

KEYCORP /NEW/  
 Form 424B5  
 November 17, 2006  
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Filed Pursuant to Rule 424(b)(5)  
 Registration Statement No. 333-134937  
 333-134937-02

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered	Proposed	Proposed	Amount of registration fee
		maximum offering price per unit	maximum aggregate offering price	
Trust Preferred Securities of KeyCorp Capital IX	\$ 500,000,000	\$25.00	\$ 500,000,000	\$ 53,500(1)

- (1) Calculated in accordance with Rule 457(r) of the Securities Act. Pursuant to Rule 457(p) of the Securities Act, the registration fee of \$2,792 that has already been paid and remains unused with respect to securities that were previously registered pursuant to Registration Statement on Form S-3 (No. 333-124023) and were not sold thereunder is offset against the registration fee due for this offering.

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PROSPECTUS SUPPLEMENT  
(To Prospectus Dated November 15, 2006)

**\$500,000,000**

## **KeyCorp Capital IX**

### **6.750% Enhanced Trust Preferred Securities**

(Liquidation amount \$25 per trust preferred security)

Fully and unconditionally guaranteed, to the extent described herein, by

**KeyCorp**

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The 6.750% Enhanced Trust Preferred Securities, which are referred to as the trust preferred securities, will be issued by KeyCorp Capital IX, a Delaware statutory trust, which may also be referred to as the Issuer Trust. KeyCorp, an Ohio corporation, will own all of the outstanding trust common securities of the Issuer Trust and will fully and unconditionally guarantee, on a subordinated basis, payment of amounts due on the trust preferred securities to the extent described in this prospectus supplement. The Issuer Trust will use the proceeds received in connection with the sale of the trust preferred securities and trust common securities to purchase 6.750% junior subordinated debentures due December 15, 2066 issued by KeyCorp, which are referred to as the junior subordinated debentures.

Distributions on the trust preferred securities will be cumulative from the date of original issuance and will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing March 15, 2007.

We may elect to defer interest payments on the junior subordinated debentures as described in this prospectus supplement. We will not be required to settle deferred interest pursuant to the alternative payment mechanism described in this prospectus supplement until we have deferred interest for five consecutive years or made a payment of current interest, and we may defer interest for up to ten consecutive years without giving rise to an event of default and acceleration. If we do not pay interest on the junior subordinated debentures, the Issuer Trust will not make the corresponding distributions on the trust preferred securities. In the event of a bankruptcy, holders may have a limited claim for deferred interest.

We may redeem the junior subordinated debentures in whole or in part on or after December 15, 2011, or in whole at any time if certain changes occur in tax or investment company laws or regulations or if the trust preferred securities cease to constitute Tier 1 capital of KeyCorp for regulatory capital purposes. We will not redeem the junior subordinated debentures unless we obtain the prior approval of the Federal Reserve to do so, if such approval is then required. To the extent we redeem the junior subordinated debentures, the Issuer Trust must redeem a corresponding amount of the trust preferred securities.

The trust preferred securities are expected to be approved for listing on the New York Stock Exchange, subject to official notice of issuance. We expect trading in the trust preferred securities on the New York Stock Exchange under the symbol KEYPrE to begin within 30 days after the original issue date.

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**Investing in the trust preferred securities involves risks.**

**See Risk Factors beginning on page S-14.**

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**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.**

These securities are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. These securities are not savings accounts or deposits.

	<b>Per Trust</b>	
	<b>Preferred Security</b>	<b>Total</b>
Initial Public Offering Price (1)	\$25.00	\$500,000,000
Underwriting discounts and commissions (2)	\$0.7875	\$15,750,000
Proceeds, before expenses, to KeyCorp Capital IX	\$24.2125	\$484,250,000

(1) Plus accumulated distributions, if any, from November 21, 2006, if settlement occurs after that date.

(2) Because KeyCorp Capital IX will use all of the proceeds from the sale of the trust preferred securities and its trust common securities to purchase junior subordinated debentures of KeyCorp, KeyCorp will pay all underwriting discounts and commissions. KeyCorp will pay the underwriters compensation of \$0.7875 per trust preferred security, except that the underwriting commission will be \$0.50 per trust preferred security for sales of more than 20,000 trust preferred securities sold to a single purchaser. As a result of such sales, the total underwriting discounts will decrease, and the total proceeds to KeyCorp will increase.

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The underwriters expect to deliver the trust preferred securities in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about November 21, 2006.

This prospectus supplement and the accompanying prospectus may be used by our broker-dealer affiliate, McDonald Investments Inc., in connection with offers and sales of the trust preferred securities in market-making transactions, at negotiated prices related to prevailing market prices at the time of sale or otherwise. McDonald Investments Inc. may act as principal or agent in such transactions. KeyBanc Capital Markets is a division of McDonald Investments Inc.

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Merrill Lynch & Co.

Joint Book-Running Managers

KeyBanc Capital Markets

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*Citigroup*

*Morgan Stanley*

*UBS Investment Bank*

*Wachovia Securities*

*Banc of America Securities LLC*

*Bear, Stearns & Co. Inc.*

*Credit Suisse*

*Deutsche Bank Securities*

*A.G. Edwards*

*Goldman, Sachs & Co.*

*HSBC*

*JPMorgan*

*RBC Capital Markets*

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**November 16, 2006**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

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

If there is any inconsistency between the information in this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement to we, us, our or similar references mean KeyCorp.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, our SEC filings are available to the public at the SEC's Internet site at <http://www.sec.gov> and through the New York Stock Exchange Inc., 20 Broad Street, New York, New York 10005.

In this prospectus supplement, as permitted by law, we incorporate by reference information from other documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus supplement is considered to be automatically updated and superseded. In other words, in case of a conflict or inconsistency between information contained in this prospectus supplement and information incorporated by reference into this prospectus supplement, you should rely on the information contained in the document that was filed later.

We incorporate by reference the documents listed below and any documents we file with the SEC in the future under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until our offering is completed:

Annual Report on Form 10-K for the year ended December 31, 2005;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006; and

Current Reports on Form 8-K filed on January 20, 2006 (two reports), February 8, 2006, March 10, 2006, April 5, 2006, April 18, 2006, June 20, 2006, July 18, 2006, September 25, 2006, October 17, 2006, November 13, 2006 and November 14, 2006.

Information furnished under Item 2.02 or 7.01 of our Current Reports on Form 8-K is not incorporated by reference.

You may request a copy of any of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

KeyCorp

127 Public Square

Cleveland, Ohio 44114-1306

Attention: Investor Relations

(216) 689-6300

The Issuer Trust has no separate financial statements. The statements would not be material to the holders of the trust preferred securities because the Issuer Trust has no independent operations.

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**SUMMARY OF OFFERING**

*This summary highlights information contained in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all the information that you should consider before investing in the trust preferred securities. You should read this entire prospectus supplement and the accompanying prospectus carefully, especially the risks of investing in the trust preferred securities set forth under the caption Risk Factors beginning on page S-14, to determine whether an investment in the trust preferred securities is appropriate for you.*

**Issuer Trust**

KeyCorp Capital IX is a Delaware statutory trust created solely for the purpose of issuing trust preferred securities to investors and trust common securities to us and investing the aggregate proceeds in an equivalent amount of our junior subordinated debentures. The junior subordinated debentures will be the sole assets of the Issuer Trust.

The Issuer Trust has its principal office and mailing address at c/o KeyCorp, 127 Public Square, Cleveland, Ohio 44114-1306, and its telephone number is (216) 689-6300.

**The Offering**

The Issuer Trust is offering 20,000,000 trust preferred securities with a liquidation amount of \$25 per trust preferred security and \$500,000,000 in the aggregate. Each trust preferred security will represent an undivided preferred beneficial interest in the Issuer Trust. The Issuer Trust will use the proceeds from the sale of its trust preferred securities and the trust common securities to purchase the junior subordinated debentures from KeyCorp. The Issuer Trust will pass through to you as distributions the interest payments it receives from KeyCorp on the junior subordinated debentures. The diagram to the left outlines a simplified form of the relationship among investors in the trust preferred securities, the Issuer Trust, the junior subordinated debentures, KeyCorp and the subordinated guarantee of the trust preferred securities by KeyCorp. As shown to the left:

The Issuer Trust issues the trust preferred securities to investors and the trust common securities to KeyCorp.

The Issuer Trust uses the proceeds from the issuance of the trust preferred securities and the trust common securities to purchase junior subordinated debentures issued by KeyCorp.

KeyCorp makes quarterly payments on the junior subordinated debentures.

The Issuer Trust uses the quarterly interest payments it receives from KeyCorp to pay the quarterly distributions to the holders of the trust preferred securities and trust common securities.

KeyCorp will guarantee, on a subordinated basis, payments of amounts due on the trust preferred securities to the extent provided under the captions Description of the Trust Preferred Securities and Description of the Guarantee in this prospectus supplement.

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See the discussion below under the caption Relationship Among the Trust Preferred Securities, the Junior Subordinated Debentures and the Guarantee in this prospectus supplement.

Distributions

Distributions on the trust preferred securities will be cumulative from the date they are issued and will be payable quarterly in arrears at the annual rate of 6.750% on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2007, unless they are deferred as described below. The amount of distributions payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Distribution Deferral

We may, on one or more occasions, defer the quarterly interest payments on the junior subordinated debentures for one or more periods (each, an Optional Deferral Period) of up to 20 consecutive quarters, or five years, without being subject to our obligations described under Description of the Junior Subordinated Debentures Alternative Payment Mechanism, and for one or more periods of up to 40 consecutive quarters, or ten years, without giving rise to an event of default and acceleration under the terms of the junior subordinated debentures or the trust preferred securities. A deferral of interest payments cannot extend, however, beyond the maturity date of the junior subordinated debentures, nor can we begin a new Optional Deferral Period until we have paid all accrued interest on the junior subordinated debentures.

If we defer interest payments on the junior subordinated debentures, the Issuer Trust also will defer distributions on the trust preferred securities. Any deferred interest on the junior subordinated debentures will accrue additional interest at an annual rate of 6.750% (which rate is equal to the annual interest rate on the junior subordinated debentures), compounded quarterly, to the extent permitted by applicable law. Once we pay all deferred interest payments on the junior subordinated debentures, including all accrued interest, we may again defer interest payments on the junior subordinated debentures as described above, but not beyond the maturity date of the junior subordinated debentures.

We will provide to the Issuer Trust written notice of any optional deferral of interest at least ten and not more than 60 business days prior to the applicable interest payment date, and any such notice will be forwarded promptly by the Issuer Trust to each holder of record of trust preferred securities.

Furthermore, the occurrence and continuation of a Supervisory Event (as defined below) will excuse us from our obligation to continuously use commercially reasonable efforts to sell common shares and to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures and will permit us to pay deferred interest using cash from any other source (including the sale of preferred stock) without breaching our obligations under the indenture. See Description of the Junior Subordinated Debentures Alternative Payment Mechanism.

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If one or more Option Deferral Periods arise, our payment of interest is subject to the limitations and related obligations described below in this summary under Alternative Payment Mechanism.

Alternative Payment Mechanism

If we have exercised our right to defer payments on the junior subordinated debentures, we may not pay deferred interest in an amount that exceeds the amount of Eligible Equity Proceeds raised as of the date such payment is made. Notwithstanding the above, at maturity of the junior subordinated debentures, or in the case of an indenture event of default and acceleration, or upon the occurrence of a Supervisory Event, we may pay accrued and unpaid interest without regard to the source of funds.

For each interest payment date, Eligible Equity Proceeds means, as of any date, (i) the net cash proceeds plus (ii) the fair market value of property, other than cash, received by us or any of our subsidiaries during the 180-day period immediately prior to such date from one or more sales to persons other than subsidiaries of us of:

common shares, including treasury shares and common shares sold pursuant to our dividend reinvestment plan and employee benefit plans; or

qualified warrants, which means any common share warrants that (1) have an exercise price greater than the current stock market price (as defined under Description of the Junior Subordinated Debentures Alternative Payment Mechanism ) of our common shares, and (2) we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances.

Commencing on the earlier of (i) the fifth anniversary of the commencement of an Optional Deferral Period, if on such date such Optional Deferral Period has not ended, and (ii) the date of any payment of current interest on the junior subordinated debentures during an Optional Deferral Period, we shall be required continuously to use our commercially reasonable efforts (as defined in the indenture) to effect sales of our common shares in an amount that will generate sufficient Eligible Equity Proceeds to enable us to pay in full all deferred interest on the junior subordinated debentures. Notwithstanding (and as a qualification to) that obligation, we shall not be obligated to make offers of or to effect sales of our common shares during the occurrence and continuation of a Market Disruption Event or a Supervisory Event and will be permitted to pay deferred interest using cash from any source upon the occurrence of a Supervisory Event. Furthermore, our issuance of common shares or, in our discretion, qualified warrants, under the Alternative Payment Mechanism is subject to certain caps and other limitations, as described in Description of the Junior Subordinated Debentures Alternative Payment Mechanism. In addition, we will not be permitted to pay interest on the junior subordinated debentures at a time when such payment would violate a specific prohibition against

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making an interest payment contained in the terms of any securities ranking pari passu with or senior to the junior subordinated debentures.

The limitations on our rights and obligations imposed on us by the indenture provisions described above are referred to as the Alternative Payment Mechanism. Our breach of the Alternative Payment Mechanism, including our use of funds in an amount in excess of the amount of Eligible Equity Proceeds raised to pay deferred interest or our failure to use commercially reasonable efforts to effect sales of our common shares and apply their proceeds as described above, will not, by itself, constitute an event of default and acceleration under the indenture that would permit the indenture trustee or the holders of the junior subordinated debentures to accelerate the junior subordinated debentures. However, an event of default and acceleration under the indenture will occur if we fail to pay all accrued and unpaid interest for a period of more than 40 consecutive quarters, or ten years.

Market Disruption Events

A Market Disruption Event means the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally on the principal exchange on which our securities are listed and traded (currently the New York Stock Exchange) shall have been suspended or materially disrupted or minimum prices shall have been established on any such exchange or market by the SEC, by the relevant exchange or any other regulatory body or governmental authority having jurisdiction, and the establishment of such minimum prices materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, our qualified warrants or common shares;

we would be required to obtain the consent or approval of our shareholders or a regulatory body (including, without limitation, any securities exchange but excluding the Board of Governors of the Federal Reserve System (including the Federal Reserve Bank of Cleveland or any other Federal Reserve Bank having primary regulatory authority over us, the Federal Reserve )) or governmental authority to issue or sell qualified warrants or common shares and such consent or approval has not yet been obtained even though we have used our commercially reasonable efforts to obtain the required consent or approval;

an event occurs and is continuing as a result of which the offering document for the offer and sale of qualified warrants or common shares would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event at the time the event occurs, in our reasonable judgment, is not otherwise required by law and would have a material adverse effect on our business or (b) the

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disclosure relates to a previously undisclosed proposed or pending material business transaction, and we have a bona fide business reason for keeping the same confidential or the disclosure of which would impede our ability to consummate that transaction, provided that no single suspension period contemplated under this bullet may exceed 90 consecutive days and multiple suspension periods contemplated under this bullet may not exceed an aggregate of 180 days in any 360-day period;

we reasonably believe that the offering document for the offer and sale of qualified warrants or common shares would not be in compliance with a rule or regulation of the SEC (for reasons other than those referred to in the preceding bullet) and we are unable to comply with such rule or regulation or such compliance is unduly burdensome, provided that no single suspension contemplated by this bullet may exceed 90 consecutive days and multiple suspension periods contemplated pursuant to this bullet may not exceed an aggregate of 180 days in any 360-day period;

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in our qualified warrants or common shares has been materially disrupted;

there shall have occurred a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, such that market trading in our qualified warrants or common shares has been materially disrupted;

a material disruption shall have occurred in commercial banking or securities settlement or clearing services in the United States such that market trading in our qualified warrants or common shares has been disrupted or ceased; or

a banking moratorium shall have been declared by federal or state authorities of the United States such that market trading in our qualified warrants or common shares has been disrupted or ceased.

Supervisory Event

A Supervisory Event shall commence on the date we have notified the Federal Reserve of our intention both (1) to sell our qualified warrants or common shares and (2) to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures, and the Federal Reserve has disapproved of either of these actions, even though we have affirmatively requested such approval. A Supervisory Event shall cease on the business day following the earlier to occur of (A) the tenth business day after we give notice to the Federal Reserve as described above (or such longer period as may be required by Federal Reserve order or by other supervisory action), so long as the

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Federal Reserve does not disapprove of either action mentioned in such notice, (B) the tenth anniversary of the commencement of any Optional Deferral Period, or (C) the day on which the Federal Reserve notifies us in writing that it no longer disapproves of our intention to both (1) issue and sell qualified warrants or common shares and (2) apply the net proceeds from such sale to pay deferred interest on the junior subordinated debentures. Because a Supervisory Event will exist if the Federal Reserve disapproves of either of these requests, the Federal Reserve will be able, without triggering a default under the indenture, to permit us to sell qualified warrants or common shares but to prohibit us from applying the proceeds to pay deferred interest on junior subordinated debentures.

**Dividend Stopper**

Unless we have paid all accrued and unpaid interest on the junior subordinated debentures, we will not and our subsidiaries will not do any of the following, with certain limited exceptions:

declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock, or make any guarantee payments relating to the foregoing; or

make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities or guarantees that rank upon our liquidation on a parity with or junior in interest to the junior subordinated debentures.

Our outstanding junior subordinated debentures contain comparable provisions that will restrict the payment of principal of, and interest on, and the repurchase or redemption of, any of the subordinated debentures as well as guarantee payments on the guarantee of the subordinated debentures if any of the foregoing circumstances occur with respect to those securities.

In addition, if any Optional Deferral Period lasts longer than one year, unless required to do so by the Federal Reserve, the limitation on our ability to redeem or repurchase any of our securities that rank pari passu with or junior in interest to the junior subordinated debentures will continue until the first anniversary of the date on which all deferred interest has been paid.

This limitation will also apply if:

we have actual knowledge of an event that with the giving of notice or the lapse of time, or both, would constitute a default under the junior indenture with respect to the junior subordinated debentures and we have not taken reasonable steps to cure the event; and

if the junior subordinated debentures are held by the Issuer Trust, we are in default with respect to its payment of any obligations under the guarantee related to the related trust preferred securities.

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Maturity of Junior Subordinated Debentures	The junior subordinated debentures will mature on December 15, 2066.
Optional Redemption	We may redeem the trust preferred securities, in whole or in part, at any time on or after December 15, 2011, at a redemption price equal to the total liquidation amount of the trust preferred securities to be redeemed plus accumulated and unpaid distributions to the redemption date.
Special Event Redemption	We may elect to redeem the trust preferred securities, in whole or in part, at any time upon the occurrence of:  changes in U.S. federal income tax laws or regulations that could have adverse tax consequences for us or the Issuer Trust;  changes in laws or regulations that pose more than an insubstantial risk that the Issuer Trust will be required to register as an investment company under the Investment Company Act of 1940, as amended; or  changes that could prevent us from treating an amount equal to the liquidation amount of the trust preferred securities as Tier 1 capital for purposes of the applicable Federal Reserve capital adequacy guidelines;  in each case, for a redemption price equal to the total liquidation amount of the trust preferred securities to be redeemed plus accumulated and unpaid distributions to the redemption date.
Replacement Capital Covenant	Around the time of the initial issuance of the junior subordinated debentures, we will enter into a Replacement Capital Covenant (as defined under the caption Certain Terms of the Replacement Capital Covenant ) in which we will covenant for the benefit of holders of a specified series of our indebtedness, other than the junior subordinated debentures, or in certain limited cases a specified series of indebtedness of our largest depository institution subsidiary, that neither we nor any subsidiary of ours (including the Issuer Trust) will redeem or purchase the junior subordinated debentures or the trust preferred securities on or before December 15, 2046, unless (a) subject to certain limitations, during the 180 days prior to the date of any such redemption or purchase, we have received proceeds from the sale of specified securities that have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the junior subordinated debentures at that time, and (b) we have obtained the prior approval of the Federal Reserve, if such approval is then required. The Replacement Capital Covenant is not intended to be for the benefit of holders of the junior subordinated debentures or trust preferred securities and may not be enforced by them, and the Replacement Capital Covenant is not a term of the indenture, the trust agreement, the junior subordinated debentures or the trust preferred securities.
Liquidation Preference	Upon any dissolution, winding-up or liquidation of the Issuer Trust involving the liquidation of the junior subordinated debentures, the

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holders of the trust preferred securities will be entitled to receive, out of assets held by the Issuer Trust, subject to the rights of any creditors of the Issuer Trust, the liquidation distribution in cash. The Issuer Trust will be able to make this distribution of cash only if we redeem the junior subordinated debentures.

**The Guarantee**

We will fully and unconditionally guarantee the payment of all amounts due on the trust preferred securities to the extent the Issuer Trust has funds available for payment of such distributions. The guarantee will be subordinated to our other indebtedness to the extent described below under the caption **Description of the Junior Subordinated Debentures Ranking of the Junior Subordinated Debentures and Guarantee.**

We also are obligated to pay most of the expenses and obligations of the Issuer Trust (other than the Issuer Trust's obligations to make payments on the trust preferred securities and common securities, which are covered only by the guarantee).

The guarantee does not cover payments when the Issuer Trust does not have sufficient funds to make payments on the trust preferred securities. In other words, if we do not make a payment on the junior subordinated debentures, the Issuer Trust will not have sufficient funds to make payments on the trust preferred securities, and the guarantee will not obligate us to make those payments on the Issuer Trust's behalf. In addition, our obligations under the guarantee are subordinate to our obligations to other creditors to the same extent as the junior subordinated debentures. For more information, see the discussion below under the caption **Description of the Guarantee.**

**Ranking of the Junior Subordinated Debentures and Guarantee**

Our payment obligations under the junior subordinated debentures and the guarantee will be unsecured and will rank junior and be subordinated in right of payment and upon liquidation to all of our current and future indebtedness, other than trade account payables and accrued liabilities arising in the ordinary course of business; provided, however, that the junior subordinated debentures and the guarantee will rank equally in right of payment, subject to the Alternative Payment Mechanism and provisions described above in this summary under **Dividend Stopper**, with any **Pari Passu Securities**. **Pari Passu Securities** means: (i) indebtedness that, among other things, (a) qualifies as, or is issued to financing vehicles issuing securities that qualify as, Tier 1 capital of KeyCorp at the time of issuance under the applicable capital guidelines of the Federal Reserve and (b) by its terms ranks equally upon liquidation with our 7% Junior Subordinated Debentures due June 15, 2066 and the 6.750% Junior Subordinated Debentures due December 15, 2066 to be issued in connection with this offering; and (ii) guarantees of indebtedness described in clause (i) or securities issued by one or more financing vehicles described in clause (i). **Pari Passu Securities** does not include our junior subordinated debentures or guarantees issued in connection with our currently outstanding and



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future traditional trust preferred securities, each of which will rank senior to the trust preferred securities being issued by the Issuer Trust.

As a holding company, our assets primarily consist of the equity securities of our subsidiaries. As a result, the ability of holders of the junior subordinated debentures to benefit from any distribution of assets of any subsidiary upon the liquidation or reorganization of such subsidiary is subordinate to the prior claims of present and future creditors of that subsidiary. The trust preferred securities, the junior subordinated debentures and the guarantee do not limit our or our subsidiaries' ability to incur additional debt, including debt that ranks senior in priority of payment to the junior subordinated debentures and the guarantee. At September 30, 2006, our indebtedness and obligations, on an unconsolidated basis, totaled approximately \$4.7 billion, all of which will rank senior in right of payment and upon liquidation to the junior subordinated debentures. In addition, the junior subordinated debentures will be effectively subordinated to all of our subsidiaries' existing and future indebtedness and other obligations, including, but not limited to, obligations to depositors. At September 30, 2006, our subsidiaries' total deposits and borrowings were approximately \$77.6 billion.

**Voting Rights**

Holders of the trust preferred securities will have only limited voting rights and, except upon the occurrence of certain events described in this prospectus supplement, will not be entitled to vote.

**Dissolution of the Issuer Trust and Distribution of the Junior Subordinated Debentures**

We can dissolve the Issuer Trust at any time, subject to obtaining the prior approval of the Federal Reserve to do so, if such approval is then required.

If we dissolve the Issuer Trust, or if it dissolves because of other specified events (such as bankruptcy), the Issuer Trust will distribute the junior subordinated debentures to holders of the trust preferred securities and the trust common securities on a proportionate basis.

**Use of Proceeds**

The Issuer Trust will use the proceeds from the offering of the trust preferred securities to purchase the junior subordinated debentures issued by us. We expect to use the net proceeds from the sale of the junior subordinated debentures to the Issuer Trust for general corporate purposes, which may include:

reducing or refinancing existing debt;

repurchasing outstanding trust preferred securities;

investments at the holding company level;

investing in, or extending credit to, our operating subsidiaries;

possible acquisitions or other business combinations; and

share repurchases.

Listing of Trust Preferred Securities

We intend to list the trust preferred securities on the New York Stock Exchange and expect trading in the trust preferred securities on the New York Stock Exchange to begin within 30 days after the original issue date.

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Expected Ratings	We expect that the trust preferred securities will be rated Baa1, BBB and A- by Moody's Investor Services, Standard & Poor's and Fitch Ratings, respectively. None of these securities ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.
Form of the Trust Preferred Securities	The trust preferred securities will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company, New York, New York. This means that you will not receive a certificate for your trust preferred securities and the trust preferred securities will not be registered in your name. For more details, see below under the caption "Book-Entry Issuance" in this prospectus supplement.
U.S. Federal Income Tax Consequences	In connection with the issuance of the trust preferred securities, Squire, Sanders & Dempsey L.L.P., as special tax counsel, will render its opinions to us and the Issuer Trust that, for United States federal income tax purposes, (i) the Issuer Trust will be classified as a grantor trust and not an association taxable as a corporation and (ii) the junior subordinated debentures will be classified as indebtedness (although there is no clear authority on point). These opinions are subject to certain customary conditions. See below under the caption "Certain United States Federal Income Tax Consequences" in this prospectus supplement.
ERISA Considerations	If you are a fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title 1 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), you should consider the requirements of ERISA and the Code in the context of the plan's particular circumstances and ensure the availability of an applicable exemption before authorizing an investment in the trust preferred securities. See below under the caption "ERISA Considerations" in this prospectus supplement.
Risk Factors	See below under the caption "Risk Factors" in this prospectus supplement and the other information in this prospectus supplement and our reports incorporated by reference therein for a discussion of factors you should carefully consider before deciding to invest in the trust preferred securities.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The following is our selected audited consolidated financial information for each of the years in the three-year period ended December 31, 2005, and our selected unaudited consolidated financial information for each of the nine-month periods ended September 30, 2006 and 2005. You should read the following information together with our consolidated financial statements and notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Nine Months Ended		Year Ended December 31,		
	September 30,				
	2006	2005	2005	2004	2003
	(Unaudited)		(Audited)		
<i>(dollars in millions, except per share amounts)</i>					
<b>For the period</b>					
Interest income	\$ 4,137	\$ 3,355	\$ 4,617	\$ 3,786	\$ 3,934
Interest expense	1,949	1,283	1,827	1,181	1,245
Net interest income	2,188	2,072	2,790	2,605	2,689
Provision for loan losses	94	107	143	185	501
Noninterest income	1,571	1,517	2,078	1,929	1,953
Noninterest expense	2,394	2,303	3,137	2,961	2,899
Income before income taxes and cumulative effect of accounting change	1,271	1,179	1,588	1,388	1,242
Income before cumulative effect of accounting change	904	833	1,129	954	903
Net income	909	833	1,129	954	903
<b>Per common share</b>					
Income before cumulative effect of accounting change	\$ 2.23	\$ 2.04	\$ 2.76	\$ 2.32	\$ 2.13
Income before cumulative effect of accounting change assuming dilution	2.20	2.01	2.73	2.30	2.12
Net income	2.24	2.04	2.76	2.32	2.13
Net income assuming dilution	2.21	2.01	2.73	2.30	2.12
Cash dividends declared	1.035	.975	1.30	1.24	1.22
Book value at period end	19.73	18.41	18.69	17.46	16.73
Weighted average common shares (000)	405,218	409,166	408,981	410,585	422,776
Weighted average common shares and potential common shares (000)	411,029	414,510	414,014	415,430	426,157
<b>At period end</b>					
Loans	\$ 65,551	\$ 65,575	\$ 66,478	\$ 63,372	\$ 59,754
Earning assets	83,132	80,096	80,143	78,140	72,560
Total assets	96,155	92,323	93,126	90,747	84,498
Deposits	61,429	58,071	58,765	57,842	50,858
Long-term debt	13,654	14,037	13,939	14,846	15,294
Shareholders' equity	7,947	7,522	7,598	7,117	6,969
<b>Performance ratios</b>					
Return on average total assets	1.29%	1.23%	1.24%	1.10%	1.07%
Return on average equity	15.82	15.36	15.42	13.75	13.08
Net interest margin (taxable equivalent)	3.69	3.68	3.69	3.63	3.78
<b>Capital ratios at period end</b>					
Equity to assets	8.26%	8.15%	8.16%	7.84%	8.25%
Tangible equity to tangible assets	6.81	6.68	6.68	6.35	6.94
Tier 1 risk-based capital	8.02	7.72	7.59	7.22	8.35
Total risk-based capital	12.13	11.83	11.47	11.47	12.57
Leverage	8.89	8.60	8.53	7.96	8.55
<b>Asset quality data</b>					

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Nonperforming loans	\$ 223	\$ 360	\$ 277	\$ 308	\$ 694
Nonperforming assets	329	393	307	379	753
Allowance for loan losses	944	1,093	966	1,138	1,406
Net loan charge-offs	116	151	315	431	548
Nonperforming loans to period-end loans	.34%	.55%	.42%	.49%	1.16%
Nonperforming assets to period-end loans plus OREO and other nonperforming assets	.50	.60	.46	.60	1.26
Allowance for loan losses to nonperforming loans	423.32	303.61	348.74	369.48	202.59
Allowance for loan losses to period-end loans	1.44	1.67	1.45	1.80	2.35
Net loan charge-offs to average loans	.23%	.32%	.49%	.70%	.91%

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**RISK FACTORS**

*Before purchasing any trust preferred securities, you should read carefully this prospectus supplement, carefully consider the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2005 and pay special attention to the following risk factors.*

*Because the Issuer Trust will rely on the payments it receives on the junior subordinated debentures to fund all payments on the trust preferred securities, and because the Issuer Trust may distribute the junior subordinated debentures in exchange for the trust preferred securities, you are making an investment decision regarding the junior subordinated debentures as well as the trust preferred securities. You should carefully review the information in this prospectus supplement about the trust preferred securities, the guarantee and the junior subordinated debentures before making an investment decision.*

**You May Not Receive Distributions on the Trust Preferred Securities for a Total of Up to Ten Years if after the First Five Years of Interest Deferral We Are Unable or Otherwise Fail to Issue Securities.**

We may elect at our option to defer payment of all or part of the current and accrued interest otherwise due on the junior subordinated debentures for a period of up to 20 consecutive quarters, or five years, as described under the caption Description of the Junior Subordinated Debentures Option to Defer Interest Payments. If we fail to pay interest on the junior subordinated debentures, the Issuer Trust will make no distributions on the trust preferred securities. If we elect to defer interest payments, we will be prohibited from paying accrued and unpaid deferred interest during an Optional Deferral Period from any source other than Eligible Equity Proceeds. In addition, following a five-year Optional Deferral Period, we may fail to pay interest for up to an additional five years, resulting in a total of up to ten years without payment of interest on the junior subordinated debentures and, accordingly, without payment of distributions on the trust preferred securities.

**The Indenture Limits Our Source of Funds to Pay Deferred Interest to Proceeds of Common Shares or Qualified Warrant Sales, Except in Limited Circumstances.**

The indenture provides that, except in limited circumstances, if we elect to defer interest payments on the junior subordinated debentures, resulting in a corresponding deferral of distributions on the trust preferred securities, we will be limited to paying deferred interest from the proceeds of sales of our common shares and/or, at our option, qualified warrants unless the Federal Reserve has disapproved of such issuance or disapproved of the use of proceeds of such issuance to pay deferred interest. See Description of the Junior Subordinated Debentures Alternative Payment Mechanism. We may not be able to sell sufficient common shares or qualified warrants to generate proceeds required to fund our deferred interest obligations, either within any particular time period or at all. Our ability to market our common shares or qualified warrants will depend on a variety of factors both within and beyond our control, including our financial performance, the strength of the equity markets generally, the relative demand for equity securities of companies within our industry and dilution caused by prior equity offerings or issuances. Moreover, we may encounter difficulties in successfully marketing our common shares and qualified warrants, particularly during times when we are subject to the restrictions on dividends as a result of the deferral of interest. If we do not sell sufficient common shares or qualified warrants to fund deferred interest payments in these circumstances, we will not be permitted to pay deferred interest to the Issuer Trust and, accordingly, no payment of distributions may be made on the trust preferred securities, even if we have cash available from other sources.

**The Federal Reserve May Permit Us to Sell Shares While Prohibiting Us from Paying Deferred Interest.**

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The occurrence and continuation of a Supervisory Event will excuse us from our obligation to continuously use commercially reasonable efforts to sell common shares and/or to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures. A Supervisory Event will exist at any time until the tenth anniversary of the commencement of any Optional Deferral Period if we have notified the Federal Reserve of our

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intention both (1) to sell our qualified warrants or common shares and (2) to apply the net proceeds of such sale

to pay deferred interest on the junior subordinated debentures, and the Federal Reserve has disapproved of either of these actions, even though we have affirmatively requested such approval. Because a Supervisory Event will exist if the Federal Reserve disapproves of either of these actions, the Federal Reserve will be able to permit us to sell qualified warrants or common shares but to prohibit us from applying the proceeds to pay deferred interest on the junior subordinated debentures, all without triggering a default under the indenture.

### **You Will Have Limited Remedies for Breach of Obligations Under the Indenture.**

Although various events may constitute a breach of our obligations under the indenture, most such events will not constitute an event of default and acceleration, and accordingly, will not give rise to a right of acceleration of principal and interest on the junior subordinated debentures. Such event of default and acceleration of principal and interest will occur only upon our failure to pay in full all interest accrued upon the conclusion of an Optional Deferral Period of ten consecutive years or as a result of certain specified events of bankruptcy, insolvency, or reorganization. See Description of the Junior Subordinated Debentures Events of Default and Acceleration.

### **Our Breach of the Alternative Payment Mechanism Is Not, by Itself, an Event of Default and Acceleration under the Indenture for the Junior Subordinated Debentures.**

We are required under the terms of the indenture for the junior subordinated debentures, absent the occurrence of a Market Disruption Event or Supervisory Event, upon the occurrence of the fifth anniversary of the commencement of an Optional Deferral Period that is continuing or earlier payment of current interest, to use commercially reasonable efforts to effect sales of our common shares in an amount that will generate sufficient Eligible Equity Proceeds to pay in full all deferred interest on the junior subordinated debentures, which is described in this prospectus supplement as the Alternative Payment Mechanism. However, our breach of the Alternative Payment Mechanism, including our use of funds in an amount in excess of the amount of Eligible Equity Proceeds raised to pay deferred interest, or our failure to use commercially reasonable efforts to effect sales of our common shares and apply the proceeds as described above, will not, by itself, constitute an event of default and acceleration under the indenture.

### **Holders of Our Senior Indebtedness Will Be Paid Before You Receive Payment Under the Guarantee.**

Our obligations under the junior subordinated debentures and the guarantee will be junior in right of payment and upon liquidation to all of our existing and future indebtedness, with certain limited exceptions. Accordingly, we will not be permitted to make any payments on the junior subordinated debentures or the guarantee if we are in default on this other indebtedness. In addition, in the event of our bankruptcy, liquidation or dissolution, our assets must be used to pay off this other indebtedness in full before any payments may be made on the junior subordinated debentures or the guarantee.

At September 30, 2006, our indebtedness and obligations, on an unconsolidated basis, totaled approximately \$4.7 billion, all of which will rank senior in right of payment and upon liquidation to the junior subordinated debentures. None of the indenture pursuant to which the junior subordinated debentures will be issued, the guarantee, the certificate of trust which created the Issuer Trust or the amended and restated trust agreement limits our ability to incur additional indebtedness.



For more information, see below under the caption Description of the Junior Subordinated Debentures Ranking of the Junior Subordinated Debentures and Guarantee.

**The Indenture Limits Our Obligation to Raise Proceeds from the Sale of Common Shares or Qualified Warrants to Pay Deferred Interest During the First Five Years of an Optional Deferral Period.**

The indenture limits our obligation to raise proceeds from the sale of common shares or qualified warrants to pay deferred interest prior to the fifth anniversary of the commencement of an Optional Deferral Period in

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excess of an amount we refer to as the APM maximum obligation. Once we reach the APM maximum obligation for an Optional Deferral Period, we will no longer be obligated to sell common shares to pay deferred interest unless such deferral extends beyond the date which is five years following the commencement of the relevant Optional Deferral Period. Although we have the right to sell common shares or qualified warrants in excess of the APM maximum obligation during the first five years of an Optional Deferral Period, we have no obligation to do so.

### **The Indenture Limits the Number of Common Shares that We May Sell to Pay Deferred Interest.**

The indenture limits the amount of our common shares that we are permitted to sell to pay deferred interest to the then-current share cap amount. See Description of the Junior Subordinated Debentures Alternative Payment Mechanism. If the then-current share cap amount equals 300 million shares and the number of our common shares that we need to sell in order to pay deferred interest in full exceeds this share cap amount, we may continue to defer interest, and such deferral will not constitute an event of default and acceleration unless it extends beyond the date which is ten years following the first interest payment date on which we deferred interest.

### **Your Claims in Bankruptcy, Insolvency and Receivership to Receive Payment in Respect of Deferred and Unpaid Interest May Be Limited.**

In certain events of our bankruptcy, insolvency or receivership prior to the redemption or repayment of any junior subordinated debentures, whether voluntary or not, a holder of junior subordinated debentures will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of the Alternative Payment Mechanism to the extent the amount is greater than 25% of the then-outstanding aggregate principal amount of the junior subordinated debentures.

### **Our Results of Operations Depend Upon the Results of Operations of Our Subsidiaries.**

We are a holding company that conducts substantially all of our operations through our bank and other subsidiaries. As a result, our ability to make payments on the junior subordinated debentures and the guarantee will depend primarily upon the receipt of dividends and other distributions from our subsidiaries. There are various regulatory restrictions on the ability of our bank subsidiary to pay dividends or make other payments to us. As of the close of business on September 30, 2006, our bank subsidiary had an additional \$270 million available to pay dividends to us without prior regulatory approval and without affecting its status as well-capitalized under FDIC defined capital categories.

In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or otherwise, and thus your ability as a holder of the trust preferred securities to benefit indirectly from such distribution, will be subject to the prior claims of creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, the trust preferred securities will effectively be subordinated to all existing and future liabilities and obligations of our subsidiaries. Therefore, holders of the trust preferred securities should look only to our assets for payments on the junior subordinated debentures and indirectly on the trust preferred securities. Further, the junior subordinated debentures and the guarantee also will be effectively subordinated to all existing and future obligations of our subsidiaries.

At September 30, 2006, our subsidiaries' total deposits and borrowings were approximately \$77.6 billion.

**If We Do Not Make Payments on the Junior Subordinated Debentures, the Issuer Trust Will Not Be Able to Pay Distributions and Other Payments on the Trust Preferred Securities and the Guarantee Will Not Apply.**

The Issuer Trust's ability to make timely distribution and redemption payments on the trust preferred securities is completely dependent upon our making timely payments on the junior subordinated debentures. If

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we default on the junior subordinated debentures, the Issuer Trust will lack funds for the payments on the trust preferred securities. If this happens, holders of trust preferred securities will not be able to rely upon the guarantee for payment of such amounts because the guarantee only guarantees that we will make distribution and redemption payments on the trust preferred securities if the Issuer Trust has the funds to do so itself but does not make such payments. Instead, you or the property trustee may proceed directly against us for payment of any amounts due on the trust preferred securities.

For more information, see below under the caption Description of the Trust Preferred Securities Trust Enforcement Events.

### **Our Right to Redeem or Repurchase the Junior Subordinated Debentures Is Limited by a Covenant That We Are Making in Favor of Certain of our Debtholders.**

By their terms, the junior subordinated debentures may be redeemed by us, in whole or in part, before their maturity at 100% of their principal amount plus accrued and unpaid interest on one or more occasions any time on or after December 15, 2011, or in whole at any time if certain changes occur in tax or investment company laws or regulations or in the treatment of the trust preferred securities as Tier 1 capital of KeyCorp under the capital guidelines of the Federal Reserve. However, around the time of the initial issuance of the junior subordinated debentures, we are entering into a Replacement Capital Covenant, which is described under the caption Certain Terms of the Replacement Capital Covenant, that will limit our right to redeem or purchase junior subordinated debentures. In the Replacement Capital Covenant, we covenant for the benefit of holders of a specified series of our indebtedness that ranks senior to the junior subordinated debentures, or in certain limited cases holders of a specified series of indebtedness of our largest depository institution subsidiary, that neither we nor any subsidiary of ours (including the Issuer Trust) will redeem or purchase any junior subordinated debentures or trust preferred securities on or before December 15, 2046 unless (a) subject to certain limitations, during the 180 days prior to the date of any such redemption or purchase, we have received proceeds from the sale of specified securities that have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the junior subordinated debentures at the time of redemption or repurchase, and (b) we have obtained the prior approval of the Federal Reserve, if such approval is then required.

Our ability to raise proceeds from qualifying securities during the 180 days prior to a proposed redemption or purchase will depend on, among other things, market conditions at such time as well as the acceptability to prospective investors of the terms of such qualifying securities. Accordingly, there could be circumstances where we or one of our subsidiaries would wish to redeem or purchase some or all of the junior subordinated debentures, including as a result of a tax event, investment company event or regulatory capital event, and, even though we have sufficient cash available for that purpose, we could be restricted from doing so because we have not been able to obtain proceeds from the sale of qualifying securities.

### **You May Have to Include Interest in Your Taxable Income Before You Receive Cash.**

If we defer interest payments on the junior subordinated debentures, you will be required to accrue interest income for United States federal income tax purposes in respect of your proportionate share of the accrued but unpaid interest on the junior subordinated debentures held by the Issuer Trust, even if you normally report income when received. As a result, you will be required to include the accrued interest in your gross income for United States federal income tax purposes prior to your receiving any cash distribution. If you sell your trust preferred securities prior to the record date for the first distribution after a deferral period, you would never receive the cash from us related to the accrued interest that you reported for tax purposes. **You should consult with your own tax advisor regarding the tax consequences of an investment in the trust preferred securities.**

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For more information regarding the tax consequences of purchasing the trust preferred securities, see below under the captions Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount, Receipt of Junior Subordinated Debentures or Cash Upon Liquidation of the Issuer Trust and Sales of Trust Preferred Securities.

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### **The Trust Preferred Securities May Be Redeemed Prior to Maturity; You May Be Taxed on the Proceeds and You May Not Be Able to Reinvest the Proceeds at the Same or a Higher Rate of Return.**

The junior subordinated debentures (and therefore the trust preferred securities) may be redeemed in whole or in part on one or more occasions any time on or after December 15, 2011, or in whole upon the occurrence of certain special events relating to changes in tax or investment company laws or regulations or the treatment of the trust preferred securities as Tier 1 capital of KeyCorp under the applicable capital guidelines of the Federal Reserve, subject to receipt of any necessary Federal Reserve approval. The redemption price for the junior subordinated debentures would be equal to 100% of the principal amount plus accrued and unpaid interest. If such redemption happens, the Issuer Trust must use the redemption price it receives to redeem, on a proportionate basis, trust preferred securities and common securities having an aggregate liquidation amount equal to the aggregate principal amount of the junior subordinated debentures redeemed.

The redemption of the trust preferred securities would be a taxable event to you for United States federal income tax purposes.

In addition, you may not be able to reinvest the money that you receive in the redemption at a rate that is equal to or higher than the rate of return on the trust preferred securities.

### **Federal Banking Authorities May Restrict the Ability of the Issuer Trust to Make Distributions on or Redeem the Trust Preferred Securities.**

Federal banking authorities will have the right to examine the Issuer Trust and its activities because the Issuer Trust is our subsidiary. Under certain circumstances, including any determination that our relationship to the Issuer Trust would result in an unsafe and unsound banking practice, these banking authorities have the authority to issue orders which could restrict the ability of the Issuer Trust to make distributions on or to redeem the trust preferred securities.

### **The Trust Preferred Securities May be Redeemed at Any Time if Certain Changes in Tax, Investment Company or Bank Regulatory Law Occur.**

If certain changes in tax, investment company or bank regulatory law or interpretations occur and are continuing, and certain other conditions that are more fully described in this prospectus supplement are satisfied, the trust preferred securities could be redeemed by the Issuer Trust within 90 days of the event.

### **The Market Price of the Trust Preferred Securities May Not Reflect Unpaid Interest, and, as a Result, You May Suffer a Loss If You Sell Them While Interest Remains Unpaid.**

Because of our right to defer interest payments on the junior subordinated debentures, the market price of the trust preferred securities may be more volatile than the market prices of similar securities that do not have this feature. If we exercise our right to defer, the market price of the trust preferred securities may decline. Accordingly, the trust preferred securities that you purchase, whether in the offering made pursuant to this

prospectus supplement or in the secondary market, or the junior subordinated debentures that you may receive on liquidation of the Issuer Trust, may trade at a discount to the price that you paid.

**Under Certain Circumstances, the Issuer Trust May Distribute the Junior Subordinated Debentures in Exchange for the Trust Preferred Securities, Which Could Affect the Market Price and Could Be a Taxable Event.**

We may dissolve the Issuer Trust at any time. After satisfying its liabilities to its creditors, if any, the Issuer Trust may distribute the junior subordinated debentures to the holders of the trust preferred securities. We will not dissolve the Issuer Trust without the prior approval of the Federal Reserve, if such approval is then required under applicable Federal Reserve capital guidelines or policies. For further information, see below under the caption Description of the Trust Preferred Securities Redemption or Exchange.

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We cannot predict the market price for the junior subordinated debentures that may be distributed in exchange for the trust preferred securities. Accordingly, the trust preferred securities, or the junior subordinated debentures that you may receive on liquidation of the Issuer Trust, may trade at a discount to the price that you paid to purchase the trust preferred securities.

### **An Active Trading Market for the Trust Preferred Securities May Not Develop.**

We intend to apply to list the trust preferred securities on the New York Stock Exchange. Trading is expected to commence within 30 days after the trust preferred securities are first issued. You should be aware that the listing of the trust preferred securities will not necessarily ensure that an active trading market will be available for the trust preferred securities or that you will be able to sell your trust preferred securities at the price you originally paid for them.

### **A Classification of the Trust Preferred Securities by the National Association of Insurance Commissioners ( NAIC ) Would Affect U.S. Insurance Investors and May Affect the Value of the Trust Preferred Securities.**

The Securities Valuation Office (the SVO ) of the NAIC may from time to time classify securities in U.S. insurers' portfolios as debt, preferred equity or common equity instruments. Under the written guidelines outlined by the SVO, it is not always clear which securities classify as debt, preferred equity or common equity or which features are specifically relevant in making this determination. We are aware that the SVO has classified several fixed income securities, either definitively or preliminarily, as common equity. We cannot assure you that the trust preferred securities would not be classified as common equity, if reviewed and classified by the SVO. If the NAIC were to classify the trust preferred securities as common equity, the willingness of U.S. insurance investors to hold the trust preferred securities could be reduced, which in turn could reduce the price of the trust preferred securities in any available after-market. On September 12, 2006, the NAIC Financial Condition E Committee adopted a proposal under which securities such as the trust preferred securities will be reported as preferred stock for the 2006 reporting year. This proposal remains subject to final review by the NAIC, and there can be no assurance that the NAIC will approve the proposal or as to the classification that the SVO may assign to the trust preferred securities in the future.

### **If You Waive the Covenant to Pay Deferred Interest Only With Proceeds from the Sale of Common Shares or Qualified Warrants, Our Credit Rating May Be Negatively Affected.**

The indenture contains covenants that permit us to pay deferred interest only with proceeds from the sale of our common shares and/or qualified warrants, except in limited circumstances. These covenants may be amended, and compliance with these covenants may be waived, solely by the holders of a majority of the liquidation amount of outstanding trust preferred securities, and no holder of our senior indebtedness will have the right to enforce these covenants. Although, in the short term, you may have an economic incentive to waive these covenants in order to receive deferred interest, if such covenants are waived and we pay deferred interest with funds received from any other source, our credit rating may be negatively affected. A negative effect on our credit rating may have an adverse effect on our business or financial condition, which could have an adverse effect on our ability to pay future interest on the junior subordinated debentures.

### **The Market Value of the Trust Preferred Securities May Be Influenced by Unpredictable Factors and, as a Result, You May Suffer a Loss If You Resell Them.**



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The market value of your trust preferred securities may fluctuate between the date you purchase them and the date on which you sell them or they are redeemed. Several factors, many of which are beyond our control, will influence the market value of the trust preferred securities. Factors that may influence the market value of the trust preferred securities include:

the creditworthiness of KeyCorp and the level of its regulatory capital from time to time;

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whether distributions have been and are likely to be paid on the trust preferred securities from time to time;

supply and demand for the trust preferred securities; and

economic, financial, geopolitical, regulatory or judicial events that affect KeyCorp or the financial markets generally.

Accordingly, if you sell your trust preferred securities in the secondary market, you may not be able to obtain a price equal to the face amount of the trust preferred securities or the price that you paid for your trust preferred securities.

**We Generally Will Control the Issuer Trust Because Your Voting Rights Are Very Limited.**

You will only have limited voting rights. In particular, you may not elect and remove any trustees of the Issuer Trust, except when there is a default under the junior subordinated debentures. If such a default occurs, a majority in liquidation amount of the holders of the trust preferred securities would be entitled to remove or appoint the property trustee and the Delaware trustee. See below under the captions Description of the Trust Preferred Securities Removal of Issuer Trust Trustees and Voting Rights; Amendment of the Trust Agreement.

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about our long-term goals, financial condition, results of operations, earnings, levels of net loan charge-offs and nonperforming assets, interest rate exposure and profitability. These statements usually can be identified by the use of forward-looking language such as our goal, our objective, our plan, will likely result, expects, plans, anticipates, intends, pr believes, estimates or other similar words or expressions or conditional verbs such as will, would, could, and should.

Forward-looking statements express management's current expectations, forecasts of future events or long-term goals and, by their nature, are subject to assumptions, risks and uncertainties. Although management believes that the expectations, forecasts and goals reflected in these forward-looking statements are reasonable, actual results could differ materially for a variety of reasons, including the following factors:

Interest rates could change more quickly or more significantly than we expect, which may have an adverse effect on our financial results.

Trade, monetary and fiscal policies of various governmental bodies may affect the economic environment in which we operate, as well as our financial condition and results of operations.

Adversity in general economic conditions, or in the condition of the local economies or industries in which we have significant operations or assets, could, among other things, materially impact credit quality trends and our ability to generate loans.

Increased competitive pressure among financial services companies may adversely affect our ability to market our products and services.

It could take us longer than we anticipate to implement strategic initiatives designed to grow revenue or manage expenses; we may be unable to implement certain initiatives; or the initiatives may be unsuccessful.

Acquisitions and dispositions of assets, business units or affiliates could adversely affect us in ways that management has not anticipated.

We may experience operational or risk management failures due to technological or other factors.

We may continue to become subject to heightened regulatory practices, requirements or expectations.

We may become subject to new legal obligations or liabilities, or the unfavorable resolution of pending litigation may have an adverse effect on our financial results.

Changes in the stock markets, public debt markets and other capital markets could adversely affect our ability to raise capital or other funding for liquidity and business purposes, as well as our revenues from client-based underwriting, investment banking and other capital markets businesses.

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Terrorist activities or military actions could disrupt the economy and the general business climate, which may have an adverse effect on our financial results or condition and that of our borrowers.

We may become subject to new accounting, tax or regulatory practices or requirements.

You should refer to our periodic and current reports filed with the Securities and Exchange Commission (and incorporated by reference herein) for further information on other factors that could cause actual results to be significantly different from those expressed or implied by these forward-looking statements. See above under the caption **Where You Can Find More Information** in this prospectus supplement.

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### **KEYCORP**

KeyCorp, organized in 1958 under the laws of the state of Ohio, is headquartered in Cleveland, Ohio. We are a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"). At September 30, 2006, we were one of the nation's largest bank-based financial services companies with consolidated total assets of approximately \$96 billion. Our subsidiaries provide a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance and investment banking products and services to individual, corporate and institutional clients through two major business groups: Community Banking and National Banking. As of September 30, 2006, these services were provided across much of the country through subsidiaries operating 949 full-service banking offices, a telephone banking call center services group and a network of 2,099 ATMs in sixteen states. We and our subsidiaries had an average of 20,264 full-time equivalent employees for the third quarter ended September 30, 2006.

In addition to the customary banking services of accepting deposits and making loans, our bank and trust company subsidiaries offer personal and corporate trust services, personal financial services, access to mutual funds, cash management services, investment banking and capital markets products, and international banking services. Through our subsidiary bank, trust company and registered investment adviser subsidiaries, we provide investment management services to clients, that include large corporate and public retirement plans, foundations and endowments, high-net-worth individuals and Taft-Hartley plans (*i.e.*, multiemployer trust funds established for providing pension, vacation or other benefits to employees).

We provide other financial services both inside and outside of our primary banking markets through our nonbank subsidiaries. These services include accident, health, and credit-life insurance on loans made by our subsidiary bank, principal investing, community development financing, securities underwriting and brokerage, merchant services, and other financial services. We are an equity participant in a joint venture with Key Merchant Services, LLC, which provides merchant services to businesses.

Our principal office and mailing address is 127 Public Square, Cleveland, Ohio 44114-1306. Our telephone number is (216) 689-6300.

### **Subsidiaries**

Our bank subsidiary, KeyBank National Association ( "KeyBank" ), is headquartered in Cleveland, Ohio. In addition to the customary banking services of accepting deposits and making loans, our bank and trust company subsidiaries provide specialized services, including personal and corporate trust services, personal financial services, customer access to mutual funds, cash management services, investment banking and capital markets products and international banking services. Through our subsidiary bank, trust company and registered investment adviser subsidiaries, we provide investment management services to individual and institutional clients, including large corporate and public retirement plans, foundations and endowments, high net worth individuals and Taft-Hartley plans (*i.e.*, multiemployer trust funds established for providing pension, vacation and other benefits to employees).

KeyCorp provides other financial services both inside and outside of its primary banking markets through its nonbank subsidiaries. These services include accident and health insurance on loans made by our subsidiary bank, principal investing, community development financing, securities underwriting, brokerage and other financial services. KeyCorp is an equity participant in a joint venture with Key Merchant Services, LLC, which provides merchant services to businesses.



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### **Major Lines of Business**

The following is a description of KeyCorp's and its subsidiaries (collectively, Key) major lines of business:

#### ***Community Banking***

*Regional Banking* provides individuals with branch-based deposit and investment products, personal finance services and loans, including residential mortgages, home equity and various types of installment loans. This line of business also provides small businesses with deposit, investment and credit products, and business advisory services.

Regional Banking also offers financial, estate and retirement planning, and asset management services to assist high-net-worth clients with their banking, brokerage, trust, portfolio management, insurance, charitable giving and related needs.

*Commercial Banking* provides midsize businesses with products and services that include commercial lending, cash management, equipment leasing, investments and employee benefit programs, succession planning, capital markets, derivatives and foreign exchange.

#### ***National Banking***

*Real Estate Capital* provides construction and interim lending, permanent debt placements and servicing, and equity and investment banking services to developers, brokers and owner-investors. This line of business deals exclusively with nonowner-occupied properties (*i.e.*, generally properties in which the owner occupies less than 60% of the premises).

*Equipment Finance* meets the equipment leasing needs of companies worldwide and provides equipment manufacturers, distributors and resellers with financing options for their clients. Lease financing receivables and related revenues are assigned to other lines of business (primarily Institutional and Capital Markets, and Commercial Banking) if those businesses are principally responsible for maintaining the relationship with the client.

*Institutional and Capital Markets* provides products and services to large corporations, middle-market companies, financial institutions, government entities and not-for-profit organizations. These products and services include commercial lending, treasury management, investment banking, derivatives and foreign exchange, equity and debt underwriting and trading, and syndicated finance.

Through its Victory Capital Management unit, Institutional and Capital Markets also manages or gives advice regarding investment portfolios for a national client base, including corporations, labor unions, not-for-profit organizations, governments and individuals. These portfolios may be managed in separate accounts, common funds or the Victory family of mutual funds.

*Consumer Finance* includes Indirect Lending, Commercial Floor Plan Lending and National Home Equity.

Indirect Lending offers loans to consumers through dealers. This business unit also provides federal and private education loans to students and their parents and processes payments on loans that private schools make to parents.

Commercial Floor Plan Lending finances inventory for automobile and marine dealers.

National Home Equity provides both prime and nonprime mortgage and home equity loan products to individuals. This business unit also works with home improvement contractors to provide home equity and home improvement financing solutions.

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**USE OF PROCEEDS**

We expect to use the net proceeds from the sale of the junior subordinated debentures for general corporate purposes, which may include:

reducing or refinancing existing debt;

repurchasing outstanding trust preferred securities;

investments at the holding company level;

investing in, or extending credit to, our operating subsidiaries;

possible acquisitions or other business combinations; and

share repurchases.

Pending such use, we may temporarily invest the net proceeds. The precise amounts and timing of the application of proceeds will depend upon our funding requirements and the availability of other funds. Allocations of the proceeds to specific purposes have not been made at the date of this prospectus supplement.

**Table of Contents****CAPITALIZATION**

The following table sets forth the consolidated capitalization of KeyCorp as of September 30, 2006, and as adjusted to give effect to the issuance and sale of the trust preferred securities and the application of the proceeds thereof. You should read the following table together with our consolidated financial statements and notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus.

	<b>September 30, 2006</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(in millions)</b>	
<b>Long-term Debt:</b>		
Long-term debt	\$ 13,654	\$ 13,654
6.750% junior subordinated debentures relating to the 6.750% enhanced trust preferred securities offered hereby		500
<b>Shareholders Equity:</b>		
Common shares, par value \$1.00 per share	492	492
Capital surplus	1,588	1,588
Retained earnings	8,371	8,371
Treasury stock	(2,434)	(2,434)
Accumulated other comprehensive loss	(70)	(70)
<b>Total shareholders equity</b>	<b>7,947</b>	<b>7,947</b>
<b>Total</b>	<b>\$ 21,601</b>	<b>\$ 22,101</b>

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**REGULATORY CONSIDERATIONS**

We are extensively regulated under both federal and state law. As a bank holding company, KeyCorp is subject to regulation, supervision and examination by the Federal Reserve under the BHCA. Under the BHCA, bank holding companies may not, in general, directly or indirectly acquire the ownership or control of more than 5% of the voting shares, or substantially all of the assets, of any bank, without the prior approval of the Federal Reserve. In addition, bank holding companies are generally prohibited under the BHCA from engaging in commercial or industrial activities. KeyCorp's bank subsidiaries are also subject to extensive regulation, supervision and examination by applicable Federal banking agencies. KeyCorp operates one full-service, FDIC-insured national bank subsidiary, KeyBank, and one national bank subsidiary whose activities are limited to those of a fiduciary. Each of KeyCorp's national bank subsidiaries and their subsidiaries are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the OCC). Because the deposits in KeyBank are insured (up to applicable limits) by the FDIC, the FDIC also has certain regulatory and supervisory authority over KeyBank.

KeyCorp also has other financial services subsidiaries that are subject to regulation, supervision and examination by the Federal Reserve, as well as other applicable state and federal regulatory agencies and self-regulatory organizations. For example, KeyCorp's brokerage and asset management subsidiaries are subject to supervision and regulation by the Securities and Exchange Commission (the SEC), the National Association of Securities Dealers, Inc. or the New York Stock Exchange and state securities regulators and KeyCorp's insurance subsidiaries are subject to regulation by the insurance regulatory authorities of the various states. Other nonbank subsidiaries of KeyCorp are subject to other laws and regulations of both the federal government and the various states in which they are authorized to do business.

Our earnings are also affected by general economic conditions, our management policies and legislative action. In addition, there are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a material effect on our business.

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**KEYCORP CAPITAL IX**

KeyCorp Capital IX is a statutory trust created under Delaware law pursuant to:

a trust agreement executed as of November 8, 2006 by us, as depositor of the Issuer Trust, the Trustee named therein and the Delaware trustee of the Issuer Trust; and

a certificate of trust filed with the Delaware Secretary of State on November 8, 2006.

The Issuer Trust exists for the exclusive purposes of:

issuing and selling the trust securities;

using the proceeds from the sale of the trust securities to acquire the junior subordinated debentures; and

engaging in only those other activities necessary or incidental to these purposes.

The Issuer Trust will offer to the public trust preferred securities representing undivided beneficial interests in the Issuer Trust. In addition to trust preferred securities offered to the public, the Issuer Trust will sell to KeyCorp trust common securities representing common beneficial interests in the Issuer Trust. All of the trust common securities of the Issuer Trust will be owned by us. The trust common securities and the trust preferred securities are also referred to together as the trust securities.

Because the Issuer Trust was established only for the purposes listed above, the junior subordinated debentures will be the Issuer Trust's sole assets. Payments on the junior subordinated debentures will be the Issuer Trust's sole source of income. The Issuer Trust will issue only one series of trust preferred securities.

As issuer of the junior subordinated debentures, we will pay:

all fees, expenses and taxes related to the Issuer Trust and the offering of the trust securities; and

all ongoing costs, expenses and liabilities of the Issuer Trust, except obligations to make distributions and other payments on the trust securities.

For so long as the trust preferred securities remain outstanding, we will:

own, directly or indirectly, all of the trust common securities;

cause the Issuer Trust to remain a statutory trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the certificate of trust by which the Issuer Trust was created;

use our commercially reasonable efforts to ensure that the Issuer Trust will not be an investment company for purposes of the Investment Company Act of 1940; and

take no action that would be reasonably likely to cause the Issuer Trust to be classified as other than a grantor trust for United States federal income tax purposes.

### **The Trustees**

The trustees for the Issuer Trust are Deutsche Bank Trust Company Americas, as property trustee, and Deutsche Bank Trust Company Delaware, as Delaware trustee, and two individual administrative trustees who are employees or officers of or affiliated with KeyCorp. These trustees are also referred to as the Issuer Trust trustees. Deutsche Bank Trust Company Americas, as property trustee, will act as sole indenture trustee under each trust agreement for purposes of compliance with the Trust Indenture Act. Deutsche Bank Trust Company Americas will also act as trustee under the guarantees and the indenture.

We have the sole right to appoint, remove and replace the trustees of the Issuer Trust, unless a default occurs with respect to the junior subordinated debentures. In that case, the holders of a majority in liquidation amount of the trust preferred securities will have the right to remove and appoint the property trustee and the Delaware trustee.

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The property trustee and the Delaware trustee are affiliates of Deutsche Bank Securities Inc., one of the underwriters of this offering. Under the Trust Indenture Act of 1939, as amended, due to this affiliation, if a default were to occur under the trust preferred securities, such trustees would be required to resign as trustees within 90 days of the default unless the default were cured, duly waived, or otherwise eliminated.

**Office of the Issuer Trust**

The principal executive office of the Issuer Trust is 127 Public Square, Cleveland, Ohio 44114-1306, and its telephone number is (216) 689-6300.

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**DESCRIPTION OF THE TRUST PREFERRED SECURITIES**

The trust preferred securities will be issued pursuant to the amended and restated trust agreement. The amended and restated trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939. The terms of the trust preferred securities will include those in the amended and restated trust agreement and those made part of the amended and restated trust agreement by the Trust Indenture Act of 1939. The following summary of the material terms and provisions of the trust preferred securities is not intended to be complete. You should read the following description together with the amended and restated trust agreement to help you understand the terms of the trust preferred securities. A form of the amended and restated trust agreement has been filed as an exhibit to the registration statement of which the accompanying prospectus forms a part. This description is qualified in its entirety by reference to the form of amended and restated trust agreement and the Trust Indenture Act of 1939. Whenever particular defined terms of the form of amended and restated trust agreement are referred to in this prospectus supplement, those defined items are incorporated in this prospectus supplement by reference.

**General**

The amended and restated trust agreement authorizes the administrative trustees to issue the trust preferred securities and the trust common securities. The Issuer Trust's only assets will be the junior subordinated debentures. The trust preferred securities and trust common securities represent undivided preferred beneficial interests in the Issuer Trust's assets. All of the trust common securities will be owned, directly or indirectly, by KeyCorp. The trust common securities rank equally, and payments will be made on the trust common securities on a pro rata basis, with the trust preferred securities. If an event of default under the amended and restated trust agreement exists, however, the rights of the holders of the trust common securities to receive distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the trust preferred securities. The amended and restated trust agreement does not permit the Issuer Trust to issue any securities other than the trust preferred securities and trust common securities or to incur any debt.

**Distributions**

Distributions on the trust preferred securities will be cumulative and will accrue from November 21, 2006 at the annual rate of 6.750% of the liquidation amount of each trust preferred security. Distributions will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on March 15, 2007, to holders of the trust preferred securities. Distributions not paid when due for more than one quarterly payment period will themselves accumulate interest at the annual rate of 6.750% compounded quarterly. The Issuer Trust will compute the amount of distributions payable for any period on the basis of a 360-day year consisting of twelve 30-day months. The amount of distributions payable for any partial period will be computed on the basis of the actual number of days elapsed per 30-day month.

If distributions are payable on a date that is not a business day, then the Issuer Trust will pay the distributions payable on that date on the next succeeding day that is a business day, without making any additional distributions or other payments because of the delay. However, if the next business day falls in the next calendar year, the Issuer Trust will make the payment on the immediately preceding business day. A business day means any day other than:

a day on which banking institutions in the City of New York are authorized or required by law or executive order to remain closed; or

a day on which the corporate trust office of the property trustee or the junior trustee is closed for business. See below under the caption Description of the Junior Subordinated Debentures General in this prospectus supplement for a description of the junior trustee.

The term "distributions" includes any quarterly payments made on the trust preferred securities and trust common securities, any deferred distribution and any payments that accumulate on distributions not paid on the applicable distribution date, all as further described below.

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### **Deferral of Distributions**

We have the right, on one or more occasions, to defer payment of interest on the junior subordinated debentures for one or more consecutive interest periods that do not exceed 10 years, as described under [Description of the Junior Subordinated Debentures](#) [Option to Defer Interest Payments](#).

Although neither we nor the Issuer Trust will be required to make interest or distribution payments during deferral periods other than pursuant to the Alternative Payment Mechanism described under [Description of the Junior Subordinated Debentures](#) [Alternative Payment Mechanism](#) below, interest on the junior subordinated debentures will continue to accrue during deferral periods and, as a result, distributions on the trust preferred securities will continue to accumulate at the interest rate on the junior subordinated debentures, compounded on each interest payment date. In the limited circumstances described under [Description of the Junior Subordinated Debentures](#) [Limitation on Claims in the Event of Bankruptcy, Insolvency or Receivership](#), interest on the junior subordinated debentures will be cancelled and the corresponding distributions on the trust preferred securities will not be made.

Once we pay all accrued and unpaid deferred interest on the junior subordinated debentures, we again can defer interest payments on the junior subordinated debentures in the same manner as discussed above, but not beyond the maturity date of the junior subordinated debentures. As a result, there could be multiple periods of varying length during which you would not receive cash distributions from the Issuer Trust. In addition, we will be prohibited from paying interest, except from the net proceeds of certain sales of our qualified warrants or common shares, in the circumstances described under the caption [Description of the Junior Subordinated Debentures](#) [Option to Defer Interest Payments](#). Our use of other sources to fund interest payments would be a breach of our obligations under the junior subordinated debentures, but would not be an event of default and acceleration under the indenture.

We currently do not intend to defer interest payments on the junior subordinated debentures. If we defer such interest payments, however, neither we nor our subsidiaries generally will be permitted to pay dividends on or repurchase shares of our capital stock or make payments on debt securities or guarantees that rank equal or junior to the junior subordinated debentures and the guarantee. These limitations are described in greater detail below under the caption [Description of the Junior Subordinated Debentures](#) [Option to Defer Interest Payments](#) in this prospectus supplement.

If we choose to defer payments of interest on the junior subordinated debentures, the junior subordinated debentures would at that time be treated as being issued with original issue discount for United States federal income tax purposes. This means you will be required to include your share of the accrued but unpaid interest on the junior subordinated debentures in your gross income for United States federal income tax purposes before you receive cash distributions from the Issuer Trust. This treatment will apply as long as you own trust preferred securities. For more information, see below under the caption [Certain United States Federal Income Tax Consequences](#) [United States Holders](#) [Interest Income and Original Issue Discount](#) in this prospectus supplement.

We will provide to the Issuer Trust written notice of any optional deferral of interest at least ten and not more than 60 business days prior to the applicable interest payment date, and any such notice will be forwarded promptly by the Issuer Trust to each holder of record of trust preferred securities. In addition, we will be excused from our obligations under the Alternative Payment Mechanism in respect of any interest payment date if we provide written certification to the Issuer Trust (which the Issuer Trust will promptly forward upon receipt to each holder of record of trust preferred securities) no more than 20 and no fewer than ten business days in advance of that interest payment date certifying as to the matters regarding the occurrence of a Market Disruption Event or a Supervisory Event described under the caption [Description of the Junior Subordinated Debentures](#) [Alternative Payment Mechanism](#).



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During any Optional Deferral Period (as defined below), we will not and our subsidiaries will not do any of the following, with certain limited exceptions:

declare or pay any dividends or distributions, or redeem, purchase, acquire, or make a liquidation payment on any of our capital stock, or make any guarantee payments relating to the foregoing; or

make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities (including other junior subordinated debentures) or guarantees that rank upon our liquidation on a parity with or junior in interest to the junior subordinated debentures.

Our outstanding junior subordinated debentures contain comparable provisions that will restrict the payment of principal of, and interest on, and the repurchase or redemption of, any of the subordinated debentures as well as guarantee payments on the guarantee of the subordinated debentures if any of the foregoing circumstances occur with respect to those securities.

In addition, if any Optional Deferral Period lasts longer than one year, the limitation on our ability to redeem or repurchase any of our securities that rank pari passu with or junior in interest to the junior subordinated debentures will continue until the first anniversary of the date on which all deferred interest has been paid, unless otherwise required by the Federal Reserve.

## **Payment of Distributions**

Distributions on the trust preferred securities will be payable to holders named on the securities register of the Issuer Trust on the relevant record date. As long as the trust preferred securities are represented by a global security, the record date for the payment of distributions will be one business day before the relevant payment date. If the trust preferred securities are ever issued in certificated form, the record dates for the junior subordinated debentures will be the first day of the month in which the relevant interest payment date occurs.

As long as the trust preferred securities are represented by a global security, payments on the trust preferred securities will be made in immediately available funds to DTC, the depositary for the trust preferred securities. If the trust preferred securities are ever issued in physical certificated form, payment of distributions on the trust preferred securities will be made by check mailed on or before the due date to the holders of trust preferred securities on the relevant record date.

The Issuer Trust's only source of income is the payments we will make on the junior subordinated debentures. If we do not make payments on the junior subordinated debentures, the Issuer Trust will not have funds available to make payments on the trust preferred securities. Although we will guarantee payment of distributions on the trust preferred securities under the guarantee, we will only be obligated to make a payment under the guarantee if the Issuer Trust has the funds available to make the payment but fails to make such payment.

## **Redemption or Exchange**

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The trust preferred securities have no stated maturity but must be redeemed upon the maturity of the junior subordinated debentures or their earlier redemption. The junior subordinated debentures will mature on December 15, 2066. The redemption price per trust preferred security in each case would equal the redemption amount of a like amount of junior subordinated debentures (that is, for each \$25 trust preferred security, \$25 plus accrued and unpaid interest to the redemption date).

We may redeem the junior subordinated debentures:

at our option in whole or in part on one or more occasions at any time on or after December 15, 2011; or

in whole at any time (including prior to December 15, 2011) if certain Special Events occur. See below under the caption Description of the Junior Subordinated Debentures Redemption.

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Upon the repayment or redemption, in whole or in part, of any junior subordinated debentures, whether at maturity or upon earlier redemption as provided in the indenture, the proceeds from the repayment or redemption will be applied by the property trustee to redeem a like amount (as defined below) of the trust securities, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the aggregate liquidation amount of such trust securities plus accumulated but unpaid distributions to the date of redemption and the related amount of the premium, if any, paid by us upon the concurrent redemption of the junior subordinated debentures. See below under the caption "Description of the Junior Subordinated Debentures - Redemption" in this prospectus supplement. If less than all of any series of the junior subordinated debentures are to be repaid or redeemed on a redemption date, then the proceeds from the repayment or redemption will be allocated to the redemption pro rata of the related trust preferred securities and the trust common securities based upon the relative liquidation amounts of these classes. The amount of premium, if any, paid by us upon the redemption of all or any part of the junior subordinated debentures to be repaid or redeemed on a redemption date will be allocated to the redemption pro rata of the trust preferred securities and the trust common securities. The redemption price will be payable on each redemption date only to the extent that the Issuer Trust has funds then on hand and available in the payment account for the payment of the redemption price.

*Distribution of Junior Subordinated Debentures.* Subject to our having received prior approval of the Federal Reserve to do so if such approval is then required under applicable capital guidelines or policies of the Federal Reserve, we have the right at any time to dissolve the Issuer Trust and, after satisfaction of the liabilities of creditors of the Issuer Trust as provided by applicable law, cause the junior subordinated debentures in respect of the trust preferred securities and trust common securities issued by the Issuer Trust to be distributed to the holders of the trust preferred securities and trust common securities in liquidation of the Issuer Trust.

*Tax Event, Investment Company Event or Capital Treatment Event Redemption.* If a tax event, investment company event or capital treatment event in respect of the trust preferred securities and trust common securities has occurred and is continuing, we have the right to redeem the junior subordinated debentures in whole or in part and thereby cause a mandatory redemption of the trust preferred securities and trust common securities in whole or in part at the redemption price within 90 days following the occurrence of the tax event, investment company event or capital treatment event. If a tax event, investment company event or capital treatment event has occurred and is continuing in respect of the trust preferred securities and trust common securities and we do not elect to redeem the corresponding junior subordinated debentures and thereby cause a mandatory redemption of the trust preferred securities or to dissolve and liquidate the Issuer Trust and cause the junior subordinated debentures to be distributed to holders of the trust preferred securities and trust common securities in liquidation of the Issuer Trust as described above, such trust preferred securities will remain outstanding and additional sums (as defined below) may be payable on the junior subordinated debentures.

The term "additional sums" means the additional amounts as may be necessary in order that the amount of distributions then due and payable by the Issuer Trust on the outstanding trust preferred securities and trust common securities will not be reduced as a result of any additional taxes, duties and other governmental charges to which the Issuer Trust has become subject as a result of a tax event.

After the liquidation date fixed for any distribution of the junior subordinated debentures:

the trust preferred securities will no longer be deemed to be outstanding;

The Depository Trust Company, commonly referred to as DTC (for a more detailed explanation of DTC, see below under the caption "Book-Entry Issuance" of this prospectus supplement) or its nominee, as the record holder of the trust preferred securities, will receive a registered global certificate or certificates representing the junior subordinated debentures to be delivered upon the distribution; and

any certificates representing the trust preferred securities not held by DTC or its nominee will be deemed to represent the junior subordinated debentures having a principal amount equal to the stated liquidation amount of the trust preferred securities, and bearing

accrued and unpaid interest in an amount equal to the accrued and unpaid distributions on the trust preferred securities until the certificates are presented to the administrative trustees or their agent for transfer or reissuance.

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Any distribution of junior subordinated debentures to holders of trust preferred securities will be made to the applicable recordholders as they appear on the register for the trust preferred securities on the relevant record date, which will be one business day prior to the liquidation date. In the event that any trust preferred securities are not in book-entry form, the relevant record date will be a date at least 15 days prior to the liquidation date.

There can be no assurance as to the market prices for the trust preferred securities or the junior subordinated debentures that may be distributed in exchange for trust preferred securities if a dissolution and liquidation of the Issuer Trust were to occur. Accordingly, the trust preferred securities that an investor may purchase, or the junior subordinated debentures that the investor may receive on dissolution and liquidation of the Issuer Trust, may trade at a discount to the price that the investor paid to purchase the trust preferred securities being offered by this prospectus supplement.

The term *like amount* means:

with respect to a redemption of trust securities, trust securities having a liquidation amount (as defined below) equal to the principal amount of the junior subordinated debentures to be contemporaneously redeemed in accordance with the indenture, the proceeds of which will be used to pay the redemption price of the trust securities; and

with respect to a distribution of the junior subordinated debentures to holders of the trust securities in connection with a dissolution or liquidation of the Issuer Trust, the junior subordinated debentures having a principal amount equal to the liquidation amount of the trust securities in respect of which the distribution is made.

The term *liquidation amount* means the stated amount per trust security of \$25.

The Issuer Trust cannot redeem less than all of the trust preferred securities unless all accrued and unpaid distributions on the trust preferred securities and trust common securities have been paid on or before the redemption date.

## **Redemption Procedures**

Trust preferred securities redeemed on each redemption date will be redeemed at the redemption price with the applicable proceeds from the contemporaneous redemption of the corresponding junior subordinated debentures. Redemptions of the trust preferred securities will be made and the redemption price will be payable on each redemption date only to the extent that the related Issuer Trust has funds on hand available for the payment of the redemption price. See below under the caption *Subordination of Trust Common Securities* in this prospectus supplement.

If the property trustee gives a notice of redemption in respect of any trust preferred securities, then, while such trust preferred securities are in book-entry form, by 11:00 a.m., New York City time, on the redemption date, to the extent funds are available, the property trustee will:

irrevocably deposit with DTC funds sufficient to pay the applicable redemption price; and

give DTC irrevocable instructions and authority to pay the redemption price to the holders of the trust preferred securities. See below under the caption "Book Entry Issuance" in this prospectus supplement.

If the trust preferred securities are no longer in book-entry form, the property trustee, to the extent funds are available, will:

irrevocably deposit with the paying agent for the trust preferred securities funds sufficient to pay the applicable redemption price; and

give the paying agent irrevocable instructions and authority to pay the redemption price to the holders upon surrender of their certificates evidencing the trust preferred securities.

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Notwithstanding the above, distributions payable on or prior to the redemption date for any trust preferred securities called for redemption will be payable to the holders of the trust preferred securities on the relevant record dates for the related distribution dates.

Once notice of redemption has been given and funds deposited as required, then upon the date of the deposit, all rights of the holders of the trust preferred securities so called for redemption will cease, except the right of the holders of the trust preferred securities to receive the redemption price and any distribution payable in respect of the trust preferred securities on or prior to the redemption date, but without interest on the redemption price, and the trust preferred securities will cease to be outstanding. In the event that any date fixed for redemption of trust preferred securities is not a business day, then payment of the redemption price will be made on the next business day (and without any interest or other payment in connection with this delay) except that, if the next business day falls in the next calendar year, the redemption payment will be made on the immediately preceding business day, in either case with the same force and effect as if made on the original date. In the event that payment of the redemption price in respect of trust preferred securities called for redemption is improperly withheld or refused and not paid either by the Issuer Trust or by us pursuant to the related guarantee as described under the caption *Description of the Guarantee*, distributions on the trust preferred securities will continue to accumulate at the then applicable rate from the redemption date originally established by the Issuer Trust for the trust preferred securities to the date the redemption price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the redemption price.

Subject to applicable law (including, without limitation, U.S. federal securities law), we or our subsidiaries may at any time and from time to time purchase outstanding trust preferred securities by tender, in the open market or by private agreement.

If less than all of the trust preferred securities and trust common securities issued by the Issuer Trust are to be redeemed on a redemption date, then the aggregate liquidation amount of the trust preferred securities and trust common securities to be redeemed will be allocated pro rata to the trust preferred securities and the trust common securities based upon the relative liquidation amounts of these classes. The particular trust preferred securities to be redeemed will be selected on a pro rata basis not more than 60 days prior to the redemption date by the property trustee from the outstanding trust preferred securities not previously called for redemption, by a customary method that the property trustee deems fair and appropriate and which may provide for the selection for redemption of portions (equal to \$25 or an integral multiple of \$25) of the liquidation amount of trust preferred securities of a denomination larger than \$25. The property trustee will promptly notify the securities registrar in writing of the trust preferred securities selected for redemption and, in the case of any trust preferred securities selected for partial redemption, the liquidation amount to be redeemed.

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 trust securities to be redeemed at its registered address. Unless we default in payment of the redemption price on the junior subordinated debentures, on and after the redemption date interest will cease to accrue on the junior subordinated debentures or portions thereof (and distributions will cease to accrue on the trust preferred securities or portions thereof) called for redemption.

## **Subordination of Trust Common Securities**

Payment of distributions on, and the redemption price of, the trust preferred securities and trust common securities, as applicable, will be made pro rata based on the liquidation amount of the trust preferred securities and trust common securities; *provided, however*, that if on any distribution date, redemption date or liquidation date a default under the indenture has occurred and is continuing as a result of any failure by us to pay any amounts in respect of the junior subordinated debentures when due, no payment of any distribution on, or redemption price of, or liquidation distribution in respect of, the trust common securities, and no other payment on account of the redemption, liquidation or other acquisition of the trust common securities, will be made unless payment in full in cash of all accumulated and unpaid distributions on the trust preferred securities for all



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distribution periods terminating on or prior to that date, or in the case of payment of the redemption price the full amount of the redemption price on all of the outstanding trust preferred securities then called for redemption, or in the case of payment of the liquidation distribution the full amount of the liquidation distribution on all outstanding trust preferred securities, has been made or provided for, and all funds available to the property trustee must first be applied to the payment in full in cash of all distributions on, or redemption price of, the trust preferred securities then due and payable.

## **Trust Enforcement Events**

An event of default and acceleration under the indenture constitutes an event of default under the amended and restated trust agreement. We refer to such an event as a Trust Enforcement Event. For more information on events of default and acceleration under the indenture, see below under the caption Description of the Junior Subordinated Debentures Events of Default and Acceleration in this prospectus supplement. Upon the occurrence and continuance of a Trust Enforcement Event, the property trustee, as the sole holder of the junior subordinated debentures, will have the right under the indenture to declare the principal amount of the junior subordinated debentures due and payable. The amended and restated trust agreement does not provide for any other events of default.

If the property trustee fails to enforce its rights under the junior subordinated debentures, any holder of trust preferred securities may, to the extent permitted by applicable law, institute a legal proceeding against us to enforce the property trustee's rights under the junior subordinated debentures and the indenture without first instituting legal proceedings against the property trustee or any other person (which we refer to as a direct action). In addition, if a Trust Enforcement Event has occurred due to our failure to pay interest in full on the junior subordinated debentures for a period of 30 days after the conclusion of a ten year period following the commencement of any Optional Deferral Period, then a registered holder of trust preferred securities may institute a direct action on or after the due date directly against us for enforcement of payment of the principal of, or interest on, the junior subordinated debentures to that holder with respect to the junior subordinated debentures having a principal amount equal to the total liquidation amount of that holder's trust preferred securities. In connection with such a direct action, we will have the right under the indenture to set off any payment made to that holder by us. The holders of trust preferred securities will not be able to exercise directly any other remedy available to the holders of the junior subordinated debentures.

Pursuant to the amended and restated trust agreement, the holder of the common securities will be deemed to have waived any Trust Enforcement Event regarding the common securities until all Trust Enforcement Events regarding the trust preferred securities have been cured, waived or otherwise eliminated. Until all Trust Enforcement Events regarding the trust preferred securities have been so cured, waived or otherwise eliminated, the property trustee will act solely on behalf of the holders of the trust preferred securities and only the holders of the trust preferred securities will have the right to direct the enforcement actions of the property trustee.

## **Removal of Issuer Trust Trustees**

Unless an event of default has occurred and is continuing, any Issuer Trust trustee may be removed at any time by the holder of the trust common securities. If a default has occurred and is continuing, the property trustee and the Delaware trustee may be removed by the holders of a majority in liquidation amount of the outstanding trust preferred securities. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees. Such voting rights are vested exclusively in us as the holder of the trust common securities. No resignation or removal of an Issuer Trust trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the applicable trust agreement.

## **Co-Trustees and Separate Property Trustee**

Unless an event of default has occurred and is continuing, at any time or from time to time, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the trust

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property may at the time be located, we, as the holder of the trust common securities, and the administrative trustees will have power to appoint one or more persons either to act as a co-trustee, jointly with the property trustee, of all or any part of the trust property, or to act as separate trustee of any trust property, in either case with the powers specified in the instrument of appointment, and to vest in the person or persons in this capacity any property, title, right or power deemed necessary or desirable, subject to the provisions of the trust agreement. In case a default has occurred and is continuing, the property trustee alone will have power to make this appointment.

### **Merger or Consolidation of Issuer Trust Trustees**

Any person into which the property trustee, the Delaware trustee or any administrative trustee that is not a natural person may be merged or converted or with which it may be consolidated, or any person resulting from any merger, conversion or consolidation to which the trustee will be a party, or any person succeeding to all or substantially all the corporate trust business of the trustee, will automatically become the successor of the trustee under the trust agreement, provided the person is otherwise qualified and eligible.

### **Mergers, Consolidations, Amalgamations or Replacements of the Issuer Trust**

The Issuer Trust may not merge, consolidate or amalgamate with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other person, except as described below. The Issuer Trust may, at our request, with the consent of the holders of a majority in liquidation amount of the trust preferred securities, merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized under the laws of any state, provided that:

the successor entity either:

expressly assumes all of the obligations of the Issuer Trust with respect to the trust preferred securities; or

substitutes for the trust preferred securities other securities having substantially the same terms as the trust preferred securities (referred to as the successor securities ) so long as the successor securities rank the same as the trust preferred securities in priority with respect to distributions and payments upon liquidation, redemption and otherwise;

we expressly appoint a trustee of the successor entity possessing the same powers and duties as the property trustee as the holder of the junior subordinated debentures;

the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the trust preferred securities to be downgraded by any nationally recognized statistical rating organization which assigns ratings to the trust preferred securities;

the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the trust preferred securities (including any successor securities) in any material respect;

the successor entity has a purpose substantially identical to that of the Issuer Trust;

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prior to the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, we have received an opinion from counsel to the Issuer Trust to the effect that:

the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the trust preferred securities (including any successor securities) in any material respect;

following the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Issuer Trust nor the successor entity will be required to register as an investment company under the Investment Company Act of 1940, as amended; and

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we or any permitted successor or assignee owns all of the trust common securities of the successor entity and guarantees the obligations of the successor entity under the successor securities at least to the extent provided by the related guarantee.

Notwithstanding the foregoing, the Issuer Trust will not, except with the consent of holders of 100% in liquidation amount of the trust preferred securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Issuer Trust or the successor entity to be classified as an association taxable as a corporation or as other than a grantor trust for U.S. federal income tax purposes.

If we are involved in a business combination where, immediately after the consummation of such business combination, more than 50% of the surviving entity's voting stock is owned by the shareholders of the other party to the business combination, then:

any interest on the junior subordinated debentures that is deferred and unpaid as of the date of consummation of the business combination shall not be subject to the Alternative Payment Mechanism described in Description of the Junior Subordinated Debentures Alternative Payment Mechanism below; and

our covenant not to repurchase any of our securities that rank pari passu with or junior in interest to the junior subordinated debentures for a one-year period following the end of an Optional Deferral Period that lasts longer than one year described below under Description of the Junior Subordinated Debentures Option to Defer Interest Payments Certain Limitations During a Deferral Period will not apply to any Optional Deferral Period that is terminated on the next interest payment date following the date of consummation of the business combination.

There are no provisions that afford holders of any trust preferred securities protection in the event of a sudden and dramatic decline in our credit quality resulting from any highly leveraged transaction, takeover, merger, recapitalization or similar restructuring or change in control of KeyCorp, nor are there any provisions that require the repurchase of any trust preferred securities upon a change in control of KeyCorp.

**Voting Rights; Amendment of the Trust Agreement**

Except as provided below and under the caption Description of the Guarantee Amendments and Assignment and as otherwise required by law, the holders of the trust preferred securities will have no voting rights or the right to in any manner otherwise control the administration, operation or management of the Issuer Trust.

The trust agreement may be amended from time to time by us, without the consent of the holders of the trust preferred securities:

to cure any ambiguity, correct or supplement any provisions in the trust agreement that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the trust agreement, which will not be inconsistent with the other provisions of the trust agreement; or

to modify, eliminate or add to any provisions of the trust agreement as necessary to ensure that the Issuer Trust:

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will be classified for U.S. federal income tax purposes as a grantor trust or as other than an association taxable as a corporation at all times that any trust securities are outstanding; or

will not be required to register as an investment company under the Investment Company Act;

provided that:

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no such amendment will adversely affect in any material respect the rights of the holders of the trust preferred securities; and

any such amendment will become effective when notice of the amendment is given to the holders of trust securities.

Additionally, the trust agreement may be amended by us with:

the consent of holders representing at least a majority (based upon liquidation amounts) of the outstanding trust securities; and

receipt by the Issuer Trust trustees of an opinion of counsel to the effect that the amendment or the exercise of any power granted to the Issuer Trust trustees in accordance with the amendment will not cause the Issuer Trust to be taxable as a corporation or affect the Issuer Trust's status as a grantor trust for U.S. federal income tax purposes or the Issuer Trust's exemption from status as an investment company under the Investment Company Act;

provided that, without the consent of each holder of trust securities, the trust agreement may not be amended to:

change the amount or timing of any distribution on the trust securities or otherwise adversely affect the amount of any distribution required to be made in respect of the trust securities as of a specified date; or

restrict the right of a holder of trust securities to institute suit for the enforcement of any such payment on or after such date.

So long as any junior subordinated debentures are held by the property trustee, the Issuer Trust trustees will not:

direct the time, method and place of conducting any proceeding for any remedy available to the junior trustee, or executing any trust or power conferred on the property trustee with respect to the corresponding junior subordinated debentures;

waive any past default that is waivable under the indenture;

exercise any right to rescind or annul a declaration that the principal of all the junior subordinated debentures will be due and payable; or

consent to any amendment, modification or termination of the indenture or the junior subordinated debentures, where this consent is required, without, in each case, obtaining the prior approval of the holders of a majority in aggregate liquidation amount of all outstanding trust preferred securities;

provided, however, that where a consent under the indenture would require the consent of each holder of junior subordinated debentures affected, no such consent will be given by the property trustee without the prior consent of each holder of the trust preferred securities. The Issuer Trust trustees will not revoke any action previously authorized or approved by a vote of the holders of the trust preferred securities except by subsequent vote of the holders of those trust preferred securities. The property trustee will notify each holder of trust preferred securities of any notice of default with respect to the junior subordinated debentures. In addition to obtaining the foregoing approvals of the holders of the

trust preferred securities, prior to taking any of the foregoing actions, the Issuer Trust trustees will obtain an opinion of counsel to the effect that:

the Issuer Trust will not be classified as an association taxable as a corporation for U.S. federal income tax purposes on account of the action; and

the action would not cause the Issuer Trust to be classified as other than a grantor trust for U.S. federal income tax purposes.

Any required approval of holders of trust preferred securities may be given at a meeting of holders of trust preferred securities convened for that purpose or pursuant to written consent. The administrative trustees or, at the written request of the administrative trustees, the property trustee will cause a notice of any meeting at which holders of trust preferred securities are entitled to vote, to be given to each holder of record of trust preferred securities in the manner set forth in the trust agreement.

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No vote or consent of the holders of trust preferred securities will be required for the Issuer Trust to redeem and cancel its trust preferred securities in accordance with the trust agreement.

Notwithstanding that holders of trust preferred securities are entitled to vote or consent under any of the circumstances described above, any of the trust preferred securities that are owned by us, the Issuer Trust trustees or any affiliate of us or any Issuer Trust trustees, will, for purposes of that vote or consent, be treated as if they were not outstanding.

## **Global Trust Preferred Securities**

The trust preferred securities will be represented by fully registered global certificates issued as global trust preferred securities that will be deposited with, or on behalf of, a depository with respect to that series instead of paper certificates issued to each individual holder. The depository arrangements that will apply, including the manner in which principal of and premium, if any, and interest on trust preferred securities and other payments will be payable are discussed in more detail below under the heading **Book-Entry Issuance**.

## **Payment and Paying Agency**

Payments in respect of trust preferred securities will be made to DTC as described below under the heading **Book-Entry Issuance**. If any trust preferred securities are not represented by global certificates, payments will be made by check mailed to the address of the holder entitled to them as it appears on the register. The paying agent will initially be the property trustee and any co-paying agent chosen by the property trustee and reasonably acceptable to the administrative trustees and us. The paying agent will be permitted to resign as paying agent upon 30 days written notice to the property trustee and us. In the event that the property trustee is no longer the paying agent, the administrative trustees will appoint a successor (which will be a bank or trust company acceptable to the administrative trustees and us) to act as paying agent.

## **Registrar and Transfer Agent**

The property trustee will act as registrar and transfer agent for the trust preferred securities.

Registration of transfers of trust preferred securities will be effected without charge by or on behalf of each Issuer Trust, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The Issuer Trust will not be required to register or cause to be registered the transfer of the trust preferred securities after the trust preferred securities have been called for redemption.

## **Information Concerning the Property Trustee**

The property trustee, other than during the occurrence and continuance of a Trust Enforcement Event, undertakes to perform only those duties specifically set forth in the trust agreement and, after a Trust Enforcement Event, must exercise the same degree of care and skill as a prudent

person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the property trustee is under no obligation to exercise any of the powers vested in it by the trust agreement at the request of any holder of trust preferred securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred as a result. If no Trust Enforcement Event has occurred and is continuing and the property trustee is required to decide between alternative causes of action, construe ambiguous provisions in the applicable trust agreement or is unsure of the application of any provision of the applicable trust agreement, and the matter is not one on which holders of trust preferred securities are entitled under the trust agreement to vote, then the property trustee will take such action as is directed by us and if not so directed, will take such action as it deems advisable and in the best interests of the holders of the trust securities and will have no liability except for its own bad faith, negligence or willful misconduct.

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### **Miscellaneous**

The administrative trustees are authorized and directed to conduct the affairs of and to operate the Issuer Trust in such a way that the Issuer Trust will not be (1) deemed to be an investment company required to be registered under the Investment Company Act or (2) classified as an association taxable as a corporation or as other than a grantor trust for U.S. federal income tax purposes and so that the corresponding junior subordinated debentures will be treated as indebtedness of KeyCorp for U.S. federal income tax purposes. In addition, we and the administrative trustees are authorized to take any action not inconsistent with applicable law, the certificate of trust of the Issuer Trust or the trust agreement, that we and the administrative trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not materially adversely affect the interests of the holders of the trust preferred securities.

Holders of the trust preferred securities have no preemptive or similar rights.

The Issuer Trust may not borrow money or issue debt or mortgage or pledge any of its assets.

### **Governing Law**

The amended and restated trust agreement and the trust preferred securities will be governed by, and construed in accordance with, the laws of the State of Delaware.

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**DESCRIPTION OF THE JUNIOR SUBORDINATED DEBENTURES**

The junior subordinated debentures will be issued pursuant to the indenture. The indenture is qualified under the Trust Indenture Act of 1939. The terms of the junior subordinated debentures will include those in the amended and restated trust agreement and those made part of the indenture by the Trust Indenture Act of 1939. The following summary of the material terms and provisions of the junior subordinated debentures is not intended to be complete. You should read the following description together with the indenture to help you understand the terms of the junior subordinated debentures. A copy of the indenture has been filed as an exhibit to the registration statement of which the accompanying prospectus forms a part. This description is qualified in its entirety by reference to the indenture and the Trust Indenture Act of 1939. Whenever particular defined terms of the indenture (as supplemented or amended from time to time) are referred to in this prospectus supplement, those defined terms are incorporated in this prospectus supplement by reference.

**General**

The junior subordinated debentures will be issued as unsecured debt under the Junior Subordinated Indenture, dated as of December 4, 1996, as supplemented from time to time, between KeyCorp and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee. This indenture is referred to as the indenture and the related trustee is referred to as the junior trustee. The junior subordinated debentures will be limited in aggregate principal amount to \$500,000,000. This amount is the sum of the aggregate stated liquidation amount of the trust preferred securities and the trust common securities. The entire principal amount of the junior subordinated debentures will mature and become due and payable, together with any accrued and unpaid interest thereon, and additional interest (as defined below), if any, on December 15, 2066.

The junior subordinated debentures will initially be issued in definitive certificated form, registered in the name of the property trustee. If junior subordinated debentures are distributed to holders of trust preferred securities in liquidation of such holders' interests in the Issuer Trust, the junior subordinated debentures will be issued in the form of one or more global securities (as described below). As described in this prospectus supplement, under limited circumstances, junior subordinated debentures may be issued in certificated form in exchange for a global security. In the event that junior subordinated debentures are issued in certificated form, the junior subordinated debentures will be in denominations of \$25 and integral multiples thereof and may be transferred or exchanged at the offices described below. Payments on junior subordinated debentures issued as a global security will be made to DTC, to a successor depositary or, in the event that no depositary is used, to a paying agent for the junior subordinated debentures. If junior subordinated debentures are issued in certificated form, principal and interest will be payable, the transfer of the junior subordinated debentures will be registrable and junior subordinated debentures will be exchangeable for junior subordinated debentures of other denominations of a like aggregate principal amount at the corporate trust office of the junior trustee in New York, New York. Payment of interest may be made at our option by check mailed to the address of the person entitled thereto or by transfer to an account maintained by the person entitled thereto.

We have the right to dissolve the Issuer Trust and cause the junior subordinated debentures to be distributed to the holders of the trust preferred securities and the trust common securities.

The indenture does not contain provisions that would afford holders of junior subordinated debentures protection in the event of a sudden and dramatic decline in our credit quality resulting from any highly leveraged transaction, reorganization, restructuring, merger or similar transaction involving us that may adversely affect such holders.

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The junior trustee is an affiliate of Deutsche Bank Securities Inc., one of the underwriters of this offering. Under the Trust Indenture Act of 1939, as amended, due to this affiliation, if a default were to occur under the junior subordinated debentures, the junior trustee would be required to resign as junior trustee within 90 days of the default unless the default were cured, duly waived, or otherwise eliminated.

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### **Interest Rate and Maturity**

The junior subordinated debentures will mature on December 15, 2066 and will bear interest, at a per annum rate equal to 6.750% of their principal amount, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2007. So long as the junior subordinated debentures are represented by a global security, the applicable record date shall be one business day before the relevant payment date. If the junior subordinated debentures are ever issued in certificated form (unless held by the property trustee), applicable record dates for each interest payment will be the first day of the month in which the relevant interest payment date occurs, even if that day is not a business day. Interest payments not paid when due will themselves accrue additional interest at the annual rate of 6.750%. When we refer to any payment of interest, interest includes such additional interest and any additional amounts. Each date on which interest is paid is called an interest payment date. The interest payment provisions for the junior subordinated debentures correspond to the distribution provisions for the trust preferred securities. The junior subordinated debentures do not have a sinking fund. This means that we are not required to make any principal payments prior to maturity of the junior subordinated debentures.

### **Ranking of the Junior Subordinated Debentures and Guarantee**

Our payment obligations under the junior subordinated debentures and the guarantee will be unsecured and will rank junior and be subordinated in right of payment and upon liquidation to all of our current and future indebtedness, other than trade account payables and accrued liabilities arising in the ordinary course of business; provided, however, that the junior subordinated debentures and the guarantee will rank equally in right of payment, subject to the provisions described below under Option to Defer Interest Payments Certain Limitations During a Deferral Period and Alternative Payment Mechanism, with any Pari Passu Securities.

Pari Passu Securities means: (i) indebtedness that, among other things, (a) qualifies as, or is issued to financing vehicles issuing securities that qualify as, Tier 1 capital of KeyCorp at the time of issuance under the capital guidelines of the Federal Reserve and (b) by its terms ranks equally with our 7% Junior Subordinated Debentures due June 15, 2066 and the junior subordinated debentures being offered hereby upon liquidation; and (ii) guarantees of indebtedness described in clause (i) or securities issued by one or more financing vehicles described in clause (i). Pari Passu Securities does not include our junior subordinated debentures or guarantees issued in connection with our currently outstanding and future traditional trust preferred securities, each of which will rank senior to the trust preferred securities being issued by the Issuer Trust.

As a holding company, our assets primarily consist of the equity securities of our subsidiaries. As a result, the ability of holders of the junior subordinated debentures to benefit from any distribution of assets of any subsidiary upon the liquidation or reorganization of such subsidiary is subordinate to the prior claims of present and future creditors of that subsidiary.

The trust preferred securities, the junior subordinated debentures and the guarantee do not limit our or our subsidiaries ability to incur additional debt, including debt that ranks senior in priority of payment to the junior subordinated debentures and the guarantee. At September 30, 2006, our indebtedness and obligations, on an unconsolidated basis, totaled approximately \$4.7 billion, all of which will rank senior in right of payment and upon liquidation to the junior subordinated debentures. In addition, the junior subordinated debentures will be effectively subordinated to all of our subsidiaries existing and future indebtedness and other obligations, including, but not limited to, obligations to depositors. At September 30, 2006, our subsidiaries total deposits and borrowings were approximately \$77.6 billion.

### **Redemption**



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We may redeem the junior subordinated debentures before their maturity at 100% of their principal amount plus accrued and unpaid interest:

in whole or in part, on one or more occasions at any time on or after December 15, 2011; or

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in whole at any time if certain changes occur in tax or investment company laws or regulations, or in the treatment of the trust preferred securities as Tier 1 capital of KeyCorp under the applicable capital guidelines of the Federal Reserve. These events, which we refer to as Special Events, are described in detail below under the caption Redemption Upon a Special Event.

We may not redeem the junior subordinated debentures unless we receive the prior approval of the Federal Reserve to do so, if such approval is then required.

### ***General***

When we repay the junior subordinated debentures, either at maturity on December 15, 2066 or upon early redemption (as discussed above), the Issuer Trust will use the cash it receives from the repayment or redemption of the junior subordinated debentures to redeem a corresponding amount of the trust preferred securities and trust common securities. The redemption price for the trust securities will be equal to the liquidation amount, \$25 per trust security, plus accumulated but unpaid distributions on the trust securities to the redemption date.

If less than all of the trust preferred securities and the trust common securities are redeemed, the total amount of the trust preferred securities and trust common securities to be redeemed will be allocated proportionately among the trust preferred securities and trust common securities, unless a default under the junior subordinated debentures or similar event has occurred, as described above under the caption Description of the Trust Preferred Securities Subordination of Trust Common Securities.

If we do not elect to redeem the junior subordinated debentures, then the trust preferred securities will remain outstanding until the repayment of the junior subordinated debentures unless we liquidate the Issuer Trust and distribute the junior subordinated debentures to you. For more information, see above under the caption Description of the Trust Preferred Securities Redemption or Exchange in this prospectus supplement.

### ***Redemption Upon a Special Event***

If a Special Event has occurred and is continuing, and we cannot cure that event by some reasonable action, then we may redeem the junior subordinated debentures within 90 days following the occurrence of the Special Event. A Special Event means, for these purposes, the occurrence of a Tax Event, a Regulatory Capital Event or an Investment Company Event. We summarize each of these events below.

A Tax Event means that either we or the Issuer Trust will have received an opinion of counsel (which may be our counsel or counsel of an affiliate but not an employee and which must be reasonably acceptable to the property trustee) experienced in tax matters stating that, as a result of any:

amendment to, or change (including any announced prospective change) in, the laws (or any regulations under those laws) of the United States or any political subdivision or taxing authority affecting taxation; or

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interpretation or application of the laws, enumerated in the preceding bullet point, or regulations by any court, governmental agency or regulatory authority,

there is more than an insubstantial risk that:

the Issuer Trust is, or will be within 90 days of the date of the opinion of counsel, subject to U.S. federal income tax on interest received or accrued on the junior subordinated debentures;

interest payable by us to the Issuer Trust on the junior subordinated debentures is not, or will not be within 90 days of the date of the opinion of counsel, deductible, in whole or in part, for U.S. federal income tax purposes; or

the Issuer Trust is, or will be within 90 days of the date of the opinion of counsel, subject to more than a minimal amount of other taxes, duties, assessments or other governmental charges.

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A **Regulatory Capital Event** means the reasonable determination by us that, as a result of any:

amendment to, or change (including any prospective change) in, the laws or any applicable regulation of the United States or any political subdivision; or

official or administrative pronouncement or action or judicial decision interpreting or applying the laws or regulations,

which amendment is effective or announced on or after the initial issuance of the trust preferred securities, there is more than an insubstantial risk of impairment of our ability to treat the trust preferred securities (or any substantial portion) as Tier 1 capital for purposes of the applicable capital adequacy guidelines of the Federal Reserve.

An **Investment Company Event** means the receipt by us and the Issuer Trust of an opinion of counsel experienced in matters relating to investment companies to the effect that, as a result of any:

change in law or regulation; or

change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority,

there is more than an insubstantial risk that the Issuer Trust is or will be considered an investment company that is required to be registered under the Investment Company Act, which change becomes effective on or after the initial issuance of the trust preferred securities.

## ***Redemption Procedures***

Notices of any redemption of the junior subordinated debentures and the procedures for that redemption shall be the same as those described for the redemption of the trust preferred securities under the caption **Description of the Trust Preferred Securities Redemption Procedures** above. Notice of any redemption will be given at least 30 days but not more than 60 days before the redemption date to each holder of junior subordinated debentures at its registered address.

## **Option to Defer Interest Payments**

We may defer quarterly interest payments on the junior subordinated debentures for one or more periods (each, an **Optional Deferral Period**) for up to 20 consecutive quarters, or five years, without being subject to our obligations under **Alternative Payment Mechanism** and for one or more periods of up to 40 consecutive quarters, or ten years, without giving rise to an event of default and acceleration under the terms of the junior subordinated debentures. A deferral of interest payments cannot extend, however, beyond the maturity date of the junior subordinated debentures. During an **Optional Deferral Period**, interest will continue to accrue on the junior subordinated debentures, compounded quarterly, and deferred interest payments will accrue additional interest at 6.750% (which rate is equal to the annual interest rate on the junior subordinated

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debentures) to the extent permitted by applicable law. No interest will be due and payable on the junior subordinated debentures until the end of the Optional Deferral Period except upon a redemption of the junior subordinated debentures during a deferral period.

We may pay at any time all or any portion of the interest accrued to that point during an Optional Deferral Period, although such payment is subject to the Alternative Payment Mechanism as described below.

Once we pay all accrued and unpaid deferred interest on the junior subordinated debentures, we again can defer interest payments on the junior subordinated debentures as described above, provided that a deferral period cannot extend beyond the maturity date of the junior subordinated debentures.

Commencing on the earlier of (i) the fifth anniversary of the commencement of an Optional Deferral Period, if on such date such Optional Deferral Period has not ended, and (ii) the date of any payment of current interest

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on the junior subordinated debentures during an Optional Deferral Period, unless we notify the Issuer Trust that a Market Disruption Event (as defined below) or a Supervisory Event (as defined below) has occurred and except as otherwise described below, we will be required to use commercially reasonable efforts to sell our common shares pursuant to the Alternative Payment Mechanism and use the net proceeds of those sales to pay accrued and unpaid deferred interest on the junior subordinated debentures on or prior to the next interest payment date, in each case as described under Alternative Payment Mechanism.

We will be prohibited from paying deferred interest on the junior subordinated debentures from any source of funds other than our proceeds from the issuance of qualified warrants and common shares pursuant to the Alternative Payment Mechanism until all accrued and unpaid deferred interest has been paid pursuant to the Alternative Payment Mechanism. We may pay current interest at all times from any available funds.

Although the failure to comply with the foregoing rules with respect to the Alternative Payment Mechanism and payment of interest during an Optional Deferral Period would be a breach of our obligations under the junior subordinated debentures, it would not constitute an event of default and acceleration under the indenture. However, an event of default and acceleration under the indenture will occur if we fail to pay all accrued and unpaid interest for a period of more than 40 consecutive quarters, or ten years, after the commencement of an Optional Deferral Period.

Furthermore, the occurrence and continuation of a Supervisory Event will excuse us from our obligation to continuously use commercially reasonable efforts to sell common shares and to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures and will permit us to pay deferred interest using cash from any other source (including the sale of preferred stock) without breaching our obligations under the indenture.

At the end of ten consecutive years after the commencement of an Optional Deferral Period, we must pay all deferred interest and our failure to pay all deferred interest will result in an event of default and acceleration. If we have paid all deferred interest (and compounded amounts) on the junior subordinated debentures, we can again defer interest payments on the junior subordinated debentures as described above.

### ***Certain Limitations During a Deferral Period***

As a consequence of any deferral of payment of interest on the junior subordinated debentures, distributions on the trust preferred securities would be deferred (but would continue to accumulate additional distributions at the rate per annum described herein for the trust preferred securities) by the Issuer Trust of the trust preferred securities during the Optional Deferral Period. During any applicable Optional Deferral Period, and, after a five- year Optional Deferral Period, until we have paid all accrued and unpaid interest, we have agreed not to, and not to permit any subsidiary to:

declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock, or make any guarantee payments relating to the foregoing; or

make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities or guarantees that rank upon our liquidation on a parity with the junior subordinated debentures ( parity securities ) or junior to the junior subordinated debentures,

other than:

repurchases, redemptions or other acquisitions of shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of our capital shares (or securities convertible into or exercisable for our capital shares) as consideration in an acquisition transaction entered into prior to the applicable Optional Deferral Period;

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as a result of any exchange or conversion of any class or series of our capital shares (or any capital shares of a subsidiary of KeyCorp) for any class or series of our capital shares or of any class or series of our indebtedness for any class or series of our capital shares;

the purchase of fractional interests in our capital shares in accordance with the conversion or exchange provisions of such capital shares or the security being converted or exchanged;

any declaration of a dividend in connection with any shareholders' rights plan, or the issuance of rights, stock or other property under any shareholders' rights plan, or the redemption or repurchase of rights in accordance with any shareholders' rights plan;

any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of the warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks on a parity with or junior to such stock; or

any pro rata interest payment in respect of parity securities, to the extent required or permitted by the terms of such securities.

This limitation will also apply if we have actual knowledge of an event that with the giving of notice or the lapse of time, or both, would constitute a default under the junior indenture with respect to the junior subordinated debentures and we have not taken reasonable steps to cure the event, and the junior subordinated debentures are held by an Issuer Trust and we are in default with respect to its payment of any obligations under the guarantee related to the related trust preferred securities.

Our outstanding junior subordinated debentures contain comparable provisions that will restrict the payment of principal of, and interest on, and the repurchase or redemption of, any of the subordinated debentures as well as guarantee payments on the guarantee of the subordinated debentures if any of the foregoing circumstances occur with respect to those securities.

In addition, if any Optional Deferral Period lasts longer than one year, unless required to do so by the Federal Reserve, the limitation on our ability to redeem or repurchase any of our securities that rank *pari passu* with or junior in interest to the junior subordinated debentures will continue until the first anniversary of the date on which all deferred interest has been paid.

Prior to the termination of any applicable Optional Deferral Period, we may further defer the payment of interest.

***Notice***

We will provide to the Issuer Trust written notice of any optional deferral of interest at least ten and not more than 60 business days prior to the applicable interest payment date, and any such notice will be forwarded promptly by the Issuer Trust to each holder of record of trust preferred securities.



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### **Alternative Payment Mechanism**

The indenture imposes certain limitations on our rights to pay deferred interest and imposes certain obligations on us with respect to deferred interest. Those rights and obligations, described in this subsection, are called the Alternative Payment Mechanism.

If we have exercised our right to defer payments on the junior subordinated debentures, we may not pay deferred interest in an amount that exceeds the amount of Eligible Equity Proceeds raised as of the date such payment is made. Notwithstanding the above, at maturity of the junior subordinated debentures, or in the case of an indenture event of default and acceleration, or upon the occurrence of a Supervisory Event, we may pay accrued and unpaid interest without regard to the source of funds.

The indenture defines Eligible Equity Proceeds, as of any date, as (i) the net cash proceeds plus (ii) the fair market value of property, other than cash, received by us or any of our subsidiaries during the 180-day period immediately prior to such date from one or more sales to persons other than subsidiaries of us of:

common shares, including treasury stock and common shares sold pursuant to our dividend reinvestment plan and employee benefit plans; and/or

qualified warrants that we sell at our sole discretion.

Qualified warrants means any common share warrants that (1) have an exercise price greater than the current stock market price (as defined below) of our common shares, and (2) we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances.

We intend that any qualified warrants issued in accordance with the Alternative Payment Mechanism will have exercise prices at least 10% above the current stock market price of our common shares on the date of issuance. The current stock market price of our common shares on any date shall be the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if KeyCorp's common shares are not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange or The Nasdaq Global Market on which our common shares are traded or quoted. If our common shares are not either listed on any U.S. securities exchange or quoted on The Nasdaq Global Market on the relevant date, the current stock market price shall be the last quoted bid price for its common shares in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If our common shares are not so quoted, the current stock market price shall be the average of the mid-point of the last bid and ask prices for our common shares on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Our obligations under the Alternative Payment Mechanism are qualified in certain circumstances involving parity securities, as described in this paragraph. If on any date or for any period we pay interest on any class of parity securities in an amount that is less than the full amount of accrued but unpaid interest, we will make payments on all outstanding classes of parity securities on the same date or for the corresponding period on a *pro rata* basis (based on the total amount then due), except and to the extent the terms of any such parity securities would prohibit us from doing so. This includes, for example, that if we have outstanding parity securities in addition to the junior subordinated debentures under which we are obligated to sell common shares and apply the net proceeds to payment of deferred interest, then on any date and for any period the amount of net proceeds received by us from such sales and available for payment of such deferred interest shall be applied to the junior

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subordinated debentures and such other securities on a pro rata basis (taking into account the availability of proceeds of preferred shares or other securities to settle deferred interest under any such other securities).

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**Table of Contents*****Obligations After Five Years of Deferral or Earlier Payment of Current Interest During Optional Deferral Period***

The indenture will provide that commencing on the earlier of (i) the fifth anniversary of the commencement of an Optional Deferral Period, if on such date such Optional Deferral Period has not ended, and (ii) the date of any payment of current interest on the junior subordinated debentures during an Optional Deferral Period, we shall be required continuously to use our commercially reasonable efforts to effect sales of our common shares, in an amount that will generate sufficient Eligible Equity Proceeds to enable us to pay in full all deferred interest on the junior subordinated debentures. Notwithstanding (and as a qualification to) that obligation, we shall not be obligated to make offers of or to effect sales of our common shares during the occurrence and continuation of a Market Disruption Event or a Supervisory Event and will be permitted to pay deferred interest using cash from any source upon the occurrence of a Supervisory Event. In addition, we will not be permitted to pay interest on the junior subordinated debentures at a time when such payment would violate a specific prohibition against making an interest payment contained in the terms of any securities ranking pari passu with or senior to the junior subordinated debentures.

The indenture defines commercially reasonable efforts in this context to mean commercially reasonable efforts on our part to complete the sale of our common shares, including treasury shares, to third parties that are not our subsidiaries. We will not be considered to have used commercially reasonable efforts to effect a sale of shares if we determine not to pursue or complete such sale solely due to pricing, coupon, dividend rate or dilution considerations.

The sale of qualified warrants to pay deferred interest, subject to the restrictions and requirements set forth above, is an option that may be exercised at our sole discretion, subject to the APM maximum obligation and the share cap amount, as each of those terms is defined below, and we will under no circumstances be obligated to sell qualified warrants or to apply the proceeds of any such sale to pay deferred interest on the junior subordinated debentures. No class of investors of our securities, or any other party, may require us to issue qualified warrants.

We will not be required to apply the proceeds of stock sales to the payment of our deferred interest obligations on the junior subordinated debentures prior to the fifth anniversary of the commencement of an Optional Deferral Period or the earlier payment of current interest during an Optional Deferral Period, but may elect to do so. Following such fifth anniversary or earlier payment of current interest, we will be required to apply the net proceeds received by us from sales of common shares, as promptly as practicable following receipt of such proceeds, to the payment of all amounts owing in respect of deferred interest, until all deferred interest has been paid in full; provided, that we shall not be obligated to sell common shares or apply the proceeds from sales of common shares, as applicable, to the payment of deferred interest on the junior subordinated debentures if a Market Disruption Event or Supervisory Event has occurred and is continuing. The application of proceeds from the sale of qualified warrants to pay deferred interest will be within our sole discretion.

When subject to the Alternative Payment Mechanism, we will not be obligated to issue common shares prior to the fifth anniversary of the commencement of an Optional Deferral Period if the gross proceeds of any issuance of common shares and qualified warrants applied to pay interest on the junior subordinated debentures pursuant to the Alternative Payment Mechanism, together with the gross proceeds of all prior issuances of common shares and qualified warrants applied since the commencement of that Optional Deferral Period, would exceed an amount equal to 2% of the product of (1) the average of the current stock market prices of our common shares on the ten consecutive trading days ending on the fourth trading day immediately preceding the date of issuance and (2) the total number of issued and outstanding common shares as of the date of our then most recent publicly available consolidated financial statement (the APM maximum obligation). Once we reach the APM maximum obligation for an Optional Deferral Period, we will not be obligated to issue more common shares under the Alternative Payment Mechanism prior to the fifth anniversary of the commencement of an Optional Deferral Period even if the current stock market price of our common shares or the number of outstanding common shares subsequently increase. The APM maximum obligation will cease to apply following the fifth anniversary of the commencement of an Optional Deferral Period, at which point we must repay all deferred

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interest, regardless of the time at which it was deferred, using the Alternative Payment Mechanism, subject to any Market Disruption Event, Supervisory Event, and the share cap amount. In addition, if the APM maximum obligation has been reached during an Optional Deferral Period and we subsequently repay all deferred interest, the APM maximum obligation will cease to apply at the termination of such Optional Deferral Period and will not apply again unless and until we start a new Optional Deferral Period.

We are not permitted to sell common shares in an amount in excess of the share cap amount for the purpose of paying deferred interest on the junior subordinated debentures. The share cap amount will initially equal 100 million of our common shares, including treasury stock and common shares sold pursuant to our dividend reinvestment plan and employee benefit plans. The share cap amount applies to payments of deferred interest on the junior subordinated debentures only, and not to any payments that may be made on other securities using proceeds from the sale of common shares under terms similar to those of the Alternative Payment Mechanism. If the issued and outstanding common shares of ours shall have been changed into a different number of shares or a different class by reason of any stock split, reverse stock split, stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or other similar transaction, then the share cap amount shall be correspondingly adjusted.

Under the indenture, we will be required to increase the share cap amount to an amount that would allow us to raise sufficient proceeds to satisfy our obligations to pay deferred interest in full at the end of the first year of an Optional Deferral Period (and on each subsequent anniversary of the end of the first year of an Optional Deferral Period to the extent that an extension would last more than one year), if the then-current share cap amount would not allow us to raise sufficient proceeds to satisfy our obligations to pay deferred interest (including compounded interest to that date) assuming a price per share equal to the average trading price of our common shares over the ten-trading-day period preceding such date; provided that we will not be obligated under the indenture to increase the share cap amount above 300 million shares.

If the 300 million share cap has been reached and is not sufficient to allow us to raise sufficient proceeds to pay deferred interest (including compounded interest) in full, then we intend (but are not obligated) to further increase the share cap amount only to the extent that (i) we can do so and simultaneously satisfy its future fixed or contingent obligations under other securities and derivative instruments that provide for settlement or payment in our common shares, or (ii) we cannot increase the share cap amount as contemplated in the preceding clause, but can do so by requesting our board of directors to adopt a resolution for shareholder vote at the next occurring annual shareholders meeting to increase the number of our authorized common shares for purposes of satisfying its obligations to pay deferred interest.

Until the tenth anniversary of the first Optional Deferral Period, a default will occur if we do not increase the share cap amount to an amount that is greater than 100 million shares when required to do so as described above; provided that no default will occur if we have increased the share cap amount to 300 million shares. Although such a default will not constitute an event of default and acceleration, it will constitute a default under the indenture and would give rise to a claim against us relating to the specific covenant breach; however, the remedy of holders of the capital securities may be limited to direct monetary damages (if any) or specific performance.

If, during an Optional Deferral Period, a Supervisory Event has occurred and is continuing, we may choose to pay deferred interest using cash from any source (including from the sale of preferred stock), but we are not obligated to do so.

Our use of funds in an amount in excess of the amount of Eligible Equity Proceeds raised to pay deferred interest or our failure to use commercially reasonable efforts to effect sales of our common shares and apply their proceeds as described above, will not, by itself, constitute an event of default and acceleration under the indenture that would permit the indenture trustee or the holders of the junior subordinated debentures to accelerate the junior subordinated debentures.



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In the event that net proceeds received by us from one or more sales of our common shares and/or qualified warrants are not sufficient to satisfy the full amount of deferred interest on the junior subordinated debentures (together with the full amount of deferred interest on parity securities in the circumstances described in the sixth full paragraph on page S-47), such net proceeds will be paid to the holders of the junior subordinated debentures (and parity securities, if applicable) on a pro rata basis (based on the total amount then due).

A Market Disruption Event means the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally on the principal exchange on which our securities are listed and traded (currently the New York Stock Exchange) shall have been suspended or materially disrupted or minimum prices shall have been established on any such exchange or market by the SEC, by the relevant exchange or any other regulatory body or governmental authority having jurisdiction, and the establishment of such minimum prices materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, our qualified warrants or common shares;

we would be required to obtain the consent or approval of our shareholders or a regulatory body (including, without limitation, any securities exchange but excluding the Federal Reserve) or governmental authority to issue or sell qualified warrants or common shares and such consent or approval has not yet been obtained even though we have used our commercially reasonable efforts to obtain the required consent or approval;

an event occurs and is continuing as a result of which the offering document for the offer and sale of qualified warrants or common shares would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event at the time the event occurs, in our reasonable judgment, is not otherwise required by law and would have a material adverse effect on our business or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, and we have a bona fide business reason for keeping the same confidential or the disclosure of which would impede our ability to consummate that transaction, provided that no single suspension period contemplated under this bullet may exceed 90 consecutive days and multiple suspension periods contemplated under this bullet may not exceed an aggregate of 180 days in any 360-day period;

we reasonably believe that the offering document for the offer and sale of qualified warrants or common shares would not be in compliance with a rule or regulation of the SEC (for reasons other than those referred to in the preceding bullet) and we are unable to comply with such rule or regulation or such compliance is unduly burdensome, provided that no single suspension contemplated by this bullet may exceed 90 consecutive days and multiple suspension periods contemplated pursuant to this bullet may not exceed an aggregate of 180 days in any 360-day period;

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in our qualified warrants or common shares has been materially disrupted;

there shall have occurred a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, such that market trading in our qualified warrants or common shares has been materially disrupted;

a material disruption shall have occurred in commercial banking or securities settlement or clearing services in the United States such that market trading in our qualified warrants or common shares has been disrupted or ceased; or

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a banking moratorium shall have been declared by federal or state authorities of the United States such that market trading in our qualified warrants or common shares has been disrupted or ceased.

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A Supervisory Event shall commence on the date we have notified the Federal Reserve of our intention both (1) to sell our qualified warrants or common shares and (2) to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures, and the Federal Reserve has disapproved of either of these actions, even though we have affirmatively requested such approval. A Supervisory Event shall cease on the business day following the earlier to occur of (A) the tenth business day after we give notice to the Federal Reserve as described above (or such longer period as may be required by Federal Reserve order or by other supervisory action), so long as the Federal Reserve does not disapprove of either action mentioned in such notice, (B) the tenth anniversary of the commencement of any Optional Deferral Period, or (C) the day on which the Federal Reserve notifies us in writing that it no longer disapproves of our intention to both (1) issue and sell qualified warrants or common shares and (2) apply the net proceeds from such sale to pay deferred interest on the junior subordinated debentures. The occurrence and continuation of a Supervisory Event will excuse us for our obligation to continuously use commercially reasonable efforts to sell common shares and to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures and will permit us to pay deferred interest using cash from any other source (including the sale of preferred stock) without breaching our obligations under the indenture. Because a Supervisory Event will exist if the Federal Reserve disapproves of either of these requests, the Federal Reserve will be able, without triggering a default under the indenture, to permit us to sell qualified warrants or common shares but to prohibit us from applying the proceeds to pay deferred interest on junior subordinated debentures.

As promptly as possible after we become aware of the occurrence of a Market Disruption Event or a Supervisory Event during the continuation of an Optional Deferral Period, we shall give written notice to the trustee. Such notice shall identify which type of Market Disruption Event, or that a Supervisory Event has occurred and the date(s) on which that event occurred or existed. Our obligation to continuously use our commercially reasonable efforts to sell our common shares to pay all deferred interest on the junior subordinated debentures shall resume at such time as no Market Disruption Event or Supervisory Event exists or is continuing.

***Requirement for Regulatory Approval Relating to the Payment of Deferred Interest***

The indenture provides that we must notify the Federal Reserve (1) of the commencement of any Optional Deferral Period, (2) of the fifth anniversary of the commencement of an Optional Deferral Period that is continuing or earlier payment of current interest during an Optional Deferral Period, and (3) of our intention to sell common shares and/or qualified warrants and to apply the net proceeds from such sale to pay deferred interest at least 25 business days in advance of the payment date (or such longer period as may be required by Federal Reserve order or by other supervisory board action). In addition, under the indenture, we may only sell common shares or qualified warrants at any time and apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures if the Federal Reserve has not disapproved of either of these actions within 10 business days (or such longer period as may be required by Federal Reserve order or by other supervisory action) of the notice described in (3) above or has withdrawn its prior disapproval.

**Limitation on Claims in the Event of Bankruptcy, Insolvency or Receivership.**

The indenture provides that a holder of junior subordinated debentures, by that holder's acceptance of the junior subordinated debentures, agrees that in certain events of our bankruptcy, insolvency or receivership prior to the redemption or repayment of its junior subordinated debentures, such holder will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of the Alternative Payment Mechanism to the extent the amount is greater than 25% of the then outstanding aggregate principal amount of the junior subordinated debentures.



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### **Events of Default and Acceleration**

The indenture provides that any one or more of the following events with respect to the junior subordinated debentures that has occurred and is continuing constitutes an event of default and acceleration:

default in the payment of interest (including compounded interest) in full on any junior subordinated debentures for a period of 30 days after the conclusion of a ten-year period following the commencement of any Optional Deferral Period; or

some events of bankruptcy, insolvency and reorganization involving us.

If an event of default and acceleration under the indenture of the type described in the first bullet point above has occurred and is continuing, the indenture trustee or the holders of at least 25% in outstanding principal amount of the junior subordinated debentures will have the right to declare the principal of, and accrued interest (including compounded interest) on, those securities to be due and payable immediately. If the indenture trustee or the holders of at least 25% of the outstanding principal amount of the junior subordinated debentures fail to make that declaration, then the holders of at least 25% in total liquidation amount of the trust preferred securities then outstanding will have the right to do so. If an event of default and acceleration under the indenture arising from events of bankruptcy, insolvency and reorganization involving us occurs, the principal of and accrued interest on the junior subordinated debentures will automatically, and without any declaration or other action on the part of the indenture trustee or any holder of junior subordinated debentures, become immediately due and payable. In case of any default that is not an event of default and acceleration, there is no right to declare the principal amount of the junior subordinated debentures immediately payable.

In cases specified in the indenture, the holders of a majority in principal amount of the junior subordinated debentures or the holders of at least a majority in aggregate liquidation amount of the trust preferred securities may, on behalf of all holders of the junior subordinated debentures, waive any default, except a default in the payment of principal or interest, or a default in the performance of a covenant or provision of the indenture which cannot be modified without the consent of each holder. Should the holders of the junior subordinated debentures fail to waive the default, the holders of a majority in aggregate liquidation amount of the trust preferred securities will have the right to do so. We are required to file annually with the junior trustee a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to us under the indenture.

The holders of a majority of the aggregate outstanding principal amount of the junior subordinated debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the junior trustee with respect to the junior subordinated debentures.

### **Modification of the Indenture**

We may modify or amend the indenture with the consent of the junior trustee, in some cases without obtaining the consent of holders of the junior subordinated debentures. Certain modifications and amendments also require the consent of the holders of at least a majority in principal amount of the outstanding junior subordinated debentures of each series issued under the indenture that would be affected by the modification or amendment. Further, without the consent of the holder of each outstanding junior subordinated debenture that would be affected, we may not:

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change the stated maturity of the principal, or any installment of principal or interest, on any outstanding junior subordinated debenture;

reduce any principal amount, premium or interest, on any outstanding junior subordinated debenture, including in the case of an original issue discount security the amount payable upon acceleration of the maturity of that security;

change the place of payment where, or the coin or currency or currency unit in which, any principal, premium or interest, on any junior subordinated debenture is payable;

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impair the right to institute suit for the enforcement of any payment on or after the stated maturity or, in the case of redemption, on or after the redemption date;

reduce the above-stated percentage of outstanding junior subordinated debentures necessary to modify or amend the applicable indenture; or

modify the above requirements or reduce the percentage of aggregate principal amount of outstanding junior subordinated debentures of any series required to be held by holders seeking to waive compliance with certain provisions of the relevant indenture or seeking to waive certain defaults,

and, so long as any of the trust preferred securities remain outstanding,

no modification may be made that adversely affects the holders of the trust preferred securities in any material respect, and no termination of the indenture may occur, and no waiver of any default or compliance with any covenant under the indenture may be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation amount of all outstanding trust preferred securities affected unless and until the principal of the junior subordinated debentures and all accrued and unpaid interest have been paid in full and certain other conditions have been satisfied, and

where a consent under the indenture would require the consent of each holder of the junior subordinated debentures, no such consent will be given by the property trustee without the prior consent of each holder of the trust preferred securities.

We may, with the junior trustee's consent, execute, without the consent of any holder of junior subordinated debentures, any supplemental indenture for the purpose of creating any new series of junior subordinated debentures.

## **Consolidation, Merger, Sale of Assets and Other Transactions**

The indenture provides that we may not consolidate with or merge into another corporation or transfer our properties and assets substantially as an entirety to another person unless:

the entity formed by the consolidation or into which we merge, or to which we transfer our properties and assets (1) is a corporation, partnership or trust organized and existing under the laws of the United States, any state of the United States or the District of Columbia and (2) expressly assumes by supplemental indenture the payment of any principal, premium or interest on the junior subordinated debentures, and the performance of our other covenants under the indenture; and

immediately after giving effect to this transaction, no default, and no event which, after notice or lapse of time or both, would become a default, will have occurred and be continuing under the indenture.

The general provisions of the indenture do not afford holders of the junior subordinated debentures protection in the event of a highly leveraged or other transaction involving us that may adversely affect holders of the junior subordinated debentures.

**Satisfaction and Discharge**

The indenture provides that when, among other things, all junior subordinated debentures not previously delivered to the junior trustee for cancellation:

have become due and payable;

will become due and payable at their stated maturity within one year; or

are to be called for redemption within one year under arrangements satisfactory to the junior trustee for the giving of notice of redemption by the junior trustee;

and we deposit or cause to be deposited with the junior trustee funds, in trust, for the purpose and in an amount in the currency or currencies in which the junior subordinated debentures are payable sufficient to pay and

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discharge the entire indebtedness on the junior subordinated debentures not previously delivered to the junior trustee for cancellation, for the principal, premium, if any, and interest (including any additional interest) to the date of the deposit or to the stated maturity, as the case may be, then the indenture will cease to be of further effect (except as to our obligations to pay all other sums due under the indenture and to provide the officers' certificates and opinions of counsel described therein), and we will be deemed to have satisfied and discharged the indenture.

## **Book-Entry and Settlement**

If the junior subordinated debentures are distributed to holders of trust preferred securities in connection with the involuntary or voluntary dissolution, winding-up or liquidation of the Issuer Trust as a result of the occurrence of a tax event, investment company event or capital treatment event, the junior subordinated debentures will be issued in the form of one or more global certificates registered in the name of the depositary or its nominee. Each global certificate is referred to as a global security. Except under the limited circumstances described below, junior subordinated debentures represented by a global security will not be exchangeable for, and will not otherwise be issuable as, junior subordinated debentures in definitive form. The global securities described above may not be transferred except by the depositary to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or to a successor depositary or its nominee.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in such a global security.

Except as provided below, owners of beneficial interests in such a global security will not be entitled to receive physical delivery of junior subordinated debentures in definitive form and will not be considered the holders, as defined in the indenture, of such global security for any purpose under the indenture. A global security representing junior subordinated debentures is only exchangeable for another global security of like denomination and tenor to be registered in the name of the depositary or its nominee or to a successor depositary or its nominee. This means that each beneficial owner must rely on the procedures of the depositary, or if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture.

## **The Depositary**

If the junior subordinated debentures are distributed to holders of the trust preferred securities in liquidation of such holders' interests in the Issuer Trust, DTC will act as securities depositary for the junior subordinated debentures. We may appoint a successor to DTC or any successor depositary in the event DTC or such successor depositary is unable or unwilling to continue as a depositary for the global securities. For a description of DTC and the specific terms of the depositary arrangements, see below under the caption "Book-Entry Issuance" of this prospectus supplement.

None of the Issuer Trust, we, the junior trustee, any paying agent or any other agent of KeyCorp or the junior trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global security for such junior subordinated debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **Discontinuance of the Depositary's Services**

A global security will be exchangeable for junior subordinated debentures registered in the names of persons other than the depositary or its nominee only if:

the depositary notifies us that it is unwilling or unable to continue as a depositary for such global security and no successor depositary has been appointed;

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the depositary, at any time, ceases to be a clearing agency registered under the Exchange Act at which time the depositary is required to be so registered to act as such depositary and no successor depositary has been appointed;

we, in our sole discretion, determine that such global security shall be so exchangeable; or

a default relating to the junior subordinated debentures then exists.

Any global security that is exchangeable pursuant to the preceding sentence shall be exchangeable for junior subordinated debentures registered in such names as the depositary shall direct. It is expected that such instructions will be based upon directions received by the depositary from its participants relating to ownership of beneficial interests in such global security.

**Governing Law**

The indenture and the junior subordinated debentures will be governed by and construed in accordance with the laws of the State of New York.

**Information Concerning the Junior Trustee**

The junior trustee will have, and be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the junior trustee is under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of junior subordinated debentures, unless offered reasonable indemnity by that holder against the costs, expenses and liabilities which might be incurred thereby. The junior trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the junior trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

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### DESCRIPTION OF THE GUARANTEE

The following description summarizes the material provisions of the guarantee. This description is not complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the guarantee, including the definitions therein, and the Trust Indenture Act. The form of the guarantee has been filed as an exhibit to our SEC registration statement.

#### The Guarantee

The guarantee will be executed and delivered by us at the same time the Issuer Trust issues the trust preferred securities. The guarantee is for the benefit of the holders from time to time of the trust preferred securities. Deutsche Bank Trust Company Americas will act as trustee (referred to below as the *guarantee trustee*) under the guarantee for the purposes of compliance with the Trust Indenture Act and the guarantee will be qualified as an indenture under the Trust Indenture Act. The guarantee trustee will hold each guarantee for the benefit of the holders of the trust preferred securities.

We irrevocably and unconditionally agree to pay in full on a subordinated basis, to the extent described below, the guarantee payments (as defined below) to the holders of the trust preferred securities, as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer Trust may have or assert other than the defense of payment. The following payments or distributions with respect to the trust preferred securities, to the extent not paid by or on behalf of the Issuer Trust (referred to as the *guarantee payments*), will be subject to the related guarantee:

any accumulated and unpaid distributions required to be paid on the trust preferred securities, to the extent that the Issuer Trust has funds legally and immediately available to pay them;

any redemption price required to be paid on the trust preferred securities, to the extent that the Issuer Trust has funds legally and immediately available to pay it; and

upon a voluntary or involuntary termination, winding up or liquidation of the Issuer Trust (unless the junior subordinated debentures are distributed to holders of the trust preferred securities in exchange for their trust preferred securities), the lesser of:

the liquidation distribution for the trust preferred securities; and

the amount of assets of the Issuer Trust remaining available for distribution to holders of trust preferred securities after satisfaction of liabilities to creditors of the Issuer Trust as required by applicable law.

Our obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by us to the holders of the trust preferred securities or by causing the Issuer Trust to pay these amounts to the holders.

The guarantee is an irrevocable and unconditional guarantee on a subordinated basis of the Issuer Trust's obligations under the trust preferred securities, but will apply only to the extent that the related Issuer Trust has funds sufficient to make such payments, and is not a guarantee of



collection. See below under the caption "Status of the Guarantee" in this prospectus supplement.

If and to the extent we do not make payments on the junior subordinated debentures, the Issuer Trust will not be able to make payments on the trust preferred securities and will not have funds available to do so. Each guarantee constitutes an unsecured obligation of ours and will rank subordinate and junior in right of payment to all of our senior debt. See below under the caption "Status of the Guarantee" in this prospectus supplement. Because we are a holding company, our right to participate in any distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent we may ourselves be recognized as a creditor of that subsidiary. Accordingly, our obligations under the guarantee will be effectively subordinated to all existing and future liabilities of our

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subsidiaries, and claimants should look only to our assets for payments. The guarantee does not limit the incurrence or issuance of other secured or unsecured debt of ours, including senior debt, whether under the indenture, any other existing indenture or any other indenture that we may enter into in the future or otherwise.

We have, through the guarantee, the trust agreement, the junior subordinated debentures and the indenture, taken together, fully, irrevocably and unconditionally guaranteed all of the Issuer Trust's obligations under the trust preferred securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes a guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of an Issuer Trust's obligations under the trust preferred securities. See below under the caption "Relationship Among the Trust Preferred Securities, the Junior Subordinated Debentures and the Guarantee" in this prospectus supplement.

## **Status of the Guarantee**

The guarantee constitutes an unsecured obligation of ours and will be subordinated in right of payment to all of our debt other than pari passu indebtedness in the same manner as the junior subordinated debentures.

Each guarantee will constitute a guarantee of payment and not of collection (i.e., the guaranteed party may institute a legal proceeding directly against us to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity). Each guarantee will be held for the benefit of the holders of the related trust preferred securities. Each guarantee will not be discharged except by payment of the guarantee payments in full to the extent not paid by the Issuer Trust or upon distribution to the holders of the trust preferred securities of the corresponding junior subordinated debentures. None of the guarantees places a limitation on the amount of additional debt that may be incurred by us. We expect from time to time to incur additional indebtedness senior to the junior subordinated debentures.

Because we are a holding company, our obligations under each guarantee, like our obligations under the corresponding junior subordinated debentures, will also be effectively subordinated to all existing and future liabilities of our bank subsidiaries and any other subsidiaries we may have. See above under the caption "Description of the Junior Subordinated Debentures" "Ranking of the Junior Subordinated Debentures and Guarantee" in this prospectus supplement.

## **Amendments and Assignment**

Except with respect to any changes which do not materially adversely affect the material rights of holders of the trust preferred securities (in which case no vote of the holders will be required), the guarantee may not be amended without the prior approval of the holders of a majority of the outstanding trust preferred securities. The guarantees and agreements contained in the guarantee will bind our successors, assigns, receivers, trustees and representatives and will inure to the benefit of the holders of the related trust preferred securities then outstanding. We may not assign our obligations under the guarantees except in connection with a consolidation, merger or amalgamation involving us that is permitted under the terms of the indenture.

## **Events of Default**

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An event of default under the guarantee will occur upon our failure to perform any of our payment obligations under the guarantee or to perform any non-payment obligations if this non-payment default remains unremedied for 30 days. The holders of a majority of the trust preferred securities then outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee.

We, as guarantor, are required to file annually with the guarantee trustee a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to it under the guarantee.

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### **Information Concerning the Guarantee Trustee**

The guarantee trustee, other than during the occurrence and continuance of a default by us in performance of any guarantee, undertakes to perform only those duties specifically set forth in each guarantee and, after default with respect to any guarantee, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the guarantee trustee is under no obligation to exercise any of the powers vested in it by any guarantee at the request of any holder of any trust preferred securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred as a result.

### **Termination of the Guarantee**

The guarantee will terminate and be of no further force and effect upon:

the guarantee payments having been paid in full by us, the Issuer Trust or both; or

the distribution of the junior subordinated debentures to the holders of the trust preferred securities in exchange for their trust preferred securities.

The guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the trust preferred securities must restore payment of any sums paid under the trust preferred securities or the guarantee.

### **Governing Law**

The guarantee will be governed by and construed in accordance with the laws of the State of New York.

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**RELATIONSHIP AMONG THE TRUST PREFERRED SECURITIES,  
THE JUNIOR SUBORDINATED DEBENTURES AND THE GUARANTEE**

**Full and Unconditional Guarantee**

Payments of distributions and other amounts due on the trust preferred securities are irrevocably guaranteed by us, to the extent the Issuer Trust has funds available for the payment of such distributions, as described under the caption "Description of the Guarantee" in this prospectus supplement. The guarantee will be unsecured and will rank junior and be subordinated in right of payment to all our senior debt. See above under the caption "Description of the Junior Subordinated Debentures" "Ranking of the Junior Subordinated Debentures and Guarantee" in this prospectus supplement.

If we do not make payments under the junior subordinated debentures, the Issuer Trust will not have sufficient funds to pay distributions or other amounts due on the trust preferred securities. The guarantee does not cover payment of distributions when the Issuer Trust does not have sufficient funds to pay such distributions. In that event, a holder of trust preferred securities may institute a legal proceeding directly against us to enforce payment of the junior subordinated debentures to such holder in accordance with their terms, including our right to defer interest payments.

Taken together, our obligations under the amended and restated trust agreement, the junior subordinated debentures, the indenture and the guarantee provide a full and unconditional guarantee of payments of distributions and other amounts due on the trust preferred securities.

**Sufficiency of Payments**

As long as payments of interest, principal and other payments are made when due on the junior subordinated debentures, those payments will be sufficient to cover distributions and other payments due on the trust preferred securities because of the following factors:

the total principal amount of the junior subordinated debentures will be equal to the sum of the total stated liquidation amount of the trust preferred securities and the trust common securities;

the interest rate and payment dates on the junior subordinated debentures will match the distribution rate and payment dates for the trust preferred securities;

as borrower, we will pay, and the Issuer Trust will not be obligated to pay, all costs, expenses and liabilities of the Issuer Trust except the Issuer Trust's obligations under the trust preferred securities and common securities; and

the amended and restated trust agreement further provides that the Issuer Trust will engage only in activity that is consistent with the limited purposes of the Issuer Trust.

We have the right to set off any payment we are otherwise required to make under the indenture with and to the extent we make a related payment under the guarantee.

#### **Enforcement Rights of Holders of Trust Preferred Securities**

If a Trust Enforcement Event occurs, the holders of trust preferred securities would rely on the enforcement by the property trustee of its rights as registered holder of the junior subordinated debentures against us. In addition, the holders of a majority in liquidation amount of the trust preferred securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee or to direct the exercise of any trust or power conferred upon the property trustee under the amended and restated trust agreement, including the right to direct the property trustee to exercise the remedies available to it as the holder of the junior subordinated debentures.

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If the property trustee fails to enforce its rights under the junior subordinated debentures, any holder of trust preferred securities may, to the extent permitted by applicable law, institute a legal proceeding against us to enforce the property trustee's rights under the junior subordinated debentures and the indenture without first instituting legal proceedings against the property trustee or any other person (which we refer to as a direct action). In addition, if a Trust Enforcement Event has occurred due to our failure to pay interest in full on the junior subordinated debentures for a period of 30 days after the conclusion of a ten year period following the commencement of any Optional Deferral Period, then a registered holder of trust preferred securities may institute a direct action on or after the due date directly against us for enforcement of payment of the principal of, or interest on, the junior subordinated debentures to that holder with respect to the junior subordinated debentures having a principal amount equal to the total liquidation amount of that holder's trust preferred securities. In connection with such a direct action, we will have the right under the indenture to set off any payment made to that holder by us. The holders of trust preferred securities will not be able to exercise directly any other remedy available to the holders of the junior subordinated debentures.

## **Limited Purpose of Trust**

The trust preferred securities evidence undivided beneficial ownership interests in the Issuer Trust, and the Issuer Trust exists for the sole purpose of issuing the trust common securities and trust preferred securities as described in this prospectus supplement. A principal difference between the rights of a holder of trust preferred securities and a holder of junior subordinated debentures is that a holder of junior subordinated debentures is entitled to receive from us the principal of and interest accrued on junior subordinated debentures held, while a holder of trust preferred securities is entitled to receive distributions to the extent the Issuer Trust has funds available for the payment of such distributions.

## **Rights Upon Termination**

Upon any dissolution, winding-up or liquidation of the Issuer Trust involving the liquidation of the junior subordinated debentures, the holders of the trust preferred securities will be entitled to receive, out of assets held by the Issuer Trust, subject to the rights of any creditors of the Issuer Trust, the liquidation distribution in cash. Upon our voluntary or involuntary liquidation or bankruptcy, the property trustee, as holder of the junior subordinated debentures, would be our subordinated creditor, subordinated in right of payment to all senior debt as described in the indenture, but entitled to receive payment in full of principal and interest before any of our shareholders receive payments or distributions. Because we are the guarantor under the guarantee and, under the indenture, as borrower, we have agreed to pay for all costs, expenses and liabilities of the Issuer Trust (other than the Issuer Trust's obligations to the holders of the trust preferred securities or the trust common securities), the positions of a holder of trust preferred securities and a holder of the junior subordinated debentures relative to other creditors and to our shareholders in the event of our liquidation or bankruptcy would be substantially the same.

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**CERTAIN TERMS OF THE REPLACEMENT CAPITAL COVENANT**

*We have summarized below certain terms of the Replacement Capital Covenant. This summary is not a complete description of the Replacement Capital Covenant and is qualified in its entirety by the terms and provisions of the full document. For more information, we refer you to the Replacement Capital Covenant, which we will file as an exhibit to a current report on Form 8-K.*

We will covenant in the Replacement Capital Covenant for the benefit of persons that buy, hold or sell a specified series of our long-term indebtedness that ranks senior to the junior subordinated debentures or, in certain limited cases, persons that buy, hold or sell a specified series of long-term indebtedness of our largest depository institution subsidiary, that neither we nor any subsidiary of ours (including the Issuer Trust) will redeem or purchase, junior subordinated debentures or trust preferred securities on or before December 15, 2046, unless:

subject to certain limitations, during the 180 days prior to the date of any such redemption or purchase, we have received proceeds from the sale of qualifying securities that have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the junior subordinated debentures at the time of redemption or purchase; and

we have obtained the prior approval of the Federal Reserve, if such approval is then required.

Our covenants in the Replacement Capital Covenant run only to the benefit of holders of the specified series of our long-term indebtedness or the specified long-term indebtedness of our largest depository institution subsidiary, as applicable. The Replacement Capital Covenant is not intended for the benefit of holders of the junior subordinated debentures or trust preferred securities and may not be enforced by them, and the Replacement Capital Covenant is not a term of the indenture, the trust agreement, the junior subordinated debentures or the trust preferred securities.

Our ability to raise proceeds from qualifying securities during the six months prior to a proposed redemption or purchase of the junior subordinated debentures or trust preferred securities will depend on, among other things, market conditions at that time as well as the acceptability to prospective investors of the terms of those qualifying securities.

The Replacement Capital Covenant will terminate upon the earlier to occur of (i) December 15, 2046, (ii) the date on which the holders of a majority of the principal amount of the then outstanding specified series of long term indebtedness agree to terminate the Replacement Capital Covenant, or (iii) the date on which we no longer have outstanding any indebtedness eligible to qualify as covered debt as defined in the Replacement Capital Covenant.



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**BOOK-ENTRY ISSUANCE**