

PNC FINANCIAL SERVICES GROUP INC

Form 424B5

March 07, 2005

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Registration No. 333-69576
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PROSPECTUS SUPPLEMENT
(To Prospectus dated September 24, 2001)

\$700,000,000
PNC Funding Corp
\$350,000,000 4.2% Senior Notes due 2008
\$350,000,000 4.5% Senior Notes due 2010
Unconditionally Guaranteed by
The PNC Financial Services Group, Inc.

PNC Funding Corp will issue senior notes in two series: \$350,000,000 aggregate principal amount that will mature on March 10, 2008, and bear interest at 4.2% per annum; and \$350,000,000 aggregate principal amount that will mature on March 10, 2010, and bear interest at 4.5% per annum.

Interest on the senior notes is payable semiannually in arrears on March 10 and September 10 of each year beginning September 10, 2005. The senior notes will rank equally with all other unsecured senior indebtedness of PNC Funding Corp. The PNC Financial Services Group, Inc. will guarantee the senior notes and the guarantees will rank equally with the senior unsecured indebtedness of The PNC Financial Services Group, Inc. The senior notes may not be redeemed prior to maturity and will not be subject to any sinking fund.

The senior notes and the guarantees are not deposits of a bank and are not insured by the United States Federal Deposit Insurance Corporation or any other insurer or government agency.

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

	Per Senior Note Due 2008	Per Senior Note Due 2010	Total
Public Offering Price and Proceeds to PNC Funding Corp (before expenses)	99.953%	99.774%	\$ 699,044,500

The underwriter expects to deliver the senior notes to purchasers in book-entry form only through The Depository Trust Company on or about March 10, 2005.

Sole Book-Running Manager
Citigroup

March 3, 2005

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date on the front page of this prospectus supplement or, with respect to information incorporated by reference, as of the date of such information.

This prospectus supplement and the accompanying prospectus may be used by PNC Capital Markets, Inc. and J.J.B. Hilliard, W.L. Lyons, Inc., both of which are affiliates of The PNC Financial Services Group, Inc. and PNC Funding Corp, in connection with offers and sales related to secondary market transactions in the senior notes. PNC Capital Markets, Inc., J.J.B. Hilliard, W.L. Lyons, Inc. and other affiliates of The PNC Financial Services Group, Inc. and PNC Funding Corp may act as principal or agent in those transactions. Those sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

References to **PNC** in this prospectus supplement and in the accompanying prospectus are references to The PNC Financial Services Group, Inc., specifically or, if the context requires, to The PNC Financial Services Group, Inc. together with its subsidiaries. References to **PNC Funding** in this prospectus supplement and the accompanying prospectus are references to PNC Funding Corp, a wholly-owned indirect subsidiary of PNC, specifically; and references to **we**, **us** and **our** are references to PNC and PNC Funding.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the senior notes in some jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Information contained in this prospectus supplement updates and supersedes information in the accompanying prospectus.

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We have filed with the Securities and Exchange Commission (SEC) a registration statement under the Securities Act of 1933, as amended, that registers, among other securities, the securities offered by this prospectus supplement. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us and the securities. The rules and regulations of the SEC allow us to omit certain information included in the registration statement.

In addition, we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy this information at the SEC's Public Reference Room, located at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

The SEC also maintains an Internet worldwide web site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that site is <http://www.sec.gov>. You can also inspect reports, proxy statements and other information about us at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered part of this prospectus supplement, except for any information that is superseded by information that is included directly in this document or in a later filed document.

This prospectus supplement incorporates by reference the documents listed below that PNC previously filed with the SEC. They contain important information about us.

Company SEC Filings	Period
Annual Report on Form 10-K	Year ended December 31, 2003
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2004, June 30, 2004 and September 30, 2004
Current Reports on Form 8-K	Dated: June 23, 2004, July 16, 2004, July 21, 2004, October 6, 2004, December 10, 2004, December 17, 2004, February 10, 2005, and February 15, 2005.

We incorporate by reference additional documents that we may file with the SEC pursuant to Sections 13(a), 14, and 15(d) of the Securities Exchange Act of 1934 between the date of this prospectus supplement and the termination of the offering of the securities. Any report, document or portion thereof that is furnished to, but not filed with, the SEC is not incorporated by reference.

You can obtain any of the documents incorporated by reference in this prospectus supplement from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in the document. You can obtain documents incorporated by reference by requesting them from us. Requests for such documents should be directed to: Computershare Investor Services, Post Office Box 3504, Chicago, Illinois 60690-3504, or via email at web.queries@computershare.com, or by calling 800-982-7652. You can also obtain these documents on or through our internet website at www.pnc.com.

THE PNC FINANCIAL SERVICES GROUP, INC.

PNC is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, and a financial holding company under the Gramm-Leach-Bliley Act. PNC was incorporated under Pennsylvania law in 1983 with the consolidation of Pittsburgh National Corporation and Provident National

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Corporation. Since 1983, PNC has diversified its geographic presence, business mix and product capabilities through strategic bank and nonbank acquisitions and the formation of various nonbanking subsidiaries.

PNC is one of the largest diversified financial services organizations in the United States, currently operating businesses engaged in regional community banking; wholesale banking; wealth management; asset management and global fund processing services. PNC provides certain products and services nationally and others in PNC's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. PNC also provides certain banking, asset management and global fund processing services internationally. At December 31, 2004, PNC's consolidated assets, deposits, and shareholders' equity were \$79.7 billion, \$53.3 billion, and \$7.5 billion, respectively.

PNC's principal executive offices are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is (412) 762-2000.

PNC FUNDING CORP

PNC Funding is a wholly owned indirect subsidiary of PNC. PNC Funding was incorporated under Pennsylvania law in 1972 and is engaged in financing the activities of PNC and its subsidiaries through the issuance of commercial paper and other debt guaranteed by PNC.

PNC Funding's principal executive offices are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is (412) 762-2000.

RECENT DEVELOPMENTS

PNC Earnings for Fourth Quarter and Year Ended December 31, 2004

On January 21, 2005, PNC announced its unaudited financial results for the quarter and year ended December 31, 2004. Consolidated earnings for the three-month period ended December 31, 2004, were \$307 million, an increase of \$33 million, compared with the fourth quarter 2003 earnings of \$274 million. For the full year 2004, consolidated earnings totaled \$1.2 billion, an increase of 20 percent compared with 2003. Return on average common equity was 16.71 percent for the fourth quarter of 2004 and 16.82 percent for the full year ended December 31, 2004, compared with 16.67 percent in the fourth quarter of 2003 and 15.06 percent for the full year 2003. As of December 31, 2004, PNC's borrowed funds totaled \$12.0 billion, while its common shareholders' equity was \$7.5 billion.

BlackRock Acquisition of SSRM Holdings, Inc.

On January 31, 2005, BlackRock, Inc., one of the largest publicly traded investment management firms in the United States and a consolidated subsidiary of PNC, acquired SSRM Holdings, Inc. (SSRM) from MetLife, Inc. SSRM is the holding company of State Street Research & Management Co. and SSRM Realty Advisors. SSRM, through its subsidiaries, actively manages stock, bond, balanced and real estate portfolios for both institutional and individual investors with approximately \$55 billion in assets under management at December 31, 2004. At closing, MetLife, Inc. received approximately \$285 million in cash and approximately 550,000 shares of BlackRock restricted class A common stock. The transaction is expected to be immediately accretive to BlackRock's earnings. Additional cash consideration, which could increase the purchase price by up to 25%, may be paid over 5 years contingent on certain measures.

Execution of Amended and Restated Merger Agreement with Riggs National Corporation

On February 10, 2005, PNC entered into an amended and restated agreement to acquire Riggs National Corporation (Riggs), a Washington, D.C.-based banking company, replacing the original acquisition agreement entered into on July 16, 2004. The total consideration under the amended and restated merger agreement is composed of a fixed number of approximately 6.4 million shares of PNC common stock and \$286 million in cash, subject to adjustment. The merger is subject to closing conditions including, among

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others, receipt of regulatory approvals and waivers and approval of Riggs shareholders. The transaction is expected to close as soon as possible, and either PNC or Riggs may terminate the merger agreement if the transaction has not closed by May 31, 2005.

USE OF PROCEEDS

We anticipate our net proceeds from the sale of the senior notes, after estimated expenses payable by PNC Funding, to be \$698,740,900. We intend to use the net proceeds for general corporate purposes, which may include:

advances to PNC and its subsidiaries to finance their activities,

financing of possible future acquisitions,

repayment of other outstanding indebtedness, and

repurchases of issued and outstanding shares of common and/or preferred stock under authorized programs of PNC.

Until we use the net proceeds from the sale of the senior notes for these purposes, we will use the net proceeds to reduce our short-term indebtedness or for temporary investments. We expect that we may from time to time engage in additional financings of a character and in amounts to be determined.

**CAPITALIZATION OF
THE PNC FINANCIAL SERVICES GROUP, INC.
(Unaudited)**

The following table sets forth the actual unaudited consolidated capitalization of PNC as of December 31, 2004 and as adjusted to reflect the issuance of the senior notes offered by this prospectus supplement. PNC Funding's unaudited financial data and other information, including capitalization, are part of the consolidated results of PNC. This data is prepared on a basis consistent with that of PNC's audited consolidated financial statements for the year ended December 31, 2003. The following data should be read in conjunction with PNC's unaudited consolidated financial statements included in PNC's Quarterly Report on Form 10-Q for the nine months ended September 30, 2004 and audited consolidated financial statements incorporated by reference in PNC's Annual Report on Form 10-K for the year ended December 31, 2003.

	December 31, 2004	
	Actual	As Adjusted
	(dollars in millions)	
Deposits	\$ 53,269	\$ 53,269
Subordinated debt(a)	4,050	4,050
Other borrowed funds	7,914	8,614
Total debt	65,233	65,933
Total equity capital	7,473	7,473
Total capitalization	\$ 72,706	\$ 73,406

- (a) Includes subordinated debt of \$2.086 billion at December 31, 2004 related to all subsidiaries other than PNC Funding. The guarantees are effectively subordinated to all liabilities of such subsidiaries, including their subordinated indebtedness.

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The following unaudited table sets forth certain consolidated financial data for PNC and its subsidiaries. This financial data is derived from, should be read in conjunction with, and is qualified in its entirety by, the detailed information and consolidated financial statements and related notes for the respective periods included in the documents incorporated herein by reference. See *Where You Can Find More Information* in this prospectus supplement.

	Nine Months Ended		Year Ended December 31,				
	September 30,		2003	2002	2001(a)	2000	1999
	2004	2003	2003	2002	2001(a)	2000	1999
(dollars in millions)							
Summary of Operations							
Interest income	\$ 2,009	\$ 2,052	\$ 2,712	\$ 3,172	\$ 4,137	\$ 4,732	\$ 4,583
Interest expense	543	541	716	975	1,875	2,568	2,239
Net interest income	1,466	1,511	1,996	2,197	2,262	2,164	2,344
Provision for credit losses	33	143	177	309	903	136	163
Noninterest income	2,659	2,396	3,257	3,197	2,652	2,950	2,460
Noninterest expense	2,786	2,618	3,476	3,227	3,414	3,103	2,838
Income taxes	411	393	539	621	187	634	586
Income from continuing operations	890	727	1,029	1,200	377	1,214	1,202
Income (loss) from discontinued operations(b)				(16)	5	65	62
Income before cumulative effect of accounting change	890	727	1,029	1,184	382	1,279	1,264
Cumulative effect of accounting change(b)			(28)		(5)		
Net income	890	727	1,001	1,184	377	1,279	1,264
Period-End Balance Sheet Data							
Total assets	\$ 77,298	\$ 68,703	\$ 68,168	\$ 66,377	\$ 69,638	\$ 69,921	\$ 69,360
Loans, net of unearned income	42,480	36,995	36,303	35,450	37,974	50,601	49,673
Allowance for loan and lease losses	581	648	632	673	560	598	600
Shareholders' equity	7,312	6,638	6,645	6,859	5,823	6,656	5,946
Average Balance Sheet Data							
Total assets	\$ 74,088	\$ 66,667	\$ 67,279	\$ 66,589	\$ 70,485	\$ 69,053	\$ 68,439
Earning assets	60,913	54,525	55,172	55,345	59,341	59,875	61,301
Loans, net of unearned income	40,231	35,641	35,917	37,123	44,821	50,018	52,780
Securities available for sale	15,800	14,333	14,656	11,647	10,775	6,061	6,084

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Deposits	48,933	44,310	44,462	44,118	45,211	45,672	44,152
Borrowed funds	12,484	9,847	10,491	10,712	13,482	13,746	15,466
Shareholders equity	7,055	6,692	6,651	6,293	6,633	6,137	5,870
Selected Ratios from Net Income							
Return on average common shareholders equity	16.86%	14.53%	15.06%	18.83%	5.65%	21.63%	22.41%
Return on average assets	1.60	1.46	1.49	1.78	.53	1.68	1.69
Net interest margin	3.22	3.70	3.64	3.99	3.84	3.64	3.86
Credit Quality Ratios							
Nonperforming loans to period-end loans	.35%	.88%	.73%	.87%	.56%	.64%	.59%
Nonperforming assets to period-end loans, loans held for sale and foreclosed assets	.42	1.03	.87	1.13	.93	.71	.61

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	Nine Months Ended September 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001(a)	2000	1999
(dollars in millions)							
As a percent of average loans							
Net charge-offs	.34%	.61%	.59%	.60%	2.12%	.27%	.31%
Provision for credit losses	.11	.54	.49	.83	2.01	.27	.31
Allowance for loan and lease losses	1.44	1.82	1.76	1.81	1.25	1.20	1.14
Allowance as a percent of period-end							
Loans	1.37	1.75	1.74	1.90	1.47	1.18	1.21
Nonperforming loans	393	200	238	218	265	185	206
Ratio of Earnings to Fixed Charges(c)							
Excluding interest on deposits	6.10x	4.94x	5.53x	5.22x	1.74x	2.79x	2.83x
Including interest on deposits	3.22	2.75	2.95	2.67	1.28	1.69	1.76

(a) See Note 7, Fourth Quarter 2001 Actions, to the Consolidated Financial Statements of PNC contained in PNC's Annual Report on Form 10-K for the year ended December 31, 2003 for further information regarding items impacting the comparability of 2001 amounts with other periods presented.

(b) Net of tax.

(c) The consolidated ratio of earnings to fixed charges has been computed by dividing income from continuing operations before taxes (which excludes the income (loss) from discontinued operations and the cumulative effect of accounting change) and fixed charges by fixed charges. Fixed charges represent all interest expense (ratios are presented both excluding and including interest on deposits), borrowed funds discount, amortization expense and the portion of net rental expense which is deemed to be equivalent to interest on debt. Interest expense (other than on deposits) includes interest on bank notes and senior debt, federal funds purchased, repurchase agreements, other borrowed funds and subordinated debt.

CERTAIN TERMS OF THE SENIOR NOTES

The senior notes offered by this prospectus supplement will be issued by PNC Funding under an Indenture dated as of December 1, 1991, among PNC, PNC Funding and JPMorgan Chase Bank, N.A., successor to The Chase Manhattan Bank, as Trustee, as supplemented by a Supplemental Indenture dated as of February 15, 1993 and a Second Supplemental Indenture dated as of February 15, 2000. References to the Indenture in this section will mean the Indenture as so supplemented. The accompanying prospectus provides a more complete description of the Indenture. Each series of senior notes will be Senior Debt Securities, as such term is defined in the accompanying prospectus. The following description of the particular terms of the senior notes supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Senior Debt Securities in the accompanying prospectus, to which description we refer you. The accompanying prospectus sets forth the meaning of certain capitalized terms used herein and not otherwise defined.

General

The senior notes due on March 10, 2008 (the 2008 Notes) will initially be limited in this offering to \$350,000,000 aggregate principal amount. The senior notes due March 10, 2010 (the 2010 Notes) will initially be limited in this offering to \$350,000,000 aggregate principal amount. The 2008 Notes and the 2010 Notes will mature on March 10, 2008 and March 10, 2010, respectively. The senior notes may not be redeemed by PNC Funding prior to their stated maturity and will not be subject to any sinking fund.

The 2008 Notes will bear interest at the rate of 4.2% per annum and the 2010 Notes will bear interest at the rate of 4.5% per annum. Interest on the senior notes will accrue from March 10, 2005 and will be payable semiannually in arrears on March 10 and September 10 of each year (each an interest payment date), commencing September 10, 2005. Interest will be computed on the basis of a 360-day year consisting of

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twelve 30-day months. The interest period relating to an interest payment date shall be the period from and including the preceding interest payment date to and excluding the relevant interest payment date.

If any of the interest payment dates or a maturity date falls on a day that is not a business day, PNC Funding will postpone the payment of interest or principal to the next succeeding business day, but the payment made on such dates will be treated as being made on the date payment was first due and the holders of the senior notes will not be entitled to any further interest or other payments with respect to such postponements. The term *business day* means any day other than a Saturday or Sunday, and a day that it is not a day on which banks are generally authorized or required by law or executive order to be closed in the City of New York, New York, the City of Pittsburgh, Pennsylvania or the Commonwealth of Pennsylvania.

The interest payable on the senior notes on any interest payment date, subject to certain exceptions, will be paid to the person in whose name the senior notes are registered at the close of business on the 15th calendar date, whether or not a business day, immediately preceding the interest payment date. However, interest that PNC Funding pays on the maturity date will be paid to the person to whom the principal will be payable. Interest will be payable by wire transfer in immediately available funds in U.S. dollars at the office of the principal paying agent in New York, New York, or at PNC Funding's option in the event the senior notes are not represented by Global Notes, by check mailed to the address of the person specified for payment in the preceding sentences.

The senior notes are not convertible into, or exchangeable for, equity securities of PNC or PNC Funding.

The senior notes and the guarantees are not deposits of a bank and are not insured by the United States Federal Deposit Insurance Corporation or any other insurer or government agency.

Guarantees

The senior notes are unconditionally guaranteed by PNC and rank equally with all of PNC Funding's other unsecured senior indebtedness. At December 31, 2004 the outstanding unsecured senior indebtedness of PNC Funding was approximately \$1.133 billion. The guarantees will rank equally with the senior unsecured indebtedness of PNC. The senior notes are not guaranteed by the subsidiaries of PNC. The guarantees are effectively subordinated to all indebtedness and other liabilities (including trade payables and deposits) of such subsidiaries.

Further Issuances

PNC Funding may from time to time without the consent of the holders of either series of the senior notes create and issue further notes having the same terms and conditions as such series of senior notes and equal in rank to the relevant series of the senior notes offered by this prospectus supplement in all respects (or in all respects except for 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). These further senior notes will be consolidated and form a single series with the relevant series of senior notes and will have the same terms as to status or otherwise as such series of senior notes.

Delivery and Form

The senior notes of each series will be represented by one or more permanent global certificates (each a *Global Note* and collectively, the *Global Notes*) deposited with, or on behalf of, The Depository Trust Company (*DTC*) and registered in the name of Cede & Co. (*DTC's* partnership nominee). The senior notes will be available for purchase in denominations of \$1,000 and integral multiples thereof in book-entry form only. Unless and until certificated senior notes are issued under the limited circumstances described in the accompanying prospectus, no beneficial owner of a senior note shall be entitled to receive a definitive certificate representing a senior note. So long as *DTC* or any successor depository (collectively, the *Depository*) or its nominee is the registered owner of the *Global Notes*, the *Depository*, or such nominee, as the case may be, will be considered to be the sole owner or holder of the senior notes for all purposes of the Indenture.

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Beneficial interests in the Global Notes 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 Notes through DTC either directly if they are participants in DTC or indirectly through organizations that are participants in DTC.

Clearance and Settlement Procedures

Initial settlement for the senior notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds.

Payment and Paying Agents

JPMorgan Chase Bank, N.A. will act as PNC Funding's principal paying agent with respect to the senior notes through its offices presently located at 4 New York Plaza, New York, New York 10004. PNC Funding may at any time rescind the designation of a paying agent, appoint a successor paying agent, or approve a change in the office through which any paying agent acts. Payments of interest and principal may be made by wire-transfer in immediately available funds in U.S. dollars for senior notes held in book-entry form or, at PNC Funding's option in the event the senior notes are not represented by Global Notes, by check mailed to the address of the person entitled to the payment as it appears in the senior note register. Payment of principal will be made upon the surrender of the relevant senior notes at the offices of the principal paying agent.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following general discussion summarizes the material United States federal income tax consequences of the purchase, ownership and disposition of the senior notes for United States holders. This discussion is a summary for general information only and does not consider all aspects of United States federal income taxation that may be relevant to an investor in light of that investor's particular circumstances. This discussion deals only with senior notes purchased at their original offering price and held as capital assets within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, referred to in this discussion as the Code, as amended to the date of this prospectus supplement. This summary does not address all of the tax consequences that may be relevant to a holder of senior notes nor does it address the federal income tax consequences to holders subject to special treatment under the United States federal income tax laws, such as brokers or dealers in securities or currencies, certain securities traders, tax-exempt entities, banks, thrifts, insurance companies, other financial institutions, persons that hold senior notes as a position in a straddle or as part of a synthetic security, hedging, conversion or other integrated instrument, persons have a functional currency other than the United States dollar, investors in pass-through entities and certain United States expatriates. Further, this summary does not address

the income tax consequences to shareholders in, or partners or beneficiaries of, a holder of the senior notes, or any state, local or foreign tax consequences of the purchase, ownership, or disposition of the senior notes.