, of the names and addresses of the Holders ("List of Holders") as of such date, (i) within 1 Business Day after January 1 and June 30 of each year, and (ii) at any other time within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Preferred Guarantee Trustee, PROVIDED, that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Preferred Guarantee Trustee by the Guarantor. The Preferred Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Preferred Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Preferred Guarantee Trustee  
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Within 60 days after May 15 of each year, the Preferred Guarantee Trustee shall provide to the Holders such reports as are required by Section 313 of the Trust Indenture Act if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Preferred Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4                      Periodic Reports to Preferred Guarantee Trustee  
 -----

The Guarantor shall provide to the Preferred Guarantee Trustee such documents, reports and information as are required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Delivery of such reports, information and documents to the Preferred Guarantee Trustee is for informational purposes only and the Preferred Guarantee Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Guarantor's compliance with any of its covenants hereunder (as to which the Preferred Guarantee Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 2.5                      Evidence of Compliance with Conditions Precedent  
 -----

The Guarantor shall provide to the Preferred Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Preferred Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6                      Events of Default; Waiver  
 -----

The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Preferred Securities Guarantee, but no such waiver shall, unless and to the extent expressly provided therein, extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7                      Event of Default; Notice  
 -----

(a) The Preferred Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default actually known to a Responsible Officer of the Preferred Guarantee Trustee, unless such defaults have been cured before the giving of such notice, PROVIDED, that, the Preferred Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Preferred Guarantee Trustee in good faith

determines that the withholding of such notice is in the interests of the Holders.

(b) The Preferred Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Preferred Guarantee Trustee shall have received written notice thereof, or a Responsible Officer of the Preferred Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge thereof.

SECTION 2.8                      Conflicting Interests  
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The Declaration shall be deemed to be specifically described in this Preferred Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III  
POWERS, DUTIES AND RIGHTS OF  
PREFERRED GUARANTEE TRUSTEE

SECTION 3.1                      Powers and Duties of the Preferred Guarantee Trustee  
-----

(a) This Preferred Securities Guarantee shall be held by the Preferred Guarantee Trustee for the benefit of the Holders and the Preferred Guarantee Trustee shall not transfer this Preferred Securities Guarantee to any Person except a Holder exercising his or her rights pursuant to Section 5.4(b) or to a Successor Preferred Guarantee Trustee on acceptance by such Successor Preferred Guarantee Trustee of its appointment to act as Successor Preferred Guarantee Trustee. The right, title and interest of the Preferred Guarantee Trustee shall automatically vest in any Successor Preferred Guarantee Trustee, and such vesting and succession of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Preferred Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Preferred Guarantee Trustee has occurred and is continuing, the Preferred Guarantee Trustee shall enforce this Preferred Securities Guarantee for the benefit of the Holders.

(c) The Preferred Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Preferred Securities Guarantee, and no implied covenants shall be read into this Preferred Securities Guarantee against the Preferred Guarantee Trustee. In case an Event of Default has



occurred (that has not been cured or waived pursuant to Section 2.6) and is actually known to a Responsible Officer of the Preferred Guarantee Trustee, the Preferred Guarantee Trustee shall exercise such of the rights and powers vested in it by this Preferred Securities Guarantee, and shall use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Preferred Securities Guarantee shall be construed to relieve the Preferred Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

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

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

(ii) the Preferred Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Preferred Guarantee Trustee, unless it shall be proved that the Preferred Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Preferred Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Preferred Guarantee Trustee, or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Preferred Securities Guarantee; and

(iv) no provision of this Preferred Securities Guarantee shall require the Preferred Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Preferred Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Preferred Securities Guarantee or indemnity, reasonably satisfactory to the Preferred Guarantee Trustee, against such risk or liability is not reasonably assured to it.

## SECTION 3.2

## Certain Rights of Preferred Guarantee Trustee

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(a) Subject to the provisions of Section 3.1:

(i) The Preferred Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Preferred Securities Guarantee shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Preferred Securities Guarantee, the Preferred Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Preferred Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor.

(iv) The Preferred Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or re- registration thereof).

(v) The Preferred Guarantee Trustee may consult with counsel of its selection, and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Preferred Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Preferred Securities Guarantee from any court of competent jurisdiction.

(vi) The Preferred Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Preferred Securities Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Preferred Guarantee Trustee such security and indemnity, reasonably satisfactory to the Preferred Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Preferred Guarantee Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Preferred Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Preferred Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Preferred Securities Guarantee.

(vii) The Preferred Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Preferred Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Preferred Guarantee Trustee shall not be responsible for any

misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(ix) Any action taken by the Preferred Guarantee Trustee or its agents hereunder shall bind the Holders and the signature of the Preferred Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Preferred Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Preferred Securities Guarantee, both of which shall be conclusively evidenced by the Preferred Guarantee Trustee's or its agent's taking such action.

(x) Whenever in the administration of this Preferred Securities Guarantee the Preferred Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Preferred Guarantee Trustee (i) may request instructions from the Holders of a Majority in liquidation amount of the Preferred Securities, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in conclusively relying on or acting in accordance with such instructions.

(xi) The Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Preferred Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(xii) The Preferred Securities Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Preferred Securities Guarantee.

(b) No provision of this Preferred Securities Guarantee shall be deemed to impose any duty or obligation on the Preferred Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Preferred Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority

available to the Preferred Guarantee Trustee shall be construed to be a duty.

SECTION 3.3. Not Responsible for Recitals or Issuance of Preferred  
-----  
Securities Guarantee  
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The recitals contained in this Preferred Securities Guarantee shall be taken as the statements of the Guarantor, and the Preferred Guarantee Trustee does not assume any responsibility for their correctness. The Preferred Guarantee Trustee makes no representation as to the validity or sufficiency of this Preferred Securities Guarantee.

ARTICLE IV  
PREFERRED GUARANTEE TRUSTEE

SECTION 4.1 Preferred Guarantee Trustee: Eligibility  
-----

(a) There shall at all times be a Preferred Guarantee Trustee which shall:

- (i) not be an Affiliate of the Guarantor; and
- (ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Preferred Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Preferred Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).



ARTICLE V  
GUARANTEE

SECTION 5.1                      Guarantee  
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The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer), as and when due, regardless of any defense, right of setoff or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2                      Waiver of Notice and Demand  
-----

The Guarantor hereby waives notice of acceptance of this Preferred Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3                      Obligations Not Affected  
-----

The obligations, covenants, agreements and duties of the Guarantor under this Preferred Securities Guarantee shall in no way be affected, increased or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer;
- (b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution, Liquidated Damages or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution, Liquidated Damages or other sum payable that results from the extension of any interest payment period on the Debentures);
- (c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or

exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4                      Rights of Holders  
-----

(a) The Holders of a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting of any proceeding for any remedy available to the Preferred Guarantee Trustee in respect of this Preferred Securities Guarantee or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Preferred Securities Guarantee.

(b) If the Preferred Guarantee Trustee fails to enforce such Preferred Securities Guarantee, any Holder of Preferred Securities may institute a legal proceeding directly against the Guarantor to enforce the Preferred Guarantee Trustee's rights under this Preferred Securities Guarantee, without first instituting a legal proceeding against the Issuer, the Preferred Guarantee Trustee or any other person or entity. Notwithstanding the foregoing, if the Guarantor has failed to make a Guarantee Payment, a Holder of Preferred Securities may directly institute a proceeding against the Guarantor for enforcement of the Guarantee for such payment. The Guarantor waives any right or remedy to require that any action be brought first against the Issuer or any other person or entity before proceeding directly against the Guarantor.



SECTION 5.5                      Guarantee of Payment  
 -----

This Preferred Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6                      Subrogation  
 -----

The Guarantor shall be subrogated to all rights (if any) of the Holders of Preferred Securities against the Issuer in respect of any amounts paid directly or indirectly to such Holders by the Guarantor under this Preferred Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Preferred Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Preferred Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7                      Independent Obligations  
 -----

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Preferred Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI  
 LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 6.1                      Limitation of Transactions  
 -----

So long as any Preferred Securities remain outstanding, if (i) the Guarantor has exercised its option to defer interest payments on the Convertible Debentures by extending the interest payment period and such extension shall be continuing, (ii) the Guarantor shall be in default with respect to its payment or other obligations under this Preferred Securities Guarantee or (iii) there shall have occurred and be continuing an Event of Default under the Declaration, then (a) the Guarantor shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Common Stock in connection with



Preferred Securities or under this Preferred Securities - Guarantee.

ARTICLE VIII  
INDEMNIFICATION

SECTION 8.1                   Exculpation  
-----

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage, liability, expense or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Preferred Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Preferred Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders might properly be paid.

SECTION 8.2                   Indemnification  
-----

The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Preferred Securities Guarantee.

When the Preferred Guarantee Trustee incurs expenses or renders services in connection with an Event of Default

specified in Section 5.1(5) or Section 5.1(6) of the Indenture, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

ARTICLE IX  
MISCELLANEOUS

SECTION 9.1                   Successors and Assigns  
-----

All guarantees and agreements contained in this Preferred Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding.

SECTION 9.2                   Amendments  
-----

Except with respect to any changes that do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Preferred Securities Guarantee may only be amended with the prior approval of the Holders of at least a Majority in liquidation amount of the Preferred Securities then outstanding (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined). The provisions of Section 12.2 of the Declaration with respect to meetings of Holders apply to the giving of such approval.

SECTION 9.3                   Assignments  
-----

Except in connection with any permitted merger or consolidation of the Guarantor with or into another entity or any permitted sale, transfer or lease of the Guarantor's assets to another entity as described in the Indenture, the Guarantor may not assign its rights or delegate its obligations under this Guarantee without the prior approval of the Holders of at least a Majority in liquidation amount of the Preferred Securities then outstanding.

SECTION 9.4                   Notices  
-----

All notices provided for in this Preferred Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) If given to the Preferred Guarantee Trustee, at the Preferred Guarantee Trustee's mailing address set forth below (or such other address as the Preferred Guarantee Trustee may give notice of to the Holders of the Preferred Securities):

The Bank of New York  
101 Barclay Street  
Floor 21 West  
New York, New York 10286  
Attention: Corporate Trust  
Administration  
Facsimile No.: (212) 815-5505

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Preferred Securities):

Lomak Petroleum  
500 Throckmorton Street  
Fort Worth, Texas 76102  
Attn: John H. Pinkerton  
Facsimile No.: (817) 870-2914

(c) If given to any Holder of Preferred Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.5                   Benefit  
-----

This Preferred Securities Guarantee is solely for the benefit of the Holders of the Preferred Securities and, subject to Section 3.1(a), is not separately transferable from the Preferred Securities.

SECTION 9.6                   Governing Law  
-----

THIS PREFERRED SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

THIS PREFERRED SECURITIES GUARANTEE is executed as of the day and year first above written.

LOMAK PETROLEUM, INC., as Guarantor

By: -----

Name:  
Title:

THE BANK OF NEW YORK, as Preferred  
Guarantee Trustee

By: -----

Name:  
Title:

COMMON SECURITIES GUARANTEE AGREEMENT

Lomak Financing Trust

Dated as of October 22, 1997

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THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION) RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY OR THE COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OR EXCHANGE OF SUCH SECURITY EXCEPT (A) TO LOMAK PETROLEUM, INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE EVIDENCES COMMON STOCK, THE TRANSFER AGENT FOR THE COMMON STOCK), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRUSTEE OR TRANSFER AGENT) OR (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITY EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE SECURITY EVIDENCED HEREBY PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE BANK OF NEW YORK, AS TRUSTEE (OR, IF THIS CERTIFICATE

EVIDENCES COMMON STOCK, SUCH HOLDER MUST FURNISH TO THE TRANSFER AGENT SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT). IF THIS CERTIFICATE DOES NOT EVIDENCE COMMON STOCK AND IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE BANK OF NEW YORK, AS TRUSTEE, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS LOMAK PETROLEUM, INC. MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO THE SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(K) UNDER THE SECURITIES ACT.

## ASSIGNMENT

[FORM OF ASSIGNMENT FOR, COMMON SECURITIES  
THAT ARE NOT GLOBAL DEBENTURES]

For value received \_\_\_\_\_ hereby sell(s), assign(s) and transfer(s)  
unto \_\_\_\_\_ (Please insert Social security  
or other taxpayer  
identification number of  
assignee.)

the within Security and hereby irrevocably constitutes and appoints  
\_\_\_\_\_ attorney to transfer the said Common Security on the books of the  
Lomak Financing Trust, with full power of substitution in the premises.

In connection with any transfer of the within Common Security occurring prior to  
the Transfer Restriction Termination Date, the undersigned confirms that such  
Security is being transferred:

- To Lomak Petroleum, Inc. (the "Company") or a subsidiary thereof; or
- Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- To an Institutional Accredited Investor pursuant to and in compliance with the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended;

and unless the box below is checked, the undersigned confirms that such Security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

---  
| |

| |  
--- The transferee is an  
Affiliate of the  
Company.

Dated: \_\_\_\_\_

-----

-----

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange.

-----

Signature Guarantee\*

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of this Security in every particular without alteration or enlargement or any change whatever.

-----

\*(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Conversion Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Conversion Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

## COMMON SECURITIES GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (the "Common Securities Guarantee"), dated as of October 22, 1997, is executed and delivered by Lomak Petroleum, Inc., a Delaware corporation (the "Guarantor"), for the benefit of the Holders (as defined herein) from time to time of the Common Securities (as defined herein) of Lomak Financing Trust, a Delaware business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of October 22, 1997, among the Trustees of the Issuer named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof 74,227 common securities, having an aggregate stated liquidation amount of \$3,711,350, designated the 5-3/4% Common Securities (the "Common Securities");

WHEREAS, as incentive for the Holders to purchase the Common Securities, the Guarantor desires to irrevocably and unconditionally agree, to the extent set forth in this Common Securities Guarantee, to pay to the Holders of the Common Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein; and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Preferred Securities Guarantee") in substantially identical terms to this Common Securities Guarantee for the benefit of the holders of the Convertible Preferred Securities (as defined herein), except that (as set forth herein) if an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of Holders of the Common Securities to receive Guarantee Payments under this Common Securities Guarantee are subordinated to the rights of holders of Convertible Preferred Securities to receive Guarantee Payments under the Convertible Preferred Securities Guarantee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Common Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Common Securities Guarantee for the benefit of the Holders.

ARTICLE I  
DEFINITIONS AND INTERPRETATION

SECTION 1.1. Definitions Interpretation  
-----

In this Common Securities Guarantee, unless the context otherwise requires:

(a) capitalized terms used in this Common Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) terms defined in the Declaration as at the date of execution of this Common Securities Guarantee have the same meaning when used in this Common Securities Guarantee unless otherwise defined in this Common Securities Guarantee;

(c) a term defined anywhere in this Common Securities Guarantee has the same meaning throughout;

(d) all references to "the Common Securities Guarantee" or "this Common Securities Guarantee" are to this Common Securities Guarantee as modified, supplemented or amended from time to time;

(e) all references in this Common Securities Guarantee to Articles and Sections are to Articles and Sections of this Common Securities Guarantee unless otherwise specified; and

(f) a reference to the singular includes the plural and vice versa.

"Convertible Preferred Securities" mean the securities representing preferred undivided beneficial interests in the assets of the Issuer.

"Guarantee Payments" shall mean the following payments or distributions, without duplication, with respect to the Common Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions or Liquidated Damages Amounts (as such term may be defined in a supplement to the Indenture or a registration rights agreement entered into in connection with the Common Securities) which are required to be paid on such Common Securities to the extent the Issuer shall have funds available therefor, (ii) the redemption price (the "Redemption Price"), and all accrued and unpaid Distributions to the date of redemption to the extent the Issuer has funds available therefor, with respect to any Common Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders in exchange for Common Securities as provided in the Declaration or the redemption of all of the Convertible

Preferred Securities), the lesser of (a) the aggregate of liquidation amount and all accrued and unpaid Distributions on the Common Securities to the date of payment, to the extent the Issuer has funds available therefor, and (b) the amount of assets of the Issuer remaining available for distribution to Holders upon liquidation of the Issuer (in either case, the "Liquidation Distribution"). If an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of Holders of the Common Securities to receive Guarantee Payments under this Common Securities Guarantee are subordinated to the rights of holders of Convertible Preferred Securities to receive Guarantee Payments.

"Holder" shall mean any holder, as registered on the books and records of the Issuer, of any Common Securities.

"Trust Securities" shall mean the Common Securities and the Convertible Preferred Securities.

ARTICLE II  
GUARANTEE

SECTION 2.1. Guarantee  
-----

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer), as and when due, regardless of any defense, right of setoff or counterclaim which the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 2.2. Waiver of Notice and Demand  
-----

The Guarantor hereby waives notice of acceptance of this Common Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 2.3. Obligations Not Affected  
-----

The obligations, covenants, agreements and duties of the Guarantor under this Common Securities Guarantee

shall in no way be affected, increased or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Common Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Common Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Common Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures or any extension of the maturity date of the Debentures permitted by the Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Common Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Common Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 2.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.



There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

#### SECTION 2.4. Rights of Holders

-----

The Guarantor expressly acknowledges that any Holder of Common Securities may institute a legal proceeding directly against the Guarantor to enforce its rights under this Common Securities Guarantee, without instituting a legal proceeding against the Issuer or any other Person.

#### SECTION 2.5. Guarantee of Payment

-----

This Common Securities Guarantee creates a guarantee of payment and not of collection.

#### SECTION 2.6. Subrogation

-----

The Guarantor shall be subrogated to all rights (if any) of the Holders of Common Securities against the Issuer in respect of any amounts paid directly or indirectly to such Holders by the Guarantor under this Common Securities Guarantee; PROVIDED, HOWEVER, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Common Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Common Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders. If an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of Holders of the Common Securities to receive Guarantee Payments under this Common Securities Guarantee are subordinated to the rights of holders of Convertible Preferred Securities to receive Guarantee Payments under the Convertible Preferred Securities Guarantee.

#### SECTION 2.7. Independent Obligations

-----

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Common Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Common Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 2.3 hereof.

ARTICLE III  
LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 3.1. Limitation of Transactions  
-----

So long as any Common Securities remain outstanding, if (i) the Guarantor has exercised its option to defer interest payments on the Convertible Debentures by extending the interest payment period and such extension shall be continuing, (ii) the Guarantor shall be in default with respect to its payment or other obligations under this Common Securities Guarantee or (iii) there shall have occurred and be continuing an Event of Default under the Declaration then (a) the Guarantor shall not declare or pay any dividend on, or make any distributions with respect to, or redeem, purchase or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Common Stock in connection with the satisfaction by the Guarantor of its obligations under any employee benefit plans or the satisfaction by the Guarantor of its obligations pursuant to any contract or security requiring the Guarantor to purchase shares of Common Stock, (ii) as a result of a reclassification of the Guarantor's capital stock or the exchange or conversion of one class or series of the Guarantor's capital stock for another class or series of the Guarantor's capital stock, (iii) the purchase of fractional interests in shares of the Guarantor's capital stock pursuant to the conversion or exchange provisions of such capital stock of the Guarantor or the security being converted or exchanged for capital stock of the Company, (iv) dividends or distributions in Common Stock of the Company, or (v) any declaration of a dividend in connection with the implementation or extension of a stockholders' rights plan or the issuance of stock under any such plan (including the plan existing on the date hereof) in the future, or the redemption or repurchase of any such rights pursuant thereto) or make any guarantee payments with respect to the foregoing and (b) the Guarantor shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Guarantor which rank pari passu with or junior to the Debentures.

SECTION 3.2. Subordination  
-----

This Common Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor and with any guarantee now or hereafter

entered into by the Guarantor in respect of any preferred or preference stock of any Affiliate of the Guarantor, and (iii) senior to the Guarantor's common stock.

ARTICLE IV  
TERMINATION

SECTION 4.1. Termination  
-----

This Common Securities Guarantee shall terminate upon (i) full payment of the Redemption Price of all Common Securities, (ii) upon the distribution of the Guarantor's common stock to the Holders in respect of the conversion of all of the Common Securities into the Guarantor's common stock or upon the distribution of the Debentures to the Holders of all of the Common Securities, or (iii) upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Common Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Common Securities must restore payment of any sums paid under the Common Securities or under this Common Securities Guarantee.

ARTICLE V  
MISCELLANEOUS

SECTION 5.1. Successors and Assigns  
-----

All guarantees and agreements contained in this Common Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Common Securities then outstanding.

SECTION 5.2. Amendments  
-----

Except with respect to any changes which do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Common Securities Guarantee may only be amended with the prior approval of the Holders of at least a majority in liquidation amount of all the outstanding Common Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Securities apply to the giving of such approval.

SECTION 5.3. Notices  
-----

All notices provided for in this Common Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) if given to the Issuer, in care of the Regular Trustees at the Issuer's mailing address set forth below (or such other address as the Issuer may give notice of to the Holders of the Common Securities):

Lomak Financing Trust  
 c/o Lomak Petroleum, Inc.  
 500 Throckmorton Street  
 Fort Worth, TX 76102  
 Attention: John H. Pinkerton  
 Facsimile No: (817) 870-2914

(b) if given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Common Securities):

Lomak Petroleum, Inc.  
 500 Throckmorton Street  
 Fort Worth, TX 76102  
 Attention: John H. Pinkerton  
 Facsimile No: (817) 870-2914

(c) if given to any Holder of Common Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

#### SECTION 5.4. Benefit -----

This Common Securities Guarantee is solely for the benefit of the Holders of the Common Securities and is not separately transferable from the Common Securities.

#### SECTION 5.5. Governing Law -----

THIS COMMON SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE

LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES  
THEREOF.

THIS COMMON SECURITIES GUARANTEE is executed as of the day and year first above written.

LOMAK PETROLEUM, INC.

By:

-----

Name:

Title:

[Vinson & Elkins Logo]  
ATTORNEYS AT LAW

VINSON & ELKINS L.L.P.  
1001 FANNIN STREET  
SUITE 2300  
HOUSTON, TEXAS 77002-6760  
TELEPHONE (713) 758-2222  
FAX (713) 758-2346

WRITER'S TELEPHONE  
(713) 758-3820

WRITER'S FAX  
(713) 615-5605

October 22, 1997

Morgan Stanley & Co. Incorporated  
Credit Suisse First Boston Corporation  
Forum Capital Markets L.P.  
McDonald & Company Securities, Inc.  
c/o Morgan Stanley & Co. Incorporated  
1585 Broadway  
New York, New York 10036

Ladies and Gentlemen:

We have acted as special counsel to Lomak Petroleum, Inc., a Delaware corporation (the "Company"), and Lomak Financing Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), in connection with the Placement Agreement, dated October 16, 1997 (the "Placement Agreement"), among the Company and you (the "Initial Purchasers"), pursuant to which the Initial Purchasers have severally agreed to purchase from the Trust \$120,000,000 aggregate liquidation amount of 5 3/4% Trust Convertible Preferred Securities (the "Convertible Preferred Securities") (including \$10,000,000 aggregate liquidation amount of Convertible Preferred Securities to be purchased as a result of the Initial Purchasers' exercise of the over-allotment option granted to them by the Trust). Each capitalized term used but not otherwise defined herein shall have the meaning set forth in the Placement Agreement.

In such capacity, we have examined the following documents:

- (a) The Offering Memorandum, dated October 16, 1997 (the "Final Memorandum"), relating to the Convertible Preferred Securities;
- (b) The Amended and Restated Declaration of Trust of the Trust, dated as of October 22, 1997 (the "Declaration");
- (c) The Registration Rights Agreement, dated as of October 22, 1997 (the "Registration Rights Agreement"), among the Trust, the Company and the Initial Purchasers;

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October 22, 1997

(d) The Common Securities Guarantee Agreement and the Convertible Preferred Securities Guarantee Agreement, each dated as of October 22, 1997 (collectively, the "Guarantees"), of the Company;

(e) The Indenture, dated as of October 22, 1997, as supplemented by the First Supplemental Indenture, dated as of October 22, 1997, between the Company and The Bank of New York (the "Indenture"); and

(f) The form of the Convertible Debentures of the Company, dated as of October 22, 1997, issued pursuant to the Indenture.

We have also examined, and relied upon as to matters of fact, the documents delivered to the Company and the Trust at the closing of the purchase and sale of the Convertible Preferred Securities and the representations and warranties of the Initial Purchasers set forth in the Placement Agreement. In addition, we have examined and relied upon certificates of public officials and officers of the Company and the Trust, and we have made such other investigations and examined such other documents as we have deemed necessary as a basis for the opinions hereinafter expressed.

In rendering the opinions set forth below, we have assumed, in each case without independent verification, (i) the genuineness of all signatures on documents or instruments reviewed by us, (ii) the authenticity of all documents or instruments submitted to us as originals, (iii) the conformity to the original document of all documents submitted to us as copies thereof, (iv) the legal capacity of all natural persons executing documents or instruments reviewed by us, (v) the completeness of all records of the Company and the Trust examined by us, (vi) except to the extent set forth in paragraphs 5 through 9 below, the due authorization, execution and delivery by the parties thereto of all documents and instruments examined by us and (vii) that documents listed in (b) through (f) above constitute the valid and binding obligations of the parties thereto other than the Company or the Trust.

Based upon the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

1. The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Final Memorandum and is duly qualified to transact business and is in good standing in each of the states listed on Schedule I attached hereto, which states are the jurisdictions identified by the Company to us as the only jurisdictions in which the Company owns property, has operations or conducts business.

2. The statements set forth in the Final Memorandum under the captions "Lomak Financing Trust," "Description of Capital Stock and Indebtedness," "Description of the Convertible Preferred Securities," "Description of the Guarantee," and "Description of the Convertible Debentures," insofar as they purport to constitute a summary of the legal matters referred to therein



or the terms of the Declaration, the Convertible Preferred Securities, the Guarantee, and the Convertible Debentures, respectively, fairly present the matters set forth therein.

3. Each document filed pursuant to the Exchange Act and incorporated by reference in the Final Memorandum (other than the financial statements, the related schedules, the reserve data and any other financial or statistical data included therein, as to which we express no opinion) appeared on their face to comply when so filed as to form in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder.

4. This Agreement has been duly authorized, executed and delivered by the Company.

5. The Indenture has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company enforceable in accordance with its terms, except as (a) the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally, (b) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability (whether enforcement is sought by proceedings in equity or at law) and (c) rights of indemnity and contribution thereunder may be limited by federal or state securities laws or the public policy underlying such laws.

6. The Convertible Debentures have been duly authorized and, when executed by the Company, authenticated by the Indenture Trustee, issued in accordance with the Indenture and delivered to the Trust against payment therefor as described in the Final Memorandum, will constitute valid and binding obligations of the Company, enforceable in accordance with their terms, except as (a) the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally, (b) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability (whether enforcement is sought by proceedings in equity or at law) and (c) rights of indemnity and contribution thereunder may be limited by federal or state securities laws or the public policy underlying such laws.

7. The Guarantees have each been duly authorized, executed and delivered by the Company and each of the Guarantees is a valid and binding agreement of the Company, in each case enforceable against the Company, except as (a) the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally, (b) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability (whether enforcement is sought by proceedings in equity or at law) and (c) rights of indemnity and contribution thereunder may be limited by federal or state securities laws or the public policy underlying such laws.

8. The Registration Rights Agreement has been duly authorized and, when executed and delivered by the Company, will be a valid and binding agreement of the Company enforceable in accordance with its terms, except as (a) the enforceability thereof may be limited by applicable

bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally, (b) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles of general applicability (whether enforcement is sought by proceedings in equity or at law) and (c) rights of indemnity and contribution thereunder may be limited by federal or state securities laws or the public policy underlying such laws.

9. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Declaration, the Registration Rights Agreement, the Guarantees, the Indenture and the Convertible Debentures, and the conversion of the Convertible Debentures and the Convertible Preferred Securities into Lomak Common Stock will not contravene any provision of applicable law (other than the securities laws of any jurisdiction, as to which we express no opinion other than that provided in paragraph 16), the Declaration, or the certificate of incorporation or by-laws of the Company or, to the best of our knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is listed as a material agreement in the Company's Form 10-K for the year ended December 31, 1996, or, to the best of our knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, the Declaration, the Registration Rights Agreement, the Guarantees, the Indenture or the conversion of the Convertible Preferred Securities and Convertible Debentures into Lomak Common Stock, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Convertible Preferred Securities and except for such consents, approvals, authorizations, orders or qualifications as may be contemplated to be performed under the Registration Rights Agreement.

10. The execution and delivery by the Trust of, and the performance by the Trust of its obligations under, this Agreement, the Declaration and the Registration Rights Agreement and the conversion of the Convertible Preferred Securities and the Convertible Debentures into Lomak Common Stock will not contravene any provision of applicable law (other than the securities laws of any jurisdiction, as to which we express no opinion other than that provided in paragraph 16), the Declaration, or, to the best of our knowledge, any agreement or other instrument binding upon the Trust that is material to the Trust, or, to the best of our knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Trust, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Trust of its obligations under this Agreement, the Declaration or the Registration Rights Agreement or the conversion of the Convertible Preferred Securities and the Convertible Debentures into Lomak Common Stock, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Convertible Preferred Securities and except for such consents, approvals, authorization, orders or qualifications as may be contemplated to be performed under the Registration Rights Agreement.

11. The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Final Memorandum.

12. The shares of Lomak Common Stock initially issuable upon the conversion of the Convertible Debentures and the Convertible Preferred Securities have been duly authorized and reserved for issuance upon such conversion and, when issued upon such conversion, will be validly issued, fully paid and nonassessable and will not be subject to any preemptive rights.

13. The shares of the Company's outstanding Common Stock have been duly authorized and are validly issued, fully paid and nonassessable and are not subject to any preemptive rights.

14. Neither the Company nor the Trust is, and after giving effect to the issuance of the Convertible Preferred Securities and the Convertible Debentures and the application of the proceeds thereof as described in the Final Memorandum, neither the Company nor the Trust will be, an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended.

15. To our knowledge, there are no legal or governmental proceedings pending or threatened to which the Trust, the Company or any of its subsidiaries is a party or to which any of the properties of the Trust, the Company or any of its subsidiaries is subject other than proceedings described in the Final Memorandum and proceedings that would not have a material adverse effect on the Trust or the Company and its subsidiaries, taken as a whole, or on the power or ability of the Trust or the Company to perform its respective obligations under this Agreement, the Indenture, the Convertible Preferred Securities, the Convertible Debentures, the Declaration, the Guarantees or the Registration Rights Agreement or to consummate the transactions contemplated by the Final Memorandum.

16. Based on the representations, warranties and agreements of the Company and the Initial Purchasers in this Agreement and on the representations and agreements contained in the Final Memorandum and the Indenture, it is not necessary in connection with the offer, sale and delivery of the Convertible Preferred Securities to the Initial Purchasers under this Agreement or in connection with the initial resale of the Convertible Preferred Securities by the Initial Purchasers in the manner contemplated by this Agreement and the Final Memorandum to register the Convertible Preferred Securities, the Lomak Common Stock, the Guarantee or the Convertible Debentures under the Securities Act or to qualify the Indenture under the Trust Indenture Act.

17. The Trust will be classified as a grantor trust and not as an association taxable as a corporation. Accordingly, for United States federal income tax purposes, each holder of Convertible Preferred Securities will generally be considered the owner of an undivided interest in the Convertible Debentures, and each holder will be required to include in its gross income any original issue discount accrued with respect to its allocable share of those Convertible Debentures.

18. Although the matter is not free from doubt, the Convertible Debentures should be classified for United States federal income tax purposes as indebtedness of the Company.

19. Although the discussion set forth in the Final Memorandum under the heading "United States Federal Income Taxation" does not purport to discuss all possible United States

federal income tax consequences of the purchase, ownership and disposition of the Convertible Preferred Securities, in our opinion such discussion constitutes, in all material respects, a fair and accurate summary of the United States federal income tax consequences of the purchase, ownership and disposition of the Convertible Preferred Securities under current United States federal income tax law.

In passing upon the form of the Final Memorandum (and the documents incorporated by reference therein), we have necessarily assumed the correctness and completeness of the statements made therein. We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Memorandum or documents incorporated by reference therein, and we have not independently verified the accuracy, completeness or fairness of such statements (except to the extent set forth in paragraph 3 and 18 above). Without limiting the foregoing, we assume no responsibility for and have not independently verified the accuracy, completeness or fairness of the financial statements, including the notes thereto, the financial statement schedules, and other financial, accounting, statistical and reserve data included in, or incorporated into, the Final Memorandum and we have not examined the financial records from which such statements and data are derived. We have, however, participated in conferences with officers and other representatives of the Company and the Trust, counsel for the Company and the Trust, representatives of the independent public accountants for the Company and representatives of the Initial Purchasers at which the contents of the Final Memorandum and related matters were discussed. We have also reviewed certain organizational documents furnished to us by the Company and the Trust as applicable. Based on such participation and review (relying as to materiality in part upon the officers and the other representatives of the Company and the Trust and the Company's independent public accountants), and subject to the limitations described above, no information has come to our attention that causes us to believe that the Final Memorandum, as amended or supplemented, prior to the Closing Date (other than the financial statements, the related schedules, the reserve data and any other financial or statistical data included therein, as to which we express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We express no opinion with respect to the following provisions to the extent that the same are contained in the documents described in the second paragraph of this letter: (a) provisions purporting to waive or not give effect to rights to notices, counterclaims, set-offs, legal defenses, provision of law, jury trial, or other rights or benefits that cannot be waived under applicable law, (b) provisions purporting to establish jurisdiction or venue or method of service of process, (c) provisions providing for subrogation, (d) provisions releasing, exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction to the extent that the same are inconsistent with public policy, (e) provisions purporting to give rise to a separate cause of action if a judgment is rendered in a foreign currency and (f) provisions purporting to reinstate an obligation after its discharge.

In rendering the opinions expressed in paragraphs 9 and 10 above, we have made no examination of any accounting or financial matter and express no opinion with respect thereto. In

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October 22, 1997

rendering the opinions expressed in paragraphs 17 through 19 above, we have assumed full compliance with the terms of the Declaration and the Indenture.

All references herein to "to our knowledge" (or any similar term) shall mean the actual current knowledge of attorneys presently with our firm who have within the last year given substantive attention to the Company, the Trust or the Company's subsidiaries in the form of legal consultation or legal representation.

The opinions expressed herein are based solely upon and are limited to the internal laws of the State of Texas, the corporation law of the State of Delaware and the federal laws of the United States of America. Insofar as the opinions expressed herein may relate to the laws of the State of Delaware, we have relied, without any independent investigation on our part, on the opinion of Richards, Layton & Finger dated the date hereof and delivered to the Initial Purchasers.

This opinion is furnished to you solely for your benefit pursuant to Section 5(c) of the Placement Agreement. This letter and the opinions expressed herein may not be used or relied upon by you for any other purpose and may not be used or relied upon for any purpose by any other person or entity without our prior written consent. Except for the use permitted herein, this letter is not to be quoted or reproduced in whole or in part or otherwise referred to in any manner nor is it to be filed with any governmental agency or delivered to any other person without our prior written consent.

Very truly yours,

/s/ VINSON & ELKINS L.L.P.

SCHEDULE I

States of Foreign Qualification  
-----

Entity -----	State of Incorporation -----	States of Foreign Qualification -----
Lomak Petroleum, Inc.	Delaware	Texas

-----

[Vinson & Elkins Logo]  
ATTORNEYS AT LAW

VINSON & ELKINS L.L.P.  
1001 FANNIN STREET  
SUITE 2300  
HOUSTON, TEXAS 77002-6760  
TELEPHONE (713) 758-2222  
FAX (713) 758-2346

WRITER'S TELEPHONE  
(713) 758-3820

WRITER'S FAX  
(713) 615-5605

January 7, 1998

Lomak Petroleum, Inc.  
500 Throckmorton Street  
Fort Worth, Texas 76102

Ladies and Gentlemen:

We have acted as counsel to Lomak Petroleum, Inc., a Delaware corporation (the "Company"), in connection with the preparation of the Company's Registration Statement on Form S-3 (the "Registration Statement"), relating to the proposed offer and sale by Arrow Operating Company, a stockholder of the Company, of 554,101 shares of the Company's common stock, par value \$.01 per share (the "Shares"). In such capacity, we are passing on certain legal matters in connection with the registration of the sale of the Shares. At your request, this opinion is being furnished to you for filing as an exhibit to the Registration Statement. The Registration Statement also includes additional securities of the Company and its subsidiary, Lomak Financing Trust, which may be offered from time to time by the holders thereof (the "Additional Shares"). This firm previously delivered to the purchasers of the Additional Shares an opinion dated October 22, 1997 (the "October 1997 Opinion") with respect to the validity of the Additional Shares.

In connection with rendering this opinion, we have examined such certificates, instruments and documents and reviewed such questions of law as we have considered necessary or appropriate for the purposes of this opinion. In addition, we have relied as to factual matters on certificates of certain public officials and officers of the Company.

Based upon the foregoing examination and review, we are of the opinion that the Shares will, upon issuance and delivery against payment therefor, be duly and validly authorized and legally issued, fully paid and nonassessable.

The foregoing opinion is limited to the laws of the United States of America and to the General Corporation Law of the State of Delaware. For purposes of this opinion, we assume that the Shares will be issued in compliance with all applicable state securities or Blue Sky laws.

We hereby consent to the filing of this opinion and the October 1997 Opinion as exhibits to the Registration Statement. In giving this consent, however, we do not hereby admit that we are

HOUSTON DALLAS WASHINGTON, D.C. AUSTIN MOSCOW LONDON SINGAPORE

within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 and the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ VINSON & ELKINS L.L.P.



REGISTRATION RIGHTS AGREEMENT  
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REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of October 22, 1997 by and among Lomak Petroleum, Inc., a Delaware corporation ("Lomak"), Lomak Financing Trust, a special purpose business trust formed under the laws of the State of Delaware (the "Trust"), and Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, Forum Capital Markets L.P. and McDonald & Company Securities, Inc. (the "Initial Purchasers") pursuant to the Placement Agreement, dated as of October 16, 1997 (the "Placement Agreement"), among Lomak, the Trust and the Initial Purchasers. In order to induce the Initial Purchasers to enter into the Placement Agreement, Lomak and the Trust have agreed to provide the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Placement Agreement.

Lomak and the Trust agree with the Initial Purchasers (i) for their benefit as Initial Purchasers and (ii) for the benefit of the holders from time to time of the Registrable Securities (including the Initial Purchasers) (each of the foregoing a "Holder" and together the "Holders"), as follows:

Section 1. DEFINITIONS. Capitalized terms used herein without definition shall have their respective meanings set forth in the Placement Agreement. As used in this Agreement, the following terms shall have the following meanings:

**AFFILIATE:** "Affiliate" means, with respect to any specified person, (i) any other person directly or indirectly controlling or controlled by, or under direct or direct common control with, such specified person or (ii) any officer or director of such other person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a person means the possession, direct or indirect, of the power (whether or not exercised) to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

**APPLICABLE CONVERSION PRICE:** The Applicable Conversion Price as of any date of determination means the Conversion Price, as the same may be adjusted from time to time, in effect as of such date of determination or, if no Convertible Debentures are then outstanding, the Conversion Price that would be in effect were Convertible Debentures then outstanding.

**BUSINESS DAY:** Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

**COMMON STOCK:** The shares of common stock, par value \$0.01 per share, of Lomak and any other shares of common stock as may constitute "Common Stock" for purposes of the Indenture, including the Underlying Common Stock.

**CONVERSION PRICE:** Conversion Price shall have the meaning assigned such term in Section 6.1 of the Indenture.

CONVERTIBLE DEBENTURES: The 5-3/4% Convertible Junior Subordinated Debentures of Lomak to be purchased by the Trust pursuant to the Debenture Purchase Agreement dated October 22, 1997 between Lomak and the Trust.

CONVERTIBLE PREFERRED SECURITIES: the 5-3/4% Trust Convertible Preferred Securities of the Trust.

DAMAGES ACCRUAL PERIOD: See Section 2(e) hereof.

DAMAGES PAYMENT DATE: Each payment date under the Declaration, in the case of Convertible Preferred Securities, each Interest Payment Date (as defined in the Indenture), in the case of Convertible Debentures, and each February 1, May 1, August 1 and November 1, in the case of Underlying Common Stock.

DECLARATION: the Amended and Restated Declaration of Trust dated as of October 22, 1997 of the Trust.

DEFERRAL PERIOD: See Section 2(d)(ii) hereof.

EFFECTIVENESS PERIOD: The period commencing with the date hereof and ending on the date that all Registrable Securities have ceased to be Registrable Securities.

EVENT: See Section 2(e) hereof.

EVENT TERMINATION DATE: See Section 2(e), hereof.

EVENT DATE: See Section 2(e) hereof.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

FILING DATE: See Section 2(a) hereof.

GUARANTEE: The guarantee by Lomak of the Convertible Preferred Securities pursuant to the Convertible Preferred Securities Guarantee Agreement dated as of the date hereof.

HOLDER: See the second paragraph of this Agreement.

INDENTURE: The Indenture, dated as of October 22, 1997, between Lomak and The Bank of New York, as trustee, pursuant to which the Convertible Debentures are being issued, as amended by the First Supplemental Indenture dated October 22, 1997 between Lomak and The Bank of New York, as trustee.

INITIAL PURCHASERS: Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, Forum Capital Markets L.P. and McDonald & Company Securities Inc.

INITIAL SHELF REGISTRATION: See Section 2(a) hereof

LIQUIDATED DAMAGES AMOUNTS: See Section 2(e) hereof.

LOSSES: See Section 6 hereof.

NOTICE HOLDER: See Section 2(d)(i) hereof.

PLACEMENT AGREEMENT: See the first paragraph of this

Agreement.

PROSPECTUS: The prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any amendment or prospectus supplement, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

REGISTRABLE SECURITIES: The Convertible Preferred Securities, the Guarantee, the Convertible Debentures and the Underlying Common Stock, whether or not such securities have been converted or exchanged, and at all times subsequent to any such conversion or exchange, and any security issued with respect thereto upon any stock dividend, split or similar event until, in the case of any such security, (i) it is effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering its offering and sale, (ii) it is saleable by the Holder thereof pursuant to Rule 144(k) or (iii) it is sold to the public pursuant to Rule 144 and, as a result of the event or circumstance described in any of the foregoing clauses (i) through (iii), the legends with respect to transfer restrictions required under the Declaration and the Indenture are removed or removable in accordance with the terms of the Declaration or the Indenture, as the case may be; PROVIDED, that this definition shall not apply to any Convertible Preferred Securities, the Guarantee, any Convertible Debentures or Underlying Common Stock held by an Affiliate (2) years after the date of this Agreement.

REGISTRATION STATEMENT: Any registration statement of Lomak or the Trust which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

RESTRICTED SECURITIES: As this term is defined in Rule 144.

RULE 144: Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

RULE 144A: Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

SEC: The Securities and Exchange Commission.

SECURITIES ACT: The Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

SELLING PERIOD: See Section 2(d)(i) hereof.

SHELF REGISTRATION: See Section 2(a) hereof.

SPECIAL COUNSEL: Simpson Thacher & Bartlett or such other successor counsel as shall be specified by the Holders of a majority of the Registrable Securities, the reasonable fees and expenses of which will be paid by Lomak pursuant to Section 5 hereof.

SUBSEQUENT SHELF REGISTRATION: See Section 2(b) hereof.

TIA: The Trust Indenture Act of 1939, as amended.

TRUSTEE: The Bank of New York (or any successor entity), the Institutional Trustee under the Declaration, or in the event the Convertible Debentures are distributed to holders of the Convertible Preferred Securities upon dissolution of the Trust, the Trustee under the Indenture.

UNDERLYING COMMON STOCK: The Common Stock of Lomak into which the Convertible Debentures are convertible.

## Section 2. Shelf Registration.

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(a) SHELF REGISTRATION. Lomak and the Trust shall prepare and file with the SEC, as soon as practicable but in any event within ninety (90) days (subject to the provisions of Section 2(d)(ii)) after the latest date of original issuance of the Convertible Preferred Securities (the "Filing Date"), a Registration Statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (a "Shelf Registration") registering the resale from time to time by Holders thereof of all of the Registrable Securities (the "Initial Shelf Registration"). The Initial Shelf Registration shall be on Form S-3 or another appropriate form permitting registration of such Registrable Securities for resale by such Holders in the manner or manners designated by them. Lomak and the Trust shall use their best efforts to cause the Initial Shelf Registration to become effective under the Securities Act as promptly as is practicable and to keep the Initial Shelf Registration continuously effective under the Securities Act until the end of the Effectiveness Period.

(b) If the Initial Shelf Registration or any Subsequent Shelf Registration, as defined below, ceases to be effective for any reason at any time during the Effectiveness Period (other than because all Registrable Securities shall have ceased to be Registrable Securities), Lomak and the Trust shall use their best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within thirty (30) days (subject to the provisions of Section 2(d)(ii)) of such cessation of effectiveness use their best efforts to amend the Shelf Registration in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration covering all of the Registrable Securities (a "Subsequent Shelf Registration"). If a Subsequent Shelf Registration is filed, Lomak and the Trust shall use their best efforts to cause the Subsequent Shelf Registration to become effective as promptly as is practicable after such filing and to keep such Registration Statement continuously effective until the end of the Effectiveness Period.

(c) Lomak and the Trust shall supplement and amend the Shelf Registration if required by the rules, regulations or instructions applicable to the registration form used by Lomak and the Trust for such Shelf Registration, if required by the Securities Act, or if reasonably requested by the Initial Purchasers or by the Trustee on behalf of the Holders of the Registrable Securities covered by such Registration Statement.

(d) Each Holder of Registrable Securities agrees that if such Holder wishes to sell its Registrable Securities pursuant to a Shelf Registration and related Prospectus, it will do so only in accordance with this Section 2(d). Each Holder of Registrable Securities agrees to give written notice to Lomak and the Trust at least five (5) Business Days prior to any intended distribution of Registrable Securities under the Shelf Registration, which notice shall specify the date on which such Holder intends to begin such distribution and any information with respect to such Holder and the intended distribution of Registrable Securities by such Holder required to amend or supplement the Registration Statement with respect to such intended distribution of Registrable Securities by such Holder. As promptly as is practicable after the date such notice is provided, and in any event within four (4) Business Days after such date, Lomak and the Trust shall either:

(i) (A) prepare and file with the SEC a post-effective amendment to the Shelf Registration or a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that such Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and so that, as thereafter delivered to purchasers of the Registrable Securities being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (B) provide the Holders of the Registrable Securities who gave such notice copies of any documents filed pursuant to Section 2(d)(i)(A); and (C) inform each such Holder that Lomak and the Trust have complied with their obligations in Section 2(d)(i)(A) (or that, if Lomak and the Trust have filed a post-effective amendment to the Shelf Registration which has not yet been declared effective, Lomak and the Trust will notify each such Holder to that effect, will use their best efforts to secure the effectiveness of such post-effective amendment and will promptly notify each such Holder pursuant to Section 2(d)(i)(A) hereof when the amendment has become effective); each Holder who has given notice of intention to distribute such Holder's Registrable Securities in accordance with Section 2(d) hereof (a "Notice Holder") will sell all or any or such Registrable Securities pursuant to the Shelf Registration and related Prospectus only during the 45-day period commencing with the date on which Lomak and the Trust gives notice, pursuant to Section 2(d)(i)(A), that the Registration Statement and Prospectus may be used for such purpose (such 45-day period is referred to as a "Selling Period"); the Notice Holders will not sell any Restricted Securities pursuant to such Registration Statement or Prospectus after such Selling Period without giving a new notice of intention to sell pursuant to Section 2(d) hereof and receiving a further notice from Lomak and the Trust pursuant to Section 2(d)(i)(A) hereof; or

(ii) in the event (A) of the happening of any event of the kind described in Section 2(e)(ii), 2(e)(iii) or 2(e)(iv) hereof or (B) that, in the judgment of Lomak, it is advisable to suspend use of the Prospectus for a discrete period of time due (including during any period of time described in Section 2(b) hereof) to pending material corporate developments or similar material events that have not yet been publicly disclosed and as to which Lomak believes public disclosure will be prejudicial to Lomak or the Trust (a "Material Corporate Event"), Lomak shall deliver a certificate in writing, signed by its Chief Executive Officer or Chief Financial Officer, to the Notice Holders and the Special Counsel to the effect of the foregoing and, upon receipt of such certificate, each such Notice Holder's Selling Period will not commence (or, if such Selling Period has commenced, such Selling Period will be suspended) until such Notice Holder's receipt of copies of the supplemented or amended

Prospectus provided for in Section 2(d)(i)(A) hereof, or until it is advised in writing by Lomak and the Trust that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus. Lomak and the Trust will use their best efforts to ensure that the use of the Prospectus may be resumed, and the Selling Period will commence or resume, as promptly as is practicable and, in the case of a Material Corporate Event, as soon as the earlier of (x) public disclosure of such pending Material Corporate Event or (y) in the judgment of Lomak, public disclosure of such Material Corporate Event would not be prejudicial to Lomak or the Trust (the "Corporate Disclosure Date"). Notwithstanding the foregoing, Lomak and the Trust shall not under any circumstances be entitled to exercise their right under this Section 2(d)(ii) to defer the commencement of or suspend a Selling Period more than one (1) time in any three (3) month period or two (2) times in any twelve (12) month period, and the period during which a Selling Period is deferred or suspended shall not exceed thirty (30) days unless Lomak and the Trust shall deliver to such Notice Holders a second notice to the effect set forth above, which shall have the effect of extending the period during which such Selling Period is deferred or suspended by up to an additional thirty (30) days, or such shorter period of time as is specified in such second notice; PROVIDED that the period during which a Selling Period is deferred or suspended, a "Deferred Period," shall not exceed sixty (60) days in any twelve (12) month period. Notwithstanding any provision of this Agreement to the contrary, the 90 day and 30 day period referred to in Sections 2(a) and 2(b), respectively, shall be suspended and tolled during the pendency of any Material Corporate Development until the applicable Corporate Disclosure Date; PROVIDED, HOWEVER, that no such period shall be extended longer than five business days after such Corporate Disclosure Date.

(e) The parties hereto agree that the Holders of Registrable Securities will suffer damages, and that it would not be feasible to ascertain the extent of such damages with precision, if (i) the Initial Shelf Registration has not been filed on or prior to the Filing Date, (ii) prior to the end of the Effectiveness Period, the SEC shall have issued a stop order suspending the effectiveness of the Shelf Registration or proceedings have been initiated with respect to the Shelf Registration under Section 8(d) or 8(e) of the Securities Act, (iii) the aggregate number of days in any one Deferral Period exceeds the number permitted pursuant to Section 2(d)(ii) hereof or (iv) the number of Deferral Periods exceeds the number permitted pursuant to Section 2(d)(ii) hereof (each of the events of a type described in any of the foregoing clauses (i) through (iv) are individually referred to herein as an "Event," and the Filing Date in the case of clause (i), the date on which the effectiveness of the Shelf Registration has been suspended or proceedings with respect to the Shelf Registration under Section 8(d) or 8(e) of the Securities Act have been commenced in the case of clause (ii), the date on which the duration of a Deferral Period exceeds the number of days permitted by Section 2(d)(ii) hereof in the case of clause (iii), and the date of the commencement of a Deferral Period that causes the limit on the number of Deferral Periods under Section 2(d)(ii) hereof to be exceeded in the case of clause (iv), being referred to herein as an "Event Date"). Events shall be deemed to continue until the "Event Termination Date," which shall be the following dates with respect to the respective types of Events: the date the Initial Registration Statement is filed in the case of an Event of the type described in clause (i), the date that all stop orders suspending effectiveness of the Shelf Registration have been removed and the proceedings initiated with respect to the Shelf Registration under Section 8(d) or (e) of the Securities Act have terminated, as the case may be, in the case of Events of the types described in clause (ii), termination of the Deferral Period which caused the limit on the duration of a Deferred Period set forth in Section 2(d)(ii) to be exceeded in the case of the commencement of an Event of the type described in clause (iii), and termination of the Deferral

Period the commencement of which caused the number of Deferral Periods permitted by Section 2(d)(ii) to be exceeded in the case of Events of the type described in clause (iv).

Accordingly, upon the occurrence of any Event and until such time as there are no Events that have occurred and are continuing (a "Damages Accrual Period"), commencing on the Event Date on which such Damages Accrual Period began, Lomak agrees to pay, as liquidated damages, and not as a penalty, an additional amount (the "Liquidated Damages Amount"): (A) (i) to each Holder of (x) a Convertible Preferred Security or (y) in the event that the Convertible Debentures are distributed to holders of Convertible Preferred Securities upon dissolution of the Trust in accordance with the Declaration, a Convertible Debenture (in each case that is a Notice Holder), accruing at a rate equal to one-quarter of one percent per annum (25 basis points) on an amount equal to the liquidation amount of such Convertible Preferred Security or outstanding principal amount of such Convertible Debenture, as the case may be, held by such Notice Holder and (ii) to each Holder of Underlying Common Stock that is a Notice Holder, accruing at a rate equal to one-quarter of one percent per annum (25 basis points) calculated on an amount equal to the product of (x) the Applicable Conversion Price as of the Business Day immediately prior to the applicable Damages Payment Date times (y) the number of shares of Common Stock that are Registrable Securities held by such Notice Holder; and (B) if the Damages Accrual Period continues for in excess of thirty (30) days, from and after the end of such thirty (30) day period until the applicable Event Termination Date, (i) to each Holder of a (x) Convertible Preferred Security or (y) in the event that the Convertible Debentures are distributed to holders of Convertible Preferred Securities upon dissolution of the Trust in accordance with the Declaration, a Convertible Debenture (in each case whether or not a Notice Holder), accruing at a rate equal to one-quarter of one percent per annum (25 basis points) on an amount equal to the liquidation amount of such Convertible Preferred Security or outstanding principal amount of such Convertible Debenture, as the case may be, held by such Holder and (ii) to each Holder of Underlying Common Stock (whether or not a Notice Holder), accruing at a rate equal to one-quarter of one percent per annum (25 basis points) calculated on an amount equal to the product of (x) the Applicable Conversion Price as of the Business Day immediately prior to the applicable Damages Payment Date times (y) the number of shares of Common Stock that are Registrable Securities held by such Holder. Notwithstanding the foregoing, no Liquidated Damages Amounts shall accrue (1) under clause (A) of the preceding sentence during any period for which Liquidated Damages Amounts accrue under clause (B) of the foregoing sentence and (2) as to any Registrable Security from and after the earlier of (x) the date such security is no longer a Registrable Security, and (y) expiration of the Effectiveness Period. Notwithstanding the foregoing, no Damages Accrual Period with respect to any Event described in clause (ii) of paragraph 2(e) shall commence unless and until a Holder or Holders has given notice in accordance with Section 2(d) hereof. Moreover, notwithstanding the foregoing, no Damages Accrual Period with respect to any Event described in clause (ii) of paragraph 2(e) shall commence unless such Event results in an Event described in clause (iii) or (iv) of such paragraph 2(e). The rate of accrual of the Liquidated Damages Amount with respect to any period shall not exceed the rate provided for in this paragraph notwithstanding the occurrence of multiple concurrent Events.

Lomak shall pay the liquidated damages due on any Convertible Preferred Security, Convertible Debenture or Underlying Common Stock by depositing with the Trustee, in trust for the benefit of the Holders of Convertible Preferred Securities, Convertible Debentures or Underlying Common Stock, as the case may be, entitled thereto, at least one (1) Business Day prior to the applicable Damages Payment Date, sums sufficient to pay the liquidated damages

accrued or accruing from and including the last preceding Damages Payment Date to, but not including, such Damages Payment Date. The Liquidated Damages Amount due shall be payable on each Damages Payment Date to the Holders of Registrable Securities entitled thereto holding such Registrable Securities on the record date for such Damages Payment Date; provided that accrued Liquidated Damages Amounts shall be paid on the applicable redemption date upon the redemption of any Convertible Debenture or Convertible Preferred Security (to the extent accrued with respect to such Convertible Debenture or Convertible Preferred Security). The Trustee shall be entitled, on behalf of the Notice Holders and the Holders of Convertible Preferred Securities, Convertible Debentures or Underlying Common Stock, to seek any available remedy for the enforcement of this Agreement, including for the payment of such liquidated damages. Notwithstanding the foregoing, the parties agree that the sole damages payable for a violation of the terms of this Agreement with respect to which liquidated damages are expressly provided shall be such liquidated damages. Nothing shall preclude a Notice Holder or Holder of Registrable Securities from pursuing or obtaining specific performance or other equitable relief not requiring the payment of funds with respect to this Agreement.

All of Lomak's obligations set forth in this Section 2(e) which are outstanding with respect to any Registrable Security at the time such security ceases to be a Registrable Security shall survive until such time as all such obligations with respect to such security have been satisfied in full (notwithstanding termination of the Agreement pursuant to Section 9(o)).

The parties hereto agree that the liquidated damages provided for in this Section 2(e) constitute a reasonable estimate of the damages that may be incurred by Holders of Registrable Securities (other than the Initial Purchasers) by reason of the failure of the Shelf Registration to be filed or declared effective or unavailable (absolutely or as a practical matter) for effecting resales of Registrable Securities in accordance with the provisions hereof.

Section 3. REGISTRATION PROCEDURES. In connection with the registration obligations of Lomak and the Trust under Section 2 hereof, Lomak and the Trust shall effect such registrations to permit the sale of the Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto Lomak and the Trust shall:

(a) Prepare and file with the SEC a Registration Statement on any appropriate form under the Securities Act available for the sale of the Registrable Securities by the Holders thereof in accordance with the intended method or methods of distribution thereof, and use their best efforts to cause each such Registration Statement to become effective and remain effective as provided herein; PROVIDED, that before filing any such Registration Statement or Prospectus or any amendments or supplements thereto (other than documents that would be incorporated or deemed to be incorporated therein by reference and that Lomak or the Trust is required by applicable securities laws or stock exchange requirements to file) Lomak and the Trust shall furnish to Morgan Stanley & Co. Incorporated ("Morgan Stanley") and the Special Counsel of such offering, if any, copies of all such documents proposed to be filed, which documents will be subject to the review of Morgan Stanley and the Special Counsel, and Lomak and the Trust shall not file any such Registration Statement or amendment thereto or any Prospectus or any supplement thereto (other than such documents which, upon filing, would be incorporated or deemed to be incorporated by reference therein and that Lomak or the Trust is required by applicable securities laws or stock exchange requirements to file) to which Morgan Stanley or the Special Counsel shall reasonably object in writing within two (2) full Business Days.



(b) Prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period specified in Section 2; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement as so amended or such Prospectus as so supplemented.

(c) Promptly notify the Notice Holders, and, following the giving of notice pursuant to Section 2(d), Morgan Stanley and the Special Counsel promptly, and (if requested by any such person) confirm such notice in writing, (i) when a Prospectus, any Prospectus supplement, a Registration Statement or a post-effective amendment to a Registration Statement has been filed with the SEC, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other federal or state governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement or the initiation or threatening of any proceedings for that purpose, (iv) of the receipt by Lomak or the Trust of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (v) of the existence of any fact or happening of any event known to Lomak or the Trust which makes any statement of a material fact in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue or which would require the making of any changes in the Registration Statement or Prospectus in order that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (vi) of the determination by Lomak that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use its best efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, as soon as practicable following the granting of such order.

(e) If reasonably requested by Morgan Stanley, the Special Counsel, or the Holders of a majority of the Registrable Securities being sold, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to a Registration Statement such information as the Initial Purchasers, the Special Counsel, or such Holders, in connection with any offering of Registrable Securities, deem should be included therein as required by applicable law, and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as promptly as is practicable after Lomak and the Trust have received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment; PROVIDED, that Lomak and the Trust shall not be required to take any actions under this Section 3(e) that are not,

in the reasonable opinion of counsel for Lomak, in compliance with applicable law or the rules and regulations of any applicable securities exchange.

(f) Furnish to each selling Holder, the Special Counsel and the Initial Purchasers, without charge, at least one (1) conformed copy of the Registration Statement and any amendment thereto, including financial statements but excluding schedules, all documents incorporated or deemed to be incorporated therein by reference and all exhibits (unless requested in writing by such Holder, counsel or Initial Purchasers).

(g) Deliver to each selling Holder, the Special Counsel and Morgan Stanley in connection with any offering of Registrable Securities, without charge, as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such persons may reasonably request; and Lomak and the Trust hereby consent to the use of such Prospectus or each amendment or supplement thereto by each of the selling Holders of Registrable Securities in connection with any offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto (other than during a Deferral Period).

(h) Prior to any public offering of Registrable Securities, to register or qualify or cooperate with the selling Holders and the Special Counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder reasonably requests in writing; keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement; PROVIDED, that neither Lomak nor the Trust will be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action that would subject it to general service of process in suits or to taxation in any such jurisdiction where it is not then so subject.

(i) Cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities within the United States (except as may be required solely as a consequence of the nature of such selling Holder, in which case Lomak and the Trust will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals) as may be necessary to enable the selling Holder or Holders thereof to consummate the disposition of such Registrable Securities.

(j) During any Selling Period (other than during a Deferral Period), immediately upon the existence of any fact or the occurrence of any event as a result of which a Registration Statement shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or a Prospectus shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, promptly prepare and file a post-effective amendment to each Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document (such as a Current Report on Form 8-K) that would be incorporated by reference into the

Registration Statement so that the Registration Statement shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and so that the Prospectus will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, and, in the case of a post-effective amendment to a Registration Statement, use their best efforts to cause it to become effective as promptly as is practicable.

(k) Enter into such agreements and take all such other actions in connection therewith in order to expedite or facilitate the disposition of such Registrable Securities and in such connection (i) make such customary representations and warranties, subject to the ability of Lomak and the Trust to do so, to the Holders of such Registrable Securities with respect to the business of Lomak and its subsidiaries and the Trust, the Registration Statement, Prospectus and documents incorporated by reference or deemed incorporated by reference, if any, in each case, in form, substance and scope as shall be reasonably satisfactory to the Special Counsel and the Holders of a majority of the Registered Securities being sold, and (ii) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold and the Special Counsel to evidence the continued validity of the representations and warranties of Lomak and its subsidiaries and the Trust made pursuant to clause (i) above. The plan of distribution of the Registration Statement and the Prospectus included therein shall permit resales of Registrable Securities to be made by selling securityholders through brokers and dealers. However, neither Lomak nor the Trust will be obligated hereunder to pay the costs and expenses of opinions of counsel of such selling securityholders, or accountants' "cold comfort" letters and neither the officers and directors of Lomak nor the trustees of the Trust will be obligated hereunder to participate in marketing efforts on behalf of such selling securityholders.

(l) If requested in connection with a disposition of Registrable Securities pursuant to a Registration Statement, make available for inspection by a representative of the Holders of Registrable Securities being sold, and any Special Counsel or accountant retained by such selling Holders, financial and other records, pertinent corporate documents and properties of Lomak and the Trust and its subsidiaries, and cause the executive officers, directors and employees of the Company and its subsidiaries to supply all information reasonably requested by any such representative, Special Counsel or accountant in connection with such disposition; subject to reasonable assurances by each such person that such information will only be used in connection with matter relating to such Registration Statement.

(m) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders earning statements (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) commencing on the first day of the first fiscal quarter of Lomak commencing after the effective date of a Registration Statement, which statements shall cover said 12-month periods.

(n) Cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and

not bearing any restrictive legends; and enable such Registrable Securities to be in such permitted denominations and registered in such names as the Holders may request.

(o) Provide a CUSIP number for all Registrable Securities not later than the effective date of the Registration Statement and provide the Trustee and the transfer agent for the Common Stock with printed certificates for the Registrable Securities which are in a form eligible for deposit with The Depository Trust Company.

(p) Cause all Underlying Common Stock covered by the Registration Statement to be listed on each securities exchange or quotation system on which Lomak's Common Stock is then listed no later than the date the Registration Statement is declared effective and, in connection therewith, to the extent applicable, to make such filings under the Exchange Act (e.g., the filing of a Registration Statement on Form 8-A) and to have such filings declared effective thereunder.

(q) Cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.

Section 4. HOLDER'S OBLIGATIONS. Each Holder agrees, by acquisition of the Registrable Securities, that no Holder of Registrable Securities shall be entitled to sell any of such Registrable Securities pursuant to a Registration Statement or to receive a Prospectus relating thereto, unless such Holder has furnished Lomak and the Trust with the notice required pursuant to Section 2(d) hereof (including the information required to accompany such notice) and, promptly after the request by Lomak and the Trust, such other information regarding such Holder and the distribution of such Registrable Securities as Lomak and the Trust may from time to time reasonably request. Lomak and the Trust may exclude from such registration the Registrable Securities of any Holder who does not furnish such information provided above for so long as such information is not so furnished. Each Holder of Registrable Securities as to which any Registration Statement is being effected agrees promptly to furnish to Lomak and the Trust all information required to be disclosed in order to make the information previously furnished to Lomak and the Trust by such Holder not misleading. Any sale of any Registrable Securities by any Holder shall constitute a representation and warranty by such Holder that the information relating to such Holder and its plan of distribution is as set forth in the Prospectus delivered by such Holder in connection with such disposition, that such Prospectus does not as of the time of such sale contain any untrue statement of a material fact relating to such Holder or its plan of distribution and that such Prospectus does not as of the time of such sale omit to state any material fact relating to such Holder or its plan of distribution necessary to make the statements in such Prospectus, in the light of the circumstances under which they were made, not misleading.

Section 5. REGISTRATION EXPENSES. Subject to Section 3(k) hereof, all fees and expenses incident to the performance by Lomak and the Trust of or compliance with this Agreement shall be borne by Lomak whether or not any of the Registration Statements become effective. Such fees and expenses shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with federal and state securities or Blue Sky laws (including, without limitation, fees and disbursements of Special Counsel in connection with Blue Sky qualifications of the Registrable Securities under the laws of such jurisdictions as the Holders of a majority of the Registrable Securities being sold

may designate), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the Special Counsel or the Holders of a majority of the Registrable Securities included in any Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) reasonable fees and disbursements of counsel for Lomak and the Trust and the Special Counsel in connection with the Shelf Registration (provided that Lomak shall not be liable for the fees and expenses of more than one separate firm for all parties participating in any transaction hereunder), and (v) Securities Act liability insurance obtained by Lomak in its sole discretion; PROVIDED, that such fees and expenses shall not include the underwriting and selling expenses incurred by Sellers of the Registrable Securities or any Person(s) underwriting such sale. In addition, Lomak shall pay the internal expenses of Lomak and the Trust (including, without limitation, all salaries and expenses of officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the Underlying Common Stock and the fees and expenses of any person, including special experts, retained by Lomak or the Trust. Notwithstanding the provisions of this Section 5, each seller of Registrable Securities shall pay all registration expenses to the extent Lomak is prohibited by applicable Blue Sky laws from paying for or on behalf of such seller of Registrable Securities.

Section 6. Indemnification.  
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(a) INDEMNIFICATION BY LOMAK. Lomak shall indemnify and hold harmless each Holder and each person, if any, who controls any Holder (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act) from and against all losses, liabilities, claims, damages and expenses (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (collectively, "Losses"), arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such Losses arise out of or based upon the information relating to any Holder furnished to Lomak in writing by such Holder expressly for use therein; PROVIDED, that Lomak shall not be liable to any Holder of Registrable Securities (or any person controlling such Holder) to the extent that any such Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus if either (A) (i) such Holder failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale by such Holder to the person asserting the claim from which such Losses arise and (ii) the Prospectus would have corrected such untrue statement or alleged untrue statement or such omission or alleged omission, or (B) (x) such untrue statement or alleged untrue statement, omission or alleged omission is corrected in an amendment or supplement to the Prospectus and (y) having previously been furnished by or on behalf of Lomak or the Trust with copies of the Prospectus as so amended or supplemented, such Holder thereafter fails to deliver such Prospectus as so amended or supplemented, with or prior to the delivery of written confirmation of the sale of a Registrable Security to the person asserting the claim from which such Losses arise. Lomak shall also indemnify each broker-dealer participating in the offering and sale of Registrable Securities and each person who controls such person (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent and with the same

limitations as provided above with respect to the indemnification of the Holders of Registrable Securities.

(b) INDEMNIFICATION BY HOLDER OF REGISTRABLE SECURITIES. Each Holder agrees severally and not jointly to indemnify and hold harmless Lomak and the Trust, Lomak's directors, Lomak's officers who sign a Registration Statement, the trustees of the Trust, and each person, if any, who controls Lomak or the Trust (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act), from and against all losses arising out of or based upon any untrue statement, or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or preliminary prospectus or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement, alleged untrue statement or omission or alleged omission is contained in any information relating to such Holder so furnished in writing by such Holder to Lomak or the Trust expressly for use in such Registration Statement or Prospectus. In no event shall the liability of any selling Holder of Registrable Securities hereunder be greater in amount than the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) CONDUCT OF INDEMNIFICATION PROCEEDINGS. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either of the two preceding paragraphs, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (a) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Holders and all persons, if any, who control any Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and (b) the fees and expenses of more than one separate firm (in addition to any local counsel) for Lomak and the Trust, Lomak's directors, Lomak's officers who sign a Registration Statement, the trustees of the Trust and each person, if any, who controls Lomak or the Trust within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for Lomak and the Trust, and such directors, officers, trustees and control persons of Lomak or the Trust, such firm shall be designated in writing by Lomak. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested

an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) CONTRIBUTION. To the extent that the indemnification provided for in this Section 6 is unavailable to an indemnified party under Section 6(a) or 6(b) hereof in respect of any Losses or is insufficient to hold such indemnified party harmless, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses, (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. Benefits received by Lomak and the Trust shall be deemed to be equal to the total net proceeds from the initial placement (before deducting expenses) of the Convertible Preferred Securities pursuant to the Placement Agreement. Benefits received by any Holder shall be deemed to be equal to the value of receiving Registrable Securities that are registered under the Securities Act. The relative fault of the Holders on the one hand and Lomak and the Trust on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Holders or by Lomak or the Trust and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this paragraph are several in proportion to the respective number of Registrable Securities they have sold pursuant to a Registration Statement, and not joint.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by PRO RATA allocation or by any other method or allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the Losses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding this Section 6(d), an indemnifying party that is a selling Holder of Registrable Securities shall not be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such indemnifying party and distributed to the public were offered to the public exceeds the amount of any damages which such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation

(within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

The indemnity, contribution and expense reimbursement obligations of Lomak and the Trust hereunder shall be in addition to any liability Lomak or the Trust may otherwise have hereunder, under the Placement Agreement or otherwise. The provisions of this Section 6 shall survive, notwithstanding any transfer of the Registrable Securities by any Holder or any termination of this Agreement.

The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder or any person controlling any Holder, or Lomak or the Trust, Lomak's officers or Lomak's directors or the trustees of the Trust or any person controlling Lomak or the Trust and (iii) the sale of any Registrable Securities by any Holder.

Section 7. Information Requirements.  
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(a) Lomak and the Trust shall file the reports required to be filed by it under the Securities Act and the Exchange Act, and if at any time Lomak or the Trust is not required to file such reports, it will, upon the request of any Holder of Registrable Securities, make publicly available other information so long as necessary to permit sales of Registrable Securities pursuant to Rule 144 and Rule 144A under the Securities Act. Lomak and the Trust further covenant that they will cooperate with any Holder of Registrable Securities and take such further reasonable action as any Holder of Registrable Securities may reasonably request (including, without limitation, making such reasonable representations as any such Holder may reasonably request), all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 and Rule 144A under the Securities Act. Upon the request of any Holder of Registrable Securities, each of Lomak and the Trust shall deliver to such Holder a written statement as to whether it has complied with such filing requirements. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require Lomak or the Trust to register any of its securities (other than the Common Stock) under any section of the Exchange Act.

(b) Lomak and the Trust shall file the reports required to be filed by it under the Exchange Act and shall comply with all other requirements set forth in the instructions to Form S-3 in order to allow it to be eligible to file registration statements on Form S-3.

Section 8. SUBMISSION TO JURISDICTION. Lomak and the Trust irrevocably consent and agree, for the benefit of the Holders, that any legal action, suit or proceeding against it with respect to its obligations, liabilities or any other matter arising out of or in connection with this Agreement may be brought in the courts of the State of New York or the courts of the United States located in The City of New York and hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court IN PERSONAM, generally and unconditionally, with respect to any such action, suit or proceeding for itself and in respect of its properties, assets and revenues.

Each of Lomak and the Trust has irrevocably designated, appointed and empowered C T Corporation System, as its designee, appointee and agent to receive, accept and acknowledge for



and on its behalf, and its properties, assets and revenues, service of any and all legal process, summons, notices and documents which may be served in any such action, suit or proceeding referred to in the preceding paragraph of this Section 8 brought in any United States or State court that may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. Said designation and appointment shall be irrevocable until the end of the Effectiveness Period, provided, however, that if for any reason such designee, appointee and agent hereunder shall cease to be available to act as such, Lomak and the Trust agree to designate a new designee, appointee and agent in The City of New York on the terms and for the purposes of this Section 8 satisfactory to the Initial Purchasers. Each of Lomak and the Trust further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit, or proceeding by serving a copy thereof upon the relevant agent for service of process referred to in this Section 8 (whether or not the appointment of such agent shall for any reason prove to be ineffective or such agent shall accept or acknowledge such service) and by mailing copies thereof by registered or certified air mail, postage prepaid, to each of Lomak and the Trust at its address specified in or designated pursuant to Section 9 of this Agreement. Lomak and the Trust agree that the failure of such designee, appointee and agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Nothing herein shall in any way be deemed to limit the ability of the Notice Holders or the Holders of the Registrable Securities, to serve any such legal process, summons, notices and documents in any other manner permitted by applicable law or to obtain jurisdiction over Lomak or the Trust or bring actions, suits or proceedings against Lomak or the Trust in such other jurisdictions, and in such manner, as may be permitted by applicable law. Each of Lomak and the Trust hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now, or until the end of the Effectiveness Period, have to the laying of venue or any of the aforesaid actions, suits or proceedings arising out of or in connection with this Agreement brought in the United States Federal courts located in The City of New York or the courts of the State of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The provisions of this Section 8 shall survive any termination of this Agreement, in whole or in part.

#### Section 9. Miscellaneous.

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(a) REMEDIES. In the event of a breach by Lomak or the Trust of its obligations under this Agreement, each Holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement, PROVIDED, that the sole damages payable for a violation of the terms of this Agreement for which liquidated damages are expressly provided pursuant to Section 2(e) hereof shall be such liquidated damages. Each of Lomak and the Trust agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) NO CONFLICTING AGREEMENTS. Neither Lomak nor the Trust has, as of the date hereof, nor shall, on or after the date of this Agreement, enter into any agreement with respect to its securities which conflicts with the rights granted to the Holders of Registrable Securities in this Agreement. Each of Lomak and the Trust represents and warrants that the rights granted to the Holders of Registrable Securities hereunder do not in any way conflict with the rights granted to the Holders of the Lomak's or the Trust's securities under any other agreements.

(c) AMENDMENTS AND WAIVERS. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless Lomak and the Trust have obtained the written consent of Holders of a majority of the then outstanding Underlying Common Stock constituting Registrable Securities (with Holders of Convertible Preferred Securities and Convertible Debentures deemed to be the Holders, for purposes of this Section, of the number of outstanding shares of Underlying Common Stock into which such Convertible Preferred Securities and Convertible Debentures are convertible or exchangeable). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders of Registrable Securities may be given by Holders of at least a majority of the Registrable Securities being sold by such Holders; PROVIDED, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(d) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing and shall be deemed given (i) when made, if made by hand delivery, (ii) upon confirmation, if made by telecopier or (iii) one (1) business day after being deposited with a reputable next-day courier, postage prepaid, to the parties as follows (PROVIDED that with respect to any notice of intention to sell given by a Holder to Lomak and the Trust pursuant to Section 2(d) hereof in accordance with this Section 9(d) which is given on or after December 24 of any year and on or prior to January 1 of the next year, such notice shall only be deemed given upon the earlier of actual receipt of such notice by Lomak and the Trust or the first Business Day next succeeding such January 1):

(w) if to a Holder of Registrable Securities, at the most current address given by such Holder to Lomak and the Trust in accordance with the provisions of Section 9(e);

(x) if to Lomak, to:  
 Lomak Petroleum, Inc.  
 500 Throckmorton Street  
 Fort Worth, Texas 76102  
 Attention: John H, Pinkerton  
 Telecopy No.: (817) 872-2914

(y) if to the Trust, to:  
 Lomak Financing Trust  
 c/o Lomak Petroleum, Inc.  
 500 Throckmorton Street  
 Fort Worth, Texas 76102  
 Attention: John H. Pinkerton  
 Telecopy No.: (817) 872-2914

with a copy to:

Vinson & Elkins, L.L.P.  
 2300 First City Tower  
 1001 Fanin  
 Houston, Texas 77002-6760  
 Attention: J. Mark Metts  
 Telecopy No.: (713) 615-5605

; and

(z) if to the Special Counsel, to: Simpson  
 Thacher & Bartlett 425 Lexington Avenue New  
 York, New York 10017 Attention: John E.  
 Riley Telecopy No.: (212) 455-2502

or to such other address as such person may have furnished to  
 the other persons identified in this Section 9(d) in writing  
 in accordance herewith.

(e) OWNER OF REGISTRABLE SECURITIES. Lomak and the Trust will  
 maintain, or will cause its registrar and transfer agent to maintain, a register  
 with respect to the Registrable Securities in which all transfers of Registrable  
 Securities of which the Company has received notice will be recorded. Lomak and  
 the Trust may deem and treat the person in whose name Registrable Securities are  
 registered in such register of Lomak and the Trust as the owner thereof for all  
 purposes, including, without limitation, the giving of notices under this  
 Agreement.

(f) APPROVAL OF HOLDERS. Whenever the consent or approval of  
 Holders of a specified percentage of Registrable Securities is required  
 hereunder, Registrable Securities held by Lomak, the Trust or their respective  
 affiliates (as such term is defined in Rule 405 under the Securities Act) (other  
 than the Initial Purchasers or subsequent Holders of Registrable Securities

if such subsequent Holders are deemed to be such affiliates solely by reason of their holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(g) SUCCESSORS AND ASSIGNS. Any person who purchases any Registrable Securities from an Initial Purchaser shall be deemed, for purposes of this Agreement, to be an assignee of such Initial Purchaser. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties and shall inure to the benefit of and be binding upon each Holder of any Registrable Securities.

(h) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be original and all of which taken together shall constitute one and the same agreement.

(i) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

(k) SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable.

(l) ENTIRE AGREEMENT. This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and the registration rights granted by Lomak and the Trust with respect to the Registrable Securities sold pursuant to the Placement Agreement. Except as provided in the Placement Agreement, there are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and undertakings among the parties with respect to such registration rights.

(m) ATTORNEYS' FEES. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

(n) FURTHER ASSURANCES. Each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably necessary, proper or advisable under applicable law, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and the other documents contemplated hereby and consummate and make effective the transactions contemplated hereby.

(o) TERMINATION. This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Effectiveness Period, except for any liabilities or obligations under Sections 4, 5 or 6 hereof and the obligations to make payments of and provide for liquidated damages under Section 2(e) hereof to the extent such damages accrue prior to the end of the Effectiveness Period, each of which shall remain in effect in accordance with their terms.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LOMAK PETROLEUM, INC.

By: -----  
Name:  
Title:

LOMAK FINANCING TRUST

By: -----  
Name:  
Title:  
Solely as trustee and not in his individual capacity

Accepted as of the date first above written,

MORGAN STANLEY & CO. INCORPORATED  
CREDIT SUISSE FIRST BOSTON CORPORATION  
FORUM CAPITAL MARKETS L.P.  
MCDONALD & COMPANY SECURITIES INC.

By: MORGAN STANLEY & CO. INCORPORATED, on its own behalf and as representative of the Initial Purchasers

By: -----  
Name:  
Title:

AGREEMENT AND PLAN OF REORGANIZATION  
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THIS AGREEMENT is made and entered into this 5th day of December, 1997, by and among:

- (1) ARROW OPERATING COMPANY, a Texas corporation; (herein referred to as "SELLER");
- (2) KELLY W. HOFFMAN and L. S. DECKER (herein referred to as "SHAREHOLDERS"); and
- (3) LOMAK PETROLEUM, INC., a Delaware corporation (herein referred to as "BUYER").

WHEREAS, SELLER's only business is the exploration, development and operation of the hereinafter described three Fuhrman-Mascho Units in Andrews County, Texas, and in furtherance of such business SELLER has purchased interests in such units, repaired, restored or reworked numerous of the existing wells located on such Units, and has drilled numerous new wells on such Units;

WHEREAS, SELLER and BUYER desire to reorganize SELLER by having SELLER transfer and sell its business and substantially all of its assets to BUYER solely in exchange for voting capital stock of BUYER and the assumption and payment by BUYER of SELLER's obligations and liabilities, all in accordance with the terms and conditions hereinafter set forth;

WHEREAS, SHAREHOLDERS as the sole shareholders of SELLER in satisfaction of the conditions of BUYER and as an inducement to BUYER to execute this Agreement, wish to assume certain liabilities of SELLER to BUYER as set forth in Section 13.03;

WHEREAS, the Boards of Directors of SELLER and BUYER deem it advisable and in the best interests of such corporations and their shareholders that the reorganization and exchange described above be completed on the terms and conditions hereinafter set forth and in accordance with all applicable laws, and have adopted resolutions to that effect; and

WHEREAS, to effect such exchange and assumption SELLER desires to sell and BUYER desires to buy on and subject to the terms and conditions of this agreement, all of SELLER'S interests in and to the following:

- (1) the units established under and by virtue of the following described unit agreements:
  - (a) Unit Agreement establishing the Block 10 Fuhrman Mascho Unit dated September 15, 1969, recorded in Volume 377, at page 81, of the Records of Andrews County, Texas, executed by Union Oil Company of California, et al;
  - (b) Unit Agreement establishing the West Fuhrman Mascho Unit dated February 1, 1968, recorded in Volume 360, at page 59, of the Records of Andrews



County, Texas, executed by Continental Oil Company, et al; and

- (c) Unit Agreement establishing the Northeast Fuhrman Mascho Unit dated May 1, 1971, recorded in Volume 383, at page 819, of the Records of Andrews County, Texas, executed by Union Oil Company of California, et al;

as such agreements have been amended to date (Unit Agreements) and with respect to each unit, the "Unitized Formation" and all of the oil, gas and other minerals in and produced from such formation in and under the "Unit Area" as the same are described in such Unit Agreements;

- (2) all oil, gas and mineral leases, royalty interests, overriding royalty interests and net profits interests (including but not limited to the overriding royalty and net profits interests to be assigned SELLER by Stratum Group Energy Capital, L.P., but excluding and this agreement shall not cover the interests granted under the Equity Conversion Agreement dated August 9, 1996, between SELLER and Stratum Group Energy, L.P., as amended to date) covering the Unit Area, only insofar as the same cover or pertain to the Unitized Formation in and under the Unit Area;
- (3) all wells located on the Unit Areas which were drilled to or are producing or capable of producing from the Unitized Formation, together with all personal property and equipment located on such Unit Areas or used or obtained in connection with such units or wells, including but not limited to, all casing, pipe, tubing, separators, wellheads and in-hole equipment, tanks, motors, pipelines, gathering systems, compressors, heaters, treaters, injection wells

and related equipment, disposal wells and related equipment, property and equipment located at the "yard" south of the "water injection site" on the Unit Area for the Block 10 Fuhrman-Mascho Unit, fixtures, facilities and other such personal property and equipment used or useful in connection with the production, gathering, storing, measuring, treating, operating, maintaining, marketing or transportation of production from the Unitized Formation;

- (4) the permits, licenses, orders, pooling or unitization orders and agreements, communitization agreements, operating agreements, exploration agreements, farmin or farmout agreements, letter agreements, processing, transportation or lease agreements and any other contracts or agreements which, and only insofar as the same cover, relate or pertain to the properties and interests described in (1), (2) and (3) above;
- (5) the rights-of-way, easements, servitudes, surface leases, pipelines and gathering systems, which and only insofar as the same cover, relate or pertain to the properties and interests described in (1), (2) and (3) above; and
- (6) all books, records, reports, manuals, files, title documents, correspondence, records of production, maintenance, revenue, sales, expenses, warranties, lease files, land files, well files, division order files, abstracts, title opinions, assignments, property records, contract files, operation files, tax and accounting records, maps, engineering and geological data and, subject to applicable licensing or confidentiality agreements, all geophysical information and material and data, interpretative maps, core analyses, hydrocarbon analyses, well logs, mud logs, core data, field studies, seismic data and information, reports and analyses, together with any other files,

contracts or records and data of SELLERS of any kind or character, whether originals, reproductions, microfilm, or computer records which pertain or relate to the properties and interests described in (1) through (5) above; provided, however, that this section shall not cover and SELLERS shall have no obligation to furnish BUYER with information not in its possession or which it cannot provide because of third parties restrictions;

which interests in such properties are collectively referred to herein as the "CONTRACT PROPERTIES".

NOW, THEREFORE, SELLER and BUYER have covenanted and agreed, and by these presents do covenant and agree, as follows:

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## I

Reorganization by Sale and Exchange  
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1.01-A QUALIFYING "C" REORGANIZATION. The parties hereto agree to complete the Reorganization on or before the Closing Date (as defined in Section 10.01) on the terms and conditions set forth in this agreement. Pursuant to the requirements of Section 368(a)(1)(c) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, BUYER agrees to issue and deliver to SELLER that number of shares of BUYER's Common Stock as specified below and to assume the liabilities of SELLER as specified below in exchange for and SELLER agrees to sell and deliver to BUYER all of its interests in the CONTRACT PROPERTIES, being substantially all of its assets. Immediately after the exchange, SELLER shall have transferred to BUYER substantially all of the properties (as defined in said Section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended) of SELLER. BUYER may contemporaneously with the Closing convey the business of SELLER and the CONTRACT PROPERTIES to a controlled or wholly owned subsidiary corporation or limited partnership in which BUYER has active and substantial management functions as a partner and/or a significant ownership interest. Following the Closing SELLER will liquidate and

distribute all of its assets, including BUYER's Common Stock, to its shareholders, in accordance with their respective interests.

1.01-B IMPLEMENTATION OF REORGANIZATION. SELLER shall (i) take all necessary corporate action and obtain all approvals and consents necessary to complete the reorganization of SELLER; (ii) secure the consent of any party whose consent is necessary to the consummation of the reorganization; (iii) file all necessary documents, returns, notices and/or applications with all governmental entities having jurisdictional, regulatory or taxing authority over such reorganization; and (iv) on the Closing Date, deliver and transfer all of the CONTRACT PROPERTIES and business of SELLER to BUYER in accordance with Article 10.

1.02 PURCHASE PRICE. As the consideration for the CONTRACT PROPERTIES, BUYER will at the Closing hereinafter provided, assume and pay the liabilities described on the attached "Schedule of Liabilities" and will be obligated to deliver to SELLER within three (3) business days following the Closing Date, that number of the shares of BUYER's Common Stock, (calculated in the manner set forth in Section 10.02), the value of which, when added to the assumed and paid liabilities, will equal the sum of Forty Million Dollars (\$40,000,000.00), which sum is referred to herein as the

"Purchase Price" and which sum is subject to being adjusted in accordance with the provisions of Sections 7.01 and 7.02.

1.03 EFFECTIVE TIME. Such sale and purchase shall be effective for all purposes as of the first day of October, 1997, at 7:00 o'clock A.M., C.S.T. (the "Effective Time"). Title to and ownership of the CONTRACT PROPERTIES will be transferred and assigned by SELLER to BUYER at the Closing hereinafter provided, effective as of such Effective Time.

BUYER will be entitled to all of the rights and incidents of ownership with respect to such CONTRACT PROPERTIES from and after such Effective Time, including the right to all oil, gas and hydrocarbons thereafter produced from or attributable thereto, and the proceeds thereof and shall assume, bear and be responsible for the duties, liabilities and obligations of SELLER under the Basic Documents (see Section 2.01(h)) and the duties, liabilities and obligations of ownership attributable to the CONTRACT PROPERTIES from and after the Effective Time, including the obligation to plug and abandon all wells located on such lands, restore the surface of such lands and the obligations set forth in Article VI (Environmental Matters). SELLER will be entitled to all of the rights and incidents of ownership with respect to the CONTRACT PROPERTIES prior to the Effective Time, including the right to all

oil, gas and hydrocarbons theretofore produced from or attributable to the CONTRACT PROPERTIES prior to such time, and the proceeds from the sale thereof, and, subject to the provisions of Article VI, shall bear and be responsible for the duties, liabilities and obligations of ownership attributable to the CONTRACT PROPERTIES prior to the Effective Time. Notwithstanding the foregoing, SELLER has, under Sections 2.07, 5.03 and 6.02 assumed and shall be and remain responsible for the obligations as set forth therein for the period prior to the Closing Date and BUYER shall not have assumed or be responsible for such obligations hereunder.

1.04 TAXES. All ad valorem taxes on or in respect of the CONTRACT PROPERTIES for the calendar year 1997 shall be prorated among BUYER and SELLER as of the Effective Time. Each party will bear and pay all ad valorem, production and severance taxes on or in respect of the production allocated to it, regardless of the time any such taxes are assessed.

1.05-A INDEMNITY. BUYER agrees to indemnify and save, protect and hold SELLER harmless from and against any claims, demands, causes of action, losses, damages, liabilities, costs, expenses, fines, penalties or judgments, including, without limitation, reasonable attorneys' fees and expenses, which arise out of, result from or are related to the Basic Documents or the ownership

and/or operation by BUYER of the CONTRACT PROPERTIES after the Effective Time, except as limited by the last sentence of Section 1.03.

Subject to the limitations and procedures set forth in this Agreement in Sections 2.07, 5.03 and 6.02, SELLER agrees to indemnify and save, protect and hold BUYER harmless from and against any claims, demands, causes of action, losses, damages, liabilities, costs, expenses, fines, penalties or judgments, including, without limitation, reasonable attorneys' fees and expenses, which arise out of, result from or are related to the ownership and/or operation by SELLER of the CONTRACT PROPERTIES prior to the Effective Time and with respect to which SELLER receives notice as hereinafter set forth on or before one (1) year from the Closing Date.

1.05B INDEMNITY PROCEDURE. As soon as reasonably practical after obtaining knowledge thereof, the indemnified party (the "INDEMNITEE") shall notify the indemnifying party (the "INDEMNITOR") of any claim or demand which the INDEMNITEE has determined has given or could give rise to a claim for indemnification under this Section 1.05 or Articles II, V, VI or XIII. Such notice shall specify the agreement, representation or warranty with respect to which the claim is made, the facts giving rise to the claim and the alleged basis for the claim, and the amount (to the extent then



determinable) of liability for which indemnity is asserted. In the event any action, suit or proceeding (judicial or regulatory) is brought with respect to which a party may be liable under this Section 1.05 or Articles II, V, VI or XIII, the defense of the action, suit or proceeding (including all settlement negotiations and arbitration, trial, appeal, or other proceeding, which INDEMNITOR'S counsel shall deem appropriate) shall be at the discretion of and conducted by INDEMNITOR. Notwithstanding the foregoing, BUYER shall have the right to control the defense of any action, including the designation of legal counsel, in matters involving governmental or judicial claims in excess of \$1,000,000. If INDEMNITEE shall settle any such action, suit or proceeding without the written consent of INDEMNITOR (which consent shall not be unreasonably withheld), the right of INDEMNITEE to make any claim against INDEMNITOR on account of such settlement shall be deemed conclusively denied. Notwithstanding the foregoing, if any party is named as the defendant in any action, suit or proceeding, it shall be entitled to have its own counsel and defend such action, suit or proceeding with respect to itself at its own expense. Subject to the first proviso above, neither party shall, without the other party's consent, settle, compromise, confess judgment or permit judgment by default in any action, suit or proceeding if such

action would create or attach liability or obligation to the other party. The parties agree to make available to each other, their counsel and accountants all information and documents reasonably available to them which relate to any action, suit or proceeding, and the parties agree to render to each other such assistance as they may reasonably require of each other in order to insure the proper and adequate defense of any such action, suit or proceeding.

II

Representations and Warranties of Seller  
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2.01 As of the Closing Date, SELLER represents and warrants to BUYER as follows:

(a) ORGANIZATION AND GOOD STANDING. SELLER is duly incorporated, validly existing and in good standing under the laws of the State of Texas, and it is duly authorized and qualified to transact business in the State of Texas, and it has all requisite power and authority to conduct its business and to own its interests in the CONTRACT PROPERTIES.

(b) POWER. SELLER has all requisite power and authority to execute and deliver, and to perform all its obligations under, this Agreement and all other documents and instruments executed in connection herewith. The execution and delivery by SELLER of this

Agreement and all other documents contemplated hereby or referred to herein, and the performance by it of the promises, covenants and agreements herein made by it will not be in violation of the agreement by which it was created and under which it exists. The execution and delivery by SELLER of this Agreement and all other documents contemplated hereby or referred to herein, and the performance by it of the promises, covenants and agreements herein made by it will not be in violation of, constitute a breach of, or constitute an event of default under any agreement or indenture to which it is subject or by which it is bound.

(c) CORPORATE APPROVAL. The execution and delivery by SELLER of this Agreement and all other documents contemplated hereby or referred to herein have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of any of its stockholders, except as set forth in Article I, (ii) violate the charter or by-laws of such corporation, or (iii) to its knowledge violate any provisions of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it.

(d) GOVERNMENT CONSENT. No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency

or instrumentality, domestic or foreign, is or will be necessary to the valid execution, delivery or performance by SELLER of this Agreement or any transfer, assignment, conveyance, bill of sale or agreement executed and delivered pursuant hereto subject to the requirements of the State of Texas with respect to certain of the oil, gas and mineral leases covered by this agreement.

(e) BINDING OBLIGATION. This Agreement constitutes the legal, valid and binding obligation of SELLER enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of creditors' rights.

(f) VIOLATIONS. SELLER is not in default with respect to the CONTRACT PROPERTIES under or in violation of any law, order, writ, injunction, rule, regulation or decree of any governmental body, agency or court or of any commission or other administrative agency, which violation could materially adversely affect the ownership and operation of any CONTRACT PROPERTY. With respect to the ownership, operation, production and sale of hydrocarbons and carrying on of its business with respect to the CONTRACT PROPERTIES, it has complied with all laws, rules and regulations applicable thereto, the failure to comply with which could materially adversely affect the ownership or operation of such CONTRACT PROPERTIES.

(g) BROKERS. Any obligation or liability, contingent or otherwise, incurred by SELLER for brokers' or finders' fees in respect of the matters provided for in this Agreement shall be the sole obligation of it, and BUYER shall have no responsibility therefor.

(h) BASIC DOCUMENTS. The term "Basic Documents" means all of the documents evidencing interests which comprise the CONTRACT PROPERTIES and all contractually binding arrangements to which the SELLER or CONTRACT PROPERTIES may be subject and which will be binding on the CONTRACT PROPERTIES or on BUYER after the Closing of the sale and purchase herein provided, including, without limitation, deeds, surface leases, oil, gas and mineral leases, assignments, overriding royalty assignments, mineral and royalty deeds, farmout and farmin agreements, option agreements, pooling agreements and declarations, assignments of production payments, unit agreements, unit operating agreements, joint operating agreements, joint venture agreements, surface leases, agreements for the disposal of salt water, production marketing contracts, division orders and the like. SELLER is not in breach or default with respect to any of its obligations pursuant to any Basic Document or any regulations incorporated therein or governing same, except in a manner which does not and will not materially reduce the value of

the CONTRACT PROPERTIES. All payments due under each Basic Document with respect to SELLER's interests therein have been made. There has not occurred any event, fact or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a breach or default by SELLER which would materially reduce the value of the CONTRACT PROPERTIES. SELLER has not been given or threatened to give notice of any action to terminate, cancel, rescind or procure a judicial reformation of any Basic Document or any provision thereof.

The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in a breach of, constitute a default under, or result in a violation of the provisions of any Basic Document and will not conflict with any provision of the agreements pursuant to which the interests of SELLER in or by virtue of any Basic Document was created. The representation and warranty in the preceding sentence shall not apply to and does not cover any such breach, default, violation or conflict which may be or result in an impairment, encumbrance, or failure of title to, or interfere with the use, operation, or possession of the CONTRACT PROPERTIES, or for which a claim may or could have been asserted under Article V.

(i) LEASES AND AGREEMENTS. With respect to the Basic Documents, SELLER or a predecessor in interest of SELLER has fulfilled all requirements applicable to SELLER for filings, certificates, disclosures of parties in interest, and other similar matters contained in leases and other instruments (or otherwise applicable thereto by law, rule or regulation) and SELLER is fully qualified to own and hold the interests of SELLER therein.

(j) OPERATING AGREEMENTS. With respect to the joint, unit or other operating agreements relating to the CONTRACT PROPERTIES, except as provided in Schedule 2.01(j) hereto, (1) there are no outstanding calls or payments under authorities for expenditures for payments which are due by it or which it has committed to make which have not been made with respect to the CONTRACT PROPERTIES; (2) there are no drilling or development operations currently being conducted on or in respect of CONTRACT PROPERTIES, and there are no remaining payout accounts applicable to the CONTRACT PROPERTIES resulting from the failure of any party to participate in material operations heretofore conducted on or in respect of a CONTRACT PROPERTY; (3) there are no material operations under the operating agreements with respect to which it has become a non-consenting party, and no CONTRACT PROPERTY is presently or, as the result of

any election heretofore made, will be relinquished because of nonparticipation in any operation pursuant to any operating agreement; and (4) there are no pending investment adjustments applicable to it because of changes in participation under any unit operating agreement or otherwise.

(k) GAS CONTRACTS AND RELATED MARKETING AGREEMENTS. Attached as Schedule 2.01(k)(a) hereto is a schedule of all gas sales agreements to which the CONTRACT PROPERTIES are subject, (except agreements to be released at Closing) directly or by act of a third party, or by which any interest of it in gas produced from or attributable to a CONTRACT PROPERTY is otherwise disposed of, which provide for a term in excess of thirty (30) days or which can not be terminated by SELLER by notice not in excess of thirty (30) days. No gas sales agreement warrants the amount of gas to be delivered. SELLER, or a predecessor in interest of it, has made all filings necessary under any law or regulation to (i) allow it to obtain the maximum lawful price allowed by such law or regulation for natural gas produced from or attributable to the CONTRACT PROPERTIES, and (ii) authorize the sale of its natural gas. Approvals of such filings have been obtained or, with respect to pending filings, it has no knowledge of any reason why such approval will not be forthcoming in the normal course; and no purchaser of



natural gas is withholding payment of the full share of the proceeds of all sales made by it.

Attached as Schedule 2.01(k)(b) hereto is a schedule of all transportation, gathering, compressing, treating, marketing and other agreements which relate to or affect the sale of gas produced from the CONTRACT PROPERTIES.

(l) LIQUID SALES AGREEMENTS. Except as set forth on Schedule 2.01(l) hereto, all crude oil and condensate sale arrangements relating to its share of liquids produced from the CONTRACT PROPERTIES may be terminated upon not more than 60 days' notice without penalty or detriment or will be released at Closing. No purchaser of liquids is withholding payment of the full share of SELLER of the proceeds of all sales, other than for matters of title or completion of division orders.

(m) PREPAYMENTS AND GAS BALANCING. With respect to the CONTRACT PROPERTIES, (i) there are no "take-or-pay" prepayments for which an obligation of SELLER to deliver gas after the Effective Time exists, (ii) SELLER is not obligated, under any prepayment arrangement, "take or pay" contract, production payment agreement or other arrangement, to deliver hydrocarbons at some future time without then or thereafter receiving full payment therefor, (iii) there are no imbalances resulting from any gas balancing agreement

except (x) as set forth on Schedule 2.01(m) hereto, (y) those routinely occurring when actual production has varied from allowables, which are not considered material and which are routinely corrected and adjusted periodically, and (z) those as a result of which there presently exists an obligation and corresponding account for cash balancing, which are not recoupable or collectible from production from the CONTRACT PROPERTIES.

(n) CALLS ON PRODUCTION. The CONTRACT PROPERTIES are subject to the calls on production as set forth on Schedule 2.01(n) hereto. As of Closing, there is in effect no exercise of a call on the production from any CONTRACT PROPERTY, except as set forth on Schedule 2.01(n).

(o) WELLS. Every well described on Schedule 2.01(o) is located on the Unit Area and has been drilled and completed within the Unitized Formation or within the limits otherwise permitted by contract, pooling or unit agreement and by law, and the drilling and completion of all wells included in the CONTRACT PROPERTIES and all development and operations on the CONTRACT PROPERTIES have been conducted in material compliance with all applicable lease and contract provisions and laws, ordinances, rules, regulations and permits of any court or governmental body or agency. No well on the CONTRACT PROPERTIES is subject to penalties on allowables after the

Effective Time hereof because of any overproduction or any other violation of applicable laws, rules, regulations or permits, orders or decrees of any governmental body or agency, which would prevent such well from being entitled to its full, legal and regular allowable, from and after the date hereof, as prescribed by any court or governmental body or agency.

(p) SUITS. Except as set forth on Schedule 2.01(p) hereto, there is no suit, action, claim, investigation or inquiry by any person or entity or by any administrative agency or governmental body, including, without limitation, condemnation, expropriation, surface damage, waste disposal, property damage, automotive and public liability or forfeiture proceedings against SELLER in respect of the CONTRACT PROPERTIES.

(q) PERMITS. There have either been received all of the governmental licenses and permits required for SELLER to own and operate the CONTRACT PROPERTIES as presently owned and operated, and such licenses, permits and filings are in full force and effect, or there have been made applications for all such licenses and permits and it has no reason to believe that such licenses and permits will be denied. No material violation exists in respect of any such license or permit, and no proceeding is pending or threatened to challenge, revoke or limit any such license or permit, and SELLER

has complied in all material respects with all laws, rules, regulations, ordinances, codes, orders, licenses, concessions and permits relating to the CONTRACT PROPERTIES, including, but not limited to, labor, environmental, civil rights, occupational safety and health, product pricing and antitrust laws.

(r) LEASE PAYMENTS. All rental, royalty, shut in royalty and other lease accounts with respect to the CONTRACT PROPERTIES are current, and all payments required thereunder have been made. All material surface damage, waste disposal, right of way or other obligations of them to landowners and lessors asserted prior to the Effective Time have been paid.

(s) PREFERENTIAL PURCHASE RIGHTS AND CONSENTS TO ASSIGNMENTS. Intentionally left blank.

(t) PARTNERSHIPS. None of the CONTRACT PROPERTIES is subject to a tax partnership or other partnership.

(u) PUBLIC UTILITY HOLDING COMPANY. SELLER is not a "holding company" or a "subsidiary company" of a holding company or an "affiliate" of a holding company or of a subsidiary company of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(v) BANKRUPTCY PROCEEDINGS. There are no bankruptcy, reorganization or arrangements being contemplated by SELLER or, to its knowledge, threatened against SELLER.

(w) NON-FOREIGN SELLER. SELLER is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code.

(x) MATERIAL. As used in this Section 2.01 and in Section 2.07 hereof the term "material" or "materially" shall mean the sum of \$10,000, so that "materially adversely affect" or "materially reduce the value" shall mean a loss or reduction in value of \$10,000 or more.

2.02 CONDITION OF PERSONAL PROPERTY. SELLER makes no warranty or representation, express or implied, with respect to the merchantability, quality, condition, or fitness for any particular purpose, or operability of any personal property or equipment in, on or used or obtained in connection with the CONTRACT PROPERTIES, and the interest in such personal property and equipment to be sold and delivered hereunder shall be sold and delivered to BUYER AS IS, WHERE IS, IN THE CONDITION IN WHICH THE SAME EXISTS AND WITH ALL FAULTS AND DEFECTS, WHETHER APPARENT OR HIDDEN.

2.03 Intentionally left blank.

2.04 RESERVES OF HYDROCARBONS. SELLER makes no warranty, express or implied, as to the amount of reserves of oil, gas

or other hydrocarbon attributable to the CONTRACT PROPERTIES. Except as expressly stated in Section 2.02, SELLER makes no warranty, express or implied, with respect to the ability of the CONTRACT PROPERTIES to produce oil, gas or other hydrocarbon.

2.05 DATA AND INFORMATION FURNISHED. Pursuant to the provisions of this Agreement, SELLER has agreed to supply certain information to BUYER. So far as SELLER knows and believes, such information is complete and correct. SELLER makes no warranty, express or implied, as to the accuracy or completeness of any information, data or other materials contained in their files or supplied to BUYER. Such information, data and other materials are provided solely as a matter of convenience to BUYER, and any reliance upon, or use of, such information, data or other materials by BUYER is at BUYER'S sole risk and peril.

2.06 LIMITATION ON WARRANTIES. Other than as expressly provided in Sections 2.01, 2.02 and 2.05, or Article V of this Agreement, SELLER makes no warranty, express or implied, as to the CONTRACT PROPERTIES, or as to the condition, fitness for a particular purpose, quantity or quality of usefulness of any of the CONTRACT PROPERTIES, notwithstanding any other implied provision of this Agreement or the law. No person has been authorized to make any representation not contained in or expressly referred to in this

Agreement. BUYER has made and is relying solely on its own independent inspection and examination of the CONTRACT PROPERTIES, and neither BUYER nor any other person shall be entitled to rely on any information or representation not contained in this Agreement.

2.07 INDEMNITY FOR BREACH OF SECTION 2.01 REPRESENTATIONS AND WARRANTIES. SELLER shall indemnify and defend BUYER from and against any claims, demands, causes of action, obligations and liabilities (including court costs and reasonable attorneys' fees) made or brought by any person or entity, including BUYER, within a period of one (1) year from the Closing Date, arising out of, in connection with, or attributable to a material (as defined in Section 2.01(x)) breach of the representations and warranties made by SELLER to BUYER in Section 2.01 hereof.

2.08 CONDITIONS OF INDEMNITY. BUYER shall promptly upon the receipt of a claim for material breach, but in no event later than one year from the Closing Date (R&W-Notice Date), deliver to SELLER written notice of such claim for the material breach of a representation or warranty made by SELLER in Section 2.01. Such notice shall specify the representation or warranty as to which the claim is made, the facts giving rise to such claim, the alleged basis for the claim, the value attributable to such claim and all

documentation, opinions and analysis in the possession of BUYER establishing or relating to such claim. SELLER shall have a period of one (1) month after the R&W-Notice Date within which to attempt to cure such material breach ("R&W-Settlement Date"). If there exists on such R&W-Settlement Date a claim for material breach which has not been cured then, on or before five (5) days of such date ("R&W-Election Date"), BUYER may, by written notice delivered to SELLER, elect to:

- (a) waive such breach and retain the undivided interests in the CONTRACT PROPERTIES to which such breach pertains, if any; or
- (b) convey to SELLER by special warranty conveyance, the undivided interest in the CONTRACT PROPERTIES to which such breach pertains, if any, and receive as payment therefor, the value attributable to such interest; or
- (c) if such breach does not relate to any particular undivided interest in the CONTRACT PROPERTIES and if SELLER and BUYER are able to agree upon the value of such breach, receive as payment for damages caused by such breach, an amount equal to such agreed value; or
- (d) if such breach does not relate to any particular undivided interest in the CONTRACT PROPERTIES, and if SELLER and BUYER are unable to agree upon the value of such breach, waive such breach or submit the same to arbitration as set forth in Section 14.04.



If the aggregate value attributable to all claims for material breaches of the representations and warranties for which recovery under Sections (a), (c) or (d) above is established is less than \$100,000, then with respect to such claims, BUYER shall be deemed to have elected to waive all of such breaches and claims. If the aggregate value of such recovery is \$100,000 or more then the indemnity obligation shall apply to the entire amount. The failure by BUYER to so notify SELLER of a claim for a material breach on or before the R&W-Notice Date or of its election on or before the R&W-Election Date, shall constitute an election by BUYER to waive such claim. Claims for indemnity shall, to the extent they do not conflict with the provisions of this section, be subject to Section 1.05B.

## III

Representations and Warranties of Buyer  
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3.01 BUYER represents and warrants to SELLER as follows:

(a) ORGANIZATION AND GOOD STANDING. BUYER is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and it or the entity to which the CONTRACT PROPERTIES are to be assigned on the Closing Date is or will be duly

authorized and qualified to transact business in the State of Texas and to own the CONTRACT PROPERTIES.

(b) POWER. BUYER has all requisite power and authority to execute and deliver, and to perform all its obligations under, this Agreement and all other documents and instruments executed in connection herewith.

(c) CORPORATE APPROVAL. The execution and delivery by BUYER of this Agreement and all other documents contemplated hereby or referred to herein have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of any of its stockholders, (ii) violate its charter or by-laws, or (iii) to its knowledge violate any provisions of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it.

(d) GOVERNMENT CONSENT. No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary to the valid execution, delivery or performance by BUYER of this Agreement or any other document contemplated hereby or referred to herein.

(e) BINDING OBLIGATION. This Agreement constitutes the legal, valid and binding obligation of BUYER enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of creditors' rights.

(f) BROKERS. If any obligation or liability of BUYER exists for brokers' or finders' fees in respect of the matters provided for in this Agreement, such obligation or liability shall be the sole obligation of it, and SELLER shall have no responsibility therefor.

(g) REGISTRATION OF BUYER'S COMMON STOCK. Within thirty (30) days from the Closing Date, BUYER shall prepare and file with the Securities and Exchange Commission (the "Commission"), a shelf registration statement on Form S-3 or other appropriate form (the "Registration Statement") pursuant to Rule 415 under the Securities Act of 1933, as amended, and all rules and regulations under such Act (the "Securities Act") covering the BUYER's Common Stock (as defined in Section 10.02). In connection with the Registration Statement, BUYER shall use its best efforts to effect the registration of the BUYER's Common Stock. BUYER shall bear and pay all expenses in connection with the registration effected including, without limitation all expenses incident to BUYER's performance of

or compliance with the registration rights granted hereunder, including all registration and filing fees, fees and expenses of compliance with securities and blue sky laws, printing and engraving expenses, messenger, telephone and delivery expenses, and fees and disbursements of counsel for BUYER, all independent certified public accountants and underwriters, if any (excluding discounts and commissions of underwriters, if any, which shall be the obligation of SELLER). BUYER shall maintain the registration of BUYER's Common Stock for a period of at least one (1) year from the date the Registration Statement is approved and take such other steps as may be reasonably necessary to permit BUYER's Common Stock to be fully and freely salable without restrictions and so that it may be freely traded or sold in the States of Texas or New York or on the New York Stock Exchange.

## IV

Certain Agreements of SELLER  
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4.01 SELLER covenants and agrees that from and after the date hereof and unless and until this Agreement is terminated as hereinafter provided:

(a) SALES. It will not sell, transfer, assign, convey or otherwise dispose of any CONTRACT PROPERTY other than: (i) pursuant to this Agreement; (ii) oil, gas and other hydrocarbons

produced, saved and sold in the ordinary course of business; and (iii) personal property and equipment which is replaced with property and equipment of comparable or better value and utility in the ordinary and routine maintenance and operation of the CONTRACT PROPERTIES.

(b) ENCUMBRANCES. It will not create or permit the creation of any lien, security interest or encumbrance on any CONTRACT PROPERTY, the oil or gas produced therefrom or attributable thereto, or the proceeds thereof.

(c) OPERATION OF PROPERTIES. Except as set forth on Schedule 4.01(c), it (i) will not agree to participate in the drilling of any new well on the CONTRACT PROPERTIES or fail to participate in operations thereon proposed by other parties, without the advance consent of BUYER; (ii) will not remove, cause to be removed, sell, abandon or otherwise dispose of and shall use due diligence to maintain the wells, property and equipment described in item (3) of the introduction of this agreement; (iii) will perform all of the obligations of it under contracts relating to or affecting the CONTRACT PROPERTIES; (iv) will exercise all due diligence in safeguarding and maintaining secure and confidential all geological and geophysical maps, confidential reports and data and all other confidential information in its possession relating

in any way to the CONTRACT PROPERTIES; (v) will not knowingly take any action which will cause any purchaser of production attributable to the CONTRACT PROPERTIES to place in suspense any payment for production sold; (vi) will inform BUYER of all third party requests for funds with respect to operations on the CONTRACT PROPERTIES and will not, without providing BUYER a reasonable opportunity to instruct it, agree to participate in any proposed operation on the CONTRACT PROPERTIES other than routine recovery operations or operations necessary in the case of an emergency; and (vii) except for this Agreement, will not enter into or cause any contract, agreement or commitment with respect to the CONTRACT PROPERTIES which is not in the ordinary course of business as heretofore conducted in association with the CONTRACT PROPERTIES, or which involves payments, receipts or potential liabilities by SELLER of an amount in excess of the sum of \$25,000.

It will promptly advise BUYER of all operations on or with respect to the CONTRACT PROPERTIES other than the routine, recurring operation, maintenance and production thereof.

(d) CONTRACTS AND AGREEMENTS. It will not (i) grant any preferential right to purchase or similar right or agree to require the consent of any party to the transfer and assignment to BUYER of any CONTRACT PROPERTY; (ii) enter into any gas sales contract or new

crude oil sales or supply contract with respect to the CONTRACT PROPERTIES herein provided to be sold and conveyed which is not terminable (together with any supplier-purchaser relationship or dedication accompanying such contract) at will and without penalty or detriment on notice of 30 days or less; (iii) incur or agree to incur any contractual obligation or liability, absolute or contingent, with respect to the CONTRACT PROPERTIES which are herein provided to be sold and conveyed, except as otherwise provided herein; or (iv) enter into any transaction the effect of which, considered as a whole, would be to cause any CONTRACT PROPERTY which is herein provided to be sold and conveyed to be altered as of the Effective Time.

(e) CONSENTS. If any approval or consent by any federal, state or local government is required to vest good and marketable title to any interest in any CONTRACT PROPERTY in BUYER and to the subsequent use and operation by BUYER thereof, it will exercise its best efforts, or as reasonably requested by BUYER, to obtain all such required approvals or consents. SELLER will use their best efforts to obtain from all purchasers of hydrocarbons from the CONTRACT PROPERTIES appropriate transfer orders designating BUYER as the appropriate party for payment, effective as of the Effective

Time, with respect to the CONTRACT PROPERTIES which are sold and conveyed to BUYER hereunder.

(f) ABANDONMENTS. SELLER will not abandon any of the CONTRACT PROPERTIES without the advance written consent of BUYER, except as is required by order, judgment or decree of a governmental authority.

(g) NOTICE OF DEFAULTS. SELLER will give prompt written notice to BUYER of any notice of default (or threat of default, whether disputed or denied) received or given by it subsequent to the Effective Time under any instrument or agreement affecting the CONTRACT PROPERTIES to which SELLER is a party or by which it or any of the CONTRACT PROPERTIES is bound.

(h) NOTICE OF EVENTS AND PROPOSALS. If between the date hereof and the Closing SELLER becomes aware of (i) any action or occurrence arising after the date hereof which reasonably may materially affect any of the CONTRACT PROPERTIES, or (ii) any proposal from a third party to engage in any material transaction with respect to any of the CONTRACT PROPERTIES, it will give prompt written notice to BUYER of such action, occurrence or proposal.

(i) AMENDMENTS. SELLER will not supplement, amend, alter, modify or waive any Basic Document, insofar as it covers the interest therein which is herein provided to be sold and conveyed,



except in the ordinary course of business, nor surrender, permit to expire (except upon expiration of its term) or terminate any Basic Document except as may be authorized by BUYER in writing in each instance.

V

Title Defects

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5.01 SELLER'S REPRESENTATIONS. SELLER represents and warrants that it will have at the Closing of the exchange and reorganization herein provided, "Color of Title" to the CONTRACT PROPERTIES, free of all liens and security interests or Title Defects (i.e. other than errors in the calculation of the Expenses or Revenue Interests ("Calculation Errors"), imperfections of title which deprive SELLER of Color of Title to a CONTRACT PROPERTY or interest therein and materially interfere with the use, operation or possession of or materially reduce the value of a CONTRACT PROPERTY or interest therein or the production and sale of Unitized Substances for the account of SELLER therefrom), sufficient to, with respect to each Unit:

- (a) vest in SELLER the right to receive that portion set forth below under the heading "Revenue" of the Unitized Substances produced, saved and sold from the Unitized Formation in and under the Unit Area of each Unit, as such Units are described in the Agreement;

- (b) obligate SELLER to bear and pay that portion set forth below under the heading "Expense" of the costs and expenses of operating the Unitized Formation in and under the Unit Area of each such Unit, with respect to the production of Unitized Substances therefrom.

	Expense -----	Revenue -----	Allocated Percentage -----
West Fuhrman Mascho Unit	.9669167	.7518798	35.0%
Northeast Fuhrman Mascho Unit	.8439618	.6651496	25.0%
Block 10 Fuhrman Mascho Unit	.8568860	.6778141	40.0%

5.02 COLOR OF TITLE; TITLE DEFECTS. The term "Color of Title" shall have the meaning provided in Texas Civil Practice and Remedies Code Section 16.021(2) (A). Provided, however, and notwithstanding such definition, as to each Unit Tract (as defined in the UNIT AGREEMENTS described in connection with the CONTRACT PROPERTIES) there is a well that has produced Unitized Substances continuously for a period of ten (10) years immediately prior to the Effective Time and SELLER or its predecessors in title have been in possession of each Unit Tract and the produced Unitized Substances (i.e. paying unit operating expenses and receiving the proceeds from the sale of Unitized Substances with respect thereto) under Color of Title, then as to such Unit Tract,

SELLER shall be deemed to have Color of Title free of all Title Defects, except with respect to Calculation Errors or liens and security interests. The term "Title Defects" shall not include any error or imperfection in title which affects or relates to a CONTRACT PROPERTY or interest therein to which there is allocated a value of less than \$10,000. The \$10,000 limitation shall not apply to Calculation Errors, liens and security interests, which shall be adjusted dollar for dollar from the first dollar and such adjustments shall not be credited toward the \$100,000 threshold in Section 5.03.

5.03 TITLE DEFECT NOTICE AND PROCEDURE. BUYER shall promptly upon discovery, but in no event later than ninety (90) days from the Closing Date ("TD-Notice Date"), deliver to SELLER written notice of a claim for a Title Defect. Such notice shall specify the Title Defect, the facts and basis for such defect, the value attributable to such defect and all documentation, opinions and analysis by BUYER or its representatives or in their possession relating to or establishing such defect. SELLER shall have a period of twenty (20) days after the TD-Notice Date within which to attempt to cure such defect ("TD-Settlement Date"). If there exists on the TD-Settlement Date Title Defects which have not been cured, then on or before five

(5) days after such date ("TD-Election Date") BUYER may by written notice delivered to SELLER, elect to:

- (a) waive such defect and retain the interest in the CONTRACT PROPERTIES to which such defect pertains; or
- (b) convey to SELLER by special warranty conveyance, the interests in the CONTRACT PROPERTIES to which such defect pertains, if any, and receive as payment therefor, the value attributable to such interests.

If the aggregate value of the interests sought to be conveyed to SELLER under (b) above, less and except the value of the interests described in Section 5.04 below, is less than \$100,000, then with respect to such interests, BUYER shall be deemed to have elected to proceed under (a) above. The failure by BUYER to so notify SELLER of a Title Defect on or before the TD-Notice Date or of its election on or before the TD-Election Date, shall constitute an election by BUYER to proceed under (a) above.

5.04 INCREASE OF SELLER'S INTERESTS. If it is discovered during the 90-day period set forth in 5.03 above that, at Closing, SELLER was vested Color of Title to interests in the CONTRACT - PROPERTIES (or that there exist errors in the calculation of SELLER's interests the correction of) which would increase the value of SELLER's interests in a CONTRACT PROPERTY or interest therein,

then the value of such increase shall be deducted from any payments owed by SELLER to BUYER under 5.03(b) above.

VI

Environmental Matters  
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6.01 This section intentionally left blank.

6.02 SELLER'S INDEMNITY. SELLER agrees to indemnify, save, protect and hold BUYER harmless from and against any claims, demands, causes of action, obligations and liabilities (including all costs and reasonable attorneys' fees): (i) brought by any third person or any agency, branch, or representative of any federal, state or local government; or (ii) asserted by BUYER for remediation within one (1) year from the Closing Date, on account of any personal injury, any death, any damage, destruction or loss of property, or any contamination of natural resources (including air, soil, surface water, or ground water) resulting from or arising out of any Environmental Defect, provided:

- (a) such claim is not for the removal, disposal or otherwise related to asbestos, mercury, PCB's, Naturally Occurring Radioactive Material and other hazardous substances as identified under applicable Environmental Laws affixed or attached to the wells, materials, property and equipment located on any CONTRACT PROPERTY arising out of or in connection with BUYER's activities or operations on the CONTRACT

PROPERTIES, including but not limited to, the repair or replacement of such property and equipment and the plugging and abandoning of such wells;

- (b) such claim is for an amount in excess of \$10,000; and
- (c) written notice of such claim is received by SELLER on or before one (1) year from the Closing Date.

As used in this Article VI, "Environmental Defect" shall mean an environmental condition of or on the CONTRACT PROPERTIES which was created or caused by SELLER or its predecessors-in-interest prior to the Closing Date which applicable Environmental Laws required to be remediated prior to such date. As used in this Article VI, the term "Environmental Laws" shall mean any and all laws, statutes, ordinances, rules, regulations, orders or determinations of any governmental authority pertaining to health or the environment in effect in any and all jurisdictions in which SELLER has conducted operations including, without limitation, the Clear Air Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Rivers and Harbors Act of 1899, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, and other environmental conservation or protection laws.

6.03 CONDITIONS OF INDEMNITY. BUYER shall promptly upon the receipt of a claim for an Environmental Defect, but in no event later than one (1) year from the Closing Date deliver to SELLER written notice of a claim for an Environmental Defect. If the aggregate value for all claims for Environmental Defects, written notice of which is received on or before one (1) year after the Closing Date is less than \$100,000, then SELLER shall have no indemnity obligations with respect thereto. If the aggregate value for such claims exceeds \$100,000 then SELLER's indemnity obligation shall apply to the entire amount.

6.04 DISPOSAL OF WASTE. BUYER shall dispose of or discharge any of its hazardous waste and toxic waste (including produced water, drilling fluids, and other associated waste) in accordance with applicable environmental laws and other laws concerning the environment in effect from time to time after the Closing Date and when BUYER (or related entity) has assumed operations. When and if any lease, an interest in which has been assigned hereunder, is terminated, BUYER shall take whatever remedial action on the respective CONTRACT PROPERTY that is necessary to satisfy any applicable environmental laws or other laws concerning the environment in effect at that time.

6.05 INDEMNIFICATION BY BUYER. After the Closing Date and subject to the indemnification obligations of SELLER under Section 6.02, BUYER shall indemnify and defend SELLER from and against any claims, demands, causes of action, obligations and liabilities, including without limitation those resulting in whole or in part from the negligence or strict liability of SELLER but excluding the fraudulent concealment by SELLER as to which SELLER shall not receive indemnification, and including any costs of cleanup or plugging liabilities for any wells brought by any person, including any employees, agents, or representatives of either the BUYER or the SELLER, any private citizen, or any agency, branch, or representative of any federal, state, tribal, local or foreign government, on account of any personal injury, any death, any damage, destruction or loss of property, or any contamination of natural resources (including air, soil, surface water, or ground water) resulting from or arising out of any liability under any environmental law, or other laws concerning the environment in effect from time to time, caused by or connected with any condition on such CONTRACT PROPERTY.

6.06 COOPERATION OF THE PARTIES. SELLER and BUYER shall cooperate in attempting to resolve or mitigate in the most cost effective manner any remedial environmental action required to be



taken with respect to any CONTRACT PROPERTY and shall cooperate in the defense of any enforcement action, including negotiation, litigation, settlement, and design and construction of any facilities connected with any remediation demand.

## VII

### Purchase Price Adjustments

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#### 7.01 ADJUSTMENTS.

1. The Purchase Price shall be adjusted upward by the following: (i) the value of all merchantable, allowable liquid hydrocarbons in storage on the Effective Time at the location of the CONTRACT PROPERTIES that is credited to the CONTRACT PROPERTIES, based upon the actual prices being paid less the cost of transportation, however paid, and less taxes and other expenses, if any, deducted by the purchaser of such hydrocarbons; (ii) the proceeds received by BUYER in connection with the CONTRACT PROPERTIES attributable (in accordance with generally accepted accounting principles "GAAP") to the period prior to the Effective Time; and (iii) the amount of actual expenditures of SELLER (including royalties, delay rentals and other charges, and ad valorem, property, production, excise, severance and other taxes (other than income taxes) based upon or measured by the ownership

of property or the production of hydrocarbons or the receipt of proceeds therefrom), expenses, including drilling, completion and workover expenses, billed under applicable operating agreements, and, in the absence of an operating agreement, expenses of the sort customarily billed under such agreements attributable to the period subsequent to the Effective Time.

2. The Purchase Price shall be adjusted downward by the following: (i) the proceeds received by SELLER in connection with the CONTRACT PROPERTIES attributable in accordance with GAAP attributable to the period after the Effective Time; (ii) an amount equal to all ad valorem, property, production, excise, severance and similar taxes and assessments (but not including income taxes) based upon or measured by the ownership of property or the production of hydrocarbons or the receipt of proceeds therefrom accruing or relating to the CONTRACT PROPERTIES prior to the Effective Time to the extent not paid by SELLER before the Closing Date and thereafter assumed by BUYER; (iii) the amount of all actual direct expenditures of SELLER (including royalties, rentals and other charges, expenses, including drilling, completion and workover expenses, billed under such agreements), that are, in accordance with GAAP, attributable to the ownership or the operation of the CONTRACT PROPERTIES before the Effective Time, to the extent not

paid by the SELLER before the Closing Date and thereafter assumed and paid by Buyer; and (iv) the amounts set forth in Sections 5.03 and 6.02 with respect to Title Defects and Environmental Defects identified prior to Closing Date.

7.02 ACCOUNTING AND TIME OF ADJUSTMENTS. No later than three (3) days prior to Closing, SELLER shall furnish BUYER with an estimated accounting showing in reasonable detail the accounting provided in Sections 1.03, 7.01 and 10.02(3) to be effected. If pursuant to such estimated accounting either SELLER or BUYER shall owe any obligation to the other, then the Purchase Price paid at Closing shall be adjusted to reflect such charges and credits which are necessary to accomplish such adjustment. Promptly after the Closing Date (but not later than ninety (90) days thereafter), SELLER shall furnish BUYER with a final accounting showing in reasonable detail the adjustments necessary to effect such accounting. For a period of ninety (90) days following receipt by BUYER of such accounting, each party shall provide to the other party and its representatives with access to all records reasonably required to confirm such accounting. If within thirty (30) days after the end of such second ninety (90) day period SELLER and BUYER are unable to agree on such accounting and the adjustments to be made to the Purchase Price the same shall be submitted to the

accounting firm of Arthur Anderson, L.L.P. for determination, and the determination made by such firm shall be binding and conclusive. The fees charged and expenses incurred by such firm for such services shall be borne by SELLER and BUYER, in equal proportions.

VIII.

Conditions to Obligations of SELLER  
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The obligations of SELLER to consummate the sale and purchase transaction provided for herein are subject, at the option of SELLER, to the fulfillment on or prior to the Closing of each of the following conditions:

8.01 REPRESENTATIONS. The representations and warranties of BUYER herein contained shall be true and correct in all respects on the Closing as though made on and as of such date.

8.02 PERFORMANCE. BUYER shall have performed all of its obligations, covenants and agreements hereunder and shall have complied with all covenants and conditions contained in this Agreement to be performed or complied with by it at or prior to the Closing.

8.03 PENDING MATTERS. No suit, action or other proceeding shall be pending which seeks to restrain, enjoin or other-

wise prohibit the consummation of the transactions contemplated by this Agreement.

IX

Conditions to Obligations of BUYER  
-----

The obligations of BUYER to consummate the sale and purchase transaction provided for herein are subject, at the option of BUYER, to the fulfillment on or prior to the Closing of each of the following conditions:

9.01 REPRESENTATIONS. The representations and warranties of SELLER herein contained shall be true and correct in all material respects on the Closing as though made on and as of such date.

9.02 PERFORMANCE. SELLER shall have performed all of its obligations, covenants and agreements hereunder and shall have complied with all covenants and conditions contained in this Agreement to be performed or complied with by it at or prior to the Closing.

9.03 PENDING MATTERS. No suit, action or other proceeding shall be pending or threatened (i) against SELLER before any court or governmental agency which might result in impairment or loss of value as to any part of the CONTRACT PROPERTIES herein provided to be sold and conveyed (other than normally encountered title disputes which are not, as to the particular CONTRACT PROPERTY

involved, material and which do not represent serious threats of the loss of title); or (ii) which seeks to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement.

9.04 LIABILITY. No liability which affects, in a materially adverse manner, a CONTRACT PROPERTY, or the ability of BUYER to receive the economic benefits therefrom has been or is threatened to be asserted with respect to a CONTRACT PROPERTY, relating to violations of pricing laws, rules or regulations administered by the Department of Energy or Federal Energy Regulatory Commission.

9.05 ACCESS. SELLER shall have afforded BUYER and its officers, employees and representatives free and complete access to the CONTRACT PROPERTIES and the records of SELLER pertaining there- to, from and after the date of this Agreement.

9.06 ADVERSE CHANGE. Prior to the Closing there shall not have occurred a material adverse change in the CONTRACT PROPERTIES or in their production characteristics, taken as a whole, including, but not limited to, acts of God, fire, explosion, accident, strike, lockout, combination of workmen, war, embargo, writ, condemnation, confiscation, seizure, activities of armed forces, operation of laws, rules or regulations, or casualty (regardless of whether such casualty is covered by insurance) or any other matters outside the

control of the parties hereto but excepting depletion due to normal production, depreciation of equipment through ordinary wear and tear and transactions permitted under this Agreement. For purposes hereof "material adverse change" shall mean in the aggregate more than \$4,000,000.

9.07 INSTRUMENTS TO BE DELIVERED. There shall be delivered to BUYER at the Closing (i) the instruments provided in clause 10.02(1) (a), and (ii) the opinion of SELLER's counsel that the representations and warranties made by SELLER in clauses 2.01(a), (b), (c) and (e) are true and correct as of such time.

9.08 STRATUM RELEASE. There shall have been delivered to SELLER at or before Closing conveyances by Stratum Group Energy Capital, L.P. to SELLER of all of its overriding royalties and net profits interests in the CONTRACT PROPERTIES and releases by Stratum Group Energy Capital, L.P. of all of its liens, security interests and any other interests in the CONTRACT PROPERTIES and the production therefrom.

X

Closing  
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10.01 TIME AND PLACE. The Closing of the purchase and sale herein provided (the "Closing") shall be effected in the offices of RAUSCHER PIERCE RENFRES, INC., in Dallas, Texas, on or

before December 8, 1997, ("Closing Date"), or at such other time as may be mutually agreed upon by the parties.

10.02 ACTIONS AT CLOSING. At such Closing:

(1) SELLER will:

- (a) execute and deliver to BUYER an assignment and bill of sale in substantially the form attached hereto;
- (b) deliver to BUYER (i) the certificate of SELLER with knowledge of the facts that each of the representations and warranties made by SELLER in clause 2.01 are true and correct as of such time, and (ii) the opinion of counsel described in Section 9.07;
- (c) deliver to BUYER possession of the CONTRACT PROPERTIES;
- (d) deliver to BUYER such of the following files maintained by it as relate to the CONTRACT PROPERTIES:
  - (1) land, lease and title files, and division order files,
  - (2) land maps,
  - (3) well files, engineering files, operation files, and production files,
  - (4) logs,
  - (5) geological files and maps,
  - (6) seismic and other geophysical files, except to the extent the same constitute interpretations made by



SELLER which SELLER deems confidential or proprietary and which relate to other properties owned by such SELLER,

- (7) accounting files relating to operations subsequent to the Effective Time,
- (8) gas contract files, and
- (9) gas balancing files and records,

together with computer data base information with respect thereto, available for electronic transfer; and

- (e) execute and deliver to BUYER non-foreign affidavits in compliance with Section 1445 of the Internal Revenue Code of 1986.

(2) BUYER will:

- (a) pay the Purchase Price (as adjusted pursuant to the preceding provisions hereof) in the following manner:
  - (1) BUYER will assume and pay at the Closing the obligations and liabilities of SELLER set forth on the attached Schedule of Liabilities ("Liabilities") in the manner set forth on such schedule;
  - (2) BUYER will deliver to SELLER that number of shares of BUYER's Common Stock equal to the quotient of (i) the amount by which the Purchase Price exceeds the Liabilities assumed and paid by BUYER at the Closing, divided by (ii) the "Stock Price", being an amount equal to the average closing price of the shares of BUYER's Common Stock as published

in the "Wall Street Journal" for the five-day period ending two days prior to the Closing Date. As used in this agreement, the phrase "BUYER's Common Stock" shall mean fully paid, non-assessable, unrestricted, unregistered, voting shares of BUYER's common stock; and

- (b) take possession of the CONTRACT PROPERTIES.
- (3) There will be effected between the parties such accounting as is then practicable to give effect to the provisions of Sections 1.04 and 7.01 hereof.
- (4) The parties will execute and deliver such other and further instruments (including appropriate letters in lieu of division or transfer orders and forms and bonds required to be filed with any governmental entity in respect of changes in operator) and will do and perform such other and further acts and things as may be necessary to effect the agreements herein made.

10.03 ACTIONS AFTER CLOSING. After such Closing each party, at the request of the other and without further consideration, will from time to time execute and deliver such other and further instruments, make such cash payments, and do and perform such other and further acts and things as may be necessary or appropriate to effect the agreement herein made.

If, within one (1) year after the Closing either party shall receive any payment belonging to the other party or pay any obligation of the other party, the party receiving the payment due

to the other party shall promptly remit the same to such other party, and the party making a payment for the account of the other party shall be promptly reimbursed by the other party the amount of such payment.

SELLER will cooperate with and assist BUYER in its efforts to effect the succession of BUYER as operator of the CONTRACT PROPERTIES now operated by SELLER.

10.04 This section intentionally left blank.

XI

Earnest Money Deposit

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11.01 DEPOSIT AND ACTIONS TO BE TAKEN. No earnest money deposit shall be made or required.

XII.

Termination

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12.01 RIGHT OF TERMINATION. This Agreement and the transactions contemplated herein may be completely terminated at any time at or prior to the Closing:

- (i) by mutual consent of the parties;
- (ii) by any party if a Closing shall not have occurred on or before December 8, 1997, for a reason other than the breach by such party of this Agreement;

- (iii) by any party if, at or prior to a Closing any suit, proceeding, claim or other judicial or administrative matter or action (other than a suit or proceeding instituted directly or indirectly by the party seeking to effect such termination) is pending or threatened which directly or indirectly may materially adversely affect the transaction, the CONTRACT PROPERTIES, or title to the CONTRACT PROPERTIES or any material portion thereof; or
- (iv) by BUYER if prior to a Closing there has been a material adverse change, which has occurred or which shall be pending or threatened, to the CONTRACT PROPERTIES, the value of which in the aggregate exceeds \$4,000,000.

12.02 EFFECT OF TERMINATION. In the event of the termination of this Agreement pursuant to any provision of this Article XII, this Agreement will become void and have no effect, and none of the parties hereto shall have any further right or duty to the other hereunder, except as expressly provided to the contrary herein.

XIII

Insurance. SELLER's and Shareholder's Liability  
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13.01 INSURANCE. There are described on the Schedule of Insurance attached hereto two insurance policies described as the "Chubb Policy" and the "AGI Policy" (collectively the "Policies"). SELLER shall either (a) assign the Policies to BUYER or (b) have BUYER named as an additional insured. BUYER shall not have to

exhaust any rights with respect to recovery under the Policies prior to claiming indemnification rights under this Agreement.

13.02 SELLER'S LIABILITY. The maximum amount of SELLER's aggregate liability for or with respect to any breach of a covenant, obligation, representation or warranty, or indemnity obligation of any kind hereunder, excluding the payment obligations contained in Article V, but including and not limited to the indemnity and payment obligations contained in Articles I, II, and VI, shall be limited to the sum of \$2,000,000. Such aggregate limitation of SELLER's liability shall be in addition to and therefore not reduced by any: (i) insurance proceeds paid to BUYER pursuant to Section 13.01 hereto; and (ii) sums paid to BUYER under the provisions of Sections 5.03, 7.01, 7.02 and 10.03 hereof.

13.03 SHAREHOLDER'S LIABILITY. If, as and when there is distributed to L. S. Decker and Kelly W. Hoffman ("Shareholders") or their legal representatives or designees, as the sole shareholders of SELLER, BUYER's Common Stock pursuant to the Reorganization of SELLER as set forth in this Agreement, Shareholders shall be deemed to have assumed jointly and severally, subject to the limitations contained in Section 13.02, all obligations of SELLER under this Agreement to the same extent as the SELLER's obligation, provided however SHAREHOLDERS' aggregate

liability under this Agreement shall not exceed the return of the unsold shares of BUYER's Common Stock and the proceeds, if any, received by SHAREHOLDERS in the event of the sale of all or part of such stock.

## XIV

## Miscellaneous

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14.01 ENTIRE AGREEMENT. This Agreement, the documents to be executed hereunder, and each Appendix and exhibit attached hereto constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties pertaining to the subject matter hereof. There are no warranties, representations or other agreements between the parties hereto in connection with the subject matter hereof except as specifically set forth herein or in documents delivered pursuant hereto. No supplement, amendment, alteration, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the parties hereto.

14.02 WAIVER. No waiver of any of the provisions of this Agreement will be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

14.03 CAPTIONS. The captions in this Agreement are for convenience only and may not be considered a part of or as affecting the construction or interpretation of any provision of this Agreement.

14.04 GOVERNING LAW AND ARBITRATION. This Agreement, all documents delivered pursuant hereto and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Texas.

Except as specifically set forth in this agreement, all disputes arising out of or in connection with the execution, interpretation or performance of this agreement shall, to the fullest extent permitted by law, be solely and finally determined by arbitration conducted in Dallas, Texas, in accordance with the Texas General Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association to the extent such rules do not conflict with the terms of such Act and the terms hereof. The decision of the arbitrator(s) shall be reduced to writing and shall be binding on the parties. Judgment upon any award so determined may be entered and executed in any court of competent jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement. The costs and expenses

of such arbitration shall be borne in such manner as may be determined by such arbitrator(s).

14.05 NOTICES. Any notice, communication, request, instruction or other document required or permitted hereunder shall be given in writing by certified mail, return receipt requested, postage prepaid, or by prepaid telegram, overnight courier, telecopier, facsimile transmission, or delivered, as follows:

If to SELLER, to:  
Kelly W. Hoffman  
Arrow Operating Company  
8144 Walnut Hill Lane, Suite 998  
Dallas, Texas 75231  
TELEPHONE: 214/373-8888 FAX: 214/696-7771

If to KELLY W. HOFFMAN, to:  
Arrow Operating Company  
8144 Walnut Hill Lane, Suite 998  
Dallas, Texas 75231  
TELEPHONE: 214/373-8888 FAX: 214/696-7771

If to L. S. DECKER, to:  
1706 Seamist, Suite 590  
Houston, Texas 77008  
TELEPHONE: 713/880-434 FAX: 713/880-1990



If to BUYER, to:  
Chad L. Stephens  
Lomak Petroleum, Inc.  
500 Throckmorton Street, Suite 1900  
Fort Worth, Texas 75102  
TELEPHONE: 817/870-2601 FAX: 817/870-2316

or to such other address or to the attention of such other person as shall be designated in writing by any party to the other party hereafter. All notices will be deemed to have been given as of the date of receipt.

14.06 EXPENSES. Each party shall be solely responsible for all expenses incurred by it in connection with this transaction, including, without limitation, fees and expenses of its own counsel and accountants, and shall not be entitled to any reimbursement therefor from any other party hereto.

14.07 CONFIDENTIALITY. BUYER shall not provide any information concerning the CONTRACT PROPERTIES or any aspect of the transactions contemplated by this Agreement to anyone other than its respective affiliates, proposed lending institutions, officers, employees and representatives, except as required by law. These limitations will terminate on the earlier to occur of (i) the Closing of the transactions contemplated herein, or (ii) such time as the information and data in question becomes generally available to the oil and gas industry other than through the breach by either

party or its respective officers, employees or representatives of the obligations of the section. BUYER agrees that if this Agreement is terminated for any reason whatsoever, it will, on SELLER request, promptly return to SELLER all information and data furnished or made available to it by SELLER in connection with the investigation by BUYER of the CONTRACT PROPERTIES.

14.08 AUDITS. Wherever under this Agreement an accounting determination or reconciliation is required with respect to any matter arising hereunder, any party may, at its expense, perform or cause to be performed such audit as is deemed appropriate. The parties will cooperate to provide all necessary access to the information required for any such audit.

14.09 SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as

closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

14.10 ASSIGNMENT. No assignment may be made by any party of this Agreement or of any right, privilege, cause of action or obligation hereunder, except as otherwise provided in this Agreement.

This Exchange and Reorganization Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date above recited.

SELLER:  
ARROW OPERATING COMPANY

By -----  
Kelly W. Hoffman, President

BUYER:  
LOMAK PETROLEUM, INC.

By: -----

SHAREHOLDERS:

-----  
Kelly W. Hoffman

-----  
L. S. Decker

## Exhibit 12.1

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,						Nine Months Ended September 30,	
	1992	1993	1994	1995	1996	Pro Forma 1996	1997	Pro Forma 1997
Income before taxes	878	1,310	2,758	6,172	19,449	22,113	18,975	21,175
Fixed charges (a)	952	1,120	2,807	5,584	7,487	36,637	18,528	22,722
Earnings	1,830	2,430	5,565	11,756	26,936	58,750	37,503	43,897
Ratio of earnings to fixed charges	1.9	2.2	2.0	2.1	3.6	1.6	2.0	1.9
Income before taxes	878	1,310	2,758	6,172	19,449	22,113	18,975	21,175
Fixed charges (a)	952	1,120	2,807	5,584	7,487	36,637	18,528	22,722
Earnings	1,830	2,430	5,565	11,756	26,936	58,750	37,503	43,897
Preferred dividends	294	329	375	731	2,454	2,334	1,752	1,752
Fixed charges (a)	952	1,120	2,807	5,584	7,487	36,637	18,528	22,722
	1,246	1,449	3,182	6,315	9,941	38,971	20,280	24,474
Ratio of earnings to fixed charges and preferred dividends (a)	1.5	1.7	1.7	1.9	2.7	1.5	1.8	1.8

(a) Fixed charges consist of interest expense on all indebtedness.

ARTHUR ANDERSEN

Arthur Andersen LLP  
Suite 1800  
200 Public Square  
Cleveland, OH 44114

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in, or incorporated by reference, in this registration statement.

/s/ ARTHUR ANDERSEN LLP

Cleveland, Ohio  
January 5, 1998

[COOPERS & LYBRAND LETTERHEAD]

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated February 7, 1997, on our audits of the Statements of revenues and direct operating expenses of the American Cometra Interests, for the years ended December 31, 1994, 1995 and 1996. We also consent to the reference to our firm under the caption "Experts".

COOPERS & LYBRAND L.L.P.

Forth Worth, Texas  
January 5, 1998

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2) [ ]

-----

THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
48 Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

-----

LOMAK PETROLEUM, INC.  
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	34-1312571 (I.R.S. employer identification no.)
500 Throckmorton Street Ft. Worth, Texas (Address of principal executive offices)	76102 (Zip code)

-----

5 3/4% Convertible Junior Subordinated Debentures  
(Title of the indenture securities)

=====



1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

None.

16. LIST OF EXHIBITS.

EXHIBITS IDENTIFIED IN PARENTHESES BELOW, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS AN EXHIBIT HERETO, PURSUANT TO RULE 7a-29 UNDER THE TRUST INDENTURE ACT OF 1939 (THE "ACT") AND 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 5th day of January, 1998.

THE BANK OF NEW YORK

By: /s/ VAN K. BROWN

-----  
Name: VAN K. BROWN  
Title: ASSISTANT VICE PRESIDENT

Consolidated Report of Condition of  
THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 1997,  
published in accordance with a call made by the Federal Reserve Bank of this  
District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin .....	\$ 7,769,502
Interest-bearing balances .....	1,472,524
Securities:	
Held-to-maturity securities .....	1,080,234
Available-for-sale securities .....	3,046,199
Federal funds sold and Securities pur- chased under agreements to resell .....	3,193,800
Loans and lease financing receivables:	
Loans and leases, net of unearned income .....	35,352,045
LESS: Allowance for loan and lease losses .....	625,042
LESS: Allocated transfer risk Reserve .....	429
Loans and leases, net of unearned income, allowance, and reserve .....	34,726,574
Assets held in trading accounts .....	1,611,096
Premises and fixed assets (including capitalized leases) .....	676,729
Other real estate owned .....	22,460
Investments in unconsolidated subsidiaries and associated companies .....	209,959
Customers' liability to this bank on acceptances outstanding .....	1,357,731
Intangible assets .....	720,883
Other assets .....	1,627,267
	-----
Total assets .....	\$57,514,958 =====
<b>LIABILITIES</b>	
Deposits:	
In domestic offices .....	\$26,875,596
Noninterest-bearing .....	11,213,657
Interest-bearing .....	15,661,939
In foreign offices, Edge and Agreement subsidiaries, and IBFs .....	16,334,270
Noninterest-bearing .....	596,369
Interest-bearing .....	15,737,901
Federal funds purchased and Securities sold under agreements to repurchase .....	1,583,157
Demand notes issued to the U.S. ....	
Treasury .....	303,000
Trading liabilities .....	1,308,173
Other borrowed money:	
With remaining maturity of one year or less .....	2,383,570
With remaining maturity of more than one year through three years .....	0
With remaining maturity of more than three years .....	20,679
Bank's liability on acceptances exe- cuted and outstanding .....	1,377,244
Subordinated notes and debentures .....	1,018,940
Other liabilities .....	1,732,792
	-----
Total liabilities .....	52,937,421 -----
<b>EQUITY CAPITAL</b>	
Common stock .....	1,135,284
Surplus .....	731,319
Undivided profits and capital reserves .....	2,721,258
Net unrealized holding gains (losses) on available-for-sale securities .....	1,948
Cumulative foreign currency transla- tion adjustments .....	(12,272)
	-----
Total equity capital .....	4,577,537 -----
Total liabilities and equity	

capital .....

\$57,514,958  
=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi    --  
J. Carter Bacot    |  
Alan R. Griffith   |   Directors  
                  --

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FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----

THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
48 Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

-----

LOMAK FINANCING TRUST  
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	34-xxxxxxx (I.R.S. employer identification no.)
500 Throckmorton Street Ft. Worth, Texas (Address of principal executive offices)	76102 (Zip code)

-----

5 3/4% Trust Convertible Preferred Securities  
(Title of the indenture securities)

=====

## 1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

-----  
NameAddress  
-----Superintendent of Banks of the State of New York      2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y. 12203Federal Reserve Bank of New York      33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation      Washington, D.C. 20429

New York Clearing House Association      New York, New York 10005

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

## 2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION

None.

## 16. LIST OF EXHIBITS.

EXHIBITS IDENTIFIED IN PARENTHESES BELOW, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS AN EXHIBIT HERETO, PURSUANT TO RULE 7a-29 UNDER THE TRUST INDENTURE ACT OF 1939 (THE "ACT") AND 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.



SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 5th day of January, 1998.

THE BANK OF NEW YORK

By: /s/ VAN K. BROWN

-----  
Name: VAN K. BROWN  
Title: ASSISTANT VICE PRESIDENT

Consolidated Report of Condition of  
THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 1997,  
published in accordance with a call made by the Federal Reserve Bank of this  
District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin .....	\$ 7,769,502
Interest-bearing balances .....	1,472,524
Securities:	
Held-to-maturity securities .....	1,080,234
Available-for-sale securities .....	3,046,199
Federal funds sold and Securities pur- chased under agreements to resell .....	3,193,800
Loans and lease financing receivables:	
Loans and leases, net of unearned income .....	35,352,045
LESS: Allowance for loan and lease losses .....	625,042
LESS: Allocated transfer risk Reserve .....	429
Loans and leases, net of unearned income, allowance, and reserve .....	34,726,574
Assets held in trading accounts .....	1,611,096
Premises and fixed assets (including capitalized leases) .....	676,729
Other real estate owned .....	22,460
Investments in unconsolidated subsidiaries and associated companies .....	209,959
Customers' liability to this bank on acceptances outstanding .....	1,357,731
Intangible assets .....	720,883
Other assets .....	1,627,267
	-----
Total assets .....	\$57,514,958 =====
LIABILITIES	
Deposits:	
In domestic offices .....	\$26,875,596
Noninterest-bearing .....	11,213,657
Interest-bearing .....	15,661,939
In foreign offices, Edge and Agreement subsidiaries, and IBFs .....	16,334,270
Noninterest-bearing .....	596,369
Interest-bearing .....	15,737,901
Federal funds purchased and Securities sold under agreements to repurchase .....	1,583,157
Demand notes issued to the U.S. .... Treasury .....	303,000
Trading liabilities .....	1,308,173
Other borrowed money:	
With remaining maturity of one year or less .....	2,383,570
With remaining maturity of more than one year through three years .....	0
With remaining maturity of more than three years .....	20,679
Bank's liability on acceptances exe- cuted and outstanding .....	1,377,244
Subordinated notes and debentures .....	1,018,940
Other liabilities .....	1,732,792
	-----
Total liabilities .....	52,937,421 -----
EQUITY CAPITAL	
Common stock .....	1,135,284
Surplus .....	731,319
Undivided profits and capital reserves .....	2,721,258
Net unrealized holding gains (losses) on available-for-sale securities .....	1,948
Cumulative foreign currency transla- tion adjustments .....	(12,272)
	-----
Total equity capital .....	4,577,537 -----

Total liabilities and equity  
capital ..... \$57,514,958  
=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi |  
J. Carter Bacot | Directors  
Alan R. Griffith |

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Exhibit 25.3

## =====

## FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEECHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2) [ ]

-----

THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)New York 13-5160382  
(State of incorporation (I.R.S. employer  
if not a U.S. national bank) identification no.)48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----

LOMAK PETROLEUM, INC.  
(Exact name of obligor as specified in its charter)Delaware 34-1312571  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification no.)500 Throckmorton Street 76102  
Ft. Worth, Texas (Zip code)  
(Address of principal executive offices)

-----

Guarantee of 5 3/4% Trust Convertible Preferred  
Securities of Lomak Financing Trust  
(Title of the indenture securities)

=====

1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Name	Address
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New York Clearing House Association	New York, New York 10005

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

None.

16. LIST OF EXHIBITS.

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THE BANK OF NEW YORK

By: /S/ VAN K. BROWN

-----  
Name: VAN K. BROWN  
Title: ASSISTANT VICE PRESIDENT

Consolidated Report of Condition of  
THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 1997,  
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District pursuant to the provisions of the Federal Reserve Act.

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Total liabilities .....	52,937,421 -----
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Cumulative foreign currency transla- tion adjustments .....	(12,272)
	-----
Total equity capital .....	4,577,537 -----



Total liabilities and equity  
capital ..... \$57,514,958  
=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi  
J. Carter Bacot  
Alan R. Griffith

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|  
| Directors  
|  
---  
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