

KROGER CO  
Form 424B5  
September 27, 2016

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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-192842

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities To Be Registered</b>	<b>Maximum Offering Price</b>	<b>Amount of Registration Fee(1)</b>
1.500% Senior Notes due 2019	\$ 500,000,000	\$ 50,350
2.650% Senior Notes due 2026	\$ 750,000,000	\$ 75,525
3.875% Senior Notes due 2046	\$ 500,000,000	\$ 50,350
		\$ 176,225

(1) Pursuant to Rule 456(b), calculated in accordance with Rule 457(r) of the Securities Act of 1933.

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Prospectus Supplement to Prospectus dated December 13, 2013

\$1,750,000,000

**The Kroger Co.**

\$500,000,000 1.500% Senior Notes due 2019

\$750,000,000 2.650% Senior Notes due 2026

\$500,000,000 3.875% Senior Notes due 2046

Kroger is offering three series of notes due September 30, 2019 (the "2019 notes"), due October 15, 2026 (the "2026 notes"), and due October 15, 2046 (the "2046 notes," and together with the 2019 notes and the 2026 notes, the "notes"). Kroger will pay interest on the 2019 notes on March 30 and September 30 of each year. The first interest payment on the 2019 notes will be made on March 30, 2017. Kroger will pay interest on the 2026 and 2046 notes on April 15 and October 15 of each year. The first interest payment on the 2026 and 2046 notes will be made on April 15, 2017. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Kroger has the right to redeem all or any portion of the notes at any time at the applicable redemption prices described in this prospectus supplement, plus accrued and unpaid interest on the notes being redeemed to the date of redemption. If a change of control triggering event as described herein occurs, unless Kroger has exercised its option to redeem the notes, Kroger will be required to offer to repurchase the notes at the price described in this prospectus supplement.

See "Risk Factors" beginning on page S-2 of this prospectus supplement to read about certain factors you should consider before buying notes.

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

	Initial Public Offering Price	Underwriting Discount	Proceeds, before expenses, to Kroger
Per 1.500% note due 2019	99.951%	0.350%	99.601%
Total	\$ 499,755,000	\$ 1,750,000	\$ 498,005,000
Per 2.650% note due 2026	99.676%	0.650%	99.026%
Total	\$ 747,570,000	\$ 4,875,000	\$ 742,695,000
Per 3.875% note due 2046	99.963%	0.875%	99.088%
Total	\$ 499,815,000	\$ 4,375,000	\$ 495,440,000

The initial public offering prices set forth above do not include accrued interest, if any. Interest on the notes will accrue from October 3, 2016 and must be paid by the purchaser if the notes are delivered after October 3, 2016.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on October 3, 2016.

*Joint Book-Running Managers*

**Citigroup**

**Goldman, Sachs & Co.**

**Wells Fargo Securities**

**BB&T Capital Markets**  
*(2026 notes and 2046 notes)*

**BNY Mellon Capital Markets, LLC**  
*(2019 notes)*

**Fifth Third Securities**

**PNC Capital Markets LLC**  
*(2026 notes and 2046 notes)*

**Santander**  
*(2019 notes)*

*Co-Managers*

**BB&T Capital Markets**  
*(2019 notes)*

**BNY Mellon Capital Markets,  
LLC**  
*(2026 notes and 2046 notes)*

**BofA Merrill Lynch**

**Mizuho Securities**

**MUFG**

**PNC Capital Markets LLC**  
*(2019 notes)*

**RBC Capital Markets**

**Santander**  
*(2026 notes and 2046 notes)*

**US Bancorp**

**CastleOak Securities, L.P.**  
*(2026 notes and 2046 notes)*

**The Williams Capital Group, L.P.**  
*(2019 notes)*

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**Prospectus Supplement dated September 26, 2016.**

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**RISK FACTORS**

*You should carefully consider the risk factors included in our SEC filings as well as the following matters in deciding whether to purchase the notes.*

**Our indebtedness could adversely affect us by reducing our flexibility to respond to changing business and economic conditions and increasing our borrowing costs.**

As of August 13, 2016, our total outstanding indebtedness, including capital leases and the current portion thereof, and excluding the market value adjustment required by GAAP for interest rate hedges, was approximately \$12.4 billion. As of August 13, 2016, we maintained a \$2.75 billion revolving credit facility that terminates on June 30, 2019. Outstanding borrowings under the credit facility and commercial paper borrowings, and some outstanding letters of credit, reduce funds available under the credit facility. As of August 13, 2016, we had \$1.3 billion of outstanding commercial paper and no borrowings under the credit facility. The outstanding letters of credit that reduced the funds available under our credit facility totaled \$13 million as of August 13, 2016.

This indebtedness could reduce our ability to obtain additional financing for working capital, acquisitions or other purposes and could make us more vulnerable to economic downturns and competitive pressures. Our needs for cash in the future will depend on many factors that are difficult to predict. These factors include results of operations, the timing and cost of acquisitions and efforts to expand existing operations.

We believe that we will have sufficient funds from all sources to meet our needs over the next several years. We cannot assure you, however, that our business will generate cash flow at or above current levels. If we are unable to generate sufficient cash flow from operations in the future to pay our debt and make necessary investments, we will be required to:

refinance all or a portion of our existing debt;

seek new borrowings;

forego strategic opportunities; or

delay, scale back or eliminate some aspects of our operations.

If necessary, any of these actions could have a material negative impact on our business, financial condition or results of operations.

The notes will effectively rank equal in right of payment with approximately \$12.4 billion of our other indebtedness as of August 13, 2016.

In addition, the condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the notes.

**Our sources of liquidity are dependent upon our lenders honoring their commitments.**

Our \$2.75 billion committed revolving credit facility, maturing on June 30, 2019, continues to remain available. Letters of credit totaling \$13 million as of August 13, 2016 reduce amounts available under the credit facility. Commercial paper borrowings also reduce amounts available under the credit facility. As of August 13, 2016, we had \$1.3 billion of outstanding commercial paper. Our liquidity could be affected if our committed lenders are unable or unwilling to honor their contractual obligations to us.

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**Our operations may be negatively impacted by a variety of factors.**

We obtain sales growth from new square footage, as well as from increased productivity from existing stores. Our ability to generate sales and earnings could be adversely affected by the increasingly competitive environment in which we operate. In addition, a prolonged labor dispute, delays in opening new stores, changes in the economic climate, unexpected changes in product cost, weather conditions and natural disasters, government regulations, or other unanticipated events, could adversely affect our operations.

**THE COMPANY**

Kroger was founded in 1883 and was incorporated in 1902. We maintain our corporate offices in Cincinnati, Ohio, and as of August 13, 2016, we were one of the largest grocery retailers in the United States based on annual sales.

As of August 13, 2016, directly or through subsidiaries we operated approximately 2,781 retail food stores, 785 convenience stores, 1,423 supermarket fuel centers, 323 fine jewelry stores, and an online retailer. Some of the convenience stores were franchised to third parties. We also operated directly or through subsidiaries 38 food production plants that permit us to offer quality, low-cost private label products.

**USE OF PROCEEDS**

We estimate that the net proceeds from this offering will be approximately \$1.73 billion after deducting the underwriting discount and estimated offering expenses payable by us. We expect to use the net proceeds of this offering to refinance long-term indebtedness that matures in October 2016 and January 2017 and for general corporate purposes.

**CONFLICTS OF INTEREST**

If any member of the Financial Industry Regulatory Authority ("FINRA") participating in this offering receives 5% or more of the net proceeds of the offering by reason of the repayment of our debt, that member will be deemed to have a "conflict of interest" within the meaning of FINRA Rule 5121, and this offering will be conducted in accordance with that rule. See "Underwriting Conflicts of Interest."

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**DESCRIPTION OF THE NOTES**

The following description of the particular terms of the notes (referred to in the accompanying prospectus as the "debt securities") supplements, and to the extent it is inconsistent with the description in the accompanying prospectus, it replaces the description of the general terms and provisions of the debt securities in the accompanying prospectus. We will issue the notes under an indenture dated June 25, 1999, as it may be amended and supplemented from time to time, between Kroger and Firststar Bank, National Association, now known as U.S. Bank National Association, as trustee. We have summarized select portions of the indenture below. The summary is not complete and is qualified in its entirety by reference to the indenture.

**General**

The 2019 notes initially will be limited to \$500,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the 2019 notes as described under "Further Issues." The 2026 notes initially will be limited to \$750,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the 2026 notes as described under "Further Issues." The 2046 notes initially will be limited to \$500,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the 2046 notes described under "Further Issues." The 2019 notes will mature on September 30, 2019. The 2026 notes will mature on October 15, 2026. The 2046 notes will mature on October 15, 2046.

The notes will bear interest from October 3, 2016 at the rates shown on the front cover of this prospectus supplement. Interest on the 2019 notes is payable semiannually on March 30 and September 30 of each year, commencing on March 30, 2017, to the person in whose name such note is registered at the close of business on March 15 and September 15, as the case may be, immediately preceding such interest payment dates. Interest on the 2026 and 2046 notes is payable semi-annually on April 15 and October 15 of each year, commencing on April 15, 2017, to the person in whose name such note is registered at the close of business on April 1 or October 1, as the case may be, immediately preceding such interest payment dates. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

The notes rank equally in right of payment with all of our existing and future unsecured senior debt. The notes rank senior to any future subordinated indebtedness.

The notes will effectively rank equal in right of payment with approximately \$12.4 billion of other indebtedness of the company as of August 13, 2016.

The notes are unsecured and not entitled to any sinking fund.

The notes will initially be issued only in registered, book-entry form, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof as described under "Book-Entry Procedures." We will issue global securities in denominations equal to the total principal amount of outstanding notes of the series represented by the global securities.

If any interest payment date or the maturity date of the notes does not fall on a business day, payment of interest or principal otherwise payable on that day will be made on the next succeeding business day with the same effect as if made on the actual interest payment date or the maturity date of the notes, as the case may be, and no interest will accrue for the period from and after such interest payment date or maturity date. "Business day" means any day other than a Saturday or Sunday or a day on which banking institutions in New York City or Cincinnati, Ohio are authorized or obligated by law or executive order to close.



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**Optional Redemption**

The notes will be redeemable, in whole or in part, at our option at any time. If the 2019 notes are redeemed before their maturity, the 2026 notes are redeemed before July 15, 2026 (three months prior to their maturity date) or the 2046 notes are redeemed before April 15, 2046 (six months prior to their maturity date), the redemption price for the applicable notes will equal the greater of:

100% of the principal amount of the notes; and

the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed, excluding accrued and unpaid interest on the date of redemption, from the redemption date to the maturity date. The discount to the redemption date will be made on a semi-annual basis based on a 360-day year, with each month consisting of 30 days. The discount rate will equal the equivalent yield to maturity of U.S. Treasury securities having a comparable maturity to the notes, plus 10 basis points with respect to the 2019 notes, 20 basis points with respect to the 2026 notes and 25 basis points with respect to the 2046 notes. The determination of the rate will be made by an agent we appoint. Initially, that agent will be Citigroup Global Markets Inc.

The redemption price for the notes will include accrued and unpaid interest on the notes being redeemed to the date of redemption.

In addition, on or after July 15, 2026 (three months prior to their maturity date) with respect to the 2026 notes and on or after April 15, 2046 (six months prior to their maturity date) with respect to the 2046 notes, the 2026 notes and the 2046 notes will be redeemable, in whole or in part, at our option at any time, at a redemption price equal to 100% of the aggregate principal amount of the notes being redeemed plus accrued and unpaid interest on the notes being redeemed to the date of redemption.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on and after the redemption date on the notes or portions of the notes called for redemption.

**Covenants**

The indenture provides that the following covenants will apply to us:

*Limitations on Liens.* We covenant that, so long as any notes remain outstanding, neither we nor any of our restricted subsidiaries will issue, assume or guarantee any secured debt or other agreement comparable to secured debt upon any material real property or operating asset unless these notes and other debt ranking equally to these notes also is so secured on an equal basis. This restriction will not apply to the following:

- (1) liens on any property or assets of any corporation existing at the same time such corporation becomes a restricted subsidiary provided that the lien does not extend to any of our other property or that of any other restricted subsidiaries;
- (2) liens existing on assets acquired by us, to secure the purchase price of assets, or to obtain a release of liens from any of our other property, incurred no later than 18 months after the acquisition, assumption, guarantee, or, in the case of real estate, completion of construction and commencement of operations;

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- (3) liens securing indebtedness owing by any restricted subsidiary to us or another restricted subsidiary;
- (4) liens on any assets existing upon acquisition of a corporation through merger or by acquisition of all or substantially all of the assets by us or a restricted subsidiary;
- (5) liens in favor of the U.S., a foreign country, or any political subdivision to secure payments of debt incurred to finance the purchase of assets;
- (6) liens existing on our or any of our restricted subsidiaries' properties or assets existing on the date of the supplemental indenture; provided that the liens secure only those obligations which they secure on the date of the supplemental indenture or any extension, renewal or replacement thereof;
- (7) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part, of any lien referred to in clauses (1) through (6);
- (8) some statutory liens or other similar liens arising in the ordinary course of our or any of our restricted subsidiaries' business, or some liens arising out of governmental contracts;
- (9) some pledges, deposits or liens made or arising under worker's compensation or similar legislation or in some other circumstances;
- (10) some liens in connection with legal proceedings, including some liens arising out of judgments or awards;
- (11) liens for some taxes or assessments, landlord's liens, mechanic's liens and liens and charges incidental to the conduct of the business, or the ownership of our or any of our restricted subsidiaries' property or assets that were not incurred in connection with the borrowing of money and that do not, in our opinion, materially impair the use of the property or assets in the operation of our business or that of a restricted subsidiary or the value of the property or assets for its purposes; or
- (12) any other liens not included above, which together with amounts included in clause (1) of the next section do not exceed 10% of our consolidated net tangible assets.

*Limitation on Sale and Lease-Back Transactions.* We and our restricted subsidiaries will not sell and leaseback for a term greater than three years under a capital lease any material real property or operating assets unless:

- (1) we could incur secured debt on that property equal to the present value of rentals under the lease without having to equally secure the note; or
- (2) the sale proceeds equal or exceed the fair market value of the property and the net proceeds are used within 180 days to acquire material real property or operating assets or to purchase or redeem notes offered hereby or long term debt, including capital leases, that are senior to or rank on parity with these notes.

This restriction does not apply to sale and lease-back transactions of material property or operating assets acquired or constructed after 18 months prior to the date of the indenture as long as a commitment for the sale and lease-back is made within 18 months of acquisition, in the case of operating assets, and of completion of construction and commencement of operations, in the case of material real property.

For purposes of these covenants, a "subsidiary" is an entity that we directly or indirectly control, including partnerships in which we or our subsidiaries own a greater than 50% interest.



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Restricted subsidiaries are all of our subsidiaries other than those our board of directors has determined are not material.

The covenants applicable to the notes would not necessarily afford holders protection in the event of a highly leveraged or other transaction involving us or in the event of a material adverse change in our financial condition or results of operation, and the notes do not contain any other provisions that are designed to afford protection in the event of a highly leveraged transaction involving us.

**Merger and Consolidation**

The indenture provides that we will not merge or consolidate with any corporation, partnership or other entity and will not sell, lease or convey all or substantially all of our assets to any entity, unless:

we are the surviving entity, or the surviving or successor entity is a corporation or partnership organized under the laws of the United States or a State thereof or the District of Columbia and expressly assumes all our obligations under the indenture and the notes; and

immediately after the merger, consolidation, sale, lease or conveyance, we or the successor entity are not in default in the performance of the covenants and conditions of the indenture.

**Change of Control**

If a Change of Control Triggering Event occurs, unless we have exercised our right to redeem the notes as described above, holders of notes will have the right to require us to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of their notes pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the notes. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control Triggering Event, or, at our option, prior to any Change of Control, but after the public announcement of the Change of Control, we will be required to mail a notice to holders of notes describing the transaction or transactions that constitute or may constitute the Change of Control Triggering Event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the notes and described in such notice. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Triggering Event occurring on or prior to the payment date specified in the notice. We must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the notes, we will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the notes by virtue of such conflicts.

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On the Change of Control Payment Date, we will be required, to the extent lawful, to:

accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the Trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being purchased.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of Kroger and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require Kroger to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Kroger and its subsidiaries taken as a whole to another Person or group may be uncertain.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

"Below Investment Grade Rating Event" means the notes are rated below an Investment Grade Rating by any two of the three Rating Agencies (as defined below) on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade below investment grade by any of the Rating Agencies); provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the trustee in writing at our request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

"Change of Control" means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Kroger and its subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than Kroger or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of Kroger's voting stock; or (3) the first day on which a majority of the members of Kroger's Board of Directors are not Continuing Directors. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (1) we become a wholly owned subsidiary of a holding company that has agreed to be bound by the terms of the notes and

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(2) the holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

"Continuing Directors" means, as of any date of determination, members of the Board of Directors of Kroger who (1) were members of such Board of Directors on the date of the issuance of the notes; or (2) were nominated for election or elected to such Board of Directors with the approval of a majority of the continuing directors under clause (1) or (2) of this definition who were members of such Board of Directors at the time of such nomination or election (either by a specific vote or by approval of Kroger's proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

"Fitch" means Fitch, Inc.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB (or the equivalent) by S&P and Fitch, and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us.

"Moody's" means Moody's Investors Service, Inc.

"Person" means any individual, partnership, corporation, limited liability company, joint stock company, business trust, trust, unincorporated association, joint venture or other entity, or a government or political subdivision or agency thereof.

"Rating Agencies" means (1) each of Fitch, Moody's and S&P; and (2) if Fitch, Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" as defined in Section 3(a)(62) of the Exchange Act, selected by us (as certified by a resolution of our Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or any of them, as the case may be.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Financial, Inc.

**Book-Entry Procedures**

*DTC.* The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the notes. The notes will be issued as fully-registered securities registered in the name of Cede & Co., which is DTC's nominee. Fully-registered global notes will be issued with respect to each of the notes. See "Description of Debt Securities – Global Securities" in the accompanying prospectus for a description of DTC's procedures with respect to global notes.

Ownership of beneficial interests in a global note will be limited to DTC participants and to persons that may hold interests through institutions that have accounts with DTC, including Euroclear and Clearstream ("participants"). Beneficial interests in a global note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC and its participants for the global note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

Principal and interest payments on the global notes represented by a global security will be made to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the global notes represented by the global security for all purposes under the indenture.

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Accordingly, we, the trustee and the paying agent under the indenture will have no responsibility or liability for:

any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a global note represented by a global security;

any other aspect of the relationship between DTC and its participants or the relationship between the participants and the owners of beneficial interests in a global note held through the participants; or

the maintenance, supervision or review of any of DTC's records relating to the beneficial ownership interests.

DTC has advised us that upon receipt of any payment of principal of or interest on a global note, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global note as shown on DTC's records. The applicable underwriter or underwriters will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a global note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts in bearer form or registered in "street name," and will be the sole responsibility of those participants.

A global note can only be transferred:

as a whole by DTC to one of its nominees;

as a whole by a nominee of DTC to DTC or another nominee of DTC; or

as a whole by DTC or a nominee of DTC to a successor of DTC or a nominee of the successor.

Global notes represented by a global security can be exchanged for certificated notes in registered form only if:

DTC notifies us that it is unwilling or unable to continue as depository for the global note and we do not appoint a successor depository within 90 days after receiving the notice;

at any time DTC ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depository within 90 days after becoming aware that DTC has ceased to be so registered as a clearing agency;

we in our sole discretion determine that a global note will be exchangeable for certificated notes in registered form and notify the trustee of our decision; or

an event of default with respect to the notes represented by a global note has occurred and is continuing.

A global note that can be exchanged under the previous paragraph will be exchanged for certificated notes that are issued in authorized denominations in registered form for the same aggregate amount. Those certificated notes will be registered in the names of the owners of the beneficial interests in the global note as directed by DTC.

Except as provided above, owners of beneficial interests in a note will not be entitled to receive physical delivery of notes in certificated form and will not be considered the holders of the notes for any purpose under the indenture and no global notes represented by a global security will be exchangeable. Each person owning a beneficial interest in a global note must rely on the procedures of DTC (and if the person is not a participant, on the procedures of the participant





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through which the person owns its interest) to exercise any rights of a holder under the indenture or the global note. The laws of some jurisdictions require that purchasers of securities take physical delivery of the securities in certificated form. Those laws may impair the ability to transfer beneficial interests in a global note.

DTC advises that it 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 Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the NYSE Euronext and the Financial Industry Regulatory Authority. Access to DTC's system is also available to others, including securities brokers and dealers, banks and trust companies that clear transactions through or maintain a direct or indirect custodial relationship with a direct participant either directly, or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Redemption notices will be sent to DTC. If less than all of the notes within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in the series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date, which are identified in a listing attached to the omnibus proxy.

We may, at any time, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the notes will be printed and delivered.

Beneficial interests in the global note will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global note through DTC either directly if they are participants in DTC or indirectly through organizations that are participants in DTC.

*Clearstream.* Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream Participants with, among other things, services for safekeeping, administration, clearance and establishment of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, and may include the Underwriters. Indirect access to Clearstream is

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also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures to the extent received by DTC for Clearstream.

*Euroclear.* Euroclear was created in 1968 to hold securities for participants of Euroclear ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes a policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operation is regulated and examined by the Belgian Banking Commission.

Links have been established among DTC, Clearstream and Euroclear to facilitate the initial issuance of the notes sold outside of the United States and cross-market transfers of the notes associated with secondary market trading.

Although DTC, Clearstream and Euroclear have agreed to the procedures provided below in order to facilitate transfers, they are under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Clearstream and Euroclear will record the ownership interests of their participants in much the same way as DTC, and DTC will record the total ownership of each of the U.S. agents of Clearstream and Euroclear, as participants in DTC. When notes are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser must send instructions to Clearstream or Euroclear through a participant at least one day prior to settlement. Clearstream or Euroclear, as the case may be, will instruct its U.S. agent to receive notes against payment. After settlement, Clearstream or Euroclear will credit its participant's account. Credit for the notes will appear on the next day (European time).

Because settlement is taking place during New York business hours, DTC participants will be able to employ their usual procedures for sending notes to the relevant U.S. agent acting for the benefit of Clearstream or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. As a result, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

When a Clearstream or Euroclear participant wishes to transfer notes to a DTC participant, the seller will be required to send instructions to Clearstream or Euroclear through a participant at least one business day prior to settlement. In these cases, Clearstream or Euroclear will instruct its U.S. agent to transfer these notes against payment for them. The payment will then be

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reflected in the account of the Clearstream or Euroclear participant the following day, with the proceeds back valued to the value date, which would be the preceding day, when settlement occurs in New York, if settlement is not completed on the intended value date, that is, if the trade fails, proceeds credited to the Clearstream or Euroclear participant's account will instead be valued as of the actual settlement date.

You should be aware that you will only be able to make and receive deliveries, payments and other communications involving the notes through Clearstream and Euroclear on the days when clearing systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States. In addition, because of time zone differences there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as the United States.

The information in this section concerning DTC, its book-entry system, Clearstream and Euroclear and their respective systems has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

**Discharge, Defeasance and Covenant Defeasance**

Under terms satisfactory to the trustee, we may discharge some obligations to holders of the notes which have not already been delivered to the trustee for cancellation and which have either become due and payable or are by their terms due and payable within one year (or are scheduled for redemption within one year) by irrevocably depositing with the trustee cash or U.S. Government Obligations (as defined in the indenture) as trust funds in an amount certified to be sufficient to pay at maturity (or upon redemption) the principal of and interest on the notes.

We may also discharge any and all of our obligations to holders of the notes at any time ("defeasance") or omit to comply with certain of the covenants contained in the indenture ("covenant defeasance"), but we may not avoid our duty to register the transfer or exchange of the notes, to replace any temporary, mutilated, destroyed, lost, or stolen notes or to maintain an office or agency for the notes. Defeasance or covenant defeasance may be effected only if, among other things:

- (1) we irrevocably deposit with the trustee cash or U.S. Government Obligations as trust funds in an amount certified to be sufficient to pay at maturity the principal of and interest on all outstanding notes; and
- (2) we deliver to the trustee an opinion of counsel to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance and that defeasance or covenant defeasance will not otherwise alter the holders' U.S. federal income tax treatment of principal and interest payments on the notes. In the case of defeasance, the opinion must be based on a ruling of the IRS or a change in U.S. federal income tax law occurring after the date of the indenture, since that result would not occur under current tax law.

**Same-Day Settlement and Payment**

Settlement for the notes will be made by the underwriters in immediately available funds. We will pay all principal and interest in immediately available funds.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, the notes will trade in the DTC's same-day funds

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settlement system until maturity. As a result, DTC will require that secondary market trading activity in the notes be settled in immediately available funds.

We cannot advise holders on the effect on trading activity in the notes of settlement in immediately available funds.

**Further Issues**

We may from time to time, without notice to or the consent of the registered holders of the notes, create and issue further notes of a series. These further notes will rank equal with the notes of such series in all respects (or in all respects other than the payment of interest accruing prior to the issue date of the further notes, or except for the first payment of interest following the issue date of the further notes). The further notes may be consolidated and form a single series with the notes of such series and may have the same terms as to status, redemption, or otherwise, as the notes.

**The Trustee**

U.S. Bank National Association, formerly known as Firststar Bank, National Association, is the trustee under the indenture. In the performance of its duties, the trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own gross negligence or default. The trustee is protected in acting upon any direction or document reasonably believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The trustee may resign upon written notice to us as provided in the indenture. The trustee may acquire our obligations for its own account. The trustee performs banking and other services for us, and is a lender under our credit facility.

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**UNITED STATES FEDERAL TAX CONSIDERATIONS**

The following summary describes the material United States federal income tax consequences and, in the case of a non-U.S. holder (as defined below), the material United States federal estate tax consequences, of purchasing, owning and disposing of the notes. This summary applies to you only if you are a beneficial owner of a note and you acquire the note in this offering for a price equal to the issue price of the notes of the applicable series. The issue price of the notes of a series is the first price at which a substantial amount of the notes of such series is sold other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers.

This summary deals only with notes held as capital assets (generally, investment property) and does not deal with special tax situations such as:

dealers in securities or currencies;

traders in securities;

United States holders (as defined below) whose functional currency is not the United States dollar;

persons holding notes as part of a conversion, constructive sale, wash sale or other integrated transaction or a hedge, straddle or synthetic security;

persons subject to the alternative minimum tax;

certain United States expatriates;

financial institutions;

insurance companies;

controlled foreign corporations, passive foreign investment companies and regulated investment companies and shareholders of such corporations;

entities that are tax-exempt for United States federal income tax purposes and retirement plans, individual retirement accounts and tax-deferred accounts;

pass-through entities, including partnerships and entities and arrangements classified as partnerships for United States federal tax purposes, and beneficial owners of pass-through entities; and

persons that acquire the notes of a series for a price other than the issue price of the notes of such series.

If you are a partnership (or an entity or arrangement classified as a partnership for United States federal tax purposes) holding notes, or a partner in such a partnership, the United States federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership, and you should consult your own tax advisor regarding the United States federal income and estate tax consequences of purchasing, owning and disposing of the notes.

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This summary does not discuss all of the aspects of United States federal income and estate taxation that may be relevant to you in light of your particular investment or other circumstances. In addition, this summary does not discuss any United States state or local income or foreign income or other tax consequences. This summary is based on United States federal income and estate tax law, including the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), Treasury regulations, administrative rulings and judicial authorities, all

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as in effect or in existence as of the date of this prospectus supplement. Subsequent developments in United States federal income and estate tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the United States federal income and estate tax consequences of purchasing, owning and disposing of notes as set forth in this summary. Before you purchase notes, you should consult your own tax advisor regarding the particular United States federal, state and local and foreign income and other tax consequences of acquiring, owning and disposing of the notes that may be applicable to you.

**United States Holders**

The following summary applies to you only if you are a United States holder (as defined below).

*Definition of a United States Holder*

A "United States holder" is a beneficial owner of a note or notes that is for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity classified as a corporation for these purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia;

an estate, the income of which is subject to United States federal income taxation regardless of the source of that income; or

a trust, if (1) a United States court is able to exercise primary supervision over the trust's administration and one or more "United States persons" (within the meaning of the Internal Revenue Code) has the authority to control all of the trust's substantial decisions, or (2) the trust has a valid election in effect under applicable Treasury regulations to be treated as a "United States person."

*Interest*

Interest on your notes will be taxed as ordinary interest income. In addition:

if you use the cash method of accounting for United States federal income tax purposes, you will have to include the interest on your notes in your gross income at the time you receive the interest; and

if you use the accrual method of accounting for United States federal income tax purposes, you will have to include the interest on your notes in your gross income at the time the interest accrues.

*Sale or Other Disposition of Notes*

Your tax basis in your notes generally will be their cost. Upon the sale, redemption, exchange or other taxable disposition of the notes, you generally will recognize taxable gain or loss equal to the difference, if any, between:

the amount realized o