

PARKER HANNIFIN CORP

Form 424B5

September 08, 2010

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Filed Pursuant to Rule 424(b)(5)
 Registration No. 333-169069

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be	Amount To Be	Proposed Maximum Offering Price Per Unit	Proposed Maximum Offering Price	Amount of Registration Fee (1)
Registered 3.500% Medium-Term Notes, Series A Due 2022	Registered \$ 300,000,000	Unit 98.848%	Offering Price \$ 296,544,000	Fee (1) \$ 21,143.59

(1) This filing fee is calculated in accordance with Rule 457(r) and relates to the Registration Statement on Form S-3 (No. 333-169069) filed by Parker-Hannifin Corporation on August 26, 2010.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-169069

PRICING SUPPLEMENT
(To Prospectus dated August 26, 2010 and
Prospectus Supplement dated September 7, 2010)

PARKER-HANNIFIN CORPORATION
Medium-Term Notes, Series A

\$300,000,000 3.500% Medium-Term Notes, Series A due 2022

This pricing supplement supplements the terms and conditions in the Prospectus, dated August 26, 2010, as supplemented by the Prospectus Supplement, dated September 7, 2010 (as so supplemented, together with all documents incorporated by reference, the **Prospectus**), and should be read with the Prospectus. Unless otherwise defined in this pricing supplement, terms used herein have the same meanings as are given to them in the Prospectus.

Title of the Notes:	3.500% Medium-Term Notes, Series A due 2022
Aggregate Principal Amount Initially Being Issued:	\$300,000,000
Denomination:	\$2,000 and integral multiples of \$1,000 in excess thereof
Price to Public:	98.848% of face amount
Settlement Date:	September 10, 2010
Maturity Date:	September 15, 2022
Coupon (Interest Rate):	3.500%
Interest Payment Dates:	Semiannually on March 15 and September 15 of each year, beginning March 15, 2011
Optional Redemption:	The Company may redeem the notes, at its option, at any time in whole or from time to time in part, as described in greater detail below.
CUSIP:	70109H AK1

	Per Note	Total
Public Offering Price	98.848%	\$ 296,544,000
Selling Agents' Commission	0.675%	\$ 2,025,000
Proceeds (before expenses) to us	98.173%	\$ 294,519,000

Joint Book-Running Managers

BofA MERRILL LYNCH

BARCLAYS CAPITAL

MORGAN STANLEY

Co-Managers

Citi

Goldman, Sachs & Co.

KeyBanc Capital Markets

RBS

September 7, 2010

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Use of Proceeds

We expect to receive net proceeds, after deducting agents' discounts and commissions but before deducting other offering expenses, of approximately \$294,519,000 from this offering. We intend to use the proceeds to repay borrowings under our commercial paper program and for other general corporate purposes. At August 31, 2010, the total amount outstanding under our commercial paper program was approximately \$246.9 million with a weighted average maturity of approximately 7.46 days and a weighted average interest rate of approximately 0.22%.

Additional Terms

In connection with the offering of the notes, the following additional terms will be applicable:

Optional Redemption

We may redeem the notes, at our option, at any time in whole or from time to time in part (any date on which all or any part of the notes are to be redeemed, a **Redemption Date**) at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the notes being redeemed, or
- (b) as calculated by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments for principal and interest on the notes to be redeemed (not including any portion of such payments of interest accrued as of the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360 day year consisting of twelve 30-day months) using a discount rate equal to the sum of the Reference Dealer Rate (as defined below), plus 15 basis points, plus accrued and unpaid interest on the notes to be redeemed to, but not including, the Redemption Date.

If we have given notice as provided in the indenture and made funds available for the redemption of any notes called for redemption on the Redemption Date referred to in that notice, those notes will cease to bear interest on that Redemption Date. Any interest accrued to the Redemption Date will be paid as specified in such notice. We will give written notice of any redemption of any notes to holders of the notes to be redeemed at their addresses, as shown in the security register for the notes, at least 30 days and not more than 60 days prior to the Redemption Date. The notice of redemption will specify, among other items, the date fixed for redemption, the redemption price and the aggregate principal amount of the notes to be redeemed.

If we choose to redeem less than all of the notes, and if the notes are held by the depositary, the applicable operational procedures of the depositary for the selection of notes for redemption will apply. If the notes are not held by the depositary, the particular notes to be redeemed shall be selected by the trustee not more than 60 days prior to the Redemption Date. The trustee will, in its sole discretion, then select the method and the manner, as it shall deem appropriate and fair to be used for purposes of redeeming the notes in part.

Quotation Agent means the Reference Dealer (defined below) selected by the Company.

Reference Dealer means (a) each of Banc of America Securities LLC, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a **Primary Treasury Dealer**), in which case the Company will substitute another Primary Treasury Dealer and (b) any other Primary Treasury Dealer selected by the Company.

Reference Dealer Rate means, with respect to any Redemption Date, the arithmetic average of the quotations quoted in writing to the Company by each Reference Dealer of the average midmarket annual yield to maturity of the 2.625%

Treasury Notes due August 15, 2020, or, if such security is no longer outstanding, a similar security in the reasonable judgment of each Reference Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

Change of Control

If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the notes as described above, we will be required to make an offer (a **change of control offer**) to each holder of the notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that holder's notes

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on the terms set forth in such notes. In a change of control offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased to the date of repurchase (a **change of control payment**).

Within 30 days following any Change of Control Triggering Event or, at our option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, a notice will be mailed to holders of the notes describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offering to repurchase such notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (a **change of control payment date**). The notice will, if mailed prior to the date of consummation of the Change of Control, state that the change of control offer is conditioned on the Change of Control Triggering Event occurring on or prior to the change of control payment date.

On each change of control payment date, we will, to the extent lawful,

Accept for payment all notes or portions of notes properly tendered pursuant to the applicable change of control offer;

Deposit with the paying agent an amount equal to the change of control payment in respect of all notes or portions of notes properly tendered;

Deliver or cause to be delivered to the trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

We will not be required to make a change of control offer upon the occurrence of a Change of Control Triggering Event if a third-party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for a change of control offer made by us, and the third-party repurchases all notes properly tendered and not withdrawn under its offer.

We will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the change of control offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict.

If holders of not less than 90% in aggregate principal amount of the outstanding notes validly tender and do not withdraw such notes in a change of control offer and the Company, or any third-party making a change of control offer in lieu of the Company, as described above, purchases all of the notes validly tendered and not withdrawn by such holders, the Company will have the right, upon not less than 30 nor more than 60 days prior notice, given not more than 30 days following such purchase pursuant to the change of control offer described above, to redeem all notes that remain outstanding following such purchase at a redemption price in cash equal to the applicable change of control payment.

For purposes of the change of control offer provisions of the notes, the following terms will be applicable:

Change of Control means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any person, other than our

company or one of our subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding voting stock, measured by voting power rather than number of shares; (3) we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding voting stock or the voting stock of such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our voting stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of

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the voting stock of the surviving person or any direct or indirect parent company of the surviving person, measured by voting power rather than number of shares, immediately after giving effect to such transaction; (4) the first day on which a majority of the members of our Board of Directors are not continuing directors; or (5) the adoption of a plan relating to our liquidation or dissolution. The term person, as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (1) we become a direct or indirect wholly owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Event.

Continuing Directors means, as of any date of determination, any member of our Board of Directors who (1) was a member of such Board of Directors on the date the notes were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of our proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

Fitch means Fitch, Inc., and its successors.

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

Moody's means Moody's Investors Service, Inc., and its successors.

Rating Agencies means (1) each of Fitch, Moody's and S&P; and (2) if any of Fitch, Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by us (as certified by a resolution of our Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or all of them, as the case may be.

Rating Event means the rating on the notes is lowered by at least two of the three rating agencies and the notes are rated below an investment grade rating by at least two of the three rating agencies on any day within the 60-day period (which 60-day period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the rating agencies) after the earlier of (1) the occurrence of a Change of Control and (2) public notice of the occurrence of a Change of Control or our intention to effect a Change of Control.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Voting Stock means, with respect to any specified person (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Table of Contents**Supplemental Information Concerning the Plan of Distribution**

On September 7, 2010, we entered into an agreement with the agents identified below for the purchase and sale of the notes. We have agreed to sell to each of the agents, and each of the agents has agreed to purchase from us, the principal amount of the notes indicated in the following table.

	Principal Amount of Notes
Banc of America Securities LLC	\$ 85,000,000
Barclays Capital Inc.	85,000,000
Morgan Stanley & Co. Incorporated	85,000,000
Citigroup Global Markets Inc.	11,250,000
Goldman, Sachs & Co.	11,250,000
KeyBanc Capital Markets Inc.	11,250,000
RBS Securities Inc.	11,250,000
 Total	 \$ 300,000,000

Notes sold by the agents to the public will initially be offered at the initial public offering price set forth on the cover of this pricing supplement. Any notes sold by the agents to securities dealers may be sold at a discount from the initial public offering price of up to 0.425% of the principal amount of the notes. Any such securities dealers may resell any notes purchased from the agents to certain other brokers or dealers at a discount from the initial public offering price of up to 0.250% of the principal amount of the notes. If all of the notes are not sold at the initial offering price, the agents may change the offering price and the other selling terms.

Banc of America Securities LLC, Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. or their affiliates are dealers and/or participants under our commercial paper program and may receive a portion of the net proceeds of this offering as a result of their ownership of a portion of our commercial paper.

We estimate that our share of the total expenses of the notes offered hereby, excluding agent discounts and commissions, will be approximately \$250,000.

Additional Selling Restrictions**European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each agent has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any company which has two or more of (1) an average of over 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of the notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on

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the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each agent has represented and agreed that it and each of its affiliates:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) to persons who have professional experience in matters relating to investments falling within Article 19(5) of FSMA (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to us; and

(b) has complied with, and will comply with, all applicable provisions of FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Investing in the notes involves risks. You should carefully review the risk factors under Item 1A in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010.

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**PROSPECTUS SUPPLEMENT
(To Prospectus August 26, 2010)**

\$3,000,000,000

**PARKER-HANNIFIN CORPORATION
Medium-Term Notes, Series A**

Due Nine Months or More from Date of Issue

We may offer from time to time our medium-term notes, series A, which we refer to as the notes. Each time we issue notes, we will attach a pricing supplement to this prospectus supplement. We will provide the specific terms of any notes offered in a pricing supplement, which terms will include:

Maturity. The notes will mature nine months or more from the date they are issued.

Interest Rate. The interest rate on each note will be either a fixed rate, which may be zero in the case of certain original issue discount notes, an amortizing fixed rate or a floating rate. Floating rate interest may be based on one or more of the following rates:

- CD Rate
- Commercial Paper Rate
- Federal Funds Rate
- LIBOR
- Prime Rate
- Treasury Rate
- CMT Rate
- Any other rate specified in the applicable pricing supplement.

Interest Payment Date. Interest on each fixed rate note, amortizing fixed rate note or floating rate note will be payable on each interest payment date set forth in this prospectus supplement and in the applicable pricing supplement.

Redemption. Redemption provisions applicable to the notes will be specified in the applicable pricing supplement.

Currency. The notes may be denominated in U.S. dollars or in a foreign or composite currency.

Denomination. The notes will be issued in fully registered form in denominations of \$1,000, increasing in integral multiples of \$1,000 or other denominations specified in the applicable pricing supplement and for foreign or composite currencies.

Each note will be in book-entry form through The Depository Trust Company or certificated form.

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

We may offer the notes on a continuous basis through the agents listed below, who have agreed to use reasonable efforts to sell the notes. We may also sell the notes to the agents as principal for resale at terms agreed to by us. If we sell all of the notes, we expect to receive proceeds of between \$2,996,250,000 and \$2,977,500,000 after paying the agents' discounts and commissions of between \$3,750,000 and \$22,500,000. However, the agents' discounts and commissions may exceed these amounts with respect to sales of notes with stated maturities of 30 years or more.

MORGAN STANLEY

CITI

GOLDMAN, SACHS & CO.

RBS

BofA MERRILL LYNCH

KEYBANC CAPITAL MARKETS INC.

BARCLAYS CAPITAL

September 7, 2010

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We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable pricing supplement or free writing prospectus. We do not take responsibility for any information or representation not contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable pricing supplement or free writing prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate. Nor do this prospectus supplement and the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is correct on any date after their respective dates, even though this prospectus supplement and the accompanying prospectus are delivered or securities are sold on a later date. Our business, financial condition and results of operations may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT; PRICING SUPPLEMENTS

We may use this prospectus supplement, together with the accompanying prospectus and an attached pricing supplement, to offer our medium-term notes, series A, from time to time. The total initial offering price of notes that may be offered by this prospectus supplement is \$3,000,000,000.

This prospectus supplement sets forth the terms of the medium-term notes, series A, that we may offer. It supplements the description of the debt securities contained in the accompanying prospectus. If any particular term of our medium-term notes, series A, described in this prospectus supplement is inconsistent with any general terms described in the accompanying prospectus, the particular term described in this prospectus supplement will control. Capitalized terms used but not defined in this prospectus supplement have the meanings set forth in the accompanying prospectus or the indenture under which the notes are issued. References in this prospectus supplement to notes are only to the medium-term notes, series A, we may issue under this prospectus supplement and not to any other notes we may issue under the accompanying prospectus.

Each time we issue notes, we will attach a pricing supplement to this prospectus supplement. The pricing supplement will contain the specific description of the notes being offered and the terms of the offering. The pricing supplement may also add, update or change information in this prospectus supplement or the accompanying prospectus. If any information in the pricing supplement is inconsistent with this prospectus supplement, the information in the pricing supplement will control.

You should read and consider all information contained in this prospectus supplement and the accompanying prospectus and pricing supplement in making your investment decision. You should also read and consider the information in the documents we have referred you to in *Where You Can Find More Information* on page 2 of the accompanying prospectus.

IMPORTANT CURRENCY EXCHANGE INFORMATION

Purchasers are required to pay for the notes in U.S. dollars, and payments of principal, premium, if any, and interest on the notes will also be made in U.S. dollars, unless the applicable pricing supplement provides that purchasers are instead required to pay for the notes in a specified currency, and/or that payments of principal, premium, if any, and interest on the notes will be made in a specified currency. Currently, there are limited facilities in the United States for the conversion of U.S. dollars into foreign or composite currencies and vice versa. In addition, most banks do not currently offer non-U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, unless otherwise specified in a pricing supplement or unless alternative arrangements are made, payment of principal, premium, if any, and interest on notes in a specified currency other than U.S. dollars will be made to an account at a bank outside the United States. See *Description of Notes* and *Foreign Currency Risks*.

If the applicable pricing supplement provides for payments of principal of and interest on a non-U.S. dollar denominated note to be made in U.S. dollars or for payments of principal of and interest on a U.S. dollar denominated note to be made in a specified currency other than U.S. dollars, the conversion of the specified currency into U.S. dollars or U.S. dollars into the specified currency, as the case may be, will be handled by the exchange rate agent identified in the pricing supplement. Any agent may act, from time to time, as exchange rate agent. The costs of conversion will be borne by the holder of a note through deductions from the payments.

DESCRIPTION OF NOTES

The following description of the material terms of the notes offered by this prospectus supplement is in addition to, and if inconsistent replaces, the description and general terms of the notes set forth under "Description of Debt Securities" in the accompanying prospectus. The terms and conditions set forth in this section will apply to each note unless otherwise specified in the applicable pricing supplement and in that note.

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General

We will issue the notes under an Indenture, dated as of May 3, 1996, between us and Wells Fargo Bank, N.A. (as successor to National City Bank), as trustee. We may also issue other debt securities, in addition to the medium-term notes, series A, under the Indenture. The notes will rank equal to all of our other unsecured and unsubordinated indebtedness. The notes may be issued from time to time in an aggregate principal amount of up to \$3,000,000,000 or the equivalent thereof in one or more foreign or composite currencies. The Indenture allows us to reopen a series of securities, including the notes, and issue additional securities of that series without the consent of the holders of the series.

For the purpose of this prospectus supplement:

the principal amount of any original issue discount note (as defined below) means the issue price (as defined below) of that note; and

the principal amount of any note issued in a foreign or composite currency means the U.S. dollar equivalent on the date of issue of the issue price of that note.

The notes will mature on any day nine months or more from the date of issue, as set forth in the applicable pricing supplement. Except as may be provided in the applicable pricing supplement, the notes will be issued only in fully registered form in denominations of \$1,000 each.

We may, from time to time, without the consent of the then existing holders of a series of notes, reopen the series of notes and issue additional notes with the same term (except the issue price and issue date, but including maturity and interest payment terms) as notes issued on an earlier date. After the additional notes are issued, they will be fungible with the previously issued notes to the extent set forth in the applicable pricing supplement.

The notes will be offered on a continuing basis, and each note will be issued initially as either a global note or a definitive note. Except as set forth in the accompanying prospectus under **Description of Debt Securities Global Securities**, global notes will not be issuable as definitive notes. The laws of some states may require that certain purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair your ability to own, transfer or pledge beneficial interests in global securities. See **Book-Entry System** below.

We will maintain an agency in New York, New York for the presentation of notes for payment of principal and interest, registration of notes for transfer and exchange of the notes. However, global notes will be exchangeable only in the manner and to the extent set forth in the accompanying prospectus under **Description of Debt Securities Global Securities**. On the date of this prospectus supplement, the paying agent for the payment, transfer and exchange of the notes is Wells Fargo Bank, N.A. acting through its corporate trust office at 608 Second Avenue South, N9303-121, Minneapolis, MN 55479 Attn: Corporate Trust Operations.

The applicable pricing supplement will specify:

the issue price of each note to be sold pursuant to that pricing supplement (unless the note is to be sold at 100% of its principal amount);

the interest rate or interest rate formula;

maturity;

currency;

principal amount; and

any other terms on which each note will be issued.

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Certain Definitions

Unless otherwise provided in the applicable pricing supplement, the following terms will have the meanings set forth below:

Authorized denominations means:

with respect to notes denominated in U.S. dollars, U.S. \$1,000 or integral multiples of U.S. \$1,000 above that; and

with respect to notes denominated in foreign or composite currencies, the equivalent of \$1,000 (rounded to an integral multiple of 1,000 units of the specified currency), or integral multiples of 1,000 units above that of the specified currency, as determined by reference to the market exchange rate (as defined below) for the specific currency on the business day (as defined below) immediately preceding the date of issuance.

Business day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law or executive order to close in New York City, and

with respect to LIBOR notes, is also a London banking day (as defined below);

with respect to notes denominated in a specified currency other than U.S. dollars, euros or Australian dollars, in the principal financial center of the country of the specified currency;

with respect to notes denominated in euros, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor system is open for business; and

with respect to notes denominated in Australian dollars, in Sydney.

Depository means The Depository Trust Company.

Index currency means the currency specified in the applicable pricing supplement as the currency for which LIBOR shall be calculated. If no currency is specified in the applicable pricing supplement, the index currency will be U.S. dollars.

Interest payment date, with respect to any note, means the date on which, under the terms of the note, regularly scheduled interest is payable.

Issue price means the first price at which each note is sold to the public pursuant to a pricing supplement.

London banking day means any day on which dealings in deposits in the index currency are transacted in the London interbank market.

Market exchange rate means the noon dollar buying rate in New York City for cable transfers of a specified currency published by the Federal Reserve Bank of New York.

Original issue discount note means any note that provides for an amount less than the principal amount to be due and payable upon a declaration of acceleration of the maturity pursuant to the Indenture.

Record date means, for the interest payable on any interest payment date on the first day of a month in respect of any series of notes, the fifteenth day (whether or not a business day) of the calendar month next preceding the month during which such interest payment date occurs, or if any interest payment date shall occur on the fifteenth day of a month in respect of any series of notes, the first day (whether or not a business day) of the calendar month during which such interest payment date occurs.

Interest and Principal Payments

We will pay interest to the person in whose name the note is registered at the close of business on the applicable record date. However, we will pay the interest payable upon maturity, redemption or repayment, whether or not the date of maturity, redemption or repayment is an interest payment date, to the person to whom principal is payable.

We will pay the initial interest payment on a note on the first interest payment date falling after the date the note is issued. However, unless otherwise specified in the applicable pricing supplement, we will make payments of

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interest or, in the case of an amortizing note, principal and interest, on a note issued less than 15 calendar days before an interest payment date on the next succeeding interest payment date to the holder of record on the record date with respect to that succeeding interest payment date.

We will make U.S. dollar denominated payments of interest, other than interest payable at maturity or on the date of redemption or repayment if we redeem or repay a note before maturity, by check mailed to the address of the person entitled to the interest payment as shown on the note register. We will make U.S. dollar denominated payments of principal, premium, if any, and interest upon maturity, redemption or repayment in immediately available funds against presentation and surrender of the note. Notwithstanding the foregoing:

the depository, as holder of global notes, will be entitled to receive payments of interest by wire transfer of immediately available funds; and

a holder of U.S. \$10,000,000 (or the equivalent) or more in aggregate principal amount of definitive notes having the same interest payment date will be entitled to receive payments of interest by wire transfer of immediately available funds upon written request to the paying agent, provided the request is received not later than 15 calendar days prior to the applicable interest payment date.

Unless otherwise specified in the applicable pricing supplement, a beneficial owner of global notes denominated in a specified currency electing to receive payments of principal or any premium or interest in a currency other than U.S. dollars must notify the participant through which its interest is held on or before the applicable record date, in the case of a payment of interest, and the 16th day prior to maturity, in the case of principal or premium, of a beneficial owner's election to receive all or a portion of the payment in a specified currency. The participant must notify the depository of the election on or before the third business day after the applicable record date. The depository will notify the paying agent of the election on or before the fifth business day after such record date. If complete instructions are received by the participant and forwarded by the participant to the depository, and by the depository to the paying agent, on or before those dates, the beneficial owner will receive payments in the specified currency by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States. Otherwise, the beneficial owner will receive payments in U.S. dollars.

Certain notes we may issue, including original issue discount notes, may be considered to be issued with original issue discount, which must be included in income for U.S. federal income tax purposes under a constant yield method. See U.S. Federal Income Tax Considerations—Consequences to U.S. Holders—Original Issue Discount Notes below. Unless otherwise specified in the applicable pricing supplement, if the principal of any original issue discount note is declared to be due and payable immediately as described under Description of Debt Securities—Events of Default in the accompanying prospectus, the amount of principal due and payable with respect to any original issue discount note will be limited to the aggregate principal amount of the note multiplied by the sum of its issue price (expressed as a percentage of the aggregate principal amount) plus the original issue discount amortized from the date of issue to the date of declaration. The amortization will be calculated using the interest method computed in accordance with generally accepted accounting principles in effect on the date of declaration. Special considerations applicable to any original issue discount notes will be set forth in the applicable pricing supplement.

Payment Currency

If the applicable pricing supplement provides for payments of interest and principal on a non-U.S. dollar denominated note to be made, at the option of the holder of the note, in U.S. dollars, we will cause conversion of the specified currency into U.S. dollars to be made. The exchange rate agent will determine the conversion ratio based on the highest bid quotation in New York City received by the exchange rate agent at approximately 11:00 a.m., New York City time, on the second business day preceding the applicable payment date. The exchange rate agent will determine

the highest bid quotation by receiving bid quotations from three recognized foreign exchange dealers, one of which may be the exchange rate agent, for the purchase by the quoting dealer of the specified currency for U.S. dollars for settlement on each payment date in the aggregate amount of the specified currency payable to the holders of notes and at which the applicable dealer commits to execute a contract. If these bid quotations are not available, payments will be made in the specified currency. All currency exchange costs will be borne by the holders of notes through deductions from the payments made.

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Except as set forth below, if the principal of, premium, if any, or interest on, any note is payable in a specified currency other than U.S. dollars and the specified currency:

is not available to us for making payments due to the imposition of exchange controls or other circumstances beyond our control;

is no longer used by the government of the country issuing the currency; or

is no longer used for the settlement of transactions by public institutions within the international banking community,

then we will be entitled to satisfy our obligations to holders of the notes by making payments in U.S. dollars on the basis of the market exchange rate on the date of the payment or, if the market exchange rate is not available on that date, as of the most recent practicable date. Any payment made under these circumstances in U.S. dollars where the required payment is in a specified currency other than U.S. dollars will not constitute an event of default as described under Description of Debt Securities Events of Default in the accompanying prospectus.

All determinations referred to above made by us or our agent will be at our sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on holders of notes.

Fixed Rate Notes

Each fixed rate note we issue will bear interest from the date of issuance at the annual rate stated on its face, except as described below under Extension of Maturity, until the principal of the note is paid or made available for payment. Unless otherwise specified in the applicable pricing supplement:

interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months;

payments of interest on fixed rate notes other than amortizing notes will be made semiannually on January 1 and July 1 of each year and at maturity or upon any earlier redemption or repayment;

payments of principal and interest on amortizing notes, which are securities on which payments of principal and interest are made in equal installments over the life of the security, will be made either quarterly on January 1, April 1, July 1 and October 1, or semiannually on January 1 and July 1, as set forth in the applicable pricing supplement, and at maturity or upon any earlier redemption or repayment; and

payments with respect to amortizing notes will be applied first to interest due and payable and then to the reduction of the unpaid principal amount.

A table setting forth repayment information in respect of each amortizing note will be provided to the original purchaser and will be available, upon request, to subsequent holders.

If any interest payment date for any fixed rate note falls on a day that is not a business day, the interest payment will be made on the next succeeding business day, and no interest on the payment will accrue for the period from and after the interest payment date. If the maturity, or date of redemption or repayment, of any fixed rate note falls on a day that is not a business day, the payment of interest and principal (and premium, if any) will be made on the next succeeding business day, and no interest on the payment will accrue for the period from and after the maturity date, or date of redemption or repayment.

Interest payments for fixed rate notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the interest payment date or the date of maturity or earlier redemption or repayment, as the case may be. We may change the interest rates we agree to pay, without notice, on any newly issued fixed rate notes, but any change on newly issued fixed rate notes will not affect any fixed rate notes previously issued or that we have agreed to issue.

Floating Rate