

NORTHERN TRUST CORP
Form 424B5
July 30, 2012
Table of Contents

Filed pursuant to Rule 424(b)(5)
Registration No. 333-175892

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion

Preliminary prospectus supplement dated July 30, 2012

Prospectus Supplement

(To prospectus dated July 29, 2011)

\$

Northern Trust Corporation

% Notes due

The notes will bear interest at the rate of % per year. Interest on the notes is payable on and of each year, beginning , 2013. The notes will mature on , . We have no right to redeem the notes prior to their maturity.

The notes will be unsecured and rank equally with all of our other existing and future senior debt. The notes will be issued only in registered book-entry form in denominations of \$2,000 and integral multiples of \$1,000.

See Risk Factors on page S-5 of this prospectus supplement and page 2 of the accompanying prospectus to read about important factors you should consider before buying the notes.

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

	Per note	Total
Initial public offering price	%	\$
Underwriting discount (1)	%	\$
Proceeds, before expenses, to Northern Trust	%	\$

(1) See Underwriting.

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from _____, 2012 and must be paid by the purchasers if the notes are delivered after that date.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company and its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, S.A., against payment in New York, New York on _____, 2012.

Joint Book-Running Managers

BofA Merrill Lynch

Morgan Stanley
Co-Managers

Goldman, Sachs & Co.

Barclays Capital

The Williams Group, L.P.

The date of this prospectus supplement is July _____, 2012.

Table of Contents

Table of Contents

Prospectus supplement

	Page
<u>About this prospectus supplement</u>	S-ii
<u>Summary</u>	S-1
<u>The offering</u>	S-3
<u>Ratios of earnings to fixed charges</u>	S-4
<u>Risk factors</u>	S-5
<u>Incorporation by reference</u>	S-6
<u>Use of proceeds</u>	S-7
<u>Capitalization</u>	S-8
<u>Supplemental description of the notes</u>	S-9
<u>Material U.S. federal income tax consequences</u>	S-10
<u>Certain ERISA considerations</u>	S-13
<u>Underwriting</u>	S-15
<u>Legal matters</u>	S-19
<u>Experts</u>	S-19

Prospectus

<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Risk Factors</u>	2
<u>Forward-looking Statements</u>	3
<u>Northern Trust Corporation</u>	4
<u>The Trusts</u>	6
<u>Use of Proceeds</u>	7
<u>Ratios of Earnings to Fixed Charges</u>	7
<u>Description of the Common Stock</u>	7
<u>Description of the Preferred Stock</u>	8
<u>Description of the Debt Securities</u>	9
<u>Additional Terms of the Senior Debt Securities</u>	16
<u>Additional Terms of the Subordinated Debt Securities</u>	17
<u>Description of the Warrants</u>	18
<u>Description of the Stock Purchase Contracts and Stock Purchase Units</u>	19
<u>Description of the Preferred Securities of the Trusts, the Preferred Securities Guarantees and Related Obligations</u>	20
<u>Global Securities</u>	20
<u>Plan of Distribution</u>	22
<u>Legal Matters</u>	24
<u>Experts</u>	24

Table of Contents

About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters relating to us and our financial condition. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the notes we are offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent the description of the notes in this prospectus supplement differs from the description in the base prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this document or to which this document refers you, or other offering materials filed by us with the Securities and Exchange Commission (SEC). We have not authorized anyone, and we have not authorized the underwriters to authorize anyone, to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement or any sale of the notes. Our business, financial condition, results of operations and prospects may have changed since those dates.

The notes are offered globally for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers. See Underwriting.

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

References herein to \$ and dollars are to the currency of the United States.

Table of Contents

Summary

This summary highlights selected information from this prospectus supplement and the accompanying prospectus to help you understand us and the notes. The Supplemental Description of Notes section of this prospectus supplement and the Description of Debt Securities section of the accompanying prospectus contain more detailed information regarding the terms and conditions of the notes. You should carefully read this prospectus supplement and the accompanying prospectus to understand fully the terms of the notes and the other considerations that are important to you in making a decision about whether to invest in the notes.

Unless otherwise indicated, references in this prospectus supplement to Northern Trust, the Corporation, we, us and our are to Northern Trust Corporation and its consolidated subsidiaries. References to the Bank are to The Northern Trust Company.

Northern Trust Corporation

We are a financial holding company that is a leading provider of asset servicing, fund administration, asset management, fiduciary and banking solutions for corporations, institutions, families and individuals worldwide. We conduct our business through various U.S. and non-U.S. subsidiaries, including the Bank. We were originally formed as a holding company for the Bank in 1971. We have a network of offices in 18 U.S. states, Washington, D.C., and 16 international locations in North America, Europe, the Middle East, and the Asia Pacific region. At June 30, 2012, we had consolidated total assets of \$94.5 billion and stockholders' equity of \$7.4 billion. At December 31, 2011, we had consolidated total assets of \$100.2 billion and stockholders' equity of \$7.1 billion.

The Bank is an Illinois banking corporation headquartered in the Chicago financial district and our principal subsidiary. Founded in 1889, the Bank conducts its business through its U.S. operations and its various U.S. and non-U.S. branches and subsidiaries. At June 30, 2012, the Bank had consolidated assets of \$94.2 billion and common bank equity capital of \$7.1 billion. At December 31, 2011, the Bank had consolidated assets of \$99.8 billion and common bank equity capital of \$6.9 billion.

We expect that, although the operations of other banking and non-banking subsidiaries will continue to be of increasing significance, the Bank will in the foreseeable future continue to be the major source of our consolidated assets, revenues, and net income.

Business units

We organize our services globally around our two client-focused principal business units: Corporate and Institutional Services (C&IS) and Personal Financial Services (PFS). Two other business units provide services to the two principal business units: Northern Trust Global Investments (NTGI), which provides investment management, and Operations and Technology (O&T), which provides operating and systems support.

The following is a brief summary of each business unit's activities.

Corporate and Institutional Services

C&IS is a leading global provider of asset servicing, securities lending, brokerage, banking and related services to corporate and public retirement funds, foundations, endowments, fund managers, insurance companies, sovereign wealth and government funds. Asset servicing and related services encompass a full range of industry leading capabilities including but not limited to: global master trust and custody, trade settlement, and reporting; fund administration; cash management; investment risk and performance analytical services; investment operations outsourcing; and transition management and commission recapture. Client relationships are managed through the Bank and the Bank's and our other subsidiaries, including support from international locations in North America, Europe, the Middle East, and the Asia Pacific region. C&IS also executes related

Table of Contents

foreign exchange transactions from offices located in the United States, United Kingdom, and Singapore. At June 30, 2012, total C&IS assets under custody were \$4.2 trillion and assets under management were \$528.4 billion. At December 31, 2011, total C&IS assets under custody were \$3.9 trillion and assets under management were \$489.2 billion.

Personal Financial Services

PFS provides personal trust, investment management, custody, and philanthropic services; financial consulting; guardianship and estate administration; brokerage services; and private and business banking. PFS focuses on high net worth individuals and families, business owners, executives, professionals, retirees, and established privately-held businesses in its target markets. PFS also includes the Global Family & Private Investment Offices group, which provides customized products and services to meet the complex financial needs of individuals and family offices in the United States and throughout the world with assets typically exceeding \$200 million.

PFS is one of the largest providers of personal trust services in the United States, with \$411.2 billion and \$385.2 billion in assets under custody and \$175.9 billion and \$173.7 billion in assets under management at June 30, 2012 and December 31, 2011, respectively. PFS services are delivered through a network of offices in 18 U.S. states and Washington, D.C., as well as offices in London and Guernsey

Northern Trust Global Investments

NTGI, through our various subsidiaries, provides a broad range of asset management and related services and other products to clients around the world, including clients of C&IS and PFS. Clients include institutional and individual separately managed accounts, bank common and collective funds, registered investment companies, exchange traded funds, non-U.S. collective investment funds and unregistered private investment funds. NTGI offers both active and passive equity and fixed income portfolio management, as well as alternative asset classes (such as private equity and hedge funds of funds) and multi-manager products and advisory services. NTGI's activities also include overlay services and other risk management services. NTGI's business operates internationally through subsidiaries, joint ventures, alliances, and distribution arrangements.

Operations and Technology

O&T supports all of our business activities, including the processing and product management activities of C&IS, PFS, and NTGI. These activities are conducted principally in the operations and technology centers in Chicago, London, and Bangalore.

Corporate Financial Management Group

The Corporate Financial Management Group includes the Chief Financial Officer, Controller, Treasurer, and Investor Relations functions. The Group is responsible for our accounting and financial infrastructure and for managing our financial position.

Corporate Risk Management Group

The Corporate Risk Management Group includes the Credit Policy and other Corporate Risk Management functions. The Corporate Risk Management Group monitors, measures, and facilitates the management of risks across the businesses of Northern Trust and its subsidiaries.

Our principal executive offices are located at 50 South LaSalle Street, Chicago, Illinois 60603, and our telephone number is (312) 630-6000.

Table of Contents

The offering

Issuer	Northern Trust Corporation
Securities offered	\$ aggregate principal amount of % notes due .
Maturity date	The notes will mature on , .
Interest rate	The interest rate on the notes will be % per annum.
Interest payment dates	Each and , commencing , 2013.
Ranking	The notes will be unsecured and rank equally with all of our other existing and future senior debt. The Indenture does not limit the amount of debt that Northern Trust Corporation or any of its subsidiaries may incur.
Redemption	We have no right to redeem the notes prior to maturity.
Use of proceeds	The net proceeds, after estimated expenses, to us from the sale of the notes offered hereby will be approximately \$. We intend to use the net proceeds of this offering for general corporate purposes.
Risk factors	See Risk Factors and other information we include or incorporate by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.
For additional information regarding the notes, see	Supplemental description of the notes on page S-9.

Table of Contents**Ratios of earnings to fixed charges**

The following are ratios of our earnings to fixed charges and ratios of earnings to fixed charges and preferred stock dividends for each of the periods indicated:

	Six Months Ended June 30, 2012	2011	2010	Fiscal Year Ended December 31,		
				2009	2008	2007
Earnings to Fixed Charges:						
Excluding Interest on Deposits:	6.72	5.40	5.85	6.43	5.06	3.60
Including Interest on Deposits:	4.01	3.05	3.44	3.86	1.89	1.54
Earnings to Fixed Charges and Preferred Stock Dividend Requirements:						
Excluding Interest on Deposits:	6.72	5.40	5.85	4.09	4.83	3.60
Including Interest on Deposits:	4.01	3.05	3.44	3.05	1.88	1.54

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of net income before extraordinary items plus applicable income taxes and fixed charges. Fixed charges, excluding interest on deposits consist of interest expense (other than on deposits) and the estimated interest component of rental expense. Fixed charges, including interest on deposits consist of all interest expense and the estimated interest component of rental expense.

Table of Contents

Risk factors

In deciding whether to invest in the notes, you should consider carefully the following factors that could materially adversely affect our operating results and financial condition and the value of your investment in the notes. Although we have tried to discuss key factors, please be aware that other risks may prove to be important and may arise in the future. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance or the value of your investment in the notes. You should also consider the information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2012 and June 30, 2012, as well as any subsequent reports on Form 8-K we may file. Each of the risks described below could result in a decrease in the value of the notes and your investment therein.

We are a holding company, and as a result we are dependent on dividends from our subsidiaries, including the Bank, to meet our obligations, including with respect to the notes.

We are a non-operating holding company, whose principal asset and source of income is our investment in the Bank. We are a legal entity separate and distinct from the Bank and our other subsidiaries and, therefore, rely primarily on dividends from these subsidiaries to meet our obligations, including with respect to the notes, and to provide funds for payment of dividends to our shareholders, to the extent declared by our board of directors. There are various legal limitations on the extent to which the Bank and our other subsidiaries can finance or otherwise supply funds to us (by dividend or otherwise) and certain of our affiliates. Although we maintain cash positions for liquidity at the holding company level, if the Bank or any other of our subsidiaries was unable to supply us with cash over time, we could be unable to meet our obligations, including with respect to the notes. See Item 1 Business Regulation and Supervision Payment of Dividends in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Because we are a holding company, our rights and the rights of our creditors, including the holders of the notes, to a share of the assets of any subsidiary upon the liquidation or recapitalization of the subsidiary will be subject to the prior claims of the subsidiary's creditors (including, in the case of the Bank and our other banking subsidiaries, its depositors), except to the extent that we may ourselves be a creditor with recognized claims against the subsidiary. Accordingly, the notes will be effectively subordinated to all existing and future liabilities of our subsidiaries.

There may not be any trading market for the notes; many factors affect the trading market and value of the notes.

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

the time remaining to the maturity of the notes,

the outstanding amount of notes with terms identical to the notes offered in this prospectus supplement,

the redemption or repayment features, if any, of the notes, and

the level, direction and volatility of market interest rates generally.

You should also be aware that there may be a limited number of buyers when you decide to sell your notes. This may affect the price you receive for your notes or your ability to sell your notes at all.

Our credit ratings may not reflect all risks of an investment in the notes.

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Our credit ratings, however, may not reflect the potential impact of risks related to market or other factors discussed above on the value of the notes.

Table of Contents

Incorporation by reference

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934. You may read and copy any document that we file at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. You may also inspect our annual, quarterly and current reports, any proxy statements and other information over the Internet at the SEC's home page at <http://www.sec.gov>.

The SEC allows us to incorporate by reference information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus. Information that we file with the SEC after the date of this prospectus supplement will automatically modify and supersede the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. Nothing in this prospectus supplement or the accompanying prospectus shall be deemed to incorporate by reference information furnished to, but not filed with, the SEC, unless specifically stated otherwise. We incorporate by reference:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (including portions of our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders incorporated therein by reference);

our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012;

our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012;

our Current Reports on Form 8-K dated March 19, 2012, April 18, 2012, April 19, 2012 and July 18, 2012; and

any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the notes offered by this prospectus supplement.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number: Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois 60603, Attention: Corporate Secretary, Telephone: (312) 444-3714. These filings are also available on the website we maintain at www.northerntrust.com. The information contained at our Internet site is not incorporated by reference in this prospectus supplement, and you should not consider it a part of this prospectus supplement or the accompanying prospectus.

Table of Contents

Use of proceeds

The net proceeds, after estimated expenses, to us from the sale of the notes offered hereby will be approximately \$. We intend to use the net proceeds of this offering for general corporate purposes.

S-7

Table of Contents**Capitalization**

The following table shows our capitalization and short-term indebtedness at June 30, 2012 (1) on a consolidated basis and (2) on a consolidated basis as adjusted to reflect the issuance and sale of the notes. This table should be read in conjunction with our consolidated financial statements and related notes for the six months ended June 30, 2012, incorporated by reference into this prospectus supplement and the accompanying prospectus. See [Where You Can Find More Information](#) in the accompanying prospectus.

	June 30, 2012	
	Actual	As Adjusted
	(in millions)	
Senior notes (excluding amounts due within one year)	\$ 1,917.0	\$
Long-term debt (excluding amounts due within one year)	1,038.8	
Floating rate capital debt	277.0	
Stockholders' equity		
Common stock	408.6	
Additional paid-in capital	995.3	
Retained earnings	6,502.2	
Accumulated other comprehensive loss	(274.1)	
Treasury stock	(241.7)	
Total stockholders' equity	7,390.3	
Total capitalization	\$ 10,623.1	\$
Short-term borrowings (including current portion of long-term and senior debt)	\$ 4,076.6	\$

Table of Contents

Supplemental description of the notes

Please read the following information concerning the notes in conjunction with the statements under "Description of the Debt Securities" in the accompanying prospectus, which the following information supplements and, if there are any inconsistencies, supersedes. The following description is not complete. The notes will be issued under the Indenture, dated as of August 15, 2006, that we have entered into with The Bank of New York Mellon Trust Company, N.A. (as successor-in-interest to JPMorgan Chase Bank, National Association), as trustee. The Indenture is described in the accompanying prospectus and is filed as an exhibit to the registration statement under which the notes are being offered and sold.

Maturity, interest and payment

The notes will mature on _____, _____. The notes will bear interest from and including _____, 2012, payable in arrears on _____ and _____ of each year, commencing _____, 2013. Interest payable on each interest payment date will be paid to the persons in whose names the notes are registered at the close of business on the 15th calendar day prior to such interest payment date, and interest payable at maturity will be paid to the persons to whom the principal is then payable. 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, and interest will not accrue on the amount so payable for the period from and after the interest payment date. Interest on the notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months, and will accrue from _____, 2012 or from the most recent interest payment date to which interest has been paid. We have no right to redeem the notes prior to maturity.

At maturity, the amounts due and payable on the notes will be 100% of their principal amount outstanding, together with interest accrued to the maturity date. If the maturity falls on a day that is not a business day, the payment of principal and interest will be made on the next succeeding business day with the same force and effect as if made at maturity, and no interest on such payment will accrue for the period from and after such maturity.

Forms and denominations

The notes will be issued as one or more fully registered global securities in the name of a nominee of The Depository Trust Company and will be available only in book-entry form. See "Global Securities" in the accompanying prospectus. The notes are available for purchase in minimum denominations of \$2,000 and in integral multiples of \$1,000 in excess thereof.

Additional notes

We may, without the consent of the holders of the notes offered in this prospectus supplement, create and issue additional notes ranking equally with the notes offered in this prospectus supplement in all respects, including having the same CUSIP number, so that such additional notes would be consolidated and form a single series with the notes offered in this prospectus supplement and would have the same terms as to status, redemption or otherwise as the notes offered hereby. No additional notes may be issued if an Event of Default (as defined in the accompanying prospectus) has occurred and is continuing with respect to the notes offered in this prospectus supplement. Additional notes may not be fungible with the notes for U.S. federal income tax purposes.

Listing

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

Depository

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

Table of Contents**Material U.S. federal income tax consequences**

The following summary describes the material U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes as of the date hereof to U.S. holders and non-U.S. holders (each as defined below) that acquire notes for cash at their original issue price pursuant to this offer. The summary is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, judicial decisions, published positions of the Internal Revenue Service (IRS), and other applicable authorities, all as in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion does not address all of the tax consequences that may be relevant to a particular person or to persons subject to special treatment under U.S. federal income tax laws (such as financial institutions, broker-dealers, insurance companies, regulated investment companies, real estate investment trusts, cooperatives, traders in securities who elect to apply a mark-to-market method of accounting, persons that have a functional currency other than the U.S. dollar, expatriates, tax-exempt organizations, or persons that are, or hold their notes through, partnerships or other pass-through entities), or to persons who hold the notes as part of a straddle, hedge, conversion, synthetic security, or constructive sale transaction for U.S. federal income tax purposes, all of whom may be subject to tax rules that differ from those summarized below. In addition, this discussion does not address the consequences of the alternative minimum tax, or any state, local or non-U.S. tax consequences or any tax consequences other than U.S. federal income tax consequences. This summary deals only with persons who hold the notes as capital assets within the meaning of the Code (generally, property held for investment). No IRS ruling has been or will be sought regarding any matter discussed herein. Holders are urged to consult their tax advisors as to the particular U.S. federal tax consequences to them of the acquisition, ownership and disposition of notes, as well as the effects of state, local and non-U.S. tax laws.

For purposes of this summary, a U.S. holder means a beneficial owner of a note (as determined for U.S. federal income tax purposes) that is, or is treated as, a citizen or individual resident of the United States, a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any political subdivision thereof or the District of Columbia, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect to be treated as a U.S. person. A non-U.S. holder means any beneficial owner (other than a partnership or other pass-through entity for U.S. federal income tax purposes) that is not a U.S. holder.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a holder of a note, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of such partnership. Partners and partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences applicable to them.

It is not expected that the notes will be issued with original issue discount for U.S. federal income tax purposes. If the notes are issued with more than a defined de minimis amount of original issue discount, U.S. federal income tax consequences materially different than those described below would apply to U.S. holders.

U.S. holders

Interest. Payments of interest on the notes will be taxable to a U.S. holder as ordinary interest income at the time such holder receives or accrues such amounts, in accordance with its regular method of tax accounting.

Disposition. Upon the sale, exchange or other disposition of a note, a U.S. holder generally will recognize taxable capital gain or loss equal to the difference, if any, between the amount realized and the holder's adjusted tax basis (generally its cost less any principal payments received) in the note at the time. Such gain or loss will be long-term capital gain or loss if the U.S. holder's holding period with respect to the note disposed of is more than

Table of Contents

one year at the time. To the extent that amounts received include accrued but unpaid interest that the U.S. holder has not yet included in income, such interest will not be taken into account in determining gain or loss, but will instead be taxable as ordinary interest income. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding. Interest paid or accrued on a note, as well as the proceeds from a sale, exchange or other disposition of a note, generally will be subject to information reporting (unless the U.S. holder is a corporation or other exempt recipient). In addition, such amounts may be subject to backup withholding unless the U.S. holder (1) is a corporation or is otherwise exempt from backup withholding or (2) provides a correct taxpayer identification number (generally on IRS Form W-9) and, in each case, otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. If backup withholding results in an overpayment of taxes, a U.S. holder may obtain a refund or credit, provided that the U.S. holder furnishes the required information to the IRS in a timely manner.

Non-U.S. holders

Interest. Subject to the discussion of backup withholding below, a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on interest paid on a note if the interest is not effectively connected with a non-U.S. holder's conduct of a U.S. trade or business (or, in the case of certain tax treaties, is not attributable to a permanent establishment or fixed base within the United States), provided that the non-U.S. holder:

- (1) does not actually or constructively, directly or indirectly, own 10% or more of our voting stock;
- (2) is not a controlled foreign corporation that is related to us (directly or indirectly) through stock ownership;
- (3) is not a bank that acquired the note in connection with an extension of credit made pursuant to a loan entered into in the ordinary course of business; and
- (4) certifies to its non-U.S. status on IRS Form W-8 BEN.

A non-U.S. holder that cannot satisfy the above requirements generally will be exempt from U.S. federal withholding tax with respect to interest paid on the notes if the holder establishes that such interest is not subject to withholding tax because it is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (generally, by providing an IRS Form W-8ECI). However, to the extent that such interest is effectively connected with the non-U.S. holder's conduct of a trade or business (and, in the case of certain tax treaties, is attributable to a permanent establishment or fixed base within the United States), the non-U.S. holder will be subject to U.S. federal income tax on a net basis and, if it is a foreign corporation, may be subject to a 30% U.S. branch profits tax (or lower applicable treaty rate). In addition, under certain income tax treaties, the U.S. withholding rate on interest payments may be reduced or eliminated, provided the non-U.S. holder complies with the applicable certification requirements (generally, by providing an IRS Form W-8BEN). If a non-U.S. holder does not satisfy the requirements described above, and does not establish that the interest is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, the non-U.S. holder will generally be subject to U.S. withholding tax, currently imposed at 30%.

Disposition. Subject to the discussion below regarding information reporting and backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income taxation with respect to gain realized on the sale, exchange or other disposition of a note, unless:

- (1) the non-U.S. holder holds the note in connection with the conduct of a U.S. trade or business (and, in the case of certain tax treaties, the gain is attributable to a permanent establishment or fixed base within the United States); or

Table of Contents

(2) in the case of an individual, such individual is present in the United States for 183 days or more during the taxable year in which gain is realized and certain other conditions are met.

Information reporting and backup withholding. A non-U.S. holder not subject to U.S. income tax may nonetheless be subject to backup withholding and information reporting with respect to interest paid or accrued on a note, and with respect to amounts realized on the disposition of a note, unless the non-U.S. holder provides the withholding agent with the applicable IRS Form W-8 or otherwise establishes an exemption. Non-U.S. holders should consult their tax advisors as to their qualifications for an exemption for backup withholding and the procedure for obtaining such an exemption. In addition, payments to a non-U.S. holder and proceeds from certain dispositions of a note may be reported to the IRS and may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder may be credited against the non-U.S. holder's U.S. federal income tax liability, if any, or refunded, if the required information is furnished to the IRS in a timely manner. Non-U.S. holders should consult their tax advisors regarding the information reporting and backup withholding rules to them.

Table of Contents

Certain ERISA considerations

The following is a summary of certain considerations associated with the purchase of notes by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements (each, a Plan) and plans or arrangements subject to provisions under any federal, state, local non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (Similar Laws).

General fiduciary matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan and prohibit certain transactions involving the assets of a Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the management or administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of such Plan.

In considering an investment in the notes of a portion of the assets of any Plan or arrangement subject to Similar Laws, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Laws relating to a fiduciary's duties including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and Similar Laws.

Prohibited transaction issues

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition or holding of notes by a Plan with respect to which we or an underwriter are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions (PTCEs), that may apply to the acquisition and holding of the notes. These class exemptions include PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. Also, in this regard, the Pension Protection Act of 2006 added statutory exemptions including Section 408(b)(17) of ERISA pertaining to certain transactions between a Plan and a non-fiduciary service provider. There can be no assurance that a particular purchase of notes will satisfy all of the conditions of any such exemptions.

Because of the foregoing, the notes should not be purchased or held by any person investing plan assets of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code, or with respect to assets of a plan or arrangement that is subject to Similar Laws, or a violation of any applicable Similar Laws.

Table of Contents

Representation

By acceptance of a note, each purchaser and subsequent transferee of a note will be deemed to have represented and warranted that (i) no portion of the assets used by such purchaser or transferee to acquire and hold the note constitutes assets of any Plan or assets of a plan or arrangement that is subject to Similar Laws, (ii) the purchase and holding of the note by such purchaser or transferee will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, or (iii) the purchase and holding of the note by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws because such purchase and holding satisfies the conditions of a class exemption, including without limitation PTCE 91-38, 90-1, 84-14, 95-60 or 96-23 or a statutory exemption (including without limitation Section 408(b)(17) of ERISA).

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan or assets of a plan or arrangement subject to Similar Laws, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes.