

BEAR STEARNS COMPANIES INC  
Form 424B5  
June 19, 2003

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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-104455

**PROSPECTUS SUPPLEMENT**  
(To Prospectus Dated April 24, 2003)

**\$2,000,000,000**

## **The Bear Stearns Companies Inc.**

*Set forth below is a summary of the terms of the notes we may offer from time to time by this prospectus supplement and the accompanying prospectus.*

We will specify the final terms for each note, which may be different from the terms described in this prospectus supplement, in a pricing supplement.

- **Interest**

The notes may have a fixed or floating interest rate.

- **Maturity**

The notes will mature in 9 months or more.

- **Ranking**

The notes will be our unsecured senior debt and will rank equally with all of our other unsecured and unsubordinated debt.

- **Sinking Fund**

The notes may be subject to a sinking fund.

- **Interest Payment Dates**

Interest on fixed rate notes will be paid semi-annually or otherwise, as set forth in the applicable pricing supplement. Interest on floating rate notes will be paid monthly, quarterly, semiannually, annually or otherwise, as set forth in the applicable pricing supplement.

- **Redemption and Repurchase**

The notes may be subject to:

- redemption, at our option; and
- repayment, at your option.

If set forth in the applicable pricing supplement, specific notes may require us, upon request, to repay those notes prior to maturity following the death of the beneficial owner of the notes, subject to certain conditions and limitations.

- **Book-Entry Notes**

The notes will be issued in book-entry form unless otherwise set forth in the applicable pricing supplement.

- **Denominations**

The notes will be issued in minimum denominations of \$1,000, increased in multiples of \$1,000, unless otherwise set forth in the applicable pricing supplement.

"IncomeNotes" is a service mark of The Bear Stearns Companies Inc.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-6 OF THIS PROSPECTUS SUPPLEMENT.

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

We may sell notes to the agents as principal for resale at varying or fixed offering prices or through the agents as agent on our behalf. If we sell all of the notes offered under this prospectus supplement, we expect to receive aggregate proceeds of between \$1,996,000,000 and \$1,950,000,000 (99.8% to 97.5% of the principal amount), after paying agents' commissions of between \$4,000,000 and \$50,000,000 (0.2% to 2.5% of the principal amount). The agents are not required to sell any specific amount of notes, but will solicit orders to purchase the notes on a reasonable best efforts basis. We also may offer the notes to investors directly on our own behalf.

If we sell other securities referred to in the accompanying prospectus, the amount of notes referred to in this prospectus supplement that we may offer and sell under this prospectus supplement may be reduced.

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**Bear, Stearns & Co. Inc.**

**Lead Manager and Lead Agent**

A.G. Edwards & Sons, Inc.  
Citigroup  
Fidelity Capital Markets,  
a division of National Financial Services LLC  
UBS Financial Services Inc.  
Wells Fargo Investment Services, LLC

BB&T Capital Markets  
Edward D. Jones & CO., L.P.  
Mellon Financial Markets, LLC  
Prudential Financial Incorporated  
Wachovia Securities

June 19, 2003

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We are offering the notes on a continuing basis through Bear, Stearns & Co. Inc., and any other agent we may designate. Each agent has agreed to use its reasonable best efforts to solicit purchases of the notes. We have reserved the right to sell notes directly on our own behalf. We will not list the notes on any securities exchange, and we cannot assure you that the notes offered by this prospectus supplement will be sold or that there will be a secondary market for them. We reserve the right to withdraw, cancel or modify the offer made by this prospectus supplement without giving notice. We may reject any offer in whole or in part. While we have various other medium term notes and other indebtedness outstanding, references in this prospectus supplement to "notes" are to our IncomeNotes<sup>SM</sup> only.

Each agent may use this prospectus supplement in connection with offers and sales associated with market-making transactions in the notes. Each agent may act as principal or agent in the market-making transactions. The offers and sales will be made at prices that relate to prevailing prices at the time.

You must read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement together with all the documents which are deemed to be incorporated in this prospectus supplement and the accompanying prospectus by reference (see "Where You Can Find More Information" beginning on page 3 of the accompanying prospectus). This prospectus supplement, the accompanying prospectus and the applicable pricing supplement must be read and construed on the basis that the incorporated documents are so incorporated and form part of this document, except as specified in this document.

We have not authorized any person to give any information or represent anything not contained in this prospectus supplement and the accompanying prospectus. You must not rely on any unauthorized information.

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### SUMMARY

This section summarizes the legal and financial terms of the notes that are described in more detail elsewhere in this prospectus supplement and in the accompanying prospectus. Final terms of any particular notes will be determined at the time of sale and will be contained in the applicable pricing supplement. The terms in that pricing supplement may vary from and supersede the terms contained in this prospectus supplement and in the accompanying prospectus. Before you decide to purchase any notes, you should read the more detailed information appearing elsewhere in this prospectus supplement and in the accompanying prospectus. You should also review the applicable pricing supplement.

Issuer	The Bear Stearns Companies Inc.
Lead Manager and Lead Agent	Bear, Stearns & Co. Inc.
Agents	A.G. Edwards & Sons, Inc. BB&T Capital Markets Citigroup Global Markets Inc. Edward D. Jones & Co., L.P. Fidelity Capital Markets, a division of National Financial Services LLC Mellon Financial Markets, LLC Prudential Financial Incorporated UBS Financial Services Inc. Wachovia Securities, Inc. Wells Fargo Investment Services, LLC
Title of Notes	Medium Term Notes, Series B, designated as IncomeNotes <sup>SM</sup>
Amount	We may issue up to \$2,000,000,000 aggregate principal amount of notes in connection with this prospectus supplement. There are no limitations on our ability to issue additional indebtedness in the form of IncomeNotes <sup>SM</sup> or otherwise.
Ranking	The notes will be unsecured and will rank equally with all our other unsecured and unsubordinated debt. Because we are a holding company, the notes will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets. At February 28, 2003: we had outstanding (on an unconsolidated basis) approximately \$37.4 billion of debt and other obligations, including approximately \$34.3 billion of unsecured senior debt and \$2.6 billion of unsecured inter-company debt; and our subsidiaries had outstanding (after elimination of inter-company items) approximately \$145.5 billion of debt and other obligations (including \$47.9 billion related to securities sold under repurchase agreements, \$52.9 billion related to payables to customers, \$26.4 billion related to financial instruments sold, but not yet purchased, and \$18.3 billion of other liabilities, including \$13.6 billion of debt).
Maturity	Each note will mature nine months or more from its issue date, as specified in the applicable pricing supplement.

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Denominations	The notes will be issued in minimum denominations of \$1,000, increased in multiples of \$1,000, or in any other denomination provided in the applicable pricing supplement.
Interest	Each note will bear interest from its date of original issuance at a fixed rate or floating rate per year or as otherwise stated in the applicable pricing supplement. Interest on each note will be payable monthly, quarterly, semiannually, annually or otherwise on the interest payment dates specified in the note and the applicable pricing supplement and at its maturity date or, if a note is redeemed or repurchased prior to its maturity date, on the redemption date or repayment date.

Principal	The principal amount of each note will be payable on its maturity date. If, however, a note is redeemed or repurchased prior to its maturity date, the principal amount of the note will be paid on the redemption date or repayment date.
Redemption and Repayment	The pricing supplement relating to the notes will indicate whether the notes will be redeemable at our option or repayable at your option prior to the maturity date, including pursuant to the Survivor's Option, as described below. The notes will be unsecured and will not be subject to any sinking fund.
Survivor's Option	<p>The pricing supplement relating to the notes will indicate whether the notes will contain a provision that requires us, upon request by the authorized representative of the beneficial owner of the notes, to repay those notes prior to maturity following the death of the beneficial owner of the notes. This feature is referred to in this prospectus supplement as the "Survivor's Option." Such notes must have been acquired by the deceased beneficial owner at least 6 months prior to the date of the request. The right to exercise this option will be subject to limits set by us on:</p> <ul style="list-style-type: none"> <li>the permitted dollar amount of an individual exercise by a holder of any IncomeNote<sup>SM</sup> in any calendar year; and</li> <li>the permitted dollar amount of total exercises by all holders of all IncomeNote<sup>SM</sup>, without regard to series, in any calendar year.</li> </ul> <p>Additional details relating to this right are described under "Repayment Upon Death Survivor's Option" beginning on page S-18 of this prospectus supplement.</p>
Form of Notes and Clearance	Unless otherwise set forth in the applicable pricing supplement, the notes will be issued in book-entry form as one or more global securities registered in the name of a nominee of The Depository Trust Company, the depository for the notes ("DTC"). The notes will settle, and payments of principal and interest will be made, only through DTC. Except as set forth under "Description of Notes Book-Entry Notes Registration, Transfer and Payments" beginning on page S-21 of this prospectus supplement, book-entry notes will not be exchangeable for definitive certificates.
Trustee	The Trustee for the notes is JPMorgan Chase Bank, located at 4 New York Plaza, New York, New York 10004, Attention: Debt Operations-13th Floor.

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Selling Group	The agents, including the lead agent, have entered into a distribution agreement with us dated as of June 19, 2003. Dealers who are members of the selling group have executed a master selected dealer agreement with the lead agent. The agents and the dealers have agreed to market and sell the notes in accordance with the terms of those respective agreements and applicable laws and regulations. You may contact the lead agent by calling Daniela Bennett at (212) 272-5017 for a list of selling group members. The agents and dealers comprising the selling group are broker-dealers and securities firms.
Liquidity	The notes will not have an established trading market when issued. The agents may make a market in the notes, but the agents are not obligated to do so, and they may suspend or completely stop market-making activities at any time without notice, at their sole discretion.
Risk Factors	For information about risks relating to the notes, see "Risk Factors" beginning on page S-6 of this prospectus supplement.

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## RISK FACTORS

Your investment in the notes involves risk. In consultation with your financial and legal advisers, you should carefully consider the following risks and the other information included or incorporated by reference in the applicable pricing supplement, this prospectus supplement and the accompanying prospectus, including the information under "Where You Can Find More Information" on page 3 of the accompanying prospectus, before deciding that an investment in the notes is suitable for you. You should not purchase the notes unless you understand and can bear the investment risks of the notes.

**There may not be any Trading Market for the Notes; Many Factors may Affect the Trading Value of the Notes.**

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Upon issuance, the notes will not have an established trading market. We cannot assure you that a trading market for the notes will ever develop or, if one develops, that it will be maintained. In addition to our own creditworthiness, many other factors may affect the trading market value of, and trading market for, your notes. These factors include:

the rate of interest on your notes;

the method of calculating the principal and interest in respect of your notes;

the complexity and volatility of the index or formula applicable to your notes;

the time remaining to the maturity of your notes;

the total outstanding amount of any particular issuance of notes or of our notes in total;

any redemption or repayment features of your notes; and

the level, direction and volatility of interest rates generally.

We expect that changes in interest rates will affect the trading value of the notes. In general, if US interest rates increase, we expect that the trading value of the notes will decrease and, conversely, if US interest rates decrease, we expect that the trading value of the notes will increase.

In addition, notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility. There may be a limited number of buyers if you decide to sell your notes. This may affect the price you receive for your notes or your ability to sell your notes at all.

### **The Notes are not Insured Against Loss by any Third Party; You can only Depend on our Earnings and Assets for Payment of Principal and Interest on the Notes.**

Because the notes are not deposits and are not insured or guaranteed against loss by the Federal Deposit Insurance Corporation or any other governmental or private agency, you could lose your entire investment. The notes will be solely our obligations, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the notes.

In addition, because we are a holding company whose primary assets consist of shares of stock or other equity interests in our subsidiaries, almost all of our income is derived from those subsidiaries. Our subsidiaries will have no obligation to pay any amount in respect of the notes or to make any funds available for payment of the notes. Accordingly, we will be dependent on dividends and other distributions or loans from our subsidiaries to generate the funds necessary to meet our obligations with respect to the notes, including the payment of principal and interest. The notes will also be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets.

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If funds from dividends, other distributions or loans from our subsidiaries are not adequate, we may be unable to make payments of principal or interest in respect of the notes and you could lose all or a part of your investment.

At February 28, 2003:

we had outstanding (on an unconsolidated basis) approximately \$37.4 billion of debt and other obligations, including approximately \$34.3 billion of unsecured senior debt and \$2.6 billion of unsecured inter-company debt; and

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our subsidiaries had outstanding (after elimination of inter-company items) approximately \$145.5 billion of debt and other obligations (including \$47.9 billion related to securities sold under repurchase agreements, \$52.9 billion related to payables to customers, \$26.4 billion related to financial instruments sold, but not yet purchased, and \$18.3 billion of other liabilities, including \$13.6 billion of debt).

### **If the Notes are Redeemable, We may Redeem such Notes when Prevailing Interest Rates are Relatively Low.**

If the pricing supplement for your notes provides that the notes are redeemable at our option, we may choose to redeem the notes on or after the date indicated in the pricing supplement. If the pricing supplement provides that the notes are subject to mandatory redemption or are otherwise repayable at the option of the holder, we also may be required to redeem the notes upon the occurrence of certain events or at a certain date. In the event that prevailing interest rates are relatively low when we choose or are required to redeem the notes, you may not be able to reinvest the redemption proceeds in a comparable security with a yield as high as that on the notes being redeemed. Our ability to redeem the notes before the maturity date may affect the market value of the notes at any time when potential purchasers believe we are likely to redeem notes.

### **We can Limit the Amount of the Survivor's Option.**

We will have a discretionary right to limit the aggregate principal amount of notes that we may be required to repay to an amount equal to either: (i) \$250,000 with respect to any individual deceased beneficial owner of a note in any calendar year; or (ii) in any calendar year, the greater of \$2,000,000 or 2% of the outstanding aggregate principal amount of all IncomeNotes<sup>SM</sup> outstanding as of December 31 of the immediately preceding calendar year. Accordingly, in any single calendar year, the authorized representative of the estate of a deceased beneficial owner may not be able to exercise the Survivor's Option either at all or for the full desired amount.

### **Our Credit Ratings may not Reflect all Risks of an Investment in Our Notes.**

The credit ratings of our senior unsubordinated indebtedness, which includes the notes, may not reflect the potential impact of all risks related to any trading market for the notes or their trading value. In addition, changes or anticipated changes in our credit ratings generally will affect any trading market for the notes or their trading value.

### **If the Notes you Purchase are Floating Rate Notes, you may Receive a Lesser Amount of Interest in the Future.**

Because the interest rate on floating rate notes will be indexed to an external interest rate or index that may vary from time to time, there will be significant risks not associated with a conventional fixed rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, you will receive a lesser amount of interest. We have no control over a number of matters that may affect interest rates, including economic, financial and political events that are

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important in determining the existence, magnitude and longevity of these risks and their results. In recent years, interest rates have been volatile, and volatility may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future.

### **If the Floating Rate Notes you Purchase are Subject to a Maximum Interest Rate, Your Return will be Limited.**

If the applicable pricing supplement specifies that your floating rate notes are subject to a maximum interest rate, the rate of interest that will accrue on the floating rate notes during any interest reset period will never exceed the specified maximum interest rate. Conversely, although the applicable rate of interest will always be greater than zero for floating rate notes, unless a minimum interest rate is specified in the applicable pricing supplement, we cannot assure you that the interest rate you receive in the future will not decrease.

## **PRICING SUPPLEMENT**

The pricing supplement for each offering of notes will contain the specific information and terms for that offering. The pricing supplement may also add, update or change information contained in this prospectus supplement and the accompanying prospectus. If any information in the pricing supplement, including any changes in the method of calculating interest on any note or any information relating to the "Survivor's Option" described beginning on page S-18 of this prospectus supplement, is inconsistent with this prospectus supplement, you should rely on the information in the pricing supplement. It is important that you consider all of the information in the pricing supplement, this prospectus

supplement and the accompanying prospectus when making your investment decision.

## DESCRIPTION OF NOTES

### General

The following terms apply to each note unless otherwise specified in the applicable pricing supplement and the note. The applicable pricing supplement will describe the specific terms for the notes.

We will issue notes under an indenture, dated as of May 31, 1991, as amended, between us and JPMorgan Chase Bank (formerly, The Chase Manhattan Bank), as Trustee, that is more fully described in the accompanying prospectus. The notes are part of a single series of our debt securities that are issuable under the indenture. For a description of the rights attaching to the debt securities under the indenture, see "Description of Debt Securities" beginning on page 6 of the accompanying prospectus. This description and the description under "Description of Debt Securities" in the accompanying prospectus are summaries and do not restate the indenture. We urge you to read the indenture and its supplements which we have filed with the SEC because they, and not this description or the one in the accompanying prospectus, define your rights as a holder of notes. See "Where You Can Find More Information" beginning on page 3 of the accompanying prospectus on how to locate the indenture and its supplements.

The notes are limited in amount as described on the cover page of this prospectus supplement, less an amount equal to the aggregate initial public offering price of any other securities we may issue in the future, including any other series of medium-term notes. We may increase this limit if we wish to sell additional notes in the future. Under the indenture, we may issue debt securities over the amount authorized on the date of this prospectus supplement without obtaining your consent or the consent of holders of other debt securities. Each series of notes or other debt securities may differ as to their terms. For current information on our outstanding debt, see our most recent Forms 10-K and 10-Q. See "Where You Can Find More Information" beginning on page 3 of the accompanying prospectus.

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We will offer the notes on a continuous basis at various times. The notes will mature at face value nine months or more from the date they are issued and before maturity may be subject to redemption at our option or repayment at your option, as specified in the applicable pricing supplement. Each note will be denominated in US dollars.

The notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt, including the other debt securities issued under the indenture. Because we are a holding company, the notes will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets. At February 28, 2003:

we had outstanding (on an unconsolidated basis) approximately \$37.4 billion of debt and other obligations, including approximately \$34.3 billion of unsecured senior debt and \$2.6 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$145.5 billion of debt and other obligations (including \$47.9 billion related to securities sold under repurchase agreements, \$52.9 billion related to payables to customers, \$26.4 billion related to financial instruments sold, but not yet purchased, and \$18.3 billion of other liabilities, including \$13.6 billion of debt).

Notes issued in accordance with this prospectus supplement, the accompanying prospectus and the applicable pricing supplement will have the following general characteristics:

the notes will be our direct unsecured obligations and will rank on an equal basis with all of our other unsecured debt other than subordinated debt;

we may offer the notes from time to time directly or through the agents. See "Supplemental Plan of Distribution" beginning on page S-32 of this prospectus supplement;

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each note will mature on a day that is at least nine months from its date of original issuance;

the notes will not be subject to any sinking fund or other mandatory redemption, unless otherwise specified in the applicable pricing supplement;

the notes will be issued only in fully registered form without coupons;

unless otherwise stated in the applicable pricing supplement, the notes will be issued initially in book-entry form, represented by one or more global securities registered in the name of a nominee of DTC, as depositary, and payments will be made only through DTC. Except in very limited circumstances, you will not receive a certificate for your notes. You will hold your interest in the notes you purchase only as a book entry on the records of your broker or other securities intermediary, which in turn will hold the interests of its customers, directly or indirectly, as a participant in DTC's system through book entries on DTC's records. See "Book-Entry Notes Registration, Transfer and Payments" beginning on page S-21 of this prospectus supplement and "Description of Debt Securities Global Securities" beginning on page 8 of the accompanying prospectus; and

the minimum denomination of the notes will be \$1,000, increased in multiples of \$1,000, unless otherwise stated in the applicable pricing supplement.

In addition, the pricing supplement relating to a particular issuance of notes will describe the following specific terms of the notes:

the aggregate principal amount of the applicable notes;

the price, which may be expressed as a percentage of the aggregate principal amount of the notes, at which the notes will be issued to the public;

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the net proceeds to us, the agents' concession, the dealers' concession and the reallowance, if any;

the date on which the notes will be issued;

the maturity date of the notes;

if the note is a fixed rate note, the annual percentage rate at which it will bear interest, if any;

if the note is a floating rate note, the applicable interest rate index and such other terms as are applicable to it, as described in "Interest Rate Floating Rate Notes" beginning on page S-11;

the interest payment frequency and the interest payment dates;

whether the "Survivor's Option" described beginning on page S-18 will be applicable;

if the notes may be redeemed at our option, or repaid at your option, prior to their maturity date, and the terms relating to any such redemption or repayment;



any special US federal income tax considerations of the purchase, ownership or disposition of the notes;

the use of proceeds, if materially different than that described in the accompanying prospectus; and

any other significant terms of the notes that are not inconsistent with the provisions of the indenture.

Under the terms of the indenture, we may defease the notes. See "Description of Debt Securities Defeasance" beginning on page 12 of the accompanying prospectus.

In the following discussion, any time we refer to paying principal on the notes, we mean at maturity or upon redemption or repayment. All times are New York City time unless otherwise noted. The following terms may apply to each note as specified in the applicable pricing supplement. We have provided the definitions of certain capitalized terms used in this prospectus supplement in the Glossary.

## **Interest Rate**

### **General**

We have provided a Glossary at the end of this prospectus supplement to define certain capitalized words used in discussing the interest rate payable on the notes.

The interest rate on the notes will be either fixed or floating. The interest paid will include interest accrued from the date of original issue to, but excluding, the relevant interest payment date, maturity date, redemption date or repayment date and will be payable on each interest payment date and upon maturity, redemption or repayment. Interest will be paid to the person in whose name the note is registered at the close of business on the record date before each interest payment date, which in the case of global securities representing book-entry notes will be the depositary or its nominee. However, interest payable upon maturity, redemption or repayment will be payable to the person to whom principal is payable, which in the case of global securities representing book-entry notes will be the depositary or its nominee. The first interest payment on any note issued between a record date and an interest payment date will be made on the interest payment date after the next record date.

### **Fixed Rate Notes**

The applicable pricing supplement will designate the fixed rate of interest payable on a fixed rate note. The fixed rate of interest may be zero in the case of a fixed rate note issued with original issue discount. Each fixed rate note will bear interest from its date of original issue at the rate per year

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stated on its face until the principal is paid or made available for payment. Interest will be paid semiannually or otherwise on the dates specified in the applicable pricing supplement and at maturity, or on redemption or repayment.

The record dates for fixed rate notes will be 15 calendar days before the interest payment date, whether or not that date is a Business Day, unless otherwise specified in the applicable pricing supplement. Interest will be computed using a 360-day year of twelve 30-day months. In the event that any interest payment date, maturity date, redemption date, repayment date or repayment date on exercise of a Survivor's Option of a fixed rate note is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day and, unless otherwise specified in the applicable pricing supplement, no interest shall accrue for the period from and after that interest payment date, maturity date, redemption date, repayment date or repayment date on exercise of a Survivor's Option, as the case may be, to the next Business Day.

### **Floating Rate Notes**

#### *General*

The interest rate on a floating rate note will be calculated by reference to the specified interest rate formula, plus or minus a spread, if any, as specified in the applicable pricing supplement. The spread is the number of basis points specified in the applicable pricing supplement as applicable to the interest rate for the floating rate note and may be a fixed amount or an amount that increases or decreases over time. The

formula may be based on any of the following rates:

LIBOR;

the Federal Funds Rate;

the Treasury Rate;

the Prime Rate; or

another interest rate formula.

In addition to any spread, the applicable pricing supplement will also indicate any applicable maximum or minimum interest rate limitations.

The applicable pricing supplement also will define or specify the following terms, if applicable:

Calculation Date;

initial interest rate;

interest payment period;

interest payment dates;

record date;

Index Maturity;

Interest Determination Date;

interest reset period;

interest reset date; and

sinking fund, if any.

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On your request, the Calculation Agent will provide you with the current interest rate and the interest rate which will become effective on the next interest reset date. See " *How Interest Is Calculated*" beginning on page S-13 of this prospectus supplement.

*Date Interest Rate Changes*

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The interest rate on floating rate notes may be reset daily, weekly, monthly, quarterly, semiannually or annually, as provided in the applicable pricing supplement. The initial interest rate or interest rate formula effective until the first interest reset date will be indicated in the applicable pricing supplement.

After the first interest reset date, the interest rate will be the rate determined on the next Interest Determination Date as explained below. Each time a new interest rate is determined it will become effective on the next interest reset date. Except for notes which reset daily or weekly, no changes will be made in the interest rate during the 10 days before the date of maturity, redemption or repayment. Unless otherwise specified in the applicable pricing supplement, the interest rate for notes with daily interest reset dates may be changed until the Business Day immediately before the maturity date. Unless otherwise specified in the applicable pricing supplement, the interest rate for notes with weekly reset dates may be changed until the interest reset date immediately before the maturity date. If any interest reset date is not a Business Day, then the interest reset date will be postponed to the next Business Day. However, in the case of a LIBOR note, if the next Business Day is in the next calendar month, the interest reset date will be the preceding Business Day.

In the case of weekly reset Treasury Rate notes, if an auction of Treasury bills falls on a day that is an interest reset date for Treasury Rate notes, the interest reset date will be the following day that is a Business Day.

### *When Interest Rate Is Determined*

The "Interest Determination Date" is as follows:

for the Federal Funds (Effective) Rate, the Business Day before the interest reset date;

for LIBOR, the second London Banking Day before the interest reset date;

for the Treasury Rate, the day of the week in which the interest reset date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, unless the auction may be held on the preceding Friday. If the auction is held on the preceding Friday, that Friday will be the Interest Determination Date pertaining to the interest reset date occurring in the next week; and

for the Prime Rate and Federal Funds (Open) Rate, the same day as the interest reset date.

### *When Interest Is Paid*

Interest is paid as specified in the note and the applicable pricing supplement and at maturity, redemption or repayment.

If any interest payment date, maturity date, redemption date, repayment date or repayment date on exercise of a Survivor's Option of a floating rate note is not a Business Day, the related payment of principal, premium, if any, or interest will be postponed to the next Business Day and, unless otherwise specified in the applicable pricing supplement, no additional interest shall accrue for the period from and after that interest payment date, maturity date, redemption date, repayment date or repayment date on exercise of a Survivor's Option, as the case may be, to the next Business Day. However, for

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LIBOR notes, if the next Business Day is in the next calendar month, principal, premium, if any, or interest will be paid on the preceding Business Day.

For floating rate notes, the record date will be 15 calendar days before each interest payment date, whether or not that date is a Business Day, unless otherwise specified in the applicable pricing supplement.

### *How Interest Is Calculated*

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Unless otherwise specified in the applicable pricing supplement, interest payments will be the amount of interest accrued from, and including, the prior interest payment date in respect of which interest has been paid (or from, and including, the date of original issue if no interest has been paid), to, but excluding, the interest payment date. If the interest payment date is also a day that principal is due, the interest payable will include interest accrued to, but excluding, the date of maturity, redemption or repayment.

Accrued interest from the date of original issue or from the last date to which interest has been paid is calculated by multiplying the face amount of the floating rate note by an accrued interest factor. The accrued interest factor is computed by adding the interest factors calculated for each day from the date of issue, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal calculated to seven decimal places without rounding) for each such day is computed by dividing the interest rate applicable to that day by 360, in the case of Federal Funds Rate notes, LIBOR notes and Prime Rate notes, or by the actual number of days in the year, in the case of Treasury Rate notes.

All percentages resulting from any calculation on floating rate notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 6.876545% (or .06876545) being rounded to 6.87655% (or .0687655) and 6.876544% (or .06876544) being rounded to 6.87654% (or .0687654)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

The Calculation Date relating to an Interest Determination Date will be the earlier of (a) the tenth calendar day after the Interest Determination Date or, if that day is not a Business Day, the next Business Day or (b) the Business Day before the applicable interest payment date, maturity date, redemption date or repayment date. JPMorgan Chase Bank (formerly, The Chase Manhattan Bank) will be the Calculation Agent with respect to the floating rate notes. On your request, the Calculation Agent will provide you with the interest rate then in effect, and, if different, the interest rate that will become effective as a result of a determination made on the most recent interest reset date with respect to your floating rate note.

### *Legal Maximum Interest Rate*

In addition to any maximum interest rate for any floating rate note, the interest rate on the floating rate notes will not be higher than the maximum rate permitted by New York law, as modified by federal law. Current New York law provides a maximum interest rate of 25% per annum. This limit does not apply to notes with principal amounts of more than \$2,500,000.

### *LIBOR Notes*

Each LIBOR note will bear interest at the rate (calculated with reference to LIBOR and any spread) specified in the LIBOR note and in the applicable pricing supplement. LIBOR will be

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determined by the Calculation Agent as follows, unless otherwise specified in the applicable pricing supplement:

With respect to any Interest Determination Date, either:

- (a) the arithmetic mean, as determined by the Calculation Agent, of the offered rates for deposits in US dollars for the Index Maturity specified in the applicable pricing supplement, beginning on the second London Banking Day after that date, which appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, on that date, if at least two such offered rates appear on the Reuters Screen LIBO Page; or
- (b) the offered rate for deposits in US dollars having the specified Index Maturity, beginning on the second London Banking Day after that date, which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on that date.

If neither the Reuters Screen LIBO Page nor Telerate Page 3750 is specified in the applicable pricing supplement, LIBOR will be determined as if Telerate Page 3750 had been specified.

In the case where (a) above applies, if fewer than two offered rates appear on the Reuters Screen LIBO Page, or, in the case where (b) above applies, if no rate appears on the Telerate Page 3750, LIBOR will be determined based on the rates at approximately 11:00 a.m., London time, on that LIBOR Interest Determination Date at which deposits in US dollars having the specified Index Maturity are offered by four major banks in the London interbank market selected by the Calculation Agent to prime banks in the London interbank market beginning on

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the second London Banking Day after that date and in a principal amount of not less than US \$1,000,000 that is representative of a single transaction in such market at such time (a "representative amount").

The Calculation Agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, LIBOR for that date will be the arithmetic mean of such quotations.

If fewer than two quotations are provided, LIBOR for that date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. on such date by three major banks in New York City selected by the Calculation Agent for loans in US dollars to leading European banks having the specified Index Maturity beginning on the second London Banking Day after that date and in a principal amount of not less than a representative amount.

Finally, if the three banks are not quoting as mentioned above, LIBOR will remain LIBOR then in effect on such Interest Determination Date.

### *Federal Funds Rate Notes*

Each Federal Funds Rate note will bear interest at the rate (calculated with reference to the Federal Funds Rate and any spread) specified in the Federal Funds Rate note and in the applicable pricing supplement. The Federal Funds Rate may be either of the Federal Funds (Effective) Rate or the Federal Funds (Open) Rate.

Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Effective) Rate means, with respect to any Interest Determination Date, the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal funds (effective)" on Telerate page 120 or any successor service or page or, if not so published on the Calculation Date relating to that Interest Determination Date, the Federal Funds (Effective) Rate will be the rate on that Interest Determination Date that is published in H.15 Daily Update or any other recognized electronic source used for displaying that rate under the heading "Federal Funds/Effective Rate."

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Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Open) Rate means, with respect to any Interest Determination Date, the rate on that day for Federal Funds as reported on Telerate page 5 under the heading "Federal Funds/Open."

If (1) the applicable Federal Funds (Effective) Rate described above or (2) the Federal Funds (Open) Rate described above is not published by 3:00 p.m. on the relevant Calculation Date, then the Federal Funds (Effective) Rate and the Federal Funds (Open) Rate, as applicable, will be calculated by the Calculation Agent as the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in New York City selected by the Calculation Agent as of 11:00 a.m., on that Interest Determination Date.

If the brokers that are selected by the Calculation Agent are not quoting, the interest rate in effect for the applicable period will remain the interest rate then in effect on such Interest Determination Date.

### *Treasury Rate Notes*

Each Treasury Rate note will bear interest at the rate (calculated with reference to the Treasury Rate and any spread) specified in the Treasury Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Treasury Rate means, with respect to any Interest Determination Date, the rate for the most recent auction of Treasury bills, direct obligations of the United States, having the Index Maturity specified in the applicable pricing supplement as published under the column designated "Invest Rate" on Telerate page 56 captioned "US Treasury 3MO T-Bill Auction Results" or Telerate page 57 captioned "US Treasury 6MO T-Bill Auction Results."

If the Treasury Rate cannot be set as described above on the Calculation Date pertaining to such Interest Determination Date, the following procedures will apply, as appropriate:

- (1) The rate will be the auction average 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) as otherwise announced by the United States Department of the Treasury.
- (2)

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If the results of the auction of Treasury bills having the specified Index Maturity are not published in H.15(519) by 3:00 p.m. on the Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 p.m. on the Interest Determination Date, of three leading primary US government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.

(3)

Finally, if the dealers are not quoting as mentioned above, the Treasury Rate will remain the Treasury Rate then in effect on such Interest Determination Date.

### *Prime Rate Notes*

Each Prime Rate note will bear interest at the rate (calculated with reference to the Prime Rate and any spread) specified in the Prime Rate note and the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, Prime Rate means, with respect to any Interest Determination Date, either the rate set forth for that date on Telerate page 5 under the heading "Bank Rate/Prime" or the rate set forth for that date in H.15(519) under the heading "Bank Prime Loan."

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If the Prime Rate cannot be set as described above, the following procedures will occur:

(1)

If the applicable rate is not published in H.15(519) or on Telerate page 5 prior to 9:00 a.m. on the Calculation Date, then the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen NYMF Page on such Interest Determination Date as such bank's prime rate or base lending rate as in effect for such Interest Determination Date.

(2)

If fewer than four rates appear on the Reuters Screen NYMF Page, the rate will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by at least two of the three major money center banks in New York City selected by the Calculation Agent from which quotations are requested.

(3)

If fewer than two quotations are provided, the Calculation Agent will determine the Prime Rate as the arithmetic mean on the basis of the prime rates in New York City by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state, in each case having total equity capital of at least US \$500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to quote the rate or rates.

(4)

If in any month or two consecutive months, the Prime Rate is not published in H.15(519) or on Telerate page 5 and the banks or trust companies selected are not quoting as mentioned in (3) above, the Prime Rate for the interest reset period will remain the same as the Prime Rate for the immediately preceding interest reset period (or, if there was no such interest reset period, the rate of interest payable on the Prime Rate notes for which the Prime Rate is being determined shall be the initial interest rate).

If this failure continues over three or more consecutive months, the Prime Rate for each succeeding Interest Determination Date until the maturity or redemption of such Prime Rate notes or, if earlier, until this failure ceases, shall be LIBOR determined as if such Prime Rate notes were LIBOR notes, and the spread, if any, will be the number of basis points specified in the applicable pricing supplement as the "Alternate Rate Event Spread."

### **Payment of Principal and Interest**

Interest will be payable to the person in whose name a note is registered, which in the case of global securities will be the depositary or its nominee, at the close of business on the record date before each interest payment date. Interest payable upon maturity, redemption or repayment

will be payable to the person to whom principal shall be payable, which in the case of global securities will be the depositary or its nominee.

The total amount of any principal (and premium, if any) and any interest due on any global security representing one or more book-entry notes on any interest payment date or upon maturity, redemption or repayment will be made available to the Trustee on such date. As soon as possible thereafter, the Trustee will make such payments to the depositary. The depositary will allocate the payments to each book-entry note represented by a global security and make payments to the holders of such global security in accordance with its existing operating procedures. We and the Trustee will not have any responsibility or liability for the payments by the depositary. So long as the depositary or its nominee is the registered holder of any global security, the depositary or its nominee, as the case may be, will be considered the sole holder of the book-entry note or notes represented by such global security for all purposes under the indenture. We understand, however, that under existing industry practice, the depositary will authorize the persons on whose behalf it holds a global security to exercise certain rights of holders of securities. See "Book-Entry Notes Registration, Transfer and Payments" beginning on page S-21 of this prospectus supplement.

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### **Reopened Issues**

We may "reopen" certain issues at any time by offering additional notes with terms identical (other than issue date and issue price) to those of existing notes.

### **Redemption**

Unless otherwise stated in the applicable pricing supplement, the notes will not have a sinking fund. Redemption dates, if any, will be fixed at the time of sale and stated in the applicable pricing supplement and on the applicable note. If no redemption date is indicated with respect to a note, the note will not be redeemable before it matures. We may redeem notes at our option beginning on a specified redemption date if the applicable pricing supplement permits redemption. Unless otherwise specified in the applicable pricing supplement, we may redeem such notes in whole or in part in increments of \$1,000 at a redemption price equal to 100% of the principal amount to be redeemed, together with interest payable up to the redemption date, by giving notice not more than 60 nor less than 30 days before the redemption date.

### **Repayment and Repurchase**

#### *General*

Optional repayment dates will be set at the time of sale and set forth in the applicable pricing supplement and on the applicable note. Except as provided under "Repayment Upon Death Survivor's Option," beginning on page S-18 of this prospectus supplement, if no optional repayment date is indicated, your note will not be repayable at your option before it matures.

If the applicable pricing supplement permits, you may cause us to repay your notes on particular dates. Unless otherwise specified in the applicable pricing supplement, we may be required to repay your notes in whole or in part in increments of \$1,000, provided that any remaining principal amount of the note is at least \$1,000. The repayment price will be equal to 100% of the principal amount to be repaid, plus accrued interest to the repayment date.

#### *Repayment Other Than Under Survivor's Option*

Unless otherwise specified in the applicable pricing supplement, for any note to be repaid in whole or in part at your option, you must deliver to the Trustee not less than 30 nor more than 60 days before the optional repayment date:

the note to be repaid with the form entitled "Option to Elect Repayment" set forth on the reverse of such note duly completed; or

a telegram, telex, facsimile transmission or a letter from a member of a national securities exchange or the NASD or a commercial bank or a trust company in the US setting forth:

your name,

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the principal amount of the note,

the certificate number of the note or a description of the note's tenor or terms,

the principal amount of the note to be repaid,

a statement that you are exercising your option to elect repayment, and

a guarantee that the note to be repaid, along with the form entitled "Option to Elect Repayment" duly completed, will be received by the Trustee no later than 5 Business Days after the date of the telegram, telex, facsimile transmission or letter.

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The Trustee must receive the note and duly completed form entitled "Option to Elect Repayment" by the fifth Business Day after the date of such telegram, telex, facsimile transmission or letter. The exercise of the repayment option will be irrevocable.

If your note is represented by a global security, the depositary's nominee will be the holder and, as a result, will be the only entity that can exercise a right to repayment. To ensure that the depositary's nominee will timely exercise a right to repayment with respect to your interest in a global security, you must instruct the broker, or other direct or indirect participant through which you hold such interest, to notify the depositary of your desire to exercise a right to repayment. To ascertain the time by which instructions must be given for timely notice to be delivered to the depositary, you should consult the broker or other direct or indirect participant through which you hold your interest in a note.

At any time, we may buy the notes at any price in the open market or otherwise. Any notes we purchase may be held or resold or, at our discretion, may be surrendered to the Trustee for cancellation.

### **Repayment Upon Death Survivor's Option**

The pricing supplement relating to each note will indicate whether the beneficial owner of that note will have the right to require us to repay that note prior to its maturity date, if requested by an authorized representative of the beneficial owner of that note, following the death of such beneficial owner (the "Survivor's Option"). To validly exercise the Survivor's Option, such notes must have been acquired by the deceased beneficial owner at least 6 months prior to the date of the request. In addition, we will not permit the exercise of the Survivor's Option except in principal amounts of \$1,000 and multiples of \$1,000, unless otherwise specified in the applicable pricing supplement. Upon the valid exercise of the Survivor's Option and the proper tender of the note for repayment, we will repay that note, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner's beneficial interest in the note plus accrued and unpaid interest to the date of repayment. For purposes of this section, a beneficial owner of a note is a person who has the right, immediately prior to such person's death, to receive the proceeds from the disposition of that note, as well as the right to receive payment of the principal of the note.

We may limit the aggregate principal amount of notes as to which the Survivor's Option may be exercised to:

\$250,000 with respect to any individual deceased beneficial owner of a note in any calendar year (the "Individual Limitation"); or

in any calendar year, the greater of \$2,000,000 or 2% of the outstanding aggregate principal amount of all IncomeNotes<sup>SM</sup> outstanding as of December 31 of the immediately preceding calendar year (the "Aggregate Limitation").

Each tendered note that is not accepted in any calendar year due to the application of either of the limitations set forth above will be deemed to be tendered in the following calendar year in the order in which all such notes were originally tendered. If a note tendered through a valid exercise of the Survivor's Option is not accepted, the Trustee will deliver a notice by first-class mail to the authorized representative of the deceased beneficial owner that states the reason that the note has not been accepted for repayment.

We may, at our option, repay interests of any deceased beneficial owner in excess of the Individual Limitation. Any optional repayment by us of this kind, to the extent it exceeds the Individual Limitation, for any deceased beneficial owner, will not be included in the computation of the Aggregate Limitation for repayment of the notes. We may also, at our option, repay interests of deceased beneficial owners in the notes in an



aggregate principal amount exceeding the Aggregate Limitation. Any optional repayment by us of this kind, to the extent it exceeds the Aggregate Limitation, will not reduce the Aggregate Limitation for such calendar year. Upon any determination by us to repay notes

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in excess of the Individual Limitation or the Aggregate Limitation, notes will be repaid in the order of receipt of repayment requests by the Trustee.

To be valid, the Survivor's Option must be exercised by the authorized representative of the beneficial owner, who is a person that has the right to sell, transfer or otherwise dispose of an interest in a note and the right to receive the proceeds from the note, as well as the interest and principal payable to the beneficial owner of the note, under the laws of the applicable jurisdiction. With respect to notes represented by a global note, DTC or its nominee (or any other depository specified in the applicable pricing supplement) is treated as the holder of the notes and will be the only entity that can exercise the Survivor's Option for such notes. To obtain repayment pursuant to exercise of the Survivor's Option for a note, the authorized representative must deliver its request to the participant through which the deceased beneficial owner owned an interest in the notes. "Participant" means an institution that has an account with the depository for the notes, which, unless otherwise specified in the applicable pricing supplement, will be DTC. The request for repayment must be in a form satisfactory to the participant and must be accompanied by evidence of the death of the beneficial owner, evidence that the notes were acquired by the deceased beneficial owner at least 6 months prior to the request, evidence of the authority of the representative satisfactory to the participant, any waivers, notices or certificates that may be required under applicable state or federal law and any other evidence of the right to the repayment that the participant requires. The request must specify the principal amount of the interest in the notes to be repaid, which amount must be in integral multiples of \$1,000, unless otherwise specified in the applicable pricing supplement. Subject to the rules and arrangements applicable to the depository, the participant will then need to deliver to the depository a request for repayment substantially in the form attached as Appendix A to this prospectus supplement.

On receipt of a valid repayment request, the depository will need to forward the request to the Trustee. The Trustee is required to maintain records with respect to repayment requests received by it, including the date of receipt and the name of the participant filing the repayment request. The Trustee will promptly file with us each repayment request it receives. We, the depository and the Trustee:

may conclusively assume, without independent investigation, that the statements contained in each repayment request are true and correct; and

will have no responsibility:

for reviewing any documents submitted to the participant by the authorized representative or for determining whether the applicable decedent is in fact the beneficial owner of the interest in the notes to be repaid or is in fact deceased; and

for determining whether the authorized representative is duly authorized to request repayment on behalf of the applicable beneficial owner.

Neither the Trustee nor we have any responsibility for the actions of the depository or any participant, or any other financial institution through which any interest in the notes may be held, with regard to repayment requests, including any failure to make, or any delay in making, such a request on the part of the depository, any participant or any such other institution. Any authorized representative wishing to request a repayment of notes will need to contact the relevant participant through which the authorized representative's interests in the notes are held or, if those interests are held through a participant indirectly through an account at another financial institution, instruct that institution to contact the participant to make the necessary arrangements to ensure that the request is made in a proper and timely manner.

Subject to the Individual Limitation and the Aggregate Limitation, we will, after the death of any beneficial owner, repay the interest of the beneficial owner in the notes on the first interest payment date that occurs 30 or more calendar days after our acceptance of a repayment request from the Trustee or as otherwise set forth in the applicable pricing supplement. Subject to the limitations set forth above, each election to exercise the Survivor's Option will be accepted in the order that elections

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are received by the Trustee. If repayment requests exceed the Aggregate Limitation, then excess repayment requests will be applied, in the order received by the Trustee, to successive subsequent periods, regardless of the number of subsequent periods required to repay the interests. We may at any time notify the Trustee that we will repay, on a date not less than 30 nor more than 60 days after the date of our acceptance of a repayment request, all or any lesser amount of notes for which repayment requests have been received but that are not then eligible for repayment by reason of the Individual Limitation or the Aggregate Limitation. If we do so, notes will be repaid in the order of receipt of repayment requests by the Trustee.

We will pay 100% of the principal amount plus any unpaid interest accrued to (but excluding) the repayment date for the notes we repay in accordance with a repayment request of an authorized representative of a deceased beneficial owner. Subject to arrangements with the depository, payment for interests in the notes to be repaid will be made to the depository in the aggregate principal amount specified in the repayment requests submitted to the Trustee by the depository that are to be fulfilled in connection with the payment upon presentation of the notes to the Trustee for repayment. The principal amount of any notes redeemed or repaid by us other than by repayment at the option of any authorized representative of a deceased beneficial owner under the procedures described in this prospectus supplement will not be included in the computation of either the Individual Limitation or the Aggregate Limitation.

The death of a person owning a note in joint tenancy or tenancy by the entirety with another or others will be deemed the death of the owner of that note, and the entire principal amount of the note so owned will be subject to repayment. The death of a person owning a note by tenancy in common will be deemed the death of an owner of that note only with respect to the deceased owner's interest in that note. However, if a note is held by husband and wife as tenants in common, the death of either spouse will be deemed the death of the owner of that note, and the entire principal amount of the note so owned will be subject to repayment.

The death of a person who, immediately prior to his or her death, was entitled to substantially all of the rights of a beneficial owner of an interest in the notes will be deemed the death of the beneficial owner, regardless of the recordation of the interest on the records of the participant, if the decedent's rights are established to the satisfaction of the participant. Rights of this kind will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh H.R. 10 plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one person has substantially all of the rights of a beneficial owner during that person's lifetime.

If a repayment request is presented on behalf of a deceased beneficial owner and has not been fulfilled at the time we give notice of our election to redeem the notes, the notes that are the subject of the pending repayment request will be repaid before any other notes.

Any repayment request may be withdrawn by the authorized representative upon delivery of a written request for withdrawal given by the participant on behalf of the person(s) to the depository and by the depository to the Trustee not less than 30 days before the repayment.

All questions as to the eligibility or validity of any exercise of the Survivor's Option will be determined by us in our sole discretion. Our determination will be final and binding on all parties.

During any time in which the notes are not represented by a global security and are issued in definitive form:

all references in this prospectus supplement to participants and the depository, including the depository's governing rules, regulations and procedures, will be deemed deleted;

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all determinations that the participants are required to make as described in this section will be made by us, including, without limitation, determining whether the applicable decedent is in fact the beneficial owner of the interest in the notes to be repaid or is in fact deceased and whether the authorized representative is duly authorized to request repayment on behalf of the applicable beneficial owner; and

all repayment requests, to be effective, must

be delivered by the authorized representative to the Trustee, with a copy to us;

if required by us and the Trustee, be in the form of the repayment request attached to this prospectus supplement as Appendix A, with appropriate changes mutually agreed to by us and the Trustee to reflect the fact that the repayment request is being executed by an authorized representative, including provision for signature guarantees; and

be accompanied by the note that is the subject of the repayment request or, if applicable, a properly executed assignment or endorsement, in addition to all documents that are otherwise required to accompany a repayment request. If the record interest in the note is held by a nominee of the deceased beneficial owner, a certificate or letter from the nominee attesting to the deceased's ownership of a beneficial interest in the note must also be delivered.

### **Book-Entry Notes Registration, Transfer and Payments**

Book-entry notes may be issued in whole or in part in the form of one or more fully registered global securities deposited with, or on behalf of, the depository and registered in the name of its nominee. Except as described below, a global security may not be transferred except as a whole by the depository to its nominee or by its nominee to the depository or another nominee of the depository or by the depository or its nominee to the depository's successor or the successor's nominee.

The depository has provided us the following information: The depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The depository holds securities that have been deposited by its participating organizations, which are called "participants." The depository also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for participants' accounts. This eliminates the need to exchange certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. The depository is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. The depository's book-entry system also is used by other organizations such as securities brokers and dealers, banks, and trust companies that work through a participant. Persons who are not participants may beneficially own securities held by the depository only through participants. The rules applicable to the depository and its participants are on file with the SEC.

Upon our issuance of any notes that will be represented by a global security, the depository will immediately credit on its book-entry system the respective amounts of the notes represented by the global security to participants' accounts. The accounts to be credited will be designated by our agents, or by us if we directly offer and sell the notes. Ownership of beneficial interests in a global security will be limited to participants or persons that hold interests through the participants. Beneficial ownership interests in a global security will be shown on, and transfers of those interests will be made only through, records maintained by the depository's participants or persons holding interests through participants. Please note, the laws of some states require that certain purchasers of securities take

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physical delivery of these securities in definitive form. These limits and laws may impair the ability to transfer beneficial interest in a global security.

Unless the global security is exchanged in whole or in part for a certificated note, the global security cannot be transferred. However, the depository, its nominees and their successors may transfer a global security as a whole to one another. This means we will not issue certificates to you. Until certificated notes are issued, the depository, not you, will be considered the holder of notes represented by a global security under the indenture. We have described below the only circumstances where notes represented by a global security will be exchangeable for certificated notes.

We will make payments of principal and interest on the notes to the depository or its nominee. We and the Trustee will treat the nominee as the owner of the global securities for all purposes. Neither we nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of your beneficial ownership interests in a global security or for maintaining, supervising or reviewing the records relating to you as the owner of a beneficial interest in such global securities. We expect that the depository will credit immediately the respective accounts of the participants upon receipt of any payment of principal or interest on a global security. We expect that

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participants' payments to owners of the beneficial interests in a global security will be governed by standing customer instructions and customary practices, and will be the participants' responsibility.

The depositary's nominee is the only person that can exercise a right to repayment of a global security. If you own a beneficial interest in a global security and want to exercise a right to repayment, then you must instruct your participant (for example, your broker) to notify the nominee of your desire to exercise such right. Different participants have different procedures for accepting instructions from their customers (for example, cut-off times for notice), and accordingly, you should consult your participant to inform yourself about their particular procedures.

Unless otherwise specified in the applicable pricing supplement, notes will be issued initially as book-entry notes. Generally, we will issue book-entry notes only in the form of global securities. Notes represented by a global security may be exchanged for certificated notes with the same terms in authorized denominations if:

the depositary notifies us that it is unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days; or

we determine not to have any notes of a series represented by a global security.

In these circumstances, you will be entitled to physical delivery of notes in definitive form in an amount equal to your beneficial ownership interest and registered in your name. Notes issued in definitive form will be issued in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof, except as otherwise specified in the applicable pricing supplement, and will be issued in registered form only, without coupons. Additional information about the depositary's procedures for global notes is contained under "Description of Debt Securities Global Securities" beginning on page 8 of the accompanying prospectus.

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### CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain US federal income tax consequences of the purchase, beneficial ownership and disposition of notes. Except as provided below under "Tax Treatment of Non-US Holders," this summary deals only with a beneficial owner of a note that is:

an individual who is a citizen or resident of the United States for US federal income tax purposes;

a corporation (or other entity that is treated as a corporation for US federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);

an estate whose income is subject to US federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons have the authority to control all of its substantial decisions (each, a "US Holder").

If a partnership (or other entity that is treated as a partnership for US federal tax purposes) is a beneficial owner of 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 beneficial owner of notes that is a partnership, and partners in such a partnership, should consult their tax advisors about the US federal income tax consequences of holding and disposing of the notes.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for US federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

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This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only US Holders that purchase notes at initial issuance and beneficially own such notes as capital assets and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as S corporations, banks, thrifts, other financial institutions, insurance companies, mutual funds, small business investment companies, tax-exempt organizations, retirement plans, real estate investment trusts, regulated investment companies, securities dealers or brokers, traders in securities electing mark to market treatment, investors whose functional currency is not the US dollar, persons subject to the alternative minimum tax, and former citizens or residents of the United States), and this summary does not discuss the tax consequences under the laws of any foreign, state or local taxing jurisdictions. Accordingly, prospective investors are urged to consult their tax advisors with respect to the federal, state and local tax consequences of investing in the notes, as well as any consequences arising under the laws of any other taxing jurisdiction to which they may be subject.

The applicable pricing supplement may contain a further discussion of the special US federal income tax consequences applicable to certain notes, including notes that may be convertible into or exercisable or exchangeable for our common or preferred stock or depositary shares or for securities, or cash representing the value of securities, of an entity unaffiliated with us, a basket of securities, or

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an index or indices of these securities, notes that are "contingent payment debt instruments," notes that are renewable or extendible, currency or other indexed notes, and amortizing notes.

### Payments of Interest

Except as described below, interest on a note will be taxable to a US Holder as ordinary interest income at the time it accrues or is received in accordance with the US Holder's normal method of accounting for tax purposes. Special rules governing the treatment of notes issued at an original issue discount are described under "Original Issue Discount," below.

### Original Issue Discount

The following is a summary of the principal US federal income tax consequences of the ownership of notes having original issue discount ("OID") and a term of more than one year. The US federal income tax treatment of the notes with a term of one year or less is summarized below under "Short-Term Notes."

A note will have OID for US federal income tax purposes if its "issue price" is less than its "stated redemption price at maturity" by more than a *de minimis* amount, as discussed below.

The issue price of a note generally is the first price at which a substantial amount of the "issue" of the notes is sold to the public for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), excluding pre-issuance accrued discount (as discussed below under "Pre-Issuance Accrued Interest").

The stated redemption price at maturity of a note generally is the total amount of all payments provided by the note other than "qualified stated interest" payments.

Qualified stated interest generally is stated interest that is "unconditionally payable" in cash or property (other than debt instruments of the issuer) at least annually either at a single fixed rate, or a "qualifying variable rate" (as described below). Qualified stated interest is taxable to a US Holder when accrued or received in accordance with the US Holder's normal method of tax accounting.

Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the note otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between stated interest payments. Thus, if the interval between payments varies during the term of the instrument, the value of the fixed rate on which payment is based generally must be adjusted to reflect a compounding assumption consistent with the length of the interval preceding the payment.

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Notes having "*de minimis* OID" generally will be treated as not having OID unless a US Holder elects to treat all interest on the note as OID. See "Election to Treat All Interest as Original Issue Discount (Constant Yield Method Election)." A note will be considered to have *de minimis* OID if the difference between its stated redemption price at maturity and its issue price is less than the product of  $\frac{1}{4}$  of 1 percent of the stated redemption price at maturity and the number of complete years from the issue date to maturity (or the weighted average maturity in the case of a note that provides for payment of an amount other than qualified stated interest before maturity).

US Holders of notes having OID will be required to include OID in gross income for US federal income tax purposes as it accrues (regardless of the US Holder's method of accounting), which may be in advance of receipt of the cash attributable to such income. OID accrues under the constant yield method, based on a compounded yield to maturity, as described below. Accordingly, US Holders of

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notes having OID will generally be required to include in income increasingly greater amounts of OID in successive accrual periods.

The annual amount of OID includible in income by the initial US Holder of a note having OID will equal the sum of the "daily portions" of the OID with respect to the note for each day on which the US Holder held the note during the taxable year. Generally, the daily portions of OID are determined by allocating to each day in an "accrual period" the ratable portion of OID allocable to the accrual period. The term accrual period means an interval of time with respect to which the accrual of OID is measured, and which may vary in length over the term of the note provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first or last day of an accrual period.

The amount of OID allocable to an accrual period will be the excess of:

the product of the "adjusted issue price" of the note at the commencement of the accrual period and its "yield to maturity" over

the amount of any qualified stated interest payments allocable to the accrual period.

The adjusted issue price of a note at the beginning of the first accrual period is its issue price and, on any day thereafter, it is the sum of the issue price and the amount of OID previously includible in the gross income of the US Holder (without regard to any "acquisition premium" as described below), reduced by the amount of any payment other than a payment of qualified stated interest previously made on the note. If an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest that is payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated on a *pro-rata* basis to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval is increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but is not payable until the end of the interval. The yield to maturity of a note is the yield to maturity computed on the basis of compounding at the end of each accrual period properly adjusted for the length of the particular accrual period. If all accrual periods are of equal length except for a shorter initial and/or final accrual period(s), the amount of OID allocable to the initial period may be computed using any reasonable method; however, the OID allocable to the final accrual period will always be the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period.

### **Pre-Issuance Accrued Interest**

If (i) a portion of the initial purchase price of a note is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the note is to be made within one year of the note's issue date, and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the US Holder may compute the issue price of the note by subtracting the amount of the pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the note.

### **Call and Put Options**

For purposes of calculating the yield and maturity of a note subject to an option, in general, a call option held by us is presumed exercised if the yield on the note would be less than it would be if the option were not exercised, and a put option held by a US Holder is presumed exercised if the yield on the note would be more, than it would be if the option were not exercised. The effect of this rule generally may accelerate or defer the inclusion of OID in the income of a US Holder whose note is subject to a put option or a call option, as compared to a note that does not have such an option. If

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any option that is presumed to be exercised is not in fact exercised, the note is treated as reissued solely for purposes of the OID rules on the date of presumed exercise for an amount equal to its adjusted issue price on that date. The deemed reissuance will have the effect of redetermining the note's yield and maturity for OID purposes and any related subsequent accruals of OID.

### Variable Rate Debt Instruments

A note that qualifies as a "variable rate debt instrument" will be subject to the rules described below and will not be treated as a "contingent payment debt instrument." A note will be treated as a variable rate debt instrument if:

the issue price of the note does not exceed the total amount of noncontingent principal payments by more than the product of such principal payments and the lesser of (i) 15 percent or (ii) the product of 1.5 percent and the number of complete years in the debt instrument's term (or its weighted average maturity in the case of an installment obligation), and

the note does not provide for any stated interest other than stated interest paid or compounded at least annually at a qualifying variable rate which is (i) one or more "qualified floating rates," (ii) a single fixed rate and one or more qualified floating rates, (iii) a "single objective rate," or (iv) a single fixed rate and a single objective rate that is a "qualified inverse floating rate."

For purposes of determining if a note is a variable rate debt instrument, a qualified floating rate is a variable rate whose variations can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the debt instrument is denominated and is set at a "current rate." A qualified floating rate (or objective rate, as described below) must be set at a current value of that rate. A current value is the value of the variable 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 day.

A multiple of a qualified floating rate is generally not a qualified floating rate, unless it is either:

a product of a qualified rate times a fixed multiple greater than 0.65 but not more than 1.35, or

a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate.

Certain combinations of rates are treated as a single qualified floating rate, including (i) interest stated at a fixed rate for an initial period of one year or less followed by a qualified floating rate if the value of the floating rate at the issue date is intended to approximate the fixed rate, and (ii) two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the note. A combination of these rates is generally treated as a single qualified floating rate if the values of all rates on the issue date are within 0.25 percentage points of each other. A variable rate that is subject to an interest rate cap, floor, governor or similar restriction on rate adjustment is treated as a qualified floating rate only if the restriction is fixed throughout the term of the note, or is not reasonably expected as of the issue date to cause the yield on the note to differ significantly from its expected yield absent the restriction.

An objective rate is defined as 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 (other than a rate based on information that is within our control (or the control of a party that is related to us) or that is unique to our circumstances (or those of a related party)). The Internal Revenue Service ("IRS") may designate other variable rates that will be treated as objective rates. However, a variable rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the note's term will differ significantly from the average value of such rate during the final half of its term. A combination of a fixed rate of stated interest for an initial period of one year or less followed by an objective rate is treated as a single objective rate if the value of the objective rate at the

issue date is intended to approximate the fixed rate; such a combination of rates is generally treated as a single objective rate if the objective rate on the issue date does not differ from the fixed rate by more than 0.25 percentage points. An objective rate is a qualified inverse floating rate if it is equal to a fixed rate reduced by a qualified floating rate, the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding permissible rate caps, floors, governors and similar restrictions as those discussed above).

If a note is a variable rate debt instrument, special rules apply to determine the amount of qualified stated interest and the amount and accrual of any OID. If the note bears interest that is unconditionally payable at least annually at a single qualified floating rate or objective rate, all stated interest is treated as qualified stated interest. The accrual of any OID is determined by assuming the note bears interest at a fixed interest rate equal to the issue date value of the qualified floating rate or qualified inverse floating rate or, in the case of any other objective rate, a fixed internal rate that is equal to the reasonably expected yield for the 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.

If the note bears interest at a qualifying variable rate other than a single qualified floating rate or objective rate, the amount and accrual of OID generally are determined by (i) determining a fixed rate substitute for each variable rate as described in the preceding paragraph, (ii) determining the amount of qualified stated interest and OID by assuming the note bears interest