

EATON CORP  
Form S-3ASR  
December 14, 2005

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**As filed with the Securities and Exchange Commission on December 14, 2005**

**Registration No. 333-**

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM S-3  
REGISTRATION STATEMENT  
Under the Securities Act of 1933**

**Eaton Corporation  
(Exact name of Registrant as specified in its charter)**

Ohio

**(State or other Jurisdiction of Incorporation or Organization)**

34-0196300

*(IRS Employer Identification No.)*

Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114-2584, (216) 523-5000

**(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)**

E. R. Franklin, *Vice President and Secretary*

Eaton Corporation, Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114-2584, (216) 523-4103

**(Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)**

*Copies to:*

Lisa L. Jacobs

Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022

**Approximate date of commencement of proposed sale of the securities 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.

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 filed 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**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Unit(1)</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee(1)</b>
Debt Securities				
Debt Warrants				
Preferred Shares				\$0
Common Shares, par value \$0.50 per share Debt Warrants with Preferred Shares as Units (2)				

(1) An indeterminate aggregate initial offering price or number of securities of each identified class is being registered as may from time to time be at indeterminate prices. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities. In accordance with Rules 456(b) and 457(r), the Registrant is deferring payment of all of the registration fee, except for fees that have already been paid with respect to \$150.0 million aggregate initial offering price of securities that were previously registered pursuant to Registration Statement No. 333-106764, filed by the Registrant on July 2, 2003, and were not sold thereunder which, pursuant to Rule 457(p) of the Securities Act of 1933, as amended, is to be offset against the filing fee to be paid in connection with the securities to be registered hereunder.

(2) Each unit will be issued under a unit agreement or indenture and will represent an interest in two or more debt securities or warrants, which may or may not be separable from one another.

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**Prospectus Supplement to Prospectus dated December 14, 2005.**

\$1,000,000,000

**Eaton Corporation**

Medium-Term Notes

**TERMS OF SALE**

The following terms may apply to the Notes that we may sell at one or more times. The final terms for each Note will be included in a pricing supplement. Unless otherwise stated in a pricing supplement, we will receive between \$992,500,000 and \$998,750,000 of the proceeds from the sale of the Notes, after paying the Agents commissions of between \$1,250,000 and \$7,500,000.

**Terms.** We plan to offer and sell the Notes with various terms, including the following:

Ranking as senior indebtedness of Eaton

Maturing nine months to 30 years from issue date

Fixed or floating interest rate or indexed Notes or zero-coupon or other original issue discount Notes. The floating interest rate may be based on:

the CD Rate

the Commercial Paper Rate

LIBOR

EURIBOR

the Federal Funds Rate

the Prime Rate

the Treasury Rate

the CMT Rate, or

any other rate, or combination of rates, specified by Eaton in the pricing supplement

Certificated or book-entry form

Subject to repurchase and may be subject to redemption at the option of Eaton or the holder

Interest paid on Fixed Rate Notes semiannually

Interest paid on Floating Rate Notes monthly, quarterly, semiannually or annually

Minimum denominations of \$2,000 increased in multiples of \$1,000, unless otherwise specified

May be denominated in foreign currency or composite currency

Same day settlement and payment in immediately available funds

*Investing in the Notes involves certain risks. See Risk Factors on page S-3.*

The aggregate initial public offering price of the Notes that we offer will be limited to \$1,000,000,000 or its equivalent in one or more foreign currencies or composite currencies, but this limit will decrease if we sell other securities that are described in the attached prospectus.

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

We may sell the Notes directly or through one or more agents or dealers, including the Agents listed below. The Agents are not required to sell any specific number or amount of the Notes. They will use their reasonable best efforts to sell the Notes offered.

**Goldman, Sachs & Co.**

**JPMorgan**

**Citigroup**

**KeyBanc Capital Markets**



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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the Agents have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Agents are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**RISK FACTORS**

Your investment in the Notes is subject to certain risks, especially if the Notes involve in some way a foreign currency. This prospectus supplement does not describe all of the risks of an investment in the Notes, whether arising because the Notes are denominated in a currency other than U.S. dollars or because the return on the Notes is linked to one or more interest rates or currency indices or formulae. You should consult your own financial and legal advisors about the risks entailed by an investment in the Notes and the suitability of your investment in the Notes in light of your particular circumstances. The Notes may not be an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions or transactions involving the type of index or formula used to determine amounts payable. Before investing in the Notes, you should consider carefully, among other factors, the matters described below.

**Exchange rates and exchange controls may adversely affect our Foreign Currency Notes or currency Indexed Notes.**

If you invest in Foreign Currency Notes and currency Indexed Notes, your investment will be subject to significant risks not associated with investments in debt instruments denominated in U.S. dollars or U.S. dollar-based indices. Such risks include the possibility of significant changes in the rate of exchange between the U.S. dollar and your payment currency and the imposition or modification of foreign exchange controls by either the United States or the applicable foreign governments. We have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for the applicable currencies. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been volatile, and such volatility may continue in the future. Past fluctuations in any particular exchange rate are not necessarily indicative, however, of fluctuations that may occur in the future. Fluctuations in exchange rates against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent yield of your Foreign Currency Notes or currency Indexed Notes, in the U.S. dollar-equivalent value of the principal and premium, if any, payable at maturity of your Notes and, generally, in the U.S. dollar-equivalent market value of your Notes. We may further describe the currency risks with respect to your Foreign Currency Notes or currency Indexed Notes in the applicable pricing supplement.

Foreign exchange rates can either float or be fixed by sovereign governments. Governments, however, often do not voluntarily allow their currencies to float freely in response to economic forces. Instead, governments use a variety of techniques, such as intervention by a country's central bank or the imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by the devaluation or revaluation of a currency. Thus, an important risk in purchasing Foreign Currency Notes or currency Indexed Notes for U.S. dollar-based investors is that the U.S. dollar-equivalent yield of the Notes could be affected by, among other things, governmental actions that could change or interfere with a currency valuation that was previously freely determined, fluctuations in response to other market forces, and the movement of currencies across borders. We will make no adjustments or changes in the terms of the Foreign Currency Notes or currency Indexed Notes if exchange rates become fixed, if any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes occurs, or if other developments affecting the U.S. dollar or any applicable currency occur.

The calculation agent, the paying agent and the exchange rate agent will make calculations relating to your Foreign Currency Notes or currency Indexed Notes. All such determinations will, in the absence of clear error, be binding on beneficial owners of the Notes.

For Notes with a specified currency other than U.S. dollars, we will include in the applicable pricing supplement information concerning historical exchange rates for that currency against the U.S. dollar and a brief description of any relevant exchange controls.

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**There may be risks associated with foreign currency judgments including exchange rate fluctuations.**

The Senior Indenture and the Notes, except to the extent that we specify otherwise in a pricing supplement, will be governed by, and construed in accordance with, the laws of the State of New York. As a holder of Notes, you may bring an action based upon an obligation payable in a currency other than U.S. dollars in courts in the United States. However, courts in the United States have not customarily rendered judgments for money damages denominated in any currency other than U.S. dollars. In addition, it is not clear whether, in granting such judgment, a court would determine the rate of conversion with reference to the date of default, the date judgment is rendered or any other date. The Judiciary Law of the State of New York provides, however, that an action based upon an obligation payable in a currency other than U.S. dollars will be rendered in the currency of the underlying obligation and converted into U.S. dollars at a rate of exchange prevailing on the date the judgment or decree is entered. In these cases, holders of Foreign Currency Notes would bear the risk of exchange rate fluctuations between the time the dollar amount of the judgment is calculated and the time U.S. dollars were paid to the holders.

**Notes indexed to interest rate, currency or other indices or formulae may have risks not associated with a conventional debt security.**

If you invest in Indexed Notes, your investment will be subject to significant risks that are not associated with an investment in a conventional debt security. Indexation of the interest rate of a Note may result in lower interest compared to a conventional fixed rate debt security issued at the same time, or no interest. Indexation of the principal and premium, if any, on a Note may result in the payment of a lower amount of principal and/or premium (or no principal and/or premium) compared to the original purchase price of the Note. The value of an index can fluctuate based on a number of interrelated factors, including economic, financial and political events over which we have no control. Additionally, if any formula that we specify to determine the amount of principal, premium, and/or interest payable with respect to Indexed Notes contains a multiple or leverage factor, that feature will magnify the effect of any change in the index. You should not take the historical experience of an index as an indication of its future performance.

**Credit ratings may not reflect all risks of an investment in the Notes; anticipated changes in our credit ratings will generally affect the market value of the Notes.**

The credit ratings on the Notes may not reflect the potential impact of all risks related to structure and other factors on the value of the Notes. In addition, real or anticipated changes in our credit ratings will generally affect the market value of the Notes.

**ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PRICING SUPPLEMENTS**

We intend to use this prospectus supplement, the attached prospectus and a related pricing supplement to offer our Notes from time to time.

This prospectus supplement provides you with certain terms of the Notes and supplements the description of the Debt Securities contained in the attached prospectus. If information in this prospectus supplement is inconsistent with the prospectus, this prospectus supplement will replace the inconsistent information in the prospectus.

Each time we issue Notes, we will prepare a pricing supplement that will contain additional terms of the offering and the specific description of the Notes offered. The pricing supplement may also add, update or change information in this prospectus supplement or the attached prospectus, including provisions describing the calculation of interest and the method of making payments under the terms of a Note. The flexibility available to us to set or negotiate individualized terms for Notes means that there may be transactions, particularly with Indexed Notes, that are quite complex. Frequently, the terms of the Notes may differ from



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the terms that we describe in this prospectus supplement. Any information in a pricing supplement that is inconsistent with this prospectus supplement will replace the inconsistent information in this prospectus supplement.

**DESCRIPTION OF NOTES**

The following summary of certain terms of the Notes is not complete. For additional terms of the Notes, you should also read the Senior Indenture under which the Notes will be issued, which is an exhibit to our shelf registration statement. The following description of the Notes supplements and, to the extent the descriptions are inconsistent, replaces the description of the general terms and provisions of the Debt Securities that is found under the heading **Description of Debt Securities** in the attached prospectus. The following descriptions will apply to each Note unless we specify otherwise in the pricing supplement.

When we refer to you, we mean those who invest in the Notes being offered by this prospectus supplement and the attached prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your Notes, we mean the Notes in which you hold a direct or indirect interest.

**General**

We will offer Notes on a continuous basis. The aggregate initial public offering price of the Notes that we offer will be limited to \$1,000,000,000 or its equivalent in one or more foreign currencies or composite currencies.

The Notes are Senior Securities, as described in the attached prospectus, and rank equally with all of our unsecured senior debt.

The Notes offered by this prospectus supplement will form a part of the medium-term notes due from nine months to 30 years from date of issue under the Senior Indenture. At October 31, 2005, we and our consolidated subsidiaries had total consolidated senior indebtedness of \$2,419 million, and we had no subordinated indebtedness outstanding.

The Senior Indenture under which the Notes will be issued, does not limit the amount of our Notes or other debt obligations that we may issue thereunder. The defeasance and covenant defeasance provisions of the Senior Indenture described under **Description of Debt Securities Provisions Applicable to Both the Senior and Subordinated Indentures Defeasance and Covenant Defeasance** (see page 14 in the attached prospectus) will apply to the Notes. Unless we specify otherwise in the applicable pricing supplement, we will denominate the Notes in U.S. dollars and will make all payments on the Notes in U.S. dollars. For further information regarding Foreign Currency Notes, see **Risk Factors** and **Special Provisions Relating to Foreign Currency Notes**.

You must pay the purchase price of the Notes in immediately available funds.

As used in this prospectus supplement, **Business Day** means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York; provided, however, that with respect to Foreign Currency Notes, such day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center (as defined below) of the country issuing the specified currency (or, if the specified currency is the euro, such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open); provided further that with respect to Notes as to which LIBOR is an applicable interest rate basis, such day is also a London Business Day.

**London Business Day** means a day on which commercial banks are open for business (including dealings in the designated LIBOR Currency) in London.

**Principal Financial Center** means

the capital city of the country issuing the specified currency; or

the capital city of the country to which the designated LIBOR currency relates, as applicable, except that, with respect to U.S. dollars, Australian dollars, Canadian dollars, South African

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rand and Swiss francs, the Principal Financial Center will be The City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively, and London (solely in the case of the designated LIBOR currency).

The authorized denominations of Notes denominated in U.S. dollars will be integral multiples of \$1,000. We will designate the authorized denominations of Foreign Currency Notes in the applicable pricing supplement.

**Book-Entry Debt Securities**

Except under certain circumstances, we will issue Notes in book-entry form only. This means that we will not issue actual Notes or certificates to you. Instead, we will issue a Global Security representing Notes with similar terms, and such Global Security will be held by The Depository Trust Company ( DTC ) or its nominee. In order to own a beneficial interest in a Note, you must be an institution that has an account with DTC or have an account with an institution, such as a brokerage firm, that has an account with DTC. For a more complete description of Book-Entry Debt Securities, see Description of Debt Securities Book-Entry Debt Securities in the prospectus.

Payments of principal and premium, if any, and interest on Notes represented by a Global Security will be made in same-day funds to DTC in accordance with arrangements then in effect between the Trustee and DTC.

**Interest and Interest Rates***General*

Each Note will begin to accrue interest, if any, from the date it is originally issued. In the related pricing supplement, we will designate each Note as a Fixed Rate Note, a Floating Rate Note, an Amortizing Note or an Indexed Note and describe the method of determining the interest rate, including any spread and/or spread multiplier. For an Indexed Note, we will describe in the related pricing supplement the method for the calculation and payment of principal and interest. We also may specify a maximum and a minimum interest rate in the pricing supplement for a Floating Rate Note or Indexed Note.

Interest rates that we offer with respect to Notes may differ depending upon, among other things, the aggregate principal amount of Notes purchased in any single transaction. We may offer Notes with similar variable terms but different interest rates, as well as Notes with different variable terms, concurrently to different investors. We may, from time to time, change the interest rates or formulae and other terms of Notes, but no such change will affect any Note that we have already issued or as to which we have already accepted an offer to purchase.

*Fixed Rate Notes*

In the pricing supplement for Fixed Rate Notes, we will specify a fixed interest rate payable semiannually in arrears on each April 15 and October 15 (each, an Interest Payment Date ), or such other dates specified in the applicable pricing supplement, to holders of record on the corresponding Regular Record Date. If a Fixed Rate Note is issued between a Regular Record Date and the corresponding date which would otherwise be the initial Interest Payment Date, we will make our first payment of interest, if any, on the Interest Payment Date following the next Regular Record Date. The Regular Record Date, as referred to in this paragraph, is the close of business on the fifteenth day (whether or not a Business Day) prior to an Interest Payment Date. We will compute interest on Fixed Rate Notes on the basis of a 360-day year of twelve 30-day months. If the maturity date or an Interest Payment Date for any Fixed Rate Note is not a Business Day, we will pay principal of and premium, if any, and interest for that Note, as applicable, on the next Business Day, and no interest will accrue from and after the maturity date or Interest Payment Date.

*Original Issue Discount Notes*

We may issue original issue discount Notes (including zero-coupon Notes) ( OID Notes ), which are Notes issued at a discount from the principal amount payable at the maturity date. An OID Note might not have periodic interest payments. For these Notes, interest normally accrues during the life of the Note, and you receive it at the maturity date or upon earlier redemption. Upon a redemption, repayment or acceleration of the maturity of an OID Note, we will determine the amount payable to you as set forth under Description of Notes Op-

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tional Redemption, Repayment and Repurchase of this prospectus supplement. Normally, this amount is less than the amount that we would otherwise pay at the maturity date.

*Amortizing Notes*

We may issue amortizing Notes, which are Fixed Rate Notes for which combined principal and interest payments are made in installments over the life of each Note ( Amortizing Notes ). We apply payments on Amortizing Notes first to pay interest due and then to reduce the unpaid principal amount. We will include a table setting forth repayment information in the related pricing supplement for an Amortizing Note.

*Floating Rate Notes*

Each Floating Rate Note will have an interest rate basis or formula. We may base that formula on:

the CD Rate;

the Commercial Paper Rate;

LIBOR;

EURIBOR;

the Federal Funds Rate;

the Prime Rate;

the Treasury Rate;

the CMT Rate; or

any other rate, or combination of rates, specified in the pricing supplement.

In the pricing supplement, we also will indicate any spread and/or spread multiplier, which would be applied to the interest rate formula to determine the interest rate. Any Floating Rate Note may have a maximum or minimum interest rate limitation. In addition to any maximum interest rate limitation, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law for general application.

We will appoint a calculation agent to calculate interest rates on the Floating Rate Notes. Unless we identify a different party in the pricing supplement, the paying agent will be the calculation agent for each Floating Rate Note. In most cases, a Floating Rate Note will have a specified Interest Reset Date, Interest Determination Date and Calculation Date associated with it. An Interest Reset Date is the date on which the interest rate on the Note changes. An Interest Determination Date is the date as of which the new interest rate is determined for a particular Interest Reset Date, based on the interest rate basis or formula as of that Interest Determination Date. The Calculation Date is the date by which the calculation agent will determine the new interest rate that became effective on a particular Interest Reset Date, based on the interest rate basis or formula as of the applicable Interest Determination Date.

**Change of Interest Rate**

We may set the interest rate on each Floating Rate Note daily, weekly, monthly, quarterly, semiannually, annually or on some other basis that we specify (each, an Interest Reset Date ). Unless otherwise stated in the pricing supplement, the Interest Reset Date will be:

for Notes with interest that resets daily, each Business Day;

for Notes (other than Treasury Rate Notes) with interest that resets weekly, Wednesday of each week;

for Treasury Rate Notes with interest that resets weekly, Tuesday of each week;

for Notes with interest that resets monthly, the third Wednesday of each month;

for Notes with interest that resets quarterly, the third Wednesday of each of the four months of each year indicated in the applicable pricing supplement;

for Notes with interest that resets semiannually, the third Wednesday of each of the two months of each year indicated in the applicable pricing supplement; and

for Notes with interest that resets annually, the third Wednesday of the month of each year indicated in the applicable pricing supplement.

The related pricing supplement will describe the initial interest rate or interest rate formula on each Note. That rate is effective until the following Interest Reset Date. Thereafter, the interest rate will be the rate determined on each Interest Determination Date. Each time a new interest rate is determined, it becomes effective on the subsequent Interest Reset Date. If any Interest Reset Date is not a

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Business Day, then the Interest Reset Date is postponed to the next Business Day, except, in the case of LIBOR or EURIBOR Notes, if the next Business Day is in the next calendar month, the Interest Reset Date is the immediately preceding Business Day.

### **Date Interest Rate Is Determined**

The Interest Determination Date for all Floating Rate Notes (except LIBOR Notes and Treasury Rate Notes) will be the second Business Day before the Interest Reset Date. The Interest Determination Date in the case of LIBOR Notes, other than for LIBOR Notes for which the index currency is euros, will be the second London Business Day immediately preceding the applicable Interest Reset Date. The Interest Determination Date in the case of EURIBOR (or in the case of LIBOR when the Index Currency is euros) will be the second TARGET Settlement Day prior to such Interest Determination Date. Target Settlement Date means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is open.

The Interest Determination Date for Treasury Rate Notes will be the day of the week in which the Interest Reset Date falls on which Treasury bills of the same Index Maturity are normally auctioned. Treasury bills usually are sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction usually is held on Tuesday. Sometimes, the auction is held on the preceding Friday. If an auction is held on the preceding Friday, that day will be the Interest Determination Date relating to the Interest Reset Date occurring in the next week. If an auction date falls on a day that would otherwise be an Interest Reset Date, then the Interest Reset Date will instead be the first Business Day immediately following the auction date.

### **Calculation Date**

Unless we specify a different date in a pricing supplement, the Calculation Date, if applicable, relating to an Interest Determination Date will be the earlier of:

- the tenth calendar day after such Interest Determination Date or, if that day is not a Business Day, the next succeeding Business Day; or

- the Business Day immediately preceding the relevant Interest Payment Date or the maturity date, as the case may be.

Upon the request of the beneficial holder of any Floating Rate Note, the calculation agent will provide the interest rate then in effect and, if different, the interest rate that will become effective on the next Interest Reset Date for the Floating Rate Note.

### **Payment of Interest**

Unless otherwise stated in the pricing supplement, we will pay installments of interest on Floating Rate Notes as follows:

- for Notes with interest payable monthly, on the third Wednesday of each month;

- for Notes with interest payable quarterly, on the third Wednesday of each of the four months of each year indicated in the applicable pricing supplement;

- for Notes with interest payable semiannually, on the third Wednesday of each of the two months specified in the applicable pricing supplement;

- for Notes with interest payable annually, on the third Wednesday of the month specified in the applicable pricing supplement (each of the above, an Interest Payment Date); and

- at maturity, redemption or repurchase.

Each interest payment on a Floating Rate Note will include interest accrued from, and including, the issue date or the last Interest Payment Date, as the case may be, to, but excluding, the following Interest Payment Date or the maturity or redemption date, as the case may be.

We will pay installments of interest on Floating Rate Notes beginning on the first Interest Payment Date after its issue date to the holders of record on the corresponding Regular Record Date. If a Floating Rate Note is issued between a Regular Record Date and the corresponding date, which would otherwise be the initial Interest Payment Date, we will make our first payment of interest, if any, on the Interest Payment Date following the next Regular Record Date. The Regular Record Date, as referred to in this paragraph, is the close of business on the fifteenth day (whether or not a Business Day) prior to an Interest Payment

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Date. If an Interest Payment Date (but not the maturity date) is not a Business Day, the Interest Payment Date will be deferred until the next Business Day; however, in the case of LIBOR and EURIBOR Notes, the Interest Payment Date will be the preceding Business Day if the next Business Day is in the next calendar month. If the maturity date of any Floating Rate Note is not a Business Day, we will pay principal of and premium, if any, and interest for that Note on the next Business Day, and no interest will accrue from and after the maturity date.

We and the calculation agent will calculate accrued interest on a Floating Rate Note by multiplying the principal amount of a Note by an accrued interest factor. The accrued interest factor is the sum of the interest factors calculated for each day in the period for which accrued interest is being calculated. The interest factor for each day is computed by dividing the interest rate in effect on that day by:

360, in the case of CD Rate Notes, Commercial Paper Rate Notes, EURIBOR Notes, LIBOR Notes (except where a 360-day convention is not customary, e.g., for LIBOR Notes denominated in pounds sterling), Federal Funds Rate Notes and Prime Rate Notes;

365, in the case of other LIBOR Notes (e.g., LIBOR Notes denominated in pounds sterling); or

the actual number of days in the year, in the case of Treasury Rate Notes and CMT Rate Notes.

All percentages resulting from any calculation will be rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward. For example, 4.567895% (or 0.04567895) will be rounded to 4.5679% (or 0.0456790). All Japanese yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese yen amount. Dollar amounts used in the calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

**Calculation of Interest**

In this section, we will explain how we and the calculation agent will calculate the interest rate on different Floating Rate Notes.

*CD Rate Notes*

The CD Rate for any Interest Determination Date is the rate on that date for negotiable certificates of deposit having the Index Maturity described in the related pricing supplement, as published in H.15(519) prior to 3:00 P.M., New York City time, on the Calculation Date, for that Interest Determination Date under the heading CDs (secondary market). The Index Maturity is the period to maturity of the instrument or obligation with respect to which the related interest rate basis or formula will be calculated.

We and the calculation agent will observe the following procedures if the CD Rate cannot be determined as described above:

If the above rate is not published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date, the CD Rate will be the rate on that Interest Determination Date for negotiable certificates of deposit of the Index Maturity described in the related pricing supplement as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption CDs (secondary market).

If that rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the Calculation Date, then the calculation agent will determine the CD Rate to be the average of the secondary market offered rates as of 10:00 A.M., New York City time, on that Interest Determination Date, quoted by three leading non-bank dealers of negotiable U.S. dollar certificates of deposit of major United States money market banks in The City of New York of the highest credit standing (in the market for negotiable certificates of deposit) for negotiable certificates of deposit in a denomination of \$5,000,000 with a remaining maturity closest to the Index Maturity described in the related pricing supplement. The calculation agent, after consultation with us, will select the three dealers referred to above.

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If fewer than three dealers are quoting as mentioned above, the CD Rate will remain the CD Rate then in effect on that Interest Determination Date.

H.15(519) means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

H.15 Daily Update means the daily update of H.15(519), available through the worldwide web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

*Commercial Paper Rate Notes*

The Commercial Paper Rate for any Interest Determination Date is the Money Market Yield of the rate on that date for commercial paper having the Index Maturity described in the related pricing supplement, as published in H.15(519) prior to 3:00 P.M., New York City time, on the Calculation Date for that Interest Determination Date under the heading Commercial Paper Nonfinancial. We and the calculation agent will observe the following procedures if the Commercial Paper Rate cannot be determined as described above:

If the above rate is not published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date, the Commercial Paper Rate will be the Money Market Yield of the rate on that Interest Determination Date for commercial paper having the Index Maturity described in the related pricing supplement, as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption Commercial Paper Nonfinancial.

If that rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the Calculation Date, then the calculation agent will determine the Commercial Paper Rate to be the Money Market Yield of the average of the offered rates of three leading dealers of U.S. dollar commercial paper in The City of New York as of 11:00 A.M., New York City time, on that Interest Determination Date for commercial paper having the Index Maturity described in the related pricing supplement placed for an industrial issuer whose bond rating is Aa, or the equivalent, from a nationally recognized securities rating organization. The calculation agent, after consultation with us, will select the three dealers referred to above.

If fewer than three dealers selected by the calculation agent are quoting as mentioned above, the Commercial Paper Rate will remain the Commercial Paper Rate then in effect on that Interest Determination Date.

Money Market Yield means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

Where D refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and M refers to the actual number of days in the interest period for which interest is being calculated.

*LIBOR Notes*

On each Interest Determination Date, the calculation agent will determine LIBOR as follows:

If the pricing supplement specifies LIBOR Telerate, LIBOR on any Interest Determination Date will be the rate for deposits in the LIBOR Currency having the Index Maturity described in the related pricing supplement on the applicable Interest Reset Date, as such rate appears on the Designated LIBOR Page as of 11:00 A.M., London time, on that Interest Determination Date.

If the pricing supplement specifies LIBOR Reuters, LIBOR on any Interest Determination Date will be the average of the offered rates for deposits in the LIBOR Currency having the Index Maturity described in the related pricing supplement on the applicable Interest Reset Date, as such rates appear on the Designated LIBOR Page as of 11:00 A.M., London time, on that Interest Determination Date, if at least two such offered rates appear on the Designated LIBOR Page.



If the pricing supplement does not specify LIBOR Telerate or LIBOR Reuters, the  
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LIBOR Rate will be LIBOR Telerate. In addition, if the Designated LIBOR Page by its terms provides only for a single rate, that single rate will be used regardless of the foregoing provisions requiring more than one rate.

On any Interest Determination Date on which fewer than the required number of applicable rates appear or no rate appears on the applicable Designated LIBOR Page, the calculation agent will determine LIBOR as follows:

The calculation agent will determine LIBOR on the basis of the offered rates at which deposits in the LIBOR Currency having the Index Maturity described in the related pricing supplement on the Interest Determination Date and in a principal amount that is representative of a single transaction in that market at that time are offered by four major banks in the London interbank market at approximately 11:00 A.M., London time, for the period commencing on the Interest Reset Date to prime banks in the London interbank market. The calculation agent will select the four banks and request the principal London office of each of those banks to provide a quotation of its rate for deposits in the LIBOR Currency. If the banks provide at least two quotations, LIBOR for that Interest Determination Date will be the average of those quotations.

If the banks provide fewer than two quotations as mentioned above, LIBOR will be the average of the rates quoted by three major banks in the Principal Financial Center selected by the calculation agent at approximately 11:00 A.M. in the Principal Financial Center, on the Interest Determination Date for loans to leading European banks in the LIBOR Currency having the Index Maturity designated in the related pricing supplement for the period commencing on the Interest Reset Date and in a principal amount that is representative of a single transaction in the LIBOR Currency in that market at that time. The calculation agent will select the three banks referred to above.

If fewer than three banks selected by the calculation agent are quoting as mentioned above, LIBOR will remain the LIBOR then in effect on that Interest Determination Date.

LIBOR Currency means the currency specified in the applicable pricing supplement as to which LIBOR will be calculated or, if no such currency is specified in the applicable pricing supplement, U.S. dollars.

Designated LIBOR Page means:

if the related pricing supplement specifies LIBOR Reuters, the display on the Reuters Monitor Money Rates Service (or any successor service) on the page specified in such pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the LIBOR Currency; or

if the related pricing supplement specifies LIBOR Telerate or it specifies neither LIBOR Reuters nor LIBOR Telerate as the method of calculating LIBOR, the display on Moneyline Telerate, Inc. or any successor service ( Telerate ) on the page specified in such pricing supplement (or any other page that may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the LIBOR Currency.

*EURIBOR Notes*

Unless otherwise specified in the applicable pricing supplement, EURIBOR means, for any Interest Determination Date, the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI the Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate for the Index Maturity specified in the applicable pricing supplement, as that rate appears on Telerate Page 248 as of 11:00 A.M., Brussels time, on the relevant Interest Determination Date.

If the rate described above does not appear on Telerate Page 248, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant Interest Determination Date, at which deposits of the following kind are offered to prime banks in the Euro-zone interbank market by the principal Euro-zone office of each of four major banks in that market selected by the calculation agent,

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after consultation with us: euro deposits having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount. The calculation agent will request the principal Euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant Interest Determination Date will be the arithmetic mean of the quotations.

If fewer than two quotations are provided as described above, EURIBOR for the relevant Interest Determination Date will be the arithmetic mean of the rates for loans of the following kind to leading Euro-zone banks quoted, at approximately 11:00 A.M., Brussels time, on that Interest Determination Date, by four major banks in the Euro-zone selected by the calculation agent, after consultation with us: loans of euros having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount.

If fewer than four banks selected by the calculation agent are quoting as described in the previous paragraph, EURIBOR in effect immediately before the new interest period will not change and will remain the EURIBOR in effect in such EURIBOR new interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Euro-zone means the region comprised of member states of the European Union that adopt the single currency in accordance with the relevant treaty of the European Union, as amended.

*Federal Funds Rate Notes*

The Federal Funds Rate for any Interest Determination Date is the rate on that date for Federal Funds, as published in H.15(519) prior to 3:00 P.M., New York City time, on the Calculation Date for that Interest Determination Date under the heading Federal Funds (Effective), as such rate is displayed on Telerate on page 120 (or any other page that may replace such page) ( Telerate Page 120 ).

We and the calculation agent will observe the following procedures if the Federal Funds Rate cannot be determined as described above:

If the above rate does not appear on Telerate Page 120 or is not published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date, the Federal Funds Rate will be the rate on that Interest Determination Date, as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption Federal Funds (Effective).

If the above rate does not appear on Telerate Page 120 or is not published in H.15(519) or H.15 Daily Update or such other recognized electronic source as described above by 3:00 P.M., New York City time, on the Calculation Date, then the calculation agent will determine the Federal Funds Rate to be the average of the rates for the last transaction in overnight Federal Funds arranged by three leading dealers of Federal Funds transactions in The City of New York as of 9:00 A.M., New York City time, on that Interest Determination Date. The calculation agent, after consultation with us, will select the three dealers referred to above.

If fewer than three brokers selected by the calculation agent are quoting as mentioned above, the Federal Funds Rate will be the Federal Funds Rate then in effect on that Interest Determination Date.

*Prime Rate Notes*

The Prime Rate for any Interest Determination Date is the prime rate or base lending rate on that date, as published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date for that Interest Determination Date under the heading Bank Prime Loan or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption Bank Prime Loan.

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We and the calculation agent will observe the following procedures if the Prime Rate cannot be determined as described above:

If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the Calculation Date, then the calculation agent will determine the Prime Rate to be the average of the rates of interest publicly announced by each bank that appears on the Reuters screen designated as USPRIME1 as that bank's prime rate or base lending rate as in effect for that Interest Determination Date.

If at least one rate but fewer than four rates appear on the Reuters screen USPRIME1 on the Interest Determination Date, then the Prime Rate will be the average of the prime rates or base lending rates quoted (on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on the Interest Determination Date by three major money center banks in The City of New York selected by the calculation agent.

If the banks selected by the calculation agent are not quoting as mentioned above, the Prime Rate will remain the Prime Rate then in effect on the Interest Determination Date.

*Treasury Rate Notes*

The Treasury Rate for any Interest Determination Date is the rate set at the auction of direct obligations of the United States ( Treasury bills ) having the Index Maturity described in the related pricing supplement under the caption investment rate on the display on Telerate on page 56 (or any other page that may replace such page) ( Telerate Page 56 ) or page 57 (or any other page that may replace such page) ( Telerate Page 57 ) by 3:00 P.M., New York City time, on the Calculation Date for that Interest Determination Date.

We and the calculation agent will observe the following procedures if the Treasury Rate cannot be determined as described above:

If the rate is not published by 3:00 P.M., New York City time, on the Calculation Date, the Treasury Rate will be the auction rate of such Treasury bills (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as published in H.15 Daily Update, or such recognized electronic source used for the purpose of displaying such rate, under the caption U.S. Government Securities Treasury Bills/ Auction High.

If the rate is not published by 3:00 P.M., New York City time, on the Calculation Date and cannot be determined as described in the immediately preceding paragraph, the Treasury Rate will be the average auction rate of such Treasury bills (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury on the Calculation Date.

If the results of the most recent auction of Treasury bills having the Index Maturity described in the related pricing supplement are not published or announced as described above by 3:00 P.M., New York City time, on the Calculation Date, or if no auction is held on the Interest Determination Date, then the Treasury Rate will be the rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) on such Interest Determination Date of Treasury bills having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the caption U.S. Government Securities/Treasury Bills/Secondary Market or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption U.S. Government Securities/Treasury Bills/Secondary Market.

If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the calculation agent will determine the Treasury Rate to be the Bond Equivalent Yield of the average of the secondary market bid rates, as of approximately



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3:30 P.M., New York City time, on the Interest Determination Date of three leading primary U.S. government securities dealers (which may include the Agents or their affiliates) for the issue of Treasury bills with a remaining maturity closest to the Index Maturity described in the related pricing supplement. The calculation agent will select the three dealers referred to above.

If fewer than three dealers selected by the calculation agent are quoting as mentioned above, the Treasury Rate will remain the Treasury Rate then in effect on that Interest Determination Date.

Bond Equivalent Yield means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 (D \times M)} \times 100$$

where *D* refers to the applicable per annum rate for Treasury bills quoted on a bank discount basis, *N* refers to 365 or 366 days, as applicable, and *M* refers to the actual number of days in the applicable Interest Reset Period.

*CMT Rate Notes*

The CMT Rate for any Interest Determination Date is the rate displayed on the Designated CMT Telerate Page by 3:00 P.M., New York City time, on the Calculation Date for that Interest Determination Date under the caption

Treasury Constant Maturities Federal Reserve Board Release H.15 Mondays Approximately 3:45 P.M., under the column for the Designated CMT Maturity Index described in the related pricing supplement for:

if the Designated CMT Telerate Page is 7051 or any successor page, the rate on such Interest Determination Date; or

if the Designated CMT Telerate Page is 7052 or any successor page, the weekly or monthly average for the week or the month, as specified in the related pricing supplement, ended immediately preceding the week or the month in which the related Interest Determination Date occurs.

The following procedures will be used if the CMT Rate cannot be determined as described above:

If the relevant page does not display the rate by 3:00 P.M., New York City time, on the Calculation Date, then the CMT Rate will be the Treasury constant maturity rate for the Designated CMT Maturity Index, as published in H.15(519).

If that rate is not published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date, then the CMT Rate will be the Treasury constant maturity rate (or other United States Treasury rate) for the Designated CMT Maturity Index for the Interest Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the calculation agent determines (with our concurrence) to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in H.15(519).

If that information is not provided by 3:00 P.M., New York City time, on the Calculation Date, then the calculation agent will determine the CMT Rate to be a yield to maturity based on the arithmetic average of the secondary market closing offered rates, as of approximately 3:30 P.M., New York City time, on the Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a Reference Dealer) in The City of New York. The calculation agent will select five Reference Dealers and will eliminate the highest quotation (or, in the event of equality, one of the highest quotations) and the lowest quotation (or, in the event of equality, one of the lowest quotations), for the most recently issued, direct, noncallable fixed rate obligations of the United States ( Treasury Notes ) with an original maturity approximately equivalent to that of the Designated CMT Maturity Index, and a remaining term to maturity not less than that of the Designated CMT Maturity Index minus one year.

If the calculation agent cannot obtain three Treasury Note quotations, the calculation agent will determine the CMT Rate to be a

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yield to maturity based on the arithmetic average of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on the Interest Determination Date of three Reference Dealers in The City of New York (selected using the same method described above) for Treasury Notes with an original maturity of the number of years that is the next highest to that of the Designated CMT Maturity Index, and with a remaining term to maturity closest to that of the Designated CMT Maturity Index, which has an outstanding balance of at least \$100,000,000. If two such Treasury Notes with an original maturity have remaining terms to maturity equally close to that of the Designated CMT Maturity Index, the calculation agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

If three or four (but not five) Reference Dealers are quoting as mentioned above, then the CMT Rate will be based on the arithmetic average of the offered rates obtained, and neither the highest nor the lowest of those quotations will be eliminated.

If fewer than three Reference Dealers selected by the calculation agent are quoting as mentioned above, the CMT Rate will remain the CMT Rate then in effect on the Interest Determination Date.

**Designated CMT Telerate Page** means the display on Telerate, on the page specified in the applicable pricing supplement (or any other page as may replace such page), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519) or, if no such page is specified in the applicable pricing supplement, page 7052 (or any other page that may replace such page).

**Designated CMT Maturity Index** means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable pricing supplement with respect to which the CMT Rate will be calculated or, if no such maturity is specified in the applicable pricing supplement, two years.

**Indexed Notes**

We may issue Notes for which the amount of interest or principal that you will receive will not be known on your date of purchase. We will specify the formula for computation of principal and premium, if any, and interest payments for these types of Notes, which we call **Indexed Notes**, by reference to securities, financial or nonfinancial indices, currencies, commodities, interest rates, or composites or baskets of any or all of the above. Examples of indexed items that we may use include a published stock index, the common stock price of a publicly traded company, the value of the U.S. dollar versus the Japanese yen, or the price in a particular market of a particular commodity.

If you purchase an Indexed Note, you may receive a principal amount at maturity that is greater than or less than the Note's face amount, and an interest rate that is greater than or less than the interest rate that you would have earned if you had instead purchased a conventional debt security issued by us at the same time with the same maturity. The amount of principal and premium, if any, and interest that you will receive will depend on the structure of the Indexed Note and the level of the specified indexed item throughout the term of the Indexed Note and at maturity. Specific information pertaining to the method of determining the interest payments, principal amounts and/or premium amounts, as well as additional risk factors unique to the Indexed Note, certain historical information for the specified indexed item and certain additional United States federal tax considerations will be described in the related pricing supplement.

**Renewable Notes**

We may issue Notes that will automatically renew at their maturity date ( **Renewable Notes** ) unless you elect to terminate the automatic extension feature by giving notice in the manner described in the related pricing supplement. If you purchase a Renewable Note and you wish to terminate automatic renewal, you must give notice of termination at least 15, but not more than 30, days prior to the Renewal Date. The holder of a Renewable Note may terminate the automatic extension for less than all of their Renewable Notes only if the terms of the Note



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specifically permit partial termination. An election to terminate the automatic extension of any portion of the Renewable Note is irrevocable and will be binding on the holder of the Note. If the holder elects to terminate the automatic extension of the maturity of the Note, the holder will become entitled to the principal and interest accrued up to the Renewal Date. The related pricing supplement will identify a final maturity date beyond which the maturity date cannot be renewed.

If a Note is represented by a Global Security, DTC or its nominee will be the holder of the Note and, therefore, will be the only entity that can exercise a right to terminate the automatic extension of a Note. If you are a beneficial owner of a Global Security and you exercise a right to terminate the automatic extension provisions of a particular Note, you must instruct the broker or other DTC participant through which you hold an interest in the Note to notify DTC. Different firms have different cutoff times for accepting instructions from their customers, and accordingly, you should consult the broker or other participant through which you hold an interest in a Renewable Note to ascertain the cutoff time by which an instruction must be given for delivery of timely notice to DTC or its nominee.

**Extendible Notes**

We may issue Notes whose stated maturity date may be extended at our option (an Extendible Note ) for one or more whole year periods (each, an Extension Period ), up to but not beyond a final maturity date described in the related pricing supplement (but not to exceed 30 years from the date of issue).

We may exercise our option to extend an Extendible Note by notifying the Trustee (or any duly appointed paying agent) at least 50, but not more than 60, days prior to the then effective maturity date. If we elect to extend an Extendible Note, the Trustee (or paying agent) will mail, at least 40 days prior to the maturity date, to the registered holder of an Extendible Note a notice (the Extension Notice ) informing the holder of our election, the new maturity date and any updated terms. Upon the mailing of an Extension Notice, the maturity of such Note will be extended automatically as set forth in the Extension Notice.

However, we may, not later than 20 days prior to the maturity date of an Extendible Note (or, if such date is not a Business Day, on the immediately succeeding Business Day), at our option, establish a higher interest rate, in the case of a Fixed Rate Note, or a higher spread and/or spread multiplier, in the case of a Floating Rate Note, for the Extension Period by mailing or causing the Trustee (or paying agent) to mail notice of such higher interest rate or higher spread and/or spread multiplier to the holder of an Extendible Note. The notice will be irrevocable.

If we elect to extend the maturity of an Extendible Note, you will have the option to instead elect repayment of the Note by us on the then effective maturity date. In order for an Extendible Note to be so repaid on the maturity date, we must receive, at least 15, but not more than 30, days prior to the maturity date,

the Note with the form Option to Elect Repayment on the reverse of the Note duly completed; or

a facsimile transmission, telex or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder of the Note, the principal amount of the Note, the principal amount of the Note to be repaid, the certificate number or a description of the tenor and terms of the Note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Note to be repaid, together with the duly completed form entitled Option to Elect Repayment on the reverse of the Note, will be received by the Trustee (or paying agent) not later than the fifth Business Day after the date of the facsimile transmission, telex or letter; provided, however, that the facsimile transmission, telex or letter will only be effective if the Trustee or paying agent receives the Note and form duly completed by that fifth Business Day. You may exercise this option for less than the aggregate principal amount of the Note then outstanding if the principal amount of the Note remaining outstanding after repayment is an authorized denomination.

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If a Note is represented by a Global Security, DTC or its nominee will be the holder of that Note and, therefore, will be the only entity that can exercise a right to repayment. If you are a beneficial owner of a Global Security and you want to exercise your right to repayment with respect to a particular Note, you must instruct the broker or other participant through which you hold an interest in the Note to notify DTC of your desire to exercise your right of repayment. Different firms have different cutoff times for accepting instructions from their customers and, accordingly, you should consult the broker or other participant through which you hold an interest in a Note to determine the cutoff time by which an instruction must be given for timely notice to be delivered to DTC or its nominee.

**Debt Warrants**

We may issue Notes paired with Debt Warrants. In that case, the related pricing supplement will include a description of the Debt Warrants that we determine to issue with the Notes.

**Optional Redemption, Repayment and Repurchase**

We will indicate in the pricing supplement for a Note whether we will have the option to redeem the Note before the stated maturity and the price or prices at which, and date or dates on which, redemption may occur. If we are allowed to redeem a Note, we may exercise the option by notifying the Trustee at least 60 days prior to the redemption date. At least 30, but not more than 60, days before the redemption date, the Trustee will mail notice or cause the paying agent to mail notice of redemption to the holders. If we redeem a Note in part, we will issue a new Note or Notes for the unredeemed portion.

We also will indicate in the pricing supplement for a Note whether you will have the option to elect repayment by us prior to the stated maturity and the price or prices at which, and the date or dates on which, repayment may occur. For a Note to be repaid at your option, the paying agent must receive, at least 30, but not more than 60, days prior to an optional repayment date, such Note with the form entitled *Option to Elect Repayment* on the reverse of the Note duly completed. If you present a Note for repayment, such act will be irrevocable. You may exercise the repayment option for less than the entire principal of the Note, provided the remaining principal outstanding is an authorized denomination. If you elect partial repayment, your Note will be canceled, and we will issue a new Note or Notes for the remaining amount.

DTC or its nominee will be the holder of each Global Security and will be the only party that can exercise a right of repayment. If you are a beneficial owner of a Global Security and you want to exercise your right of repayment, you must instruct your broker or indirect participant through which you hold an interest in the Note to notify DTC. You should consult your broker or such indirect participant to discuss the appropriate cutoff times and any other requirements for giving this instruction. The giving of any such instruction will be irrevocable.

If a Note is an OID Note (other than an Indexed Note), the amount payable in the event of redemption or repayment prior to its stated maturity will be the amortized face amount on the redemption or repayment date, as the case may be. The amortized face amount of an OID Note will be equal to

the issue price, plus

that portion of the difference between the issue price and the principal amount of the Note that has accrued at the yield to maturity described in the pricing supplement (computed in accordance with generally accepted U.S. bond yield computation principles) by the redemption or repayment date. However, in no case will the amortized face amount of an OID Note exceed its principal amount.

We may purchase Notes at any time and at any price, in the open market or otherwise. We may hold, resell or surrender for cancellation any Notes that we purchase.

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**SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES**

**General**

Unless we indicate otherwise in the applicable pricing supplement, we will denominate the Notes in U.S. dollars, we will pay the principal of and premium, if any, and interest on the Notes in U.S. dollars, and you must pay the purchase price of the Notes in immediately available U.S. dollar funds. If any of the Notes are to be denominated or payable in a currency other than U.S. dollars ( Foreign Currency Notes ), the following provisions will apply in addition to, and, to the extent inconsistent therewith, will replace, the description of general terms and provisions of Notes set forth in the attached prospectus and elsewhere in this prospectus supplement.

A pricing supplement with respect to any Foreign Currency Note (which may include information with respect to applicable current foreign exchange controls) is a part of this prospectus and prospectus supplement. If we furnish you any information concerning exchange rates, we do so as a matter of information only, and you should not regard it as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

**Currencies**

We may offer Foreign Currency Notes denominated and/or payable in a specified currency or specified currencies. Unless we indicate otherwise in the applicable pricing supplement, you are required to pay for Foreign Currency Notes in the specified currency. At the present time, there are limited facilities in the United States for conversion of U.S. dollars into specified currencies and vice versa, and banks may elect not to offer non-U.S. dollar checking or savings account facilities in the United States. However, at your request, on or prior to the third Business Day preceding the date of delivery of the Foreign Currency Notes, or by such other day as determined by the Agent who presents such offer to purchase Foreign Currency Notes to us, such Agent may be prepared to arrange for the conversion of U.S. dollars into the applicable specified currency set forth in the applicable pricing supplement to enable the purchasers to pay for the Foreign Currency Notes. Each such conversion will be made by the Agent or Agents on terms and subject to conditions, limitations and charges as the Agents may from time to time establish in accordance with their regular foreign exchange practices. If you purchase Foreign Currency Notes, you will bear all costs of exchange which are related to your purchase.

The applicable pricing supplement will set forth information about the specified currency in which a particular Foreign Currency Note is denominated and/or payable, including historical exchange rates and a description of the currency and any exchange controls and, in the case of a currency unit, will include a description thereof and a description of provisions for payment in the event the currency unit is no longer used for the purposes for which it was established.

**Payment of Principal and Interest**

If you are a holder of Foreign Currency Notes, we will pay you in U.S. dollars converted from the specified currency unless you elect to be paid in the specified currency or unless the applicable pricing supplement provides otherwise. Currently, banks do not generally offer non-U.S. dollar-denominated account facilities in their offices in the United States, although they are permitted to do so for most foreign currencies.

If you hold Foreign Currency Notes, we will base any U.S. dollar amount that you receive on the highest bid quotation in The City of New York received by the exchange rate agent that we have specified in the applicable pricing supplement at approximately 11:00 A.M., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the exchange rate agent) for the purchase by the quoting dealer of the specified currency for U.S. dollars for settlement on such payment date in the aggregate amount of the specified currency payable to all holders of Foreign Currency Notes scheduled to receive U.S. dollar payments and at which the applicable dealer commits to execute a contract. The exchange rate agent will select, and we may approve, the recognized foreign

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dealers who provide the bid quotations. If three bid quotations are not available, we will make payments in the specified currency. You will bear all currency exchange costs relating to the payment by deductions from such payments.

Unless we indicate otherwise in the applicable pricing supplement, as a holder of Foreign Currency Notes, you may elect to receive payment of the principal of and premium, if any, and interest on the Foreign Currency Notes in the specified currency by transmitting a written request for such payment to the corporate trust office of the Trustee in The City of New York on or prior to the Regular Record Date or at least 15 calendar days prior to maturity, as the case may be. You may make this request in writing (mailed or hand delivered) or by facsimile transmission or telex. As a holder of a Foreign Currency Note, you may elect to receive payment in the specified currency for all principal and interest payments and need not file a separate election for each payment. Your election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the Regular Record Date or at least 15 calendar days prior to the maturity date, as the case may be.

If a Note is represented by a Global Security, DTC or its nominee will be the holder of the Note and will be entitled to all payments on the Note. Although DTC can hold Notes denominated in foreign currencies, DTC currently will only accept payments in U.S. dollars. As a result, if the specified currency of a Note is other than U.S. dollars, a beneficial owner of the related Global Security who elects to receive payments in the specified currency must notify the participant through which it owns its interest on or prior to the applicable Record Date or at least 15 calendar days prior to the maturity date, as the case may be, of such beneficial owner's election. The participant must notify DTC of such election on or prior to the third Business Day after such Record Date or at least 12 calendar days prior to the maturity date, as the case may be, and DTC will notify the Trustee of such election on or prior to the fifth Business Day after such Record Date or at least ten calendar days prior to the maturity date, as the case may be. If the participant receives complete instructions from the beneficial owner that are forwarded by the participant to DTC, and by DTC to the Trustee, on or prior to such dates, then the beneficial owner will receive payments in the specified currency. See Description of Debt Securities Book-Entry Debt Securities in the attached prospectus.

We will pay principal of and premium, if any, and interest on Foreign Currency Notes to be paid in U.S. dollars in the manner specified in the attached prospectus and this prospectus supplement with respect to Notes denominated in U.S. dollars. See Description of Notes General. We will pay interest on Foreign Currency Notes to be paid in the specified currency by wire transfer to a bank account maintained by the holder in the country of the specified currency or, in the case of euros, a bank account maintained by the holder in any of the participating states, or, if appropriate wire transfer instructions are not received by the Trustee on or prior to the applicable Regular Record Date, by check mailed on the relevant Interest Payment Date, made payable to the persons entitled thereto, to the address of such holders as they appear in the Security Register. The principal of Foreign Currency Notes, together with interest accrued and unpaid thereon, due at the maturity date will be paid in immediately available funds upon surrender of such Notes at the corporate trust office of the Trustee in The City of New York, or, at our option, by wire transfer to such bank account.

**Payment Currency**

If a specified currency is not available for the payment of principal and premium, if any, or interest with respect to a Foreign Currency Note due to the imposition of exchange controls or other circumstances beyond our control, we will be entitled to satisfy our obligations to holders of Foreign Currency Notes by making such payment in U.S. dollars on the basis of the noon buying rate in The City of New York for cable transfers of the specified currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York (the Market Exchange Rate ) as computed by the exchange rate agent on the second Business Day

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prior to such payment or, if not then available, on the basis of the most recently available Market Exchange Rate or as otherwise indicated in an applicable pricing supplement. Any payment made in U.S. dollars under such circumstances where the required payment is in a specified currency will not constitute a default under the Senior Indenture with respect to the Notes.

All determinations referred to above which are made by the exchange rate agent will be at its sole discretion and will, in the absence of clear error, be conclusive for all purposes and binding on the holders of the Foreign Currency Notes. **AS INDICATED ABOVE, IF YOU INVEST IN FOREIGN CURRENCY NOTES OR CURRENCY INDEXED NOTES, YOUR INVESTMENT WILL BE SUBJECT TO SUBSTANTIAL RISKS, THE EXTENT AND NATURE OF WHICH CHANGE CONTINUOUSLY. AS WITH ANY INVESTMENT THAT YOU MAKE IN A SECURITY, YOU SHOULD CONSULT YOUR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED IN AN INVESTMENT IN FOREIGN CURRENCY NOTES OR CURRENCY INDEXED NOTES. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR YOU IF YOU ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY MATTERS.**

**UNITED STATES FEDERAL INCOME TAXATION**

In the opinion of Shearman & Sterling LLP, our special U.S. federal income tax counsel, the following summary accurately describes the material U.S. federal income tax consequences of the purchase, ownership, and disposition of a Note, subject to the limitations stated below. This summary is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations (including proposed Regulations and temporary Regulations) promulgated thereunder, rulings, official pronouncements and judicial decisions, all as in effect on the date of this prospectus supplement and all of which are subject to change, possibly with retroactive effect, or to different interpretations. This summary provides general information only and does not address all of the U.S. federal income tax consequences that may be applicable to a holder of a Note. It does not address all of the tax consequences that may be relevant to certain types of holders subject to special treatment under the U.S. federal income tax law, such as individual retirement and other tax-deferred accounts, dealers in securities or currencies, financial institutions, life insurance companies, tax-exempt organizations, persons holding Notes as a hedge or hedged against currency risk, as a position in a straddle for tax purposes, as part of a synthetic security or other integrated investment comprised of a Note and one or more other investments, United States persons (as defined below) whose functional currency is other than the U.S. dollar, or to certain U.S. expatriates. It also does not discuss the tax consequences to subsequent purchasers of Notes and is limited to investors who hold Notes as a capital asset within the meaning of Section 1221 of the Code. The U.S. federal income tax consequences of purchasing, holding or disposing of a particular Note will depend, in part, on the particular terms of such Note as set forth in the applicable pricing supplement. The U.S. federal income tax consequences of purchasing, holding or disposing of certain Floating Rate Notes, Foreign Currency Notes (other than Single Foreign Currency Notes, as defined below), Amortizing Notes, Floating Rate/Fixed Rate Notes, Indexed Notes, Renewable Notes, Extendible Notes, Notes paired with Debt Warrants and Bearer Securities will be set out in the applicable pricing supplement. Persons considering the purchase of Notes should consult their own tax advisors concerning the application of the U.S. federal income tax law to their particular situations, as well as any tax consequences arising under the law of any state, local or foreign tax jurisdiction.

Single Foreign Currency Note means a Note on which all payments a holder is entitled to receive are denominated in or determined by reference to the value of a single Foreign Currency. Foreign Currency means a currency or currency unit, other than a hyperinfla-

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tionary currency, as defined in the Code, or the U.S. dollar.

**United States Persons**

For purposes of the following discussion, United States person means an individual who is a citizen or resident of the United States, an estate subject to U.S. federal income taxation without regard to the source of its income, a corporation or other business entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia, or a trust if a valid election to be treated as a United States person, as defined in the Code, is in effect with respect to such trust or both:

a court within the United States is able to exercise primary supervision over the administration of the trust, and

one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Notes, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A holder of Notes that is a partnership and partners in such partnership should consult their tax advisors.

The following discussion pertains only to a holder of a Note who is a beneficial owner of such Note and who is a United States person.

*Payments of Interest on Notes that Are Not Discount Notes*

Except as discussed below under Discount Notes and Short-Term Notes, payment of interest on a Note will be taxable to a holder as ordinary interest income at the time it is accrued or received in accordance with the holder's method of tax accounting. If the payment is denominated in or determined by reference to a single Foreign Currency, the amount required to be included in income by a cash basis holder will be the U.S. dollar value of the amount paid (determined on the basis of the spot rate on the date such payment is received), regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss will be recognized with respect to the receipt of such payment. Except in the case of a Spot Rate Convention Election (as defined below), a holder of a Single Foreign Currency Note who uses the accrual method of accounting or is otherwise required to accrue interest income prior to receipt will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest has accrued. The average rate of exchange for an interest accrual period (or partial period) is the simple average of the spot exchange rates for each business day of such period (or such other average that is reasonably derived and consistently applied by the holder). Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or exchange of a Single Foreign Currency Note), such holder will recognize ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of the Foreign Currency received (determined on the basis of the spot rate on the date such payment is received) or, in the case of interest received in U.S. dollars rather than in Foreign Currency, the amount so received and the U.S. dollar value of the interest income that such holder has previously included in income with respect to such payment. Any such gain or loss generally will not be treated as interest income or expense, except to the extent provided by administrative pronouncements of the Internal Revenue Service (the Service).

A holder may elect (a Spot Rate Convention Election) to translate accrued interest into U.S. dollars at the spot rate on the last day of an accrual period for the interest, or, in the case of an accrual period that spans two taxable years, at the spot rate on the last day of the taxable year. Additionally, if a payment of interest is received within five business days of the last day of the accrual period, an electing holder may instead translate such accrued interest into U.S. dollars at the spot rate on the day of receipt. Any such election will apply to all debt instruments held by the United States person at the beginning of the first

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taxable year to which the election applies or thereafter acquired by the United States person and cannot be revoked without the consent of the Service.

For purposes of this discussion, the spot rate generally means a rate that reflects a fair market rate of exchange available to the public for currency under a spot contract in a free market and involving representative amounts. A spot contract is a contract to buy or sell a currency on the nearest conventional settlement date, generally two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the Service has the authority to determine the spot rate.

*Purchase, Sale, Exchange or Retirement of Notes*

A holder's tax basis in a Note generally will be the U.S. dollar cost of the Note to such holder (which, in the case of a Note purchased with foreign currency, will be determined by translating the purchase price at the spot rate on the date of purchase or, in the case of a Note that is traded on an established securities market as defined in applicable Treasury Regulations, on the settlement date if the holder is a cash basis taxpayer or an accrual basis taxpayer that so elects), increased by any original issue discount, market discount or acquisition discount (all as defined below) previously included in the holder's gross income (as described below), and reduced by any amortized premium (as described below) taken into account by the holder and any principal payments and payments of stated interest that are not payments of qualified stated interest (as defined below) received by the holder.

Upon the sale, exchange or retirement of a Note, a holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (or the U.S. dollar value of the amount realized in a Foreign Currency at the spot rate on the date of the sale, exchange or retirement or, in the case of a Note that is traded on an established securities market as defined in applicable Treasury Regulations, on the settlement date if the holder is a cash basis taxpayer or an accrual basis taxpayer that so elects), except to the extent such amount is attributable to accrued but unpaid interest, and the holder's tax basis in the Note. Except with respect to:

gains or losses attributable to changes in exchange rates (as described in the next paragraph);

gains attributable to market discount (as described below); and

gains on the disposition of a Short-Term Note (as described below);

gain or loss so recognized will be capital gain or loss and will be long-term capital gain or loss, if, at the time of the sale, exchange or retirement, the Note was held for more than one year. Under current law, long-term capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a holder on the sale, exchange or retirement of a Single Foreign Currency Note that is attributable to changes in exchange rates will be treated as ordinary income or loss and generally will not be treated as interest income or expense except to the extent provided by administrative pronouncements of the Service. Gain or loss attributable to changes in exchange rates is recognized on the sale, exchange or retirement of a Single Foreign Currency Note only to the extent of the total gain or loss recognized on such sale, exchange or retirement.

*Exchange of Foreign Currency*

A holder's tax basis in Foreign Currency purchased by the holder generally will be the U.S. dollar value thereof at the spot rate on the date such Foreign Currency is purchased. A holder's tax basis in Foreign Currency received as interest on, or on the sale, exchange or retirement of, a Single Foreign Currency Note will be the U.S. dollar value thereof at the spot rate at the time such Foreign Currency is received. The amount of gain or loss recognized by a holder on a sale, exchange or other disposition of Foreign Currency will be equal to the difference between:

the amount of U.S. dollars, the U.S. dollar value at the spot rate of the Foreign Currency, or the fair market value in U.S. dollars of the property received by the holder in the sale, exchange or other disposition; and

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the holder's tax basis in the Foreign Currency.

Accordingly, a holder that purchases a Note with Foreign Currency will recognize gain or loss in an amount equal to the difference, if any, between such holder's tax basis in the Foreign Currency and the U.S. dollar value at the spot rate of the Foreign Currency on the date of purchase. Generally, any such gain or loss will be ordinary income or loss and will not be treated as interest income or expense, except to the extent provided by administrative pronouncements of the Service.

*Subsequent Interest Periods and Extension of Maturity*

If so specified in the pricing supplement relating to a Note, we may have the option:

to reset the interest rate, in the case of a Fixed Rate Note, or to reset the spread, the spread multiplier or other formulae by which the interest rate basis is adjusted, in the case of a Floating Rate Note; and/or

to extend the maturity of such Note.

See Description of Notes Interest and Interest Rates and Description of Notes Extendible Notes in this prospectus supplement. The treatment of a holder of Notes with respect to which such an option has been exercised who does not elect to have us repay such Notes will depend on the terms established for such Notes by us pursuant to the exercise of such option (the revised terms). Depending on the particular circumstances, such holder may be treated as having surrendered such Notes for new Notes with the revised terms in either a taxable exchange or a recapitalization qualifying for nonrecognition of gain or loss.

*Discount Notes*

The following summary is a general description of U.S. federal income tax consequences to holders of Notes issued with original issue discount (Discount Notes) and is based on the provisions of the Code as in effect on the date hereof and on certain Treasury Regulations promulgated thereunder relating to original issue discount (the OID Regulations). For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of each Discount Note over its issue price, if such excess is greater than or equal to a *de minimis* amount (generally  $\frac{1}{4}$  of 1% of the Discount Note's stated redemption price at maturity multiplied by the number of complete years to maturity from the issue date). The issue price of Discount Notes that are issued for cash will be equal to the first price at which a substantial amount of such Notes is sold for money. For this purpose, sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers are ignored. The stated redemption price at maturity of a Discount Note is the sum of all payments provided by the Discount Note, other than payments of qualified stated interest. Under the OID Regulations, qualified stated interest includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) or certain variable rates as described below. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Except as described below with respect to Short-Term Notes, a holder of a Discount Note will be required to include original issue discount in income as it accrues before the receipt of cash attributable to such income, regardless of such holder's method of accounting for U.S. federal income tax purposes. Special rules for Variable Rate Notes (as defined below under Variable Rate Notes) are described below under Variable Rate Notes. A holder of a Discount Note with *de minimis* original issue discount will include any *de minimis* original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on such Note. The amount of original issue discount includible in income by the initial holder of a Discount Note is the sum of the daily portions of original issue discount with respect to such Note for each day during the taxable year on which such holder held such Note (accrued original issue discount). Generally, the daily portion of the original issue discount is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to such accrual period. Under the OID



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Regulations, the accrual periods for a Discount Note may be selected by each holder, may be of any length, and may vary in length over the term of a Discount Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day or final day of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the excess, if any, of:

the product of a Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and adjusted for the length of such accrual period) over

the amount of qualified stated interest, if any, payable on such Discount Note and allocable to such accrual period. The adjusted issue price of a Discount Note at the beginning of any accrual period generally is the sum of the issue price of a Discount Note plus the accrued original issue discount allocable to all prior accrual periods, reduced by any prior payment on the Discount Note other than a payment of qualified stated interest. Under these rules, a holder of a Discount Note generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Original issue discount on a Discount Note that is also a Single Foreign Currency Note will be determined for any accrual period in the applicable Foreign Currency and then translated into U.S. dollars in the same manner as interest income accrued by a holder on the accrual basis, including the application of a Spot Rate Convention Election. See

Payments of Interest on Notes that Are Not Discount Notes. Likewise, upon receipt of payment attributable to original issue discount (whether in connection with a payment of interest or the sale, exchange or retirement of a Discount Note), a holder will recognize exchange gain or loss to the extent of the difference between such holder's basis in the accrued original issue discount (determined in the same manner as for accrued interest) and the U.S. dollar value of such payment (determined by translating any Foreign Currency received at the spot rate on the date of payment).

Generally, any such exchange gain or loss will be ordinary income or loss and will not be treated as interest income or expense, except to the extent provided in administrative pronouncements of the Service. For this purpose, all payments on a Note will be viewed first as the payment of qualified stated interest (determined under the original issue discount rules), second as the payment of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

If a holder's tax basis in a Discount Note immediately after purchase exceeds the adjusted issue price of the Discount Note (the amount of such excess is considered acquisition premium) but is not greater than the stated redemption price at maturity of such Discount Note, the amount includible in income in each taxable year as original issue discount is reduced (but not below zero) by that portion of the acquisition premium properly allocable to such year.

If a holder purchases a Discount Note for an amount in excess of the stated redemption price at maturity, the holder does not include any original issue discount in income and generally may be subject to the bond premium rules discussed below. See Amortizable Bond Premium. If a holder has a tax basis in a Discount Note that is less than the adjusted issue price of such Discount Note, the difference may be subject to the market discount provisions discussed below. See Market Discount.

*Market Discount*

If a holder purchases a Note (other than a Discount Note or a Short-Term Note) for an amount that is less than its stated redemption price at maturity, or purchases a Discount Note for less than its revised issue price (as defined under the Code) as of the purchase date, the amount of the difference will be treated as market discount, unless such difference is less than a specified *de minimis* amount. Under the market discount rules of the Code, a holder will be required to treat any partial principal payment (or, in the case of a Discount Note, any payment that does not constitute qualified stated interest) on, or any

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gain realized on the sale, exchange or retirement of, a Note as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such Note at the time of such payment or disposition. Further, a disposition of a Note by gift (and in certain other circumstances) could result in the recognition of market discount income, computed as if such Note had been sold at its then fair market value. In addition, a holder who purchases a Note with market discount may be required to defer the deduction of all, or a portion, of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the maturity of the Note, or its earlier disposition in a taxable transaction.

Market discount is considered to accrue ratably during the period from the date of acquisition to the maturity date of a Note, unless the holder elects to accrue market discount under the rules applicable to original issue discount. A holder may elect to include market discount in income (generally as ordinary income) currently as it accrues, in which case the rules described above regarding the deferral of interest deductions and ordinary income treatment upon disposition or partial principal payment will not apply. Such election will apply to all debt instruments acquired by the holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

With respect to a Single Foreign Currency Note, market discount is determined in the applicable Foreign Currency. In the case of a holder who does not elect current inclusion, accrued market discount is translated into U.S. dollars at the spot rate on the date of disposition. No part of such accrued market discount is treated as exchange gain or loss. In the case of a holder who elects current inclusion, the amount currently includible in income for a taxable year is the U.S. dollar value of the market discount that has accrued during such year, determined by translating such market discount at the average rate of exchange for the period or periods during which it accrued. Such an electing holder will recognize exchange gain or loss with respect to accrued market discount under the same rules that apply to accrued interest on a Single Foreign Currency Note received by a holder on the accrual basis. See *Payments of Interest on Notes that Are Not Discount Notes*.

*Amortizable Bond Premium*

Generally, if a holder's tax basis in a Note held as a capital asset exceeds the stated redemption price at maturity of such Note, such excess may constitute amortizable bond premium that the holder may elect to amortize as an offset to interest income on the Note under the constant interest rate method over the period from the holder's acquisition date to the Note's maturity date (with a corresponding reduction in the holder's tax basis in the Note). Any such election will apply to all debt instruments held by and acquired by the holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service. Under certain circumstances, amortizable bond premium may be determined by reference to an early call date. Special rules apply with respect to Single Foreign Currency Notes.

If a holder does not elect to amortize premium, the amount of premium will be included in such holder's tax basis in the Note. Therefore, if a holder does not elect to amortize premium and holds the Note to maturity, such holder generally will be required to treat the premium as capital loss when the Note matures.

*Constant Yield Election*

Under the OID Regulations, a holder of a Note may elect to include in income all interest that accrues on such Note using the constant yield method (a constant yield election). For this purpose, interest includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. Special rules apply to constant yield elections made with respect to Notes issued with amortizable bond premium or market discount, including that a holder would be deemed, by virtue of making such constant yield election, to have made an election to amortize bond premium or accrue market discount, as separately described above. Once made with respect to a

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Note, the constant yield election cannot be revoked without the consent of the Service. A holder considering a constant yield election under these rules should consult a tax advisor.

*Variable Rate Notes*

A Variable Rate Note is a Note that

(1) has an issue price that does not exceed the total noncontingent principal payments by more than the lesser of:

(a) the product of:

the total noncontingent principal payments;

the number of complete years to maturity from the issue date; and

.015; or

(b) 15 percent of the total noncontingent principal payments; and

(2) does not provide for stated interest other than stated interest compounded or paid at least annually at:

(a) one or more qualified floating rates ;

(b) a single fixed rate and one or more qualified floating rates;

(c) a single objective rate ; or

(d) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a

current value of that rate. A current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A variable rate is a qualified floating rate if

(1) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated; or

(2) it is equal to the product of such a rate and either:

(a) a fixed multiple that is greater than .65 but not more than 1.35; or

(b) a fixed multiple greater than .65 but not more than 1.35, increased or decreased by a fixed rate.

If a Note provides for two or more qualified floating rates that

are within 0.25 percent of each other on the issue date; or

can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. A rate is not a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

An objective rate is a rate, other than a qualified floating rate, that is determined using a single, fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party), such as dividends, profits, or the value of our stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the issuer). A variable rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term. An objective rate is a qualified inverse floating rate if

the rate is equal to a fixed rate minus a qualified floating rate; and

the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate.

If interest on a Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and

the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percent; or

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the value of the qualified floating rate or objective rate on the issue date is intended to approximate the fixed rate, then the fixed rate and the qualified floating rate or the objective rate constitute a single qualified floating rate or objective rate.

Under these rules, CD Rate Notes, Commercial Paper Rate Notes, LIBOR Notes, EURIBOR Notes, Federal Funds Rate Notes, Prime Rate Notes, Treasury Rate Notes, and CMT Rate Notes generally will be treated as Variable Rate Notes.

In general, if a Variable Rate Note provides for stated interest at a single qualified floating rate or objective rate and the interest is unconditionally payable in cash at least annually, all stated interest on the Variable Rate Note is qualified stated interest, and the amount of original issue discount, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, in the case of any other objective rate, a fixed rate that reflects the yield reasonably expected for the Variable Rate Note. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period, as described in the previous sentence.

If a Variable Rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and original issue discount accruals on the Variable Rate Note are generally determined by

determining a fixed rate substitute for each variable rate provided under the Variable Rate Note (generally the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Variable Rate Note);

constructing the equivalent fixed rate debt instrument (using the fixed rate substitute described above);

determining the amount of qualified stated interest and original issue discount with respect to the equivalent fixed rate debt instrument; and

making the appropriate adjustments for actual variable rates during the applicable accrual period.

If a Variable Rate Note provides for stated interest, either at one or more qualified floating rates or at a qualified inverse floating rate, and in addition provides for stated interest at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and original issue discount accruals are determined as in the immediately preceding paragraph with the modification that the Variable Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or a qualified inverse floating rate, as the case may be) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Variable Rate Note, as of the issue date, would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

*Short-Term Notes*

In general, an individual or other cash method holder of a Note that matures one year or less from the date of its issuance (a Short-Term Note ) is not required to accrue original issue discount on such Note unless it has elected to do so. For purposes of determining whether a Note is a Short-Term Note, under applicable Treasury Regulations, the maturity date of the Note is the last possible date it could be outstanding under its terms. Holders who report income for U.S. federal income tax purposes under the accrual method, however, and certain other holders, including banks, dealers in securities and electing holders, are required to accrue original issue discount (unless the holder elects to accrue acquisition discount in lieu of original issue discount) and stated interest, if any, on such Note. Acquisition discount is the excess of the remaining stated redemption price at maturity of the Short-Term Note over the holder's tax basis in the Short-

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Term Note at the time of the acquisition. In the case of a holder who is not required, and does not elect, to accrue original issue discount or acquisition discount on a Short-Term Note, any gain realized on the sale, exchange or retirement of such Short-Term Note will be ordinary income to the extent of the original issue discount accrued through the date of such sale, exchange or retirement. Such a holder will be required to defer, until such Short-Term Note is sold or otherwise disposed of, the deduction of a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Short-Term Note. Original issue discount or acquisition discount on a Short-Term Note accrues on a straight-line basis unless an election is made to use the constant yield method (based on daily compounding).

In the case of a Short-Term Note that is also a Single Foreign Currency Note, the amount of original issue discount or acquisition discount subject to current accrual and the amount of any exchange gain or loss on a sale, exchange or retirement are determined under the same rules that apply to accrued interest on a Single Foreign Currency Note held by a holder on the accrual basis. See *Payments of Interest on Notes that Are Not Discount Notes*.

A holder which is not required to, and which does not elect to, accrue original issue discount, or acquisition discount, will determine exchange gain or loss with respect to accrued original issue (or acquisition) discount on a sale, exchange, retirement or on maturity of a Short-Term Note in the same manner that a cash basis holder would account for interest income on a Single Foreign Currency Note.

The market discount rules will not apply to a Short-Term Note.

*Notes Subject to Contingencies Including Optional Redemption*

In general, the following rules apply if a Note provides for an alternative payment schedule applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and one of such payment schedules is more likely than not to occur or the Note provides us or the holder with an unconditional option or options exercisable on one or more dates during the term of the Note. If based on all the facts and circumstances as of the issue date a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule.

Notwithstanding the general rules for determining yield and maturity in the case of Notes subject to contingencies, if we have or the holder has an unconditional option or options that, if exercised, would require payments to be made on the Notes under an alternative payment schedule or schedules, then (i) in the case of an option or options exercisable by us, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Note and (ii) in the case of an option or options of the holder, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the Note. For purposes of those calculations, the yield on the Note is determined by using any date on which the Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Note as the principal amount at maturity.

If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a change in circumstances), then, except to the extent that a portion of the Note is repaid as a result of a change in circumstances and solely for purposes of the accrual of original issue discount, the Note is treated as retired and then reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

**Non-United States Persons**

Subject to the discussion of backup withholding below, payments of principal, premium, if any, and interest (including original issue discount) by us or our agent (in its capacity as such) to any holder who is a beneficial owner of a Note but is not a United States person will generally not be subject to U.S. federal withholding tax,

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provided that, in the case of premium, if any, and interest (including original issue discount):

(1) such holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;

(2) such holder is not a controlled foreign corporation for United States tax purposes that is related to us through stock ownership;

(3) such holder is not a bank receiving interest described in Code Section 881(c)(3)(A); and

(4) neither we nor our agent has actual knowledge or reason to know that such holder is a United States person, and either

(a) the beneficial owner of the Note certifies to us or our agent, under penalties of perjury, that such owner is not a United States person and provides its name and address (which certification can be made on IRS Form W-8BEN or a suitable substitute); or

(b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a financial institution) certifies to us or our agent, under penalties of perjury (which certification can be made on IRS Form W-8IMY or suitable substitute), that the certification described in clause (4)(a) above has been received from the beneficial owner by it or by another financial institution acting for the beneficial owner and delivers to us or our agent a copy of the certification described in clause (4)(a) above.

In the case of Notes held by a foreign partnership or foreign trust:

the certification described in clause (4)(a) above must be provided by the partners or beneficiaries rather than by the foreign partnership or foreign trust; and

the partnership or trust must provide certain information, including a United States taxpayer identification number (which certification can be made on IRS Form W-8IMY or suitable substitute) and such other information as may be required if such foreign partnership (or foreign trust) is a withholding foreign partnership (or withholding foreign trust) that has entered into a qualified intermediary or similar agreement with the Service.

A look-through rule would apply in the case of tiered partnerships.

If a holder of a Note who is not a United States person cannot satisfy the requirements of the portfolio interest exception described above, payments of interest (including original issue discount) made to such holder generally will be subject to a 30% withholding tax (or such lower rate as may be provided by an applicable income tax treaty between the United States and a foreign country) unless another exemption applies and such holder complies with the Service's certification requirements. Any prospective investor who could not satisfy the portfolio interest requirements described above should consult its tax advisor prior to making an investment in the Notes.

If a holder of a Note who is not a United States person is engaged in a trade or business in the United States and premium, if any, or interest (including original issue discount) on the Note is effectively connected with the conduct of such trade or business, such holder, although exempt from U.S. federal withholding tax (by reason of the delivery of a properly completed Form W-8ECI or suitable substitute), will be subject to U.S. federal income tax on such premium, if any, and interest (including original issue discount) in the same manner as if it were a United States person. In addition, if such holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits, as defined in the Code, for the taxable year, subject to adjustments.

Subject to the discussion of backup withholding below, any capital gain realized upon the sale, exchange or retirement of a Note by a holder who is not a United States person will not be subject to U.S. federal income or withholding taxes unless:

such gain is effectively connected with a United States trade or business of the holder; or

in the case of an individual, such holder is present in the United States for 183 days or more in the taxable year of the retirement or disposition and certain other conditions are met.

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Notes held by an individual, who at the time of death is neither a citizen nor a resident of the United States for U.S. federal estate tax purposes, will not be subject to U.S. federal estate tax, provided that the income from the Notes was not or would not have been effectively connected with a U.S. trade or business of such individual and that such individual qualified for the exemption from U.S. federal withholding tax (without regard to the certification requirements) that is described above.

**Backup Withholding and Information Reporting**

The backup withholding and information reporting requirements may apply to certain payments of principal, premium, if any, and interest (including original issue discount) on a Note and to certain payments of proceeds of the sale or retirement of a Note. We, our paying agent or certain other parties, as the case may be, will be required to withhold tax from any payment that is subject to backup withholding at a rate of 28% of such payment if the holder fails to furnish his taxpayer identification number (social security number or employer identification number), to certify that such holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain holders (including, among others, corporations) are not subject to the backup withholding and reporting requirements.

Backup withholding and information reporting generally will not apply to payments made by us or our agent (in its capacity as such) to a holder of a Note who has provided the required certification under penalties of perjury that such holder is not a United States person as set forth in clause (4) under **Non-United States Persons** of this prospectus supplement or has otherwise established an exemption (provided that neither we nor such agent has actual knowledge or reason to know that the holder is a United States person or that the conditions of any other exemption are not in fact satisfied). However, we and other payors may be required to report payments of interest on your Notes on IRS Form 1042-S even if the payments are not otherwise subject to information reporting requirements.

Any amounts withheld under the backup withholding rules from a payment to a holder may be claimed as a credit against such holder's U.S. federal income tax liability, provided required information is timely furnished to the Service. Holders should consult their own tax advisors regarding the filing of a U.S. tax return and the claiming of a credit or refund of such backup withholding.

**Treasury Regulations Requiring Disclosure of Reportable Transactions**

Pursuant to Treasury Regulations, a United States person that recognizes a loss on the sale or exchange of the Notes due to changes in foreign exchange rates may be required to disclose the transaction as a reportable transaction on Internal Revenue Service Form 8886 (or a suitable substitute) in the event the loss exceeds \$50,000 if the holder is an individual or trust, or higher amounts for certain other holders. Additionally, a holder that recognizes a loss on the sale or exchange of the Notes due to other circumstances may be required to disclose the transaction as a reportable transaction in the event the loss exceeds \$2,000,000 in any single taxable year (or \$4,000,000 in any combination of taxable years) if the holder is an individual, S corporation or trust, or higher amounts if the holder is any other holder.

**WE HAVE INCLUDED THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE FOR YOUR GENERAL INFORMATION. THIS DISCUSSION MAY NOT BE APPLICABLE DEPENDING UPON YOUR PARTICULAR TAX SITUATION. YOU SHOULD CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.**



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**SUPPLEMENTAL PLAN OF DISTRIBUTION**

We intend to enter into a distribution agreement with respect to the Notes with Goldman, Sachs & Co., J.P. Morgan Securities Inc., Citigroup Global Markets Inc. and KeyBanc Capital Markets, a Division of McDonald Investments Inc. (the Agents). Subject to certain conditions, the Agents have agreed to use their reasonable best efforts to solicit purchases of the Notes. We have the right to accept offers to purchase Notes and may reject any proposed purchase of the Notes. The Agents may also reject any offer to purchase Notes. We will pay the Agents a commission on any Notes sold through the Agents. Unless otherwise specified in the pricing supplement, the commission will range from 0.125% to 0.750% of the principal amount of the Notes, depending on the maturity of the Notes.

We may also sell Notes to the Agents who purchase the Notes as principals for their own accounts. If no other discount is agreed upon and disclosed in the pricing supplement, any such sale will be made at a discount equal to the discount set forth on the cover page hereof. Any Notes the Agents purchase as principal may be resold at the market price or at other prices determined by the Agents at the time of resale. We may also sell Notes directly on our own behalf. No commissions will be paid on Notes sold directly by us.

The Agents may resell any Notes they purchase to other brokers or dealers at a discount, which may include all or part of the discount the Agents received from us. Unless otherwise stated, this discount will equal the applicable commission on an agency sale of Notes of the same maturity. If all the Notes are not sold at the initial offering price, the Agents may change the offering price and the other selling terms.

In connection with an offering, the Agents may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Agents of a greater number of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

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

These activities by the Agents may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Agents at any time. These transactions may be effected in the over-the-counter market or otherwise.

The Agents, whether acting as agents or principals, may be deemed to be underwriters within the meaning of the Securities Act of 1933 (the Act). Eaton has agreed to indemnify the several Agents against certain liabilities, including liabilities under the Act.

The Agents may sell to dealers, who may resell to investors, and the Agents may pay all or part of the discount or commission they receive from us to the dealers. Such dealers may be deemed to be underwriters within the meaning of the Act.

The Notes are a new issue of securities with no established trading market and are not expected to be listed on a securities exchange. No assurance can be given as to the liquidity of the trading market for the Notes.

We estimate that our share of the total expenses of the offering, excluding discounts and commissions, will be approximately \$500,000.

Unless otherwise indicated in the applicable pricing supplement, the purchase price of the Notes will be required to be paid in immediately available funds in The City of New York.

The Agents and their affiliates have engaged, and may in the future engage, in commercial and/or investment banking transactions with us and our affiliates. They have received customary fees and commissions for these transactions.

JPMorgan Chase Bank, N.A. (formerly known as Chemical Bank), an affiliate of

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JPMorgan, is Trustee under the Senior Indenture under which the Notes will be issued.

**LEGAL OPINIONS**

The validity of the Notes will be passed upon for us by Mark Hennessey, Deputy General Counsel, and for any underwriters, dealers or agents by Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022. Mr. Hennessey is paid a salary by Eaton and participates in various employee benefit plans offered by us, including equity based plans.

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**Eaton Corporation**

By this prospectus, we offer  
an unspecified amount of the following:

**Senior Debt Securities**  
**Subordinated Debt Securities**  
**Preferred Shares**  
**Common Shares**  
**Debt Warrants**

**Debt Warrants with**  
**Debt Securities as Units**  
**Debt Warrants with**  
**Preferred Shares as Units**

The Company from time to time may offer to sell senior or subordinated debt securities, preferred shares, common shares and warrants, as well as units that include any of these securities or securities of other entities. The debt securities, preferred shares and warrants may be convertible into or exercisable or exchangeable for common or preferred shares or other securities of the Company or debt or equity securities of one or more other entities. The common stock of the Company is listed on the NYSE and trades under the ticker symbol ETN .

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

This prospectus describes some of the general terms that may apply to these securities. The specific terms of any securities to be offered as well as the public offering prices of these securities will be described in a supplement to this prospectus. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement. You should read this prospectus and the prospectus supplements carefully before you invest.

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

The date of this prospectus is December 14, 2005.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. Our SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>. Our common shares are listed on the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange and information about us also is available there.

This prospectus is part of a registration statement that we have filed with the SEC. The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to other documents that we identify as part of this prospectus. Our subsequent filings of similar documents with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (1) after the date of the filing of this registration statement and before its effectiveness and (2) until our offering of securities has been completed.

Annual Report on Form 10-K for the year ended December 31, 2004

Quarterly Report on Form 10-Q for the quarter ended March 31, 2005