

MBIA INC
Form 424B5
August 22, 2002
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FILED PURSUANT TO RULE 424B(5)
FILE No. 333-85060

Prospectus Supplement to Prospectus dated April 16, 2002.

\$100,000,000

MBIA Inc.

6.40% Senior Notes due 2022

We will pay interest on the notes quarterly on February 15, May 15, August 15 and November 15 of each year, beginning on November 15, 2002. The notes will bear interest at the rate of 6.40% per year and will mature on August 15, 2022.

The notes are redeemable at our option on or at any time after August 15, 2006, in whole or in part, at 100% of their principal amount, plus accrued and unpaid interest to the redemption date. We will also redeem the notes, subject to some limitations, at the option of the representative of any deceased beneficial owner of the notes.

The notes will be our direct, unsecured and unsubordinated obligations and will rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness. We will issue the notes only in denominations of \$1,000 and integral multiples of \$1,000. The notes have the same terms and conditions as, and will be consolidated with and form a single series with, the \$200,000,000 aggregate principal amount of our 6.40% Senior Notes due 2022 that were offered by our prospectus supplement dated August 16, 2002.

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. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price	100.00%	\$ 100,000,000
Underwriting discount	2.90%	\$ 2,900,000
Proceeds, before expenses, to MBIA Inc.	97.10%	\$ 97,100,000

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from August 22, 2002 and must be paid by the purchaser if the notes are delivered after August 22, 2002.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on August 22, 2002.

Goldman, Sachs & Co.

Edward D. Jones & Co., L.P.

Prospectus Supplement dated August 20, 2002.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this notes offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to MBIA, we, us and our or similar terms are to MBIA Inc. and its subsidiaries.

FORWARD LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as may, will, could, project, believe, anticipate, expect, estimate, continue, potential, plan, forecast and the like. represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Those factors include:

fluctuations in the economic, credit or interest rate environment in the United States and abroad;

level of activity within the national and international credit markets;

competitive conditions and pricing levels;

legislative and regulatory developments;

technical developments;

changes in tax laws;

the effects of mergers, acquisitions and divestitures; and

uncertainties that have not been identified at this time.

In light of these risks, uncertainties and assumptions, the forward-looking events referred to in this prospectus supplement and the accompanying prospectus might not occur. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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SUMMARY OF THE OFFERING

Issuer	MBIA Inc.
Securities Offered	\$100,000,000 aggregate principal amount of 6.40% senior notes due 2022. The notes are part of the same series as the \$200,000,000 aggregate principal amount of notes that were offered by our prospectus supplement dated August 16, 2002.
Maturity	August 15, 2022, unless redeemed or otherwise repaid prior to that date.
Interest Payment Dates	Quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on November 15, 2002. The notes will bear interest at the rate of 6.40% per year.
Record Dates	We will make regularly scheduled payments of interest on the notes to the holders of record of the notes on the fifteenth calendar day immediately preceding each interest payment date. We will make interest payments on the notes upon redemption or at maturity to the holders of notes entitled to the payment of principal on the notes at redemption or at maturity.
Redemption	<p>We may redeem the notes at our option on or at any time after August 15, 2006, in whole or in part, at a redemption price equal to 100% of the principal amount of notes being redeemed, plus accrued and unpaid interest to the redemption date. The notes do not have the benefit of a sinking fund.</p> <p>We also will redeem notes at the option of the representative of any deceased beneficial owner of notes at a redemption price equal to 100% of the principal amount of notes being redeemed, plus accrued and unpaid interest to the redemption date. The maximum combined principal amount of notes offered hereby and by our prospectus supplement dated August 16, 2002 that we will redeem in this manner during the period from the original issue date of the notes through August 15, 2003, and during each twelve month period after August 15, 2003, will be \$25,000 per deceased beneficial owner and an aggregate of \$6,000,000 for all deceased beneficial owners (subject to increase if we issue additional notes of this series.)</p>
Ranking	The notes will be our direct, unsecured and unsubordinated obligations and will rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness. The notes are not insured by MBIA or any other insurer.
Use of Proceeds	We intend to use the net proceeds from the sale of the notes for general corporate purposes, which may include repurchasing or redeeming our outstanding securities and/or capital contributions to MBIA Corp. for use in its businesses.

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MBIA INC.

We are engaged in providing financial guarantee insurance and investment management and financial services to public finance clients and financial institutions on a global basis. Financial guarantee insurance provides an unconditional and irrevocable guarantee of the payment of the principal of, and interest or other amounts owing on, insured obligations when due. We conduct our financial guarantee business through our wholly-owned subsidiary, MBIA Insurance Corporation, which we also refer to as

MBIA Corp. MBIA Corp. is the successor to the business of the Municipal Bond Insurance Association, which began writing financial guarantees for municipal bonds in 1974. MBIA Corp. is the parent of MBIA Insurance Corp. of Illinois, also referred to as MBIA Illinois, and Capital Markets Insurance Corporation, which we also refer to as CapMAC, both financial guarantee companies that we acquired. MBIA Corp. also owns MBIA Assurance S.A., a French insurance company, which writes financial guarantee insurance in the countries of the European Community. Generally, throughout the text, references to MBIA Corp. include the activities of its subsidiaries, MBIA Illinois, MBIA Assurance S.A. and CapMAC.

MBIA Corp. has a Triple-A claims-paying rating from Standard and Poor's Ratings Services, which it received in 1974; from Moody's Investors Service, Inc., which it received in 1984; from Fitch Ratings which it received in 1995; and from Rating and Investment Information, Inc., which it received in 1999. Obligations which are guaranteed by MBIA Corp. are rated Triple-A primarily based on these claims-paying ratings of MBIA Corp. Both Standard and Poor's and Moody's have also continued the Triple-A rating on guaranteed bond issues of MBIA Illinois and CapMAC. The Triple-A ratings are important to the operation of our business and any reduction in these ratings could have a material adverse effect on MBIA Corp.'s ability to compete and could have a material adverse effect on our business, operations and financial results.

MBIA Corp. primarily insures obligations which are sold in the new issue and secondary markets, or which are held in unit investment trusts and by mutual funds. It also provides financial guarantees for debt service reserve funds. As a result of triple-A ratings assigned to insured obligations, the principal economic value of financial guarantee insurance to the entity issuing the obligations is the savings in interest costs between an insured obligation and the same obligation on an uninsured basis. In addition, for complex financings and for obligations of issuers that are not well-known by investors, insured obligations receive greater market acceptance than uninsured obligations.

MBIA Corp. issues financial guarantees for municipal bonds, asset-backed and mortgage-backed securities, investor-owned utilities bonds, bonds issued by highly rated, sovereign and sub-sovereign entities and collateralized obligations of corporations and financial institutions, both in the new issue and secondary markets. The municipal obligations that MBIA Corp. insures include tax-exempt and taxable indebtedness of states, counties, cities, utility districts and other political subdivisions, as well as airports, higher education and health care facilities and similar authorities. The asset-backed or structured finance obligations insured by MBIA Corp. typically consist of securities that are payable from or which are tied to the performance of a specific pool of assets that have a defined cash flow. These include residential and commercial mortgages, a variety of consumer loans, corporate loans and bonds and equipment and real property leases.

We also provide investment management products and financial services through a group of subsidiary companies. These services include cash management, the issuance of municipal investment agreements, discretionary asset management, purchase and administrative services, and municipal revenue enhancement services. MBIA Municipal Investors Service Corporation, which we also refer to as MBIA-MISC, provides cash management services and investment placement services to local governments and school districts, and other institutional clients, providing those clients with fund administration services. MBIA Investment Management Corp., which we also refer to as IMC,

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offers guaranteed investment agreements primarily for bond proceeds to states and municipalities. MBIA Capital Management Corp. performs investment management services for our and MBIA Corp. s portfolios, for MBIA-MISC, IMC and selected external clients. In 1998, we acquired 1838 Investment Advisors, LLC, which we also refer to as 1838, an investment advisor to equity mutual funds and third party clients.

MBIA MuniServices Company provides revenue enhancement services and products, including discovery, audit, collections/recovery, enforcement and information services, to state and local governments. We continue to own a majority interest in Capital Asset Holdings GP and some of its affiliated entities, which we collectively refer to as Capital Asset. Capital Asset was in the business of acquiring and servicing tax liens. We became a majority owner of Capital Asset in December, 1999 when we acquired the interest of Capital Asset s founder. In 1999, we announced that we were exiting the tax lien business. Capital Asset s primary activity today is servicing the three securitizations of tax liens that are insured by MBIA Corp.

Our principal executive offices are located at 113 King Street, Armonk, New York 10504. The telephone number is (914) 273-4545.

USE OF PROCEEDS

The proceeds to us from the sale of the notes, net of underwriting discounts and expenses, are estimated to be approximately \$97 million. In addition, we expect to receive net proceeds of \$194 million from our concurrent offering of \$200 million aggregate principal amount of notes offered by our prospectus supplement dated August 16, 2002, net of underwriting discounts and expenses. We expect to use the proceeds from these sales of notes for general corporate purposes, which may include repurchasing or redeeming our outstanding securities and/or capital contributions to MBIA Corp. for use in its businesses.

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The following table sets forth our ratio of earnings to fixed charges for the periods indicated. Earnings represent consolidated earnings before income taxes and fixed charges. Fixed charges consist of interest and that portion of rental expense deemed representative of the interest factor for such rental expense and amortization of debt discount and expense. We had no capitalized interest for the periods presented.

	Year ended December 31,					Six months ended June 30,	
	1997	1998	1999	2000	2001	2001	2002
Ratio of earnings to fixed charges(1):	14.1	13.1	7.9	14.0	14.8	13.2	16.8

- (1) Fixed charges do not include the amount of fixed charges associated with obligations insured by MBIA Corp. All data is adjusted to reflect the mergers with CapMAC Holdings, Inc., effective February 17, 1998 and 1838, effective July 31, 1998, which were accounted for as poolings of interest.

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The following table sets forth the total capitalization of MBIA at June 30, 2002, and the capitalization as adjusted to give effect to this offering and the concurrent offering of \$200,000,000 aggregate principal amount of notes pursuant to our prospectus supplement dated August 16, 2002, excluding any potential repurchase or redemption of our outstanding securities.

	June 30, 2002	
	Actual	As Adjusted
	(unaudited) (dollars in thousands)	
Long-term debt	\$ 816,185	\$ 1,116,185
Shareholders' equity:		
Preferred Stock, par value \$1.00 per share; authorized shares 10,000,000; issued and outstanding shares none		
Common Stock, par value \$1.00 per share; authorized shares 400,000,000; issued shares 152,516,975	152,517	152,517
Additional paid-in capital	1,219,993	1,219,993
Retained earnings	3,663,236	3,663,236
Accumulated other comprehensive income, net of deferred income tax provision of \$154,450	268,883	268,883
Unallocated ESOP shares	(1,138)	(1,138)
Unearned compensation restricted stock	(15,542)	(15,542)
Treasury stock 5,271,250	(208,507)	(208,507)
Total shareholders' equity	5,079,442	5,079,442
Total capitalization	5,895,627	6,195,627

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The information set forth below for the years ended December 31 is derived from and should be read in conjunction with the audited restated Consolidated Financial Statements and notes thereto of MBIA, which are incorporated herein by reference. All other income statement and balance sheet data presented are derived from unaudited Consolidated Financial Statements of MBIA and in the opinion of the management of MBIA include all adjustments, consisting of normal and recurring adjustments, which are necessary to present fairly the results of operations and financial position of MBIA for each period presented. Financial results for the six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year or for any interim period. All data adjusted to reflect the mergers with CapMAC Holdings, Inc., effective February 17, 1998, and 1838, effective July 31, 1998, which were accounted for as poolings of interest.

	Years Ended December 31,			Six Months Ended June 30,	
	1999	2000	2001	2001	2002
	(unaudited)				
	(dollars in millions)				
Income Statement Data:					
Insurance:					
Gross premiums written	\$ 624.9	\$ 687.4	\$ 865.2	\$ 391.5	\$ 392.6
Premiums earned (net of ceded premiums)	442.8	446.4	523.9	248.4	276.8
Net investment income	359.5	394.0	412.8	204.1	214.6
Total insurance expenses	315.2	170.3	179.6	89.8	91.4
Insurance income	514.5	698.3	796.3	383.5	419.4
Investment management services income	40.7	56.3	63.0	31.4	27.2
Income before income taxes	387.9	714.9	791.0	369.1	414.9
Cumulative effect of accounting change			(13.1)	(13.1)	(7.7)
Net income	320.5	528.6	570.1	259.1	297.8
	At December 31,		At June 30,		
	2000	2001	2001	2002	
	(unaudited)				
	(dollars in millions)				
Balance Sheet Data:					
Total investments	\$ 12,232.9	\$ 14,516.2	\$ 13,159.6	\$ 15,216.5	
Total assets	13,894.3	16,199.7	14,752.9	16,870.2	
Deferred premium revenue	2,397.6	2,565.1	2,453.5	2,602.0	
Loss and loss adjustment expense reserves	499.3	518.4	508.7	530.8	
Long-term debt	795.1	805.1	795.3	816.2	
Shareholders' equity	4,223.4	4,782.6	4,461.8	5,079.4	

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DESCRIPTION OF THE NOTES

General

The following description of the terms of the notes summarizes certain general terms that will apply to the notes. The notes will be issued under a Senior Indenture between us and Bank One Trust Company, N.A. (as successor in interest to The First National Bank of Chicago), as trustee, dated as of August 1, 1990, as supplemented from time to time (the Senior Indenture). This description is not complete, and we refer you to the accompanying prospectus and the Senior Indenture for additional information regarding the Senior Indenture and the debt securities that may be issued under it.

The notes will be issued in an aggregate principal amount of \$100,000,000, and each note will mature on August 15, 2022, unless redeemed or otherwise repaid prior to that date. We will issue the notes in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. Pursuant to a prospectus supplement dated August 16, 2002, we have previously offered \$200,000,000 of notes with the same terms and conditions as the notes being offered hereby. The notes offered hereby will be consolidated with and will form a single series with such notes.

We may from time to time, without the consent of existing holders of notes, create and issue additional notes having the same terms and conditions as the notes being offered hereby in all respects, except for issue date, issue price and, if applicable, the first payment of interest thereon. Additional notes issued in this manner will be consolidated with and will form a single series with the previously outstanding notes.

As used in this prospectus supplement, business day means, with respect to any debt security, any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized by law or regulation to close in The City of New York.

Ranking

The notes will be our direct, unsecured and unsubordinated obligations. The notes will rank equal in priority of payment with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. At June 30, 2002, we had outstanding approximately \$837.6 million of unsecured and unsubordinated indebtedness and no secured indebtedness. Our Senior Indenture contains no restrictions on the amount of additional indebtedness that we may issue under it or otherwise.

Interest

The notes will bear interest at a rate of 6.40% per annum. Interest will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing November 15, 2002 (each an interest payment date). If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day with the same force and effect as if made on such interest payment date. Interest accrued on the notes will be payable at maturity or earlier redemption to the persons entitled to payment of principal as a result of maturity or redemption, as the case may be. Interest (other than interest paid at maturity or earlier redemption) will be paid to the person in whose name each debt security is registered at the close of business on the fifteenth calendar day preceding each interest payment date. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months, and will accrue from August 22, 2002 or from the most recent interest payment date to which interest has been paid or duly provided for.

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Optional Redemption

We will have the right to redeem the notes, in whole or in part, on or at any time after August 15, 2006, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to the redemption date. We will provide not less than 30 nor more than 45 days' notice mailed to each registered holder of the notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue on and after the redemption date on the notes or portions of such notes called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

Redemption Upon Death of a Beneficial Owner

Unless the notes have been declared due and payable prior to their maturity by reason of an event of default under the Senior Indenture, as more fully described in the accompanying prospectus under "Description of Debt Securities—Events of Default," or have been previously redeemed or otherwise repaid, the personal representative or other person authorized to represent a deceased beneficial owner of notes (that is, one who has the right to sell, transfer or otherwise dispose of an interest in a note and the right to receive the proceeds from the note, as well as the interest and principal payable to the holder of the note) has the right to request redemption prior to stated maturity of all or part of his or her interest in such notes, and we will be obligated to redeem such notes. However, during the period from the original issue date of the notes through and including August 15, 2003 (which we refer to as the "initial period"), and during any twelve month period that ends on and includes each subsequent August 15 (each of which we refer to as a "subsequent period"), we will not be obligated to redeem:

on behalf of a deceased beneficial owner, any interest in the notes that exceeds \$25,000 in principal amount, or

interests in the notes (including interests in the \$200,000,000 aggregate principal amount of notes that were offered by our prospectus supplement dated August 16, 2002) exceeding \$6,000,000 in aggregate principal amount for all representatives requesting redemption upon the death of beneficial owners.

We may, at our option, redeem interests of any deceased beneficial owner in the notes (including interests in the \$200,000,000 aggregate principal amount of notes that were offered by our prospectus supplement dated August 16, 2002) in the initial period or any subsequent period in excess of the \$25,000 limitation. Any such redemption by us, to the extent it exceeds the \$25,000 limitation for any deceased beneficial owner, will not be included in the computation of the \$6,000,000 aggregate limitation for the notes for the initial period or the applicable subsequent period, as the case may be, or for any succeeding subsequent period. We may, at our option, redeem interests of deceased beneficial owners in the notes in the initial period or any subsequent period in an aggregate principal amount exceeding the \$6,000,000 aggregate limitation. Any such redemption by us, to the extent it exceeds the \$6,000,000 aggregate limitation, will not reduce the aggregate limitation for any subsequent period. If we decide to redeem notes in excess of the \$25,000 limitation or the \$6,000,000 aggregate limitation, we will redeem such notes in the order of receipt of redemption requests by the trustee. If in the future we issue additional notes that are consolidated with and form a single series with these notes, the \$6,000,000 aggregate limitation would be increased by 2% of the aggregate principal amount of the additional notes.

A representative of a deceased beneficial owner may initiate a request for redemption at any time and in any principal amount, provided that the principal amount is in integral multiples of \$1,000. The representative must deliver its request to the participant (which is the term used to describe an

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institution that has an account with the depository for the notes, as described below under **Book-Entry System**) through which the deceased beneficial owner owned such interest, in form satisfactory to the participant, together with evidence of the death of the beneficial owner, evidence of the authority of the representative satisfactory to the participant, any waivers, notices or certificates as may be required under applicable state or federal law and any other evidence of the right to the redemption as the participant requires. The request must specify the principal amount of the interest in the notes to be redeemed, which amount must be in integral multiples of \$1,000. Subject to the rules and arrangements of the depository, the participant will then deliver to the depository, which in this case initially will be The Depository Trust Company, a request for redemption substantially in the form attached as Appendix A to this prospectus supplement. On receipt of a redemption request, it is the customary procedure of the depository to forward the request to the trustee. The trustee is required to maintain records with respect to redemption requests received by it, including the date of receipt, the name of the participant filing the redemption request and the status of each redemption request with respect to the \$25,000 limitation and the \$6,000,000 aggregate limitation. The trustee will immediately file with us each redemption request it receives, together with the information regarding the eligibility of the redemption request with respect to the \$25,000 limitation and the \$6,000,000 aggregate limitation. We, the depository and the trustee:

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

will have no responsibility:

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

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

Subject to the \$25,000 limitation and the \$6,000,000 aggregate limitation, we will, after the death of any beneficial owner, redeem the interest of such beneficial owner in the notes within 60 days following our receipt of a redemption request from the trustee. If redemption requests exceed the aggregate limitation on notes required to be redeemed during the initial period or during any subsequent period, then excess redemption requests will be applied, in the order received by the trustee, to successive subsequent periods, regardless of the number of subsequent periods required to redeem such interests. We may, at any time, notify the trustee that we will redeem, on a date not less than 30 nor more than 45 days after the date of such notice, all or any lesser amount of notes for which redemption requests have been received but that are not then eligible for redemption by reason of the \$25,000 limitation or the \$6,000,000 aggregate limitation. Such notes will be redeemed in the order of receipt of redemption requests by the trustee.

We will pay 100% of the principal amount plus any unpaid interest accrued to (but excluding) the redemption date for the notes we redeem pursuant to a redemption request of a representative of a deceased beneficial owner. Subject to arrangements with the depository, payment for interests in the notes to be redeemed will be made to the depository in the aggregate principal amount specified in the redemption requests submitted to the trustee by the depository that are to be fulfilled in connection with such payment upon presentation of the notes to the trustee for redemption. The principal amount of any notes acquired or redeemed by us other than by redemption at the request of any representative of a deceased beneficial owner under the procedures described in this section of the prospectus supplement will not be included in the computation of either the \$25,000 limitation or the \$6,000,000 aggregate limitation for the initial period or for any subsequent period.

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An interest in a note held in tenancy by the entirety, by joint tenancy or by tenants in common will be deemed to be held by a single beneficial owner, and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a beneficial owner. The death of a person who, during his or her lifetime, was entitled to substantially all of the rights of a beneficial owner of an interest in the notes will be deemed the death of the beneficial owner, regardless of the recordation of the interest on the records of the participant, if such rights can be established to the satisfaction of the participant. Such interests will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh H.R. 10 plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one person has substantially all of the rights of a beneficial owner during such person's lifetime.

In the case of a redemption request that is presented on behalf of a deceased beneficial owner and that has not been fulfilled at the time we give notice of our election to redeem the notes in part, the notes that are the subject of such pending redemption request will be redeemed prior to any other notes.

Any redemption request may be withdrawn by the person(s) presenting such request upon delivery of a written request for withdrawal given by the participant on behalf of such person(s) to the depository and by the depository to the trustee not less than 30 days prior to the redemption payment.

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

- all references in this section of the prospectus supplement to participants and the depository, including the depository's governing rules, regulations and procedures, will not be applicable;

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

- all redemption requests, to be effective, must

 - be delivered by the representative to the trustee, with a copy to us;

 - if required by the trustee and us, be in the form of the attached redemption request (with appropriate changes mutually agreed to by the trustee and us to reflect the fact that the redemption request is being executed by a representative (including provision for signature guarantees)); and

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

Sinking Fund

There is no provision for a sinking fund applicable to the notes.

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BOOK ENTRY SYSTEM

We have obtained the information in this section concerning The Depository Trust Company (DTC) and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The notes initially will be represented by one or more fully registered global notes. Each global note will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co. (DTC's nominee).

You may hold your interests in the global notes in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the notes, DTC or such nominee will be considered the sole owner and holder of the notes for all purposes of the notes and the Senior Indenture. Except as provided below, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive form and will not be considered the owners or holders of the notes under the Senior Indenture, including for purposes of receiving any reports that we or the trustee deliver pursuant to the Senior Indenture. Accordingly, each person owning a beneficial interest in a note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of notes.

Unless and until we issue the notes in fully certificated form under the limited circumstances described below under the heading **Certificated Notes** :

you will not be entitled to receive physical delivery of a certificate representing your interest in the notes;

all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and

all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the notes, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC will act as securities depository for the notes. The notes will be issued as fully registered notes registered in the name of Cede & Co. DTC is:

a limited-purpose trust company organized under the New York Banking Law;

a banking organization under the New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation under the New York Uniform Commercial Code; and

a clearing agency registered under the provision of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

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Direct participants of DTC include securities brokers and dealers (including underwriters), banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect participants of DTC, such as securities brokers and dealers, banks and trust companies, can also access the DTC system if they maintain a custodial relationship with a direct participant.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in, the notes, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The Securities and Exchange Commission has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the notes under DTC's system must be made by or through direct participants, which will receive a credit for the notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the notes, except as provided below in Certificated Notes.

To facilitate subsequent transfers, all notes deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of notes with DTC and their registration in the name of Cede & Co. has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes. DTC's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as