

UNIVERSAL CORP /VA/
Form S-3ASR
December 01, 2005
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As filed with the Securities and Exchange Commission on December 1, 2005.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

UNIVERSAL CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Virginia
(State or Other Jurisdiction of
Incorporation or Organization)

54-0414210
(I.R.S. Employer
Identification Number)

1501 North Hamilton Street

Richmond, Virginia 23230

(804) 359-9311

(Address, Including Zip Code, and Telephone Number,

Including Area Code, of Registrant's Principal Executive Offices)

Preston D. Wigner, Esquire
General Counsel and Secretary
Universal Corporation

Copies of Communications to:
John M. Oahey, III, Esquire
Williams Mullen

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1501 N. Hamilton Street,
 Richmond, Virginia 23230
 (804) 359-9311

A Professional Corporation
 1021 East Cary Street
 Richmond, Virginia 23219

(Name, Address, Including Zip Code, and Telephone
 Number, Including Area Code, of Agent For Service)

(804) 643-1991

Approximate date of commencement of proposed sale to the public: From time to time following the effectiveness 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.

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

If this Form is a post-effective amendment filed pursuant to Rule 462(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 this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	
Debt Securities				
Preferred Stock				
Common Stock (2)				
Warrants		\$0(1)		
Stock Purchase Contracts				
Units				

(1) An indeterminate aggregate initial offering price or number of the securities of each identified class of securities is being registered in reliance on Rules 456(b) and 457(r) under the Securities Act of 1933. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities or that are issued in units. In accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, the Registrant is deferring payment of all of the registration fee, except for \$9,660 that has already been paid with respect to \$105,000,000 aggregate initial offering price of securities that were previously registered pursuant to Registration Statement File No. 333-103155, and not sold thereunder. The previously paid registration fees will be applied in lieu of the registration fees due for this registration statement pursuant to Rule 457(p) under the Securities Act of 1933.

(2)

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Each outstanding share of the Common Stock registered hereunder has associated with it one Preferred Share Purchase Right. The associated rights entitle the holder to purchase from the Universal Corporation one two-hundredth of a share of Series A Junior Participating Preferred Stock at a price of \$110, subject to adjustment.

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PROSPECTUS

Universal Corporation

Debt Securities

Preferred Stock

Common Stock

Warrants

Stock Purchase Contracts

Units

We may offer and sell from time to time in one or more offerings any combination of the securities listed above. We will provide the specific terms for securities to be offered in one or more supplements to this prospectus. The prospectus supplement may also add, update, or change information contained in this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We may offer and sell these securities directly to purchasers or through one or more underwriters, dealers, and agents, on a continuous or delayed basis.

Our common stock is listed on the New York Stock Exchange under the symbol UVV.

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

The date of this prospectus is December 1, 2005

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a “shelf” registration process. Under this shelf process, we may offer and sell from time to time any combination of the securities described in this prospectus in one or more offerings. This prospectus only provides you with a general description of the company and the securities we may offer. Each time we offer and sell securities, we will provide a supplement to this prospectus that contains specific information about the terms of the securities. The supplement may also add, update, or change information contained in this prospectus. You should read this prospectus and any applicable prospectus supplement together with the additional information described under the heading “Where You Can Find More Information.”

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, and we file annual, quarterly, and current reports, proxy statements, and other information with the Securities and Exchange Commission. You may read and copy any document that we file at the SEC’s public reference room facility located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at www.sec.gov that contains reports, proxy, and information statements and other information regarding issuers, including us, that file documents with the SEC electronically through the SEC’s electronic data gathering, analysis, and retrieval system known as EDGAR.

Our common stock is listed on the New York Stock Exchange under the symbol “UVV.” Our reports, proxy statements, and other information may also be reviewed at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This prospectus is part of a registration statement filed by us with the SEC. Because the rules and regulations of the SEC allow us to omit certain portions of the registration statement from this prospectus, this prospectus does not contain all the information set forth in the registration statement. You may review the registration statement and the exhibits filed with the registration statement for further information regarding us

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and the securities being sold by this prospectus and the applicable prospectus supplement. The registration statement and its exhibits may be inspected at the public reference facilities of the SEC at the addresses set forth above.

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We also maintain an internet site at www.universalcorp.com, which contains information relating to us and our business.

INCORPORATION OF INFORMATION THAT WE FILE WITH THE SEC

This prospectus incorporates by reference important business and financial information that we file with the Securities and Exchange Commission and that we are not including in or delivering with this prospectus. As the SEC allows, incorporated documents are considered part of this prospectus, and we can disclose important information to you by referring you to those documents.

We incorporate by reference the documents listed below, which have been filed with the SEC:

our annual report on Form 10-K for the fiscal year ended March 31, 2005;

our quarterly reports on Form 10-Q for the periods ended June 30, 2005, and September 30, 2005;

our current reports on Form 8-K filed on May 13, 2005, May 25, 2005 (with respect to Item 8.01 only), May 31, 2005, June 1, 2005, June 9, 2005, August 2, 2005, August 8, 2005 (with respect to Item 8.01 only), October 17, 2005, October 25, 2005, November 8, 2005 (with respect to Item 8.01 only), and November 16, 2005; and

the description of our common stock and associated preferred share purchase rights contained in our registration statement on Form 8-A, filed December 29, 1998, Amendment No. 1 to the Form 8-A, filed May 7, 1999, and our Registration Statement on Form S-3, dated February 25, 1993.

We also incorporate by reference all documents filed with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the completion or termination of this offering. Information in this prospectus supersedes related information in the documents listed above, and information in subsequently filed documents supersedes related information in both this prospectus and the incorporated documents.

We will promptly provide, without charge to you, upon written or oral request, a copy of any or all of the documents incorporated by reference in this prospectus, other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in those documents. Requests should be directed to:

Corporate Secretary

Universal Corporation

1501 North Hamilton Street

Richmond, Virginia 23230

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement relating to the offered securities. No one else is authorized to provide you with different information. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of those documents because our business, financial condition and results of operations may have changed since that date.

USE OF PROCEEDS

We intend to use the net proceeds from the sales of the offered securities as set forth in the applicable prospectus supplement.

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DESCRIPTION OF DEBT SECURITIES

General

We may issue senior debt securities. The senior debt securities will not be secured by any of our property or assets. As a result, holders of our debt securities will be unsecured creditors. The senior debt securities will constitute part of our senior debt, will be issued under an indenture described below, and will rank equally with all of our other unsecured and unsubordinated debt.

The indenture does not limit our ability to incur additional senior indebtedness.

When we use the terms "debt security" or "debt securities" in this description, we mean the senior debt securities being offered by this prospectus and the applicable prospectus supplement.

General Subordination

Because our assets consist principally of interests in the subsidiaries through which we conduct our businesses, our cash flow and our consequent ability to service our debt, including the debt securities, are largely dependent upon the cash flow and earnings of our subsidiaries, including dividends we receive from some of those subsidiaries. Since we also guarantee some of the obligations of our subsidiaries, any liability we may incur for our subsidiaries' obligations could reduce the assets that are available to satisfy claims of our direct creditors, including investors in the debt securities. Additionally, our right to participate as an equity holder in any distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or otherwise, and thus the ability of our security holders to benefit from the distribution, is junior to creditors of the subsidiary, except to the extent that any claims we may have as a creditor of the subsidiary are recognized.

Indenture and Trustee

Federal law requires that our debt securities be governed by a document called an indenture. The indenture is a contract between us and JPMorgan Chase Bank, N.A., which acts as trustee.

The trustee has two main roles:

The trustee can enforce the rights of holders against us if we default on our obligations under the terms of the indenture or debt securities. There are some limitations on the extent to which the trustee acts on holders' behalf, as described under "Default and Related Matters - Events of Default" below; and

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The trustee performs administrative duties for us, such as sending interest payments to holders, transferring holders' debt securities to a new buyer if they sell and sending notices to holders.

The indenture and its associated documents contain the full legal text of the matters described in this section. The indenture and the debt securities are governed by the laws of the State of New York. A copy of the form of indenture appears as an exhibit to the registration statement of which this prospectus is a part. See [Where You Can Find More Information](#) for information on how to obtain copies.

Different Series of Debt Securities

General

We may issue more than one distinct series of debt securities under the indenture. This section summarizes the material terms of the debt securities that are common to all series, although the prospectus supplement that describes the terms of each series of debt securities will also describe any differences with the material terms summarized here.

Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture, including definitions of some of the terms used in the indenture. We describe the meaning for only the more important terms. Whenever

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we refer to the defined terms of the indenture in this prospectus or in the prospectus supplement, those defined terms are incorporated by reference here or in the prospectus supplement. Prospective investors must look to the indenture for the most complete description of what we describe in summary form in this prospectus.

This summary also is subject to and qualified by reference to the description of the particular terms of the series described in the prospectus supplement. Those terms may vary from the terms described in this prospectus. There may also be a further prospectus supplement, known as a pricing supplement, which contains the precise terms of debt securities that we offer.

Tax Treatment

The prospectus supplement relating to specific debt securities will describe any special considerations and any additional material tax considerations applicable to such specific debt securities. We may issue debt securities as original issue discount securities, which are securities that are offered and sold at a substantial discount to their stated principal amount. The prospectus supplement relating to original issue discount securities will describe federal income tax consequences and other special considerations applicable to them. The debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, which may trigger special federal income tax, accounting and other consequences, all as described in more detail in the prospectus supplement relating to any of the particular debt securities.

Specific Terms of a Series

The specific financial, legal, and other terms particular to a series of debt securities will be described in the prospectus supplement and the pricing supplement relating to the series. The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

the title of the series of debt securities;

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

the person to whom interest on a debt security is payable, if that person is not a holder on the regular record date;

the date or dates on which the series of debt securities will mature;

the rate or rates, which may be fixed or variable, per annum at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

the place or places where the principal of (and premium, if any) and interest on the debt securities is payable;

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the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

any mandatory or optional sinking funds or analogous provisions or provisions for redemption at our option or the option of the holder;

the date, if any, on or after which and the price or prices at which the series of debt securities, in accordance with any optional or mandatory redemption provisions, may be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

if the debt securities may be converted into or exercised or exchanged for our common stock or preferred stock or any other of our securities or for other property, the terms on which conversion, exercise, or exchange may occur, including whether conversion, exercise, or exchange is mandatory, at the option of the holder, or at our option; the date on or the period during which conversion, exercise, or exchange may occur; the initial conversion, exercise, or exchange price or rate; and the circumstances or manner in which the amount of common stock or preferred stock or other securities or property issuable upon conversion, exercise, or exchange may be adjusted;

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whether the debt securities are subject to mandatory or optional remarketing or other mandatory or optional resale provisions, and, if applicable, the date or period during which such resale may occur, any conditions to such resale, and any right of a holder to substitute securities for the securities subject to resale;

if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which the series of debt securities will be issuable;

if other than the principal amount thereof, the portion of the principal amount of the series of debt securities that will be payable upon the declaration of acceleration of the maturity of such series of debt securities;

the currency or currencies of payment of principal, premium, if any, and interest on the series of debt securities and any special considerations relating to that currency or those currencies;

if the currency of payment for principal, premium, if any, and interest on the series of debt securities is subject to our or a holder's election, the currency or currencies in which payment can be made and the period within which, and the terms and conditions upon which, the election can be made;

any index, formula, or other method used to determine the amount of payment of principal or premium, if any, and interest on the series of debt securities;

if the principal amount payable at the stated maturity of the series of debt securities will not be determinable as of any one or more dates prior to the stated maturity, the amount that will be deemed to be the principal amount of that series as of any such date for any purpose or the method of determining that amount;

the applicability of the provisions described under *Restrictive Covenants* and *Defeasance* below;

any event of default under the series of debt securities if different from those described under *Default and Related Matters* *Events of Default* below;

if the series of debt securities will be issuable only in the form of a global security, as described under *Legal Ownership* *Global Securities* below, the depositary or its nominee with respect to the series of debt securities and the circumstances under which the global security may be registered for transfer or exchange in the name of a person other than the depositary or its nominee;

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

any other special feature of the series of debt securities.

Legal Ownership

Street Name and Other Indirect Holders

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Some investors will hold debt securities in accounts at banks or brokers (in street name) rather than holding them directly. Investors who hold their debt securities in street name will generally not be recognized by us as legal holders of debt securities. In this case, we would recognize only the bank or broker, or the financial institution that the bank or broker uses to hold its debt securities, as the legal holder of the debt securities. These intermediary banks, brokers, and other financial institutions pass along principal, interest, and other payments on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to do so. If an investor holds debt securities in street name, the investor is responsible for checking with his or her own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle voting if ever required;

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whether and how the investor can instruct it to send him or her debt securities registered in the investor's own name so he or she can be a direct holder as described below; and

how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, run only to persons or entities who are the direct holders of debt securities (those who are registered as holders of debt securities). As noted above, we do not have obligations to an investor if he or she holds in street name or through other indirect means, either because the investor chooses to hold debt securities in that manner or because the debt securities are issued in the form of global securities as described below. For example, after we make payment to the registered holder, we have no further responsibility for the payment even if that registered holder is legally required to pass the payment along to the investor as a street name holder but does not do so.

Global Securities

General. A global security is a special type of indirectly held security, as described under **Street Name and Other Indirect Holders** above. If we choose to issue debt securities in the form of global securities, the ultimate beneficial owners can only be indirect holders. In this situation, we would require that the global security be registered in the name of a financial institution that we select and that the debt securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the global security is called the depository.

Any person wishing to own a debt security included in the global security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depository. The prospectus supplement will indicate whether an investor's series of debt securities will be issued only in the form of global securities.

Special Investor Considerations for Global Securities. As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. We do not recognize this type of investor as a registered holder of debt securities and instead deal only with the depository that holds the global security.

Investors in debt securities that are issued only in the form of global securities should be aware of the following limitations:

an investor cannot get debt securities registered in his or her own name;

an investor cannot receive physical certificates for his or her interest in the debt securities;

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an investor will be a street name holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities (see Street Name and Other Indirect Holders above);

an investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates;

the depositary's policies will govern payments, transfers, exchange, and other matters relating to an investor's interest in the global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depositary in any way; and

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the depositary will require that interests in a global security be purchased or sold within its system using same-day funds for settlement.

Special Situations When a Global Security Will Be Terminated. In a few special situations described below, the global security will terminate and interests in it will be exchanged for physical certificates representing debt securities. After that exchange, the choice of whether to hold debt securities directly or in street name will be up to the individual investor. The investor must consult his or her own bank or broker to find out how to have the investor's interests in debt securities transferred to his or her own name, so that the investor will be a direct holder.

The special situations for termination of a global security are:

when the depositary notifies us that it is unwilling, unable, or no longer qualified to continue as depositary;

when we notify the trustee that we wish to terminate the global security; or

when an event of default on the debt securities has occurred and has not been cured (see **Default and Related Matters** below).

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. When a global security terminates, the depositary (and not we or the trustee) is responsible for deciding the names of the institutions that will be the initial direct holders.

Additional Mechanics

Form, Exchange, and Transfer of our Debt Securities

The debt securities will be issued only in fully registered form, without interest coupons and, unless otherwise indicated in the prospectus supplement, in denominations that are even multiples of \$1,000. A direct holder may have his or her debt securities broken into, or exchanged for, more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

A direct holder may exchange or transfer debt securities at the office of the trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring debt securities. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered direct holders is called the security registrar. It will also register transfers of the debt securities.

A direct holder will not be required to pay a service charge to transfer or exchange debt securities, but may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange will only be made if the security registrar is satisfied with the holder's proof of ownership.

If we designate additional transfer agents, they will be named in the prospectus supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the transfer or exchange of debt securities during the period beginning 15 days before the selection of securities for redemption and ending on the earliest date of notice of such redemption, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

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Payment and Paying Agents

We will pay interest to a direct holder if he or she is a direct holder listed in the trustee's records at the close of business on the regular record date, even if the holder no longer owns the debt security on the interest due date. The regular record date is usually about two weeks in advance of the interest due date and is stated in the prospectus supplement.

We will pay interest, principal, and any other money due on the debt securities at the corporate trust office of the trustee. That office is currently located at 4 New York Plaza, New York, New York 10004. A direct holder must make arrangements to have his or her payments picked up at or wired from that office. We may also choose to pay interest by mailing checks.

A street name holder or other indirect holder should consult his or her bank or broker for information on how the holder will receive payments.

We may also arrange for additional payment offices, known as paying agents, and may cancel or change these offices, including our use of the trustee's corporate trust office. We may also choose to act as our own paying agent. We will notify holders of changes in the paying agents for any particular series of debt securities.

Notices

We and the trustee will send notices regarding the debt securities only to direct holders, using their addresses as listed in the trustee's records.

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to us. After that two-year period, a holder may look only to us for payment (less any amount we may be obligated to pay to the Commonwealth of Virginia under state law) and not to the trustee, any other paying agent, or anyone else.

Special Situations

Mergers and Similar Events

We are generally permitted to consolidate or merge with another company or entity. We are also permitted to sell or lease substantially all of our assets to another entity, or to buy or lease substantially all of the assets of another entity. However, we may not take any of these actions unless the following conditions (among others) are met:

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Where we merge out of existence or sell or lease substantially all our assets, the other entity may not be organized under a foreign country's laws; that is, it must be a corporation, partnership, or trust organized under the laws of a State of the United States or the District of Columbia or under federal law, and it must agree to be legally responsible for the debt securities.

The merger, sale of assets, or other transaction must not cause a default on the debt securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured. A default for this purpose would also include any event that would be an event of default if the requirements for giving us notice of our default or our default having to exist for a specific period of time were disregarded.

It is possible that the merger, sale of assets, or other transaction would cause some of our property to become subject to a mortgage or other legal mechanism giving lenders preferential rights in that property over other lenders, including the direct holders of the debt securities, or over our general creditors if we fail to pay them back. We have promised in our indenture to limit these preferential rights on the voting stock of any designated subsidiaries, called liens, as discussed under Restrictive Covenants below. If a merger or other transaction would create any liens on the voting stock of our

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designated subsidiaries, we must comply with that restrictive covenant. We would comply either by deciding that the liens were permitted or by following the requirements of the restrictive covenant to grant an equivalent or higher-ranking lien on the same voting stock to the direct holders of the debt securities.

Modification and Waiver

As described below, there are four types of changes that we can make to the indenture and the debt securities issued under it.

Changes Requiring Approval of Holders. The first type of changes cannot be made to a holder's debt securities without his or her specific approval. These changes include:

changing the payment due date of the principal or interest on a debt security;

reducing any amounts due on a debt security;

reducing the amount of principal payable upon acceleration of the maturity of a debt security (including the amount payable on an original issue discount security) following a default;

changing the currency of payment on a debt security;

changing our obligations to maintain an office or agency in the places and for the purposes required by the indenture;

impairing the holder's right to sue for payment of any amount due on his or her debt security;

impairing any right that the holder may have to exchange or convert the debt security for or into securities or other property;

reducing the percentage of direct holders of debt securities whose consent is needed to modify or amend the indenture;

reducing the percentage of direct holders of debt securities whose consent is needed to waive our compliance with certain provisions of the indenture or to waive certain defaults; and

modifying any other aspect of the provisions dealing with modification and waiver of the indenture.

Changes Requiring a Majority Vote. The second type of change to the indenture and the debt securities requires a vote in favor by direct holders of debt securities owning a majority of the principal amount of each series affected thereby. Most changes, including waivers, as described below, fall into this category, except for changes noted above as requiring the approval of the holders of each security affected thereby, and, as noted below, changes not requiring approval.

The indenture provides that a supplemental indenture that changes or eliminates any covenant or other provision of the indenture that has expressly been included solely for the benefit of one or more particular series of securities, or that modifies the rights of the holders of securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under the indenture of the holders of securities of any other series.

The third type of change requires a vote by direct holders of debt securities owning a majority of the principal amount of the particular series affected to obtain a waiver of certain of the restrictive covenants, including the one described under **Restrictive Covenants** below. We also need such a majority vote to obtain a waiver of any past default, except a payment default listed in the first category described under **Default and Related Matters Events of Default** below.

Changes Not Requiring Approval. The fourth type of change does not require any vote by holders of debt securities. This type is limited to clarifications and certain other changes referenced in our indenture that would not adversely affect holders of the debt securities.

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Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a debt security:

for original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default;

for debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement; or

for debt securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined as of the date of the original issuance of the debt security.

Debt securities will not be considered outstanding, and therefore will not be eligible to vote, if we have deposited or set aside in trust for a holder money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described under Defeasance Full Defeasance below.

We will generally be entitled to set any day as a record date for the purpose of determining the direct holders of outstanding debt securities that are entitled to vote or take other action under the indenture. In some circumstances, the trustee will be entitled to set a record date for action by direct holders. If we or the trustee set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are direct holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

A street name holder or other indirect holder should consult his or her bank or broker for information on how the holder may grant or deny approval if we seek to change the indenture or the debt securities or request a waiver.

Restrictive Covenants

We have made certain promises in the indenture called covenants where, among other things, we promise to maintain our corporate existence and all licenses and material permits necessary for our business. The indenture also contains the following restrictions:

Restriction on Liens

In the indenture, we promise, with respect to each series of debt securities, that we will not (nor will we permit our most important operating subsidiaries, including Universal Leaf Tobacco Company, Incorporated, to) create or allow any mortgage, lien, or encumbrance of any kind upon any of the capital stock or certain important property of these subsidiaries, unless we have concurrently secured all outstanding debt securities issued under the indenture equally and ratably with the obligations that we have secured by those mortgages, liens, or encumbrances. There are, however, some exceptions to this restriction that are fully set forth in the indenture and that apply, among other things, to the following:

some pre-existing liens;

liens between our subsidiaries;

liens incurred to enable certain acquisitions;

construction, improvement, or repairs on property;

some liens on assets in favor of federal, state, or foreign governmental entities;

some statutory or court ordered liens;

some tax liens;

some liens securing obligations incurred in the ordinary course of business for sums not yet due; and

liens created to refinance or extend obligations secured by any of the liens described above.

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Restrictions on Sale and Leaseback Transactions

In the indenture, we also promise, with respect to each series of debt securities, that we will not (nor will we permit our most important operating subsidiaries, including Universal Leaf Tobacco Company, Incorporated to) sell or transfer certain important property more than 120 days after such property is put into full operation, and to thereafter lease back that property for a term of more than three years to use for substantially the same purpose as the property being sold or transferred. There are, however, some exceptions to this restriction that are fully set forth in the indenture and that apply, among other things, to the following:

some inter-company sale and leaseback transactions;

situations where a lien would be permitted under the provisions of Restrictions on Liens above in an amount equal to the value of such sale and leaseback transaction; and

sale and leaseback transactions, where within 180 days, we or the subsidiary applies an amount equal to the greater of the fair value of the property or the actual proceeds from the sale of such property towards the purchase or acquisition of additional assets by one of the important subsidiaries or to the voluntary retirement of certain company or subsidiary debt.

Defeasance

The following discussion of full defeasance and covenant defeasance will apply to a series of debt securities only if we choose to have them apply to that series. If we do so choose, we will state that in the prospectus supplement.

Full Defeasance

If there is a change in federal tax law, as described below, we can legally release ourselves from any payment or other obligations on the debt securities. In that event (a called full defeasance), we must put in place the following arrangements for a holder to be repaid:

we must deposit in trust for a holder's benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes, or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates;

there must be a change in current federal tax law or a U.S. Internal Revenue Service ruling that lets us make the above deposit without causing the holder to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. (Under current federal tax law, the deposit and our legal release from the debt securities would be treated as though we took back the holder's debt securities and gave the holder his or her share of the cash and notes or bonds deposited in trust. In that event, the holder could recognize gain or loss on the debt securities that he or she gives back to us.); and

we must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

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If we did accomplish full defeasance, as described above, the holder would have to rely solely on the trust deposit for repayment on the debt securities. A holder could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

Covenant Defeasance

Under current federal tax law, we can make the same type of deposit described above and be released from some of the restrictive covenants in the debt securities without causing tax consequences to the holder. In that

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event (called covenant defeasance), the holder would lose the protection of those restrictive covenants but would gain the protection of having money and securities set aside in trust to repay the debt securities. In order to achieve covenant defeasance, we must do the following:

we must deposit in trust for the holder's benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates; and

we must deliver to the trustee a legal opinion of our counsel confirming that under then current federal income tax law we may make the above deposit without causing the holder to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves.

If we accomplish covenant defeasance, the following provisions, among others, of the indenture and the debt securities would no longer apply:

our promises regarding conduct of our business previously described under Restrictive Covenants above, and any other covenants applicable to the series of debt securities and described in the prospectus supplement;

the condition regarding the treatment of liens when we merge or engage in similar transactions, as described under Special Situations Mergers and Similar Events above; and

the events of default relating to breach of covenants, described under Default and Related Matters Events of Default below.

If we accomplish covenant defeasance, a holder could still look to us for repayment of the debt securities if there were a shortfall in the trust deposit. If one of the remaining events of default occurs, such as our bankruptcy, and the debt securities become immediately due and payable, there may be a shortfall in the trust deposit. Depending on the event causing the default, the holder may not be able to obtain payment of the shortfall.

Default and Related Matters

The debt securities are not secured by any of our prop