

ALLSTATE CORP  
 Form 424B5  
 May 07, 2007

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Filed Pursuant to Rule 424(b)(5)  
 Registration No. 333-134230

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067	\$500,000,000	\$15,350

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

(2) Pursuant to Rule 457(p) under the Securities Act of 1933, the registration fee of \$15,350 due with respect to this offering is offset against \$56,630 that has already been paid with respect to \$700,000,000 aggregate initial offering price of securities that were previously registered pursuant to Registration Statement No. 333-108253, and were not sold thereunder. No additional registration fee has been paid with respect to this offering. \$25,930 remains available for future registration fees after giving effect to this offering of Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 and the concurrent offering of Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067. This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in The Allstate Corporation's Registration Statement No. 333-134230 on Form S-3.

Prospectus Supplement to Prospectus dated May 18, 2006.

\$500,000,000

## The Allstate Corporation

### Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067

The Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 (the "*Debentures*") are unsecured, subordinated debt instruments and will bear interest from the date they are issued to but excluding May 15, 2037, or earlier redemption or repayment date, at an annual rate of 6.50% payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2007. From and including May 15, 2037, the Debentures will bear interest at an annual rate equal to three-month LIBOR plus 2.12% payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning August 15, 2037. For so long as no event of default has occurred and is continuing, we have the right, on one or more occasions, to defer the payment of interest on the Debentures as described in this prospectus supplement. We will not be required to settle deferred interest pursuant to the "alternative payment mechanism" described in this prospectus supplement until we have deferred interest for five consecutive years or, if earlier, made a payment of current interest during a deferral period. We may defer interest for up to ten consecutive years plus the applicable grace period without giving rise to an event of default. Deferred interest will accumulate additional interest at an annual rate equal to the annual interest rate then applicable to the Debentures. In the event of our bankruptcy, holders of the Debentures may have a limited claim for any outstanding deferred interest.

The principal amount of the Debentures will become due on May 15, 2067, or if such day is not a business day, the following business day (the "*scheduled maturity date*") only to the extent that we have received sufficient net proceeds from the sale of certain "qualifying capital securities" during a 180-day period ending on a notice date not more than 15 nor less than 10 business days prior to such date. We will use our commercially reasonable efforts, subject to certain "market disruption events," to sell enough qualifying capital securities to permit repayment of the Debentures in full on the scheduled maturity date. If any principal amount of the Debentures is not paid on the scheduled maturity date, it will remain outstanding and will continue to bear interest at three-month LIBOR plus 2.12%, and we will continue to use our commercially reasonable efforts to sell enough qualifying capital securities to permit repayment of the Debentures in full, as described in this prospectus supplement. However, our obligation to repay the Debentures on the scheduled maturity date and continuing thereafter is limited. We will be required to repay the unpaid portion of the Debentures on each subsequent interest payment date to the extent we sell a sufficient amount of qualifying capital securities. The final maturity date of the Debentures will be May 15, 2067, or if such day is not a business day, the following business day (the "*final maturity date*"). Unless previously paid, the outstanding principal of and accrued and unpaid interest on the Debentures must be paid on the final maturity date or upon the occurrence of an event of default and acceleration, regardless of whether we sell any qualifying capital securities.

We may redeem the Debentures in whole or in part at our option, or in whole upon the occurrence of certain "tax events" or "rating agency events," at the applicable redemption price set forth in this prospectus supplement.

Concurrently with this offering, we will offer, by means of a separate prospectus supplement, Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 in an aggregate principal amount of \$500,000,000 (the "*concurrent offering*"). The offering of the Debentures is not conditioned on the completion of the concurrent offering. There can be no assurance that the concurrent offering will be completed. The Debentures will rank *pari passu* with the debentures offered in the concurrent offering.

**Investing in the Debentures involves risks. See "Risk Factors" beginning on page S-6 of this prospectus supplement and the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2006 and in our Form 10-Q for the quarter ended March 31, 2007, incorporated by reference herein.**

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

	<u>Per Debenture</u>	<u>Total</u>
Initial public offering price	99.619%	\$ 498,095,000
Underwriting discount	1.00%	\$ 5,000,000
Proceeds, before expenses, to The Allstate Corporation	98.619%	\$ 493,095,000

The underwriters expect to deliver the Debentures through the facilities of The Depository Trust Company against payment in New York, New York on or about May 10, 2007.

**Goldman, Sachs & Co.**

**JPMorgan**

Joint Bookrunners and Structuring Coordinators

**Lehman Brothers**

**Merrill Lynch & Co.**

**Morgan Stanley**

**Banc of America Securities, LLC**

**Citi**

**Wachovia Securities**

**BNY Capital Markets, Inc.  
SunTrust Robinson Humphrey**

**HSBC**

**The Williams Capital Group, L.P.  
Piper Jaffray**

**PNC Capital Markets, LLC  
Wells Fargo Securities**

Prospectus Supplement dated May 3, 2007

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with the documents identified under the heading "Where You Can Find More Information" and "The Allstate Corporation Filings" in the accompanying prospectus.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

References to "Allstate," "we," "us" and "our" in this prospectus supplement are references to The Allstate Corporation, and not to any of our subsidiaries, unless we state otherwise or the context otherwise requires.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, and any related free writing prospectus issued by us. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and the accompanying prospectus, in the documents referred to in this prospectus supplement and the accompanying prospectus and which are made available to the public and in any related free writing prospectus issued by us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase, any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

**PROSPECTUS SUPPLEMENT SUMMARY**

*The following summary highlights selected information contained elsewhere in this prospectus supplement and may not contain all of the information that is important to you. We encourage you to read this prospectus supplement and the accompanying prospectus, together with the documents identified under the headings "Where You Can Find More Information" and "The Allstate Corporation Filings" in the accompanying prospectus, in their entirety. You should pay special attention to the "Risk Factors" section of this prospectus supplement and the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2006 and in our Form 10-Q for the quarter ended March 31, 2007. Unless otherwise mentioned or unless the context otherwise requires, all references in this prospectus supplement to "Allstate," "we," "us," "our" or similar references mean The Allstate Corporation and not any of our subsidiaries.*

**The Allstate Corporation**

We are a holding company that conducts most of our business through our subsidiaries Allstate Insurance Company, or AIC, and Allstate Life Insurance Company. We are the nation's largest publicly held personal lines insurance company and the second largest personal property and casualty insurer. Our main business segments include Allstate Protection and Allstate Financial. We have approximately 14,800 exclusive agencies and exclusive financial professionals in the United States and Canada. Allstate Protection includes our Encompass® and Deerbrook® brand property and casualty products sold exclusively through approximately 11,200 independent agencies across the country. Allstate Financial provides life insurance, retirement and investment products and supplemental accident and health insurance, annuity, and banking products designed for individual, institutional and worksite customers that are distributed through Allstate exclusive agencies, independent agencies, financial institutions and broker-dealers, and is the nation's 13th largest life insurance business based on ordinary life insurance in force.

We were incorporated in Delaware on November 5, 1992. Our executive offices are located at 2775 Sanders Road, Northbrook, Illinois 60062, and at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. Our telephone number is (847) 402-5000.

As a holding company with no significant business operations of our own, we rely on dividends from AIC as the principal source of cash to pay dividends to our stockholders and to meet our obligations, including the payment of principal and any interest on the Debentures and our other debt obligations. AIC is regulated as an insurance company in Illinois. Under Illinois law, AIC may not pay a dividend without notifying the Illinois Division of Insurance and providing specified financial information. Furthermore, Illinois law requires AIC to notify and receive approval from the Director of the Illinois Division of Insurance for the declaration or payment of any dividend which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of: (i) 10% of AIC's statutory surplus as of December 31 of the prior year; or (ii) AIC's statutory net income for the twelve-month period ending December 31 of the prior year.

As of December 31, 2006, AIC's year-end statutory net income was greater than 10% of its statutory surplus. AIC's statutory net income as of December 31, 2006 was \$4.92 billion and, as of May 1, 2007, dividends paid by AIC during the preceding twelve-month period totaled \$2.01 billion. As of May 1, 2007, AIC had the capacity to pay additional dividends of \$2.91 billion without seeking the prior approval of the Illinois Division of Insurance.

The laws of other jurisdictions that generally govern our insurance subsidiaries contain similar limitations on the payment of dividends; however, in some jurisdictions the laws may be somewhat more restrictive.

In 2006, as part of its investigation into Katrina-related claims, Congress authorized the Department of Homeland Security to investigate those insurers participating in the National Flood Insurance Program. The Company has cooperated with the Department of Homeland Security in connection with this investigation. In connection with its investigation, the Department of Homeland Security has informed the Company that Allstate Insurance Company will be served with a subpoena for documents with respect to homeowners' claims arising from Katrina.

**The Debentures**

**Repayment of Principal**

We must repay the principal amount of the Debentures, together with accrued and unpaid interest, on May 15, 2057, or if that date is not a business day, the following business day (the "*scheduled maturity date*"), subject to the limitations described below.

Our obligation to repay the Debentures on the scheduled maturity date is limited. We are required to repay the Debentures on the scheduled maturity date only to the extent that we have raised sufficient net proceeds from the issuance of "qualifying capital securities," as described under "Description of the Replacement Capital Covenant" in this prospectus supplement, within a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date. We will be required to repay the unpaid portion of the Debentures (i) on each subsequent interest payment date to the extent we sell a sufficient amount of qualifying capital securities and until the Debentures are paid in full or (ii) upon the occurrence of an event of default and acceleration. We will also be required to repay any unpaid portion of the Debentures on the final maturity date, as described below.

We will agree in the junior subordinated indenture to use our commercially reasonable efforts (except as described below) to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the Debentures in full on this date in accordance with the replacement capital covenant. We will further agree in the junior subordinated indenture that if we are unable for any reason to raise sufficient proceeds to permit payment in full on the scheduled maturity date, we will use our commercially reasonable efforts (except as described below) to raise sufficient proceeds to permit repayment on the next quarterly interest payment date, and on each quarterly interest payment date thereafter until such time as we are required to repay the unpaid portion of the Debentures, as described in the preceding paragraph. Except under those circumstances, our failure to use our commercially reasonable efforts to raise these proceeds would be a breach of covenant under the junior subordinated indenture. However, in no event will such failure be an event of default thereunder.

Unless previously paid as described above, the outstanding unpaid principal amount of the Debentures, together with accrued and unpaid interest, will be due and payable on May 15, 2067, or if such day is not a business day, the following business day (the "*final maturity date*") or upon acceleration following an event of default, regardless of the amount of qualifying capital securities we have sold by that time.

Although under the replacement capital covenant (described below under "Replacement Capital Covenant") we are permitted to repay the Debentures using the net cash proceeds from certain issuances of common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity, qualifying non-cumulative preferred stock and qualifying capital securities, except as provided in the preceding paragraphs, we have no obligation to issue any securities other than qualifying capital securities or to use the proceeds of the issuance of any other securities to repay the Debentures on the scheduled maturity date or at any time thereafter.

**Interest**

From May 10, 2007 to but excluding May 15, 2037, or earlier redemption or repayment date, the Debentures will bear interest at the annual rate of 6.50%. Interest on the Debentures will accrue from May 10, 2007. Allstate will pay that interest semi-annually in arrears on May 15 and

November 15 of each year, beginning on November 15, 2007, subject to our rights and obligations described below under "Description of the Junior Subordinated Debentures Option to Defer Interest Payments" and "Description of the Junior Subordinated Debentures Alternative Payment Mechanism." From and including May 15, 2037, the Debentures will bear interest at an annual rate equal to three-month LIBOR plus 2.12% payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning August 15, 2037, subject to our rights and obligations described below under "Description of the Junior Subordinated Debentures Option to Defer Interest Payments" and "Description of the Junior Subordinated Debentures Alternative Payment Mechanism."

So long as no event of default has occurred and is continuing, we have the right on one or more occasions to defer the payment of interest on the Debentures as described in this prospectus supplement. We will not be required to settle deferred interest pursuant to the alternative payment mechanism described in this prospectus supplement until we have deferred interest for five consecutive years or, if earlier, made a payment of current interest during a deferral period. We may defer interest for up to ten consecutive years plus the applicable grace period without giving rise to an event of default. Deferred interest will accumulate additional interest, to the extent provided by law, at an annual rate equal to the annual interest rate then applicable to the Debentures. In the event of our bankruptcy, holders of the Debentures may have a limited claim for any outstanding deferred interest.

If we elect to defer interest payments, we will not be permitted to pay deferred interest on the Debentures (and compounded interest thereon) during the deferral period from any source other than the net proceeds from issuance of qualifying APM securities, which includes our common stock, qualifying preferred stock, qualifying warrants and mandatorily convertible preferred stock, as described under "Description of the Junior Subordinated Debentures Alternative Payment Mechanism."

### **Subordination**

The Debentures will be unsecured, subordinated and junior in right of payment upon our liquidation, including to all of our existing and future senior indebtedness, but will rank equally in right of payment upon liquidation with debt that by its terms does not rank senior upon our liquidation to the Debentures and with our trade creditors, and will be effectively subordinated to all liabilities of our subsidiaries, including obligations to policyholders. Substantially all of our existing indebtedness is senior to the Debentures. The Debentures will rank senior and have priority in right of payment with respect to all of our capital securities equity. As of March 31, 2007, we had indebtedness for money borrowed at the parent holding company level of \$4.6 billion and our subsidiaries had total liabilities of \$132.4 billion as reported on our consolidated statement of financial position, all of which would effectively be senior to the Debentures upon liquidation. In addition, the Debentures would be subordinated to our other senior indebtedness, including capital lease obligations and payment obligations under interest rate swap and similar agreements. See "Description of the Junior Subordinated Debentures Subordination" for the definition of "senior indebtedness." The Debentures will rank *pari passu* with our new Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067.

The terms of the Debentures permit us to make any payment of current or deferred interest on our indebtedness that ranks on a parity with the Debentures upon our liquidation ("*pari passu securities*") that is made pro rata to the amounts due on such *pari passu securities* (including the Debentures), provided that such payments are made in accordance with the last paragraph under "Alternative Payment Mechanism" to the extent it applies, and any payments of deferred interest

on pari passu securities that, if not made, would cause us to breach the terms of the instrument governing such pari passu securities.

### **Certain Payment Restrictions**

At any time when we have given notice of our election to defer interest payments on the Debentures but the related deferral period has not yet commenced or a deferral period is continuing, we generally may not make payments on or redeem or purchase any shares of our capital stock or any of our debt securities or guarantees that rank upon our liquidation on a parity with or junior to the Debentures, subject to certain limited exceptions. In addition, subject to certain limited exceptions, if any deferral period lasts longer than one year, the restrictions on our ability to redeem or purchase any of our qualifying APM securities or any of our securities that upon our bankruptcy or liquidation rank *pari passu* or junior to such qualifying APM securities will continue until the first anniversary of the date on which all deferred interest has been paid.

### **Redemption of the Debentures**

We may elect to redeem any or all of the Debentures on or after May 15, 2037 at a redemption price equal to 100% of the principal amount of the Debentures being redeemed plus any accrued and unpaid interest and before May 15, 2037 (i) in whole at any time or in part from time to time, or (ii) in whole, but not in part, if certain changes occur relating to the tax treatment of or rating agency equity credit accorded to the Debentures, in each case at a redemption price equal to the greater of (x) 100% of the principal amount of the Debentures being redeemed plus any accrued and unpaid interest and (y) the applicable make-whole amount. For a description of the changes that would permit such a redemption and the applicable make-whole amounts, see "Description of the Junior Subordinated Debentures Redemption."

Any redemption of the Debentures before May 15, 2067 will be subject to the limitations described in the section of this prospectus supplement entitled "Description of the Replacement Capital Covenant."

### **Events of Default**

The following events are "*events of default*" with respect to the Debentures:

default in the payment of interest, including compounded interest, to the extent permitted by law, in full on any Debentures for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period if at such time such deferral period has not ended;

default in the payment of principal on the Debentures when due, whether at stated maturity, upon redemption, upon a declaration of acceleration, or otherwise, subject to the limitations described under "Repayment of Principal"; or

certain events of our bankruptcy, insolvency or receivership.

If an event of default under the junior subordinated indenture (as defined under "Description of the Junior Subordinated Debentures") occurs and continues, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debentures may declare the entire principal amount of, and all accrued but unpaid interest on all Debentures to be due and payable immediately.



### **Tax Treatment of the Debentures**

In connection with the issuance of the Debentures, LeBoeuf, Lamb, Greene & MacRae LLP, our tax counsel, has advised us that, under current law and assuming full compliance with the terms of the junior subordinated indenture and other relevant documents, and based on the representations, facts and assumptions set forth in its opinion, although the matter is not free from doubt, the Debentures will be characterized as indebtedness for United States federal income tax purposes. The Debentures are novel financial instruments, and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the Debentures. Thus, no assurance can be given that the Internal Revenue Service or a court will agree with this characterization. We agree, and by purchasing the Debentures, each holder of the Debentures agrees to treat the Debentures as indebtedness for all United States federal income tax purposes. See "Certain United States Federal Income Tax Considerations."

### **Form**

The Debentures will be represented by one or more global securities registered in the name of Cede & Co., as nominee for The Depository Trust Company ("*DTC*"). Beneficial interests in the Debentures will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC (in the United States), or Clearstream Luxembourg or Euroclear (in Europe) if they are participants in those systems, or indirectly through organizations which are participants in those systems.

### **Replacement Capital Covenant**

Around the time of the initial issuance of the Debentures, we will enter into a "replacement capital covenant" in which we will covenant for the benefit of holders of one or more designated series of our indebtedness (which will initially be our 6.9% Senior Debentures due 2038 (CUSIP: 020002AJ0), other than the Debentures, that we will not repay, redeem or purchase the Debentures before May 15, 2067, unless, subject to certain limitations, during the applicable "measurement period" (as defined herein) we have received proceeds from the sale of specified securities in the specified amounts described therein.

The replacement capital covenant will terminate in 2067 or earlier upon the occurrence of certain events, including an acceleration of the Debentures due to the occurrence of an event of default. The replacement capital covenant is not intended for the benefit of holders of the Debentures and may not be enforced by them, except that we will agree in the junior subordinated indenture that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or purchase of the Debentures is permitted, except with the consent of the holders of a majority in principal amount of the Debentures.

### **Concurrent Fixed-to-Floating Rate Junior Subordinated Debentures Offering**

Concurrently with this offering, we will offer, by means of a separate prospectus supplement, Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 in an aggregate principal amount of \$500,000,000 (the "*concurrent offering*"). The offering of the Debentures is not conditioned on the completion of the concurrent offering. There can be no assurance that the concurrent offering will be completed. The Debentures will rank *pari passu* with the debentures offered in the concurrent offering.

**RISK FACTORS**

*Your investment in the Debentures will involve certain risks described below. In consultation with your own financial and legal advisors, you should carefully consider the information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus, and pay special attention to the following discussion of risks relating to the Debentures before deciding whether an investment in the Debentures is suitable for you. In addition to the risk factors relating to the Debentures set forth below, we also specifically incorporate by reference into this prospectus supplement the section captioned "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, and in our Form 10-Q for the quarter ended March 31, 2007. The Debentures will not be an appropriate investment for you if you are not knowledgeable about significant features of the Debentures or financial matters in general. You should not purchase the Debentures unless you understand, and know that you can bear, these investment risks.*

***Our obligation to repay the Debentures on the scheduled maturity date and thereafter will be limited.***

Our obligation to repay the Debentures on the scheduled maturity date and thereafter will be limited. We are required to repay the Debentures on the scheduled maturity date only to the extent that we have raised sufficient net proceeds from the issuance of qualifying capital securities, as described under "Description of the Replacement Capital Covenant" below, within a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date. We will use our commercially reasonable efforts, subject to certain "market disruption events," to sell enough qualifying capital securities to permit repayment of the Debentures in full on the scheduled maturity date. If any principal amount of the Debentures is not paid on the scheduled maturity date, it will remain outstanding and will continue to bear interest at three-month LIBOR plus 2.12%, and we will continue to use our commercially reasonable efforts to sell enough qualifying capital securities to permit repayment of the Debentures in full, as described in this prospectus supplement. Unless previously paid, the outstanding principal of and accrued and unpaid interest on the Debentures must be paid on the final maturity date or upon the occurrence of an event of default and acceleration, regardless of whether we sell any qualifying capital securities. Except under those circumstances, our failure to use our commercially reasonable efforts to raise these proceeds would be a breach of covenant under the junior subordinated indenture, but in no event would such failure be an event of default thereunder.

***We have the right to defer interest for up to 10 consecutive years plus the applicable grace period without causing an event of default.***

For so long as no event of default has occurred and is continuing, we have the right to defer interest on the Debentures on one or more occasions for a period of up to 10 consecutive years. Although we would be subject to the alternative payment mechanism after we have deferred interest for a period of five consecutive years (or such shorter period resulting from our payment of current interest), if we are unable to raise sufficient eligible proceeds, we may fail to pay accrued interest on the Debentures for a period of up to 10 consecutive years plus the applicable grace period without causing an event of default. During any such deferral period, prior to the final maturity date and in the absence of another event of default and acceleration or the termination of the replacement capital covenant, holders of Debentures would receive limited or no current payments on the Debentures and, so long as we are otherwise in compliance with our obligations, such holders would have no remedies against us for nonpayment unless we fail to pay all deferred interest (including compounded interest, to the extent permitted by applicable law) at the end of the 10-year deferral period plus the applicable grace period or any earlier date on which the principal becomes due.

***Our ability to pay deferred interest is limited by the terms of the alternative payment mechanism, and is subject to market disruption events and other factors beyond our control.***

If we elect to defer interest payments, we will be required, commencing on the earlier of (i) the first interest payment date on which we pay current interest on the Debentures (which we may do from any source of funds) or (ii) the fifth anniversary of the commencement of the deferral period, if on such date such deferral period has not ended, to issue qualifying APM securities, until we have raised an amount of eligible proceeds at least equal to the aggregate amount of accrued and unpaid deferred interest including compounded interest thereon to the extent permitted by applicable law, on the Debentures, as described under "Description of the Junior Subordinated Debentures – Alternative Payment Mechanism."

Under the alternative payment mechanism:

we are not required to issue common stock or qualifying warrants prior to the fifth anniversary of the commencement of a deferral period, if the number of shares of common stock issued during such deferral period plus the number of shares of common stock issued or issuable upon the exercise of qualifying warrants previously issued during such deferral period would exceed an amount equal to 2% of the total number of issued and outstanding shares of our common stock as of the date of our most recent publicly available consolidated financial statements immediately prior to the date of such issuance (the "*common equity issuance cap*"); and

we are not permitted to issue qualifying preferred stock and mandatorily convertible preferred stock to the extent that the net proceeds of any issuance of qualifying preferred stock and mandatorily convertible preferred stock applied, together with the net proceeds of all prior issuances of qualifying preferred stock and any still-outstanding mandatorily convertible preferred stock applied during the current and all prior deferral periods, to pay interest on the Debentures pursuant to the alternative payment mechanism, would exceed 25% of the aggregate principal amount of the Debentures issued under the junior subordinated indenture (the "*preferred stock issuance cap*").

Additionally, we will not be permitted to sell shares of our common stock, qualifying warrants or mandatorily convertible preferred stock for purposes of paying deferred interest on the Debentures to the extent that the number of shares of our common stock to be so issued (or which would be issuable upon exercise or conversion of any such qualifying warrants or mandatorily convertible preferred stock) would exceed 37.5 million shares of common stock, unless we increase this share cap amount as described below under "Description of the Junior Subordinated Debentures – Alternative Payment Mechanism." If we have reached the share cap amount and the preferred stock issuance cap, we may continue to defer interest on the Debentures, and prior to the final maturity date and in the absence of an event of default, holders of the Debentures would have no remedies against us for such nonpayment.

The occurrence of a market disruption event may prevent or delay a sale of qualifying APM securities pursuant to the alternative payment mechanism and, accordingly, the payment of deferred interest on the Debentures. Market disruption events include events and circumstances both within and beyond our control, such as the failure to obtain approval of a regulatory body or governmental authority to issue qualifying APM securities or shareholder consent to increase the shares available for issuance in a sufficient amount, in each case notwithstanding our commercially reasonable efforts. Moreover, we may encounter difficulties in successfully marketing our qualifying APM securities, particularly during times that we are subject to the restrictions on dividends as a result of the deferral of interest. See "Description of the Junior Subordinated Debentures – Option

to Defer Interest Payments," " Alternative Payment Mechanism" and " Market Disruption Events."

***The junior subordinated indenture limits our obligation to raise proceeds from the sale of common stock to pay deferred interest and generally does not obligate us to issue qualifying warrants.***

Under the junior subordinated indenture, we will not be obligated to issue common stock (or, if the definition of "qualifying APM securities" has been amended to eliminate common stock, qualifying warrants) in excess of the amount we refer to as the "common equity issuance cap" pursuant to the alternative payment mechanism to pay deferred interest at any time prior to the fifth anniversary of the commencement of the relevant deferral period. Once we reach the common equity issuance cap for a deferral period, we will no longer be obligated to sell common stock to pay deferred interest relating to such deferral period, although we will continue to have the right to sell common stock at our election if we have reached the common equity issuance cap. In addition, the sale of qualifying warrants to raise proceeds to pay deferred interest is an option that we have, but we are not obligated to sell qualifying warrants and no party may require us to do so, unless we amend the definition of "qualifying APM securities" to eliminate common stock. See "Description of the Junior Subordinated Debentures Alternative Payment Mechanism."

***We have the ability under certain circumstances to narrow the definition of qualifying APM securities, which may make it more difficult for us to succeed in selling sufficient qualifying APM securities to fund the payment of deferred interest.***

We may, without the consent of the holders of the Debentures, amend the definition of "qualifying APM securities" for the purposes of the alternative payment mechanism to eliminate common stock or mandatorily convertible preferred stock from the definition if, after the issue date, an accounting standard or interpretive guidance of an existing accounting standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards followed by the issuer becomes effective such that there is more than an insubstantial risk that failure to eliminate common stock and/or mandatorily convertible preferred stock from the definition would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States or International Financial Reporting Standards (IFRS) if then applicable to the issuer or IFRS if subsequently adopted by the issuer. The elimination of common stock or mandatorily convertible preferred stock from the definition of qualifying APM securities, together with continued application of the preferred stock cap, may make it more difficult for us to succeed in selling sufficient qualifying APM securities to fund the payment of deferred interest.

***Deferral of interest payments could adversely affect the market price of the Debentures.***

We currently do not intend to exercise our right to defer payments of interest on the Debentures. However, if we exercise that right in the future, the market price of the Debentures is likely to be affected. As a result of the existence of our deferral right, the market price of the Debentures may be more volatile than the market prices of other securities that are not subject to optional deferrals. If we do defer interest on the Debentures and you elect to sell Debentures during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its Debentures until we pay the deferred interest at the end of the deferral period.

***If you waive our covenants to pay deferred interest only with proceeds from the sale of qualifying APM securities, our credit rating may be negatively affected.***

The junior subordinated indenture contains covenants that permit us to pay deferred interest only with proceeds from the sale of qualifying APM securities, except in limited circumstances.

These covenants may be amended, and compliance with these covenants may be waived, solely by the holders of a majority of the outstanding principal amount of Debentures, and no holder of our senior debt will have the right to enforce these covenants. Although, in the short term, you may have an economic incentive to waive these covenants in order to receive deferred interest, if such covenants are waived and we pay deferred interest with funds received from any other source, our credit rating may be negatively affected. A negative effect on our credit rating may have an adverse effect on our business or financial condition, which in turn could have an adverse effect on our ability to make future payments on the Debentures.

***The junior subordinated indenture does not limit the amount of indebtedness for money borrowed we may issue that ranks senior to the Debentures upon our liquidation or in right of payment as to principal or interest.***

The Debentures will be subordinate and junior in right of payment upon our liquidation (whether in bankruptcy or otherwise) to all of our indebtedness for money borrowed that is not by its terms expressly made *pari passu* with or junior to the Debentures upon liquidation, and will rank *pari passu* with trade creditors and other *pari passu* securities. As of March 31, 2007, we had indebtedness for money borrowed at the parent holding company level ranking senior to the Debentures upon our liquidation of \$4.6 billion.

"*Pari passu securities*" means indebtedness that by its terms ranks equally with the Debentures in right of payment and upon liquidation. We may issue or have outstanding *pari passu* securities as to which we are required to make payments of interest that are not made *pro rata* with payments of interest on other *pari passu* securities (including the Debentures) and that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities. The terms of the Debentures permit us to make any payment of current or deferred interest on *pari passu* securities that is made *pro rata* to the amounts due on such *pari passu* securities (including the Debentures), *provided* that such payments are made in accordance with the last paragraph under "Description of the Junior Subordinated Debentures - Alternative Payment Mechanism" to the extent it applies, and any payments of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities.

***The Debentures will be effectively subordinated to the obligations of our subsidiaries.***

We are a holding company with no significant operations of our own. Our principal asset is our ownership of our subsidiaries. As such we receive substantially all of our revenue from dividends from our subsidiaries. The ability of our insurance subsidiaries to pay dividends to us in the future will depend on their statutory surplus, earnings and regulatory restrictions. We and our insurance subsidiaries are subject to regulation by some states as an insurance holding company system. This regulation generally provides that transactions among companies within the holding company system must be fair and reasonable. Transfers of assets among affiliated companies, certain dividend payments from insurance subsidiaries and certain material transactions between companies within the system may require prior notice to, or prior approval by, state regulatory authorities. Our insurance subsidiaries are subject to various regulatory restrictions that limit the maximum amount of dividends available to be paid to their parent without prior approval of insurance regulatory authorities. The ability of our insurance subsidiaries to pay dividends to us also is restricted by regulations that set standards of solvency that must be met and maintained, the nature of and limitation on investments, the nature of and limitations on dividends to policyholders and shareholders, the nature and extent of required participation in insurance guaranty funds and the involuntary assumption of hard-to-place or high-risk insurance business, primarily in workers' compensation insurance lines. In addition, competitive pressures generally require the subsidiaries to maintain insurance financial strength ratings. These restrictions and other

regulatory requirements affect the ability of the subsidiaries to make dividend payments. The inability of our insurance subsidiaries to pay dividends to us in an amount sufficient to meet our debt service obligations and other cash requirements could harm our ability to meet our obligations under the Debentures.

Because we are a holding company, our right to participate in any distribution of the assets of our subsidiaries, upon a subsidiary's dissolution, winding-up, liquidation or reorganization or otherwise, and thus our ability to make payments of principal and interest on the Debentures from such distribution, is subject to the prior claims of creditors of any such subsidiary, except to the extent that we may be a creditor of that subsidiary and our claims are recognized. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under our contracts or otherwise to make any funds available to us. Accordingly, the payments on our Debentures will be effectively subordinated to all liabilities of our subsidiaries, including obligations to policyholders. As of March 31, 2007, our subsidiaries had total liabilities of \$132.4 billion as reported on our consolidated statement of financial position and are representative of the liabilities that would effectively rank senior to the Debentures upon our liquidation.

***Our right to repay, redeem, defease or repurchase the Debentures is limited by a replacement capital covenant that we are making in favor of certain of our debtholders.***

At or around the time of issuance of the Debentures, we will enter into a replacement capital covenant pursuant to which we will covenant that neither we nor any of our subsidiaries will repay, redeem, defease or repurchase the Debentures on or before May 15, 2067, unless during the applicable measurement period we or our subsidiaries have received sufficient proceeds from the sale of common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and certain other qualifying capital securities (as described under "Description of the Replacement Capital Covenant"). Although under the replacement capital covenant, the principal amount of Debentures that we may repay may be based on the net cash proceeds from certain issuances of common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and qualifying capital securities (as described under "Description of the Replacement Capital Covenant"), we may modify the replacement capital covenant without your consent to the extent that such modification does not impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or repurchase of the Debentures is permitted. In addition, beginning at the scheduled maturity date, we have no obligation to use commercially reasonable efforts to issue any securities other than qualifying capital securities under the replacement capital covenant to repay the Debentures. See "Description of the Replacement Capital Covenant."

***There can be no assurance that the Internal Revenue Service or a court will agree with the characterization of the Debentures as indebtedness for United States federal income tax purposes.***

The Debentures are novel financial instruments, and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the Debentures. Thus, no assurance can be given that the Internal Revenue Service or a court will agree with the characterization of the Debentures as indebtedness for United States federal income tax purposes. If, contrary to the opinion of our tax counsel, the Debentures were recharacterized as our equity, payments of interest on the Debentures would not be treated as interest income for federal income tax purposes and such payments to non-United States holders

would generally be subject to United States federal withholding tax at a rate of 30% (or such lower applicable income tax treaty rate). See "Certain United States Federal Income Tax Considerations."

***We may redeem the Debentures prior to the maturity.***

The Debentures are redeemable, in whole or in part, at our option at any time at the redemption price set forth below; and are redeemable, in whole but not in part, after the occurrence of a "tax event" or a "rating agency event," as described below.

Any redemption of the Debentures prior to May 15, 2067, will be subject to the restrictions described under "Description of the Replacement Capital Covenant" below.

The redemption price will be equal to, in the case of any optional redemption: (a) in whole or in part, at any time prior to May 15, 2037, in cases not involving a "tax event" or "rating agency event," each as defined below, the greater of (i) 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest to the redemption date or (ii) the present value of a principal payment on May 15, 2037 and scheduled payments of interest that would have accrued from the redemption date to May 15, 2037 on the Debentures being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the treasury rate plus the applicable spread (the "*make-whole redemption price*"); (b) in whole, but not in part, at any time prior to May 15, 2037, within 90 days following the occurrence and during the continuation of a tax event or a rating agency event, the greater of (i) 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest to the redemption date or (ii) the applicable make-whole redemption price; and (c) in whole or in part, at any time on or after May 15, 2037, 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest to the redemption date. If in the case of an optional redemption, the Debentures are not redeemed in whole, we may not affect such redemption unless at least \$25 million aggregate principal amount of the Debentures, excluding any Debentures held by us or any of our affiliates, remains outstanding after giving effect to such redemption. If the Debentures were redeemed, the redemption would be a taxable event to you. See "Description of the Junior Subordinated Debentures Redemption."

An Internal Revenue Service pronouncement or threatened challenge resulting in a tax event could occur at any time. Similarly, changes in rating agency methodology for assigning equity credit to the Debentures could result in the Debentures being redeemed earlier than would otherwise be the case. See "Description of the Junior Subordinated Debentures Redemption" for a further description of those events.

In the event we choose to redeem your Debentures, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Debentures.

***You may have to include interest in your taxable income before you receive cash.***

If we do defer interest payments on the Debentures, you will be required to accrue income, in the form of original issue discount, for United States federal income tax purposes during the period of the deferral in respect of your Debentures, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. You will also not receive the cash payment of any accrued and unpaid interest from us if you sell the Debentures before the record date for any such payment, even if you held the Debentures on the date that the payments would normally have been paid. You should consult with your own tax advisor regarding the tax consequences of an investment in the Debentures. See "Certain United States Federal Income Tax Considerations United States Holders Interest Income and Original Issue Discount."

***Claims would be limited upon bankruptcy, insolvency or receivership.***

The junior subordinated indenture provides that each holder of Debentures, by that holder's acceptance of the Debentures, agrees that in certain events of our bankruptcy, insolvency or receivership prior to the redemption or repayment of its Debentures, that holder of Debentures will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon, to the extent permitted by law) that has not been settled through the application of the alternative payment mechanism to the extent the amount of such interest exceeds the amount of interest that relates to the earliest two years of the portion of the deferral period for which interest has not been paid.

***As a holder of the Debentures you will have limited rights of acceleration.***

An indenture event of default is generally limited to interest payment defaults after giving effect to our deferral rights, default in payment of principal when due and specific events of bankruptcy, insolvency and reorganization relating to us. The junior subordinated indenture for the Debentures provides that the trustee must give holders notice of all defaults or events of default within 90 days after it becomes actually known to a responsible officer of the trustee. However, except in the cases of a default or an event of default in payment on the Debentures, the trustee will be protected in withholding the notice if its responsible officers determine that withholding of the notice is in the interest of such holders. There is no right of acceleration upon breaches by us of other covenants under the junior subordinated indenture.

***The secondary market for the Debentures may be illiquid.***

We do not intend to apply to list the Debentures on the New York Stock Exchange or any other securities exchange. We can give you no assurance as to the liquidity of any market that may develop for the Debentures.

***The ratings on the Debentures could be lowered.***

We expect that Moody's Investors Service, Inc. will assign a rating to the Debentures of A2 and that Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. will assign a rating to the Debentures of A-. In addition, other rating agencies may assign credit ratings to the Debentures with or without any solicitation from us and without any provision of information from us. Generally, rating agencies base their ratings on such material and information, and such of their own investigative studies and assumptions, as they deem appropriate. There is no assurance that any rating will apply for any given period of time or that a rating may not be adjusted or withdrawn. A downgrade or potential downgrade in these ratings, the assignment of a new rating that is lower than existing ratings, or a downgrade or potential downgrade in the ratings assigned to us, our subsidiaries or any of our securities could adversely affect the price and liquidity of the Debentures.

Moreover, the rating methodologies for securities with features similar to the Debentures are still developing and the rating agencies may change their methodologies in the future. This may include, for example, the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Debentures, sometimes called "notching." If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Debentures were to be subsequently lowered, this may have a negative impact on the trading price of the Debentures.



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**RATIO OF EARNINGS TO FIXED CHARGES**

The following table shows the ratio of earnings to fixed charges for Allstate and its subsidiaries for the periods indicated:

	Three months ended March 31,		For the Year ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
<b>(in millions)</b>							
1. Income from operations before income tax, dividends on preferred securities, and cumulative effect of change in accounting principle, after-tax	\$ 2,186	\$ 2,056	\$ 7,178	\$ 2,088	\$ 4,586	\$ 3,571	\$ 1,540
Fixed Charges:							
2. Interest on indebtedness	\$ 72	\$ 81	\$ 357	\$ 330	\$ 308	\$ 275	\$ 278
3. Interest factor of annual rental expense	9	10	38	37	41	43	43
4. Total fixed charges (2+3)	\$ 81	\$ 91	\$ 395	\$ 367	\$ 349	\$ 318	\$ 321
5. Dividends on preferred securities of subsidiary trusts						8	15
6. Total fixed charges and dividends on redeemable preferred securities (4+5)	\$ 81	\$ 91	\$ 395	\$ 367	\$ 349	\$ 326	\$ 336
7. Income from continuing operations before income taxes and fixed charges (1+4)	\$ 2,267	\$ 2,147	\$ 7,573	\$ 2,455	\$ 4,935	\$ 3,889	\$ 1,861
8. Ratio of earnings to fixed charges, excluding interest credited to contractholder funds (A) (B) (7/6)	28.0X	23.6X	19.2X	6.7X	14.1X	11.9X	5.5X
9. Interest credited to contractholder funds	\$ 649	\$ 620	\$ 2,609	\$ 2,403	\$ 2,001	\$ 1,846	\$ 1,764
10. Total fixed charges including dividends on redeemable preferred securities and interest credited to contractholder funds (6+9)	\$ 730	\$ 711	\$ 3,004	\$ 2,770	\$ 2,350	\$ 2,172	\$ 2,100
11. Income from continuing operations before income taxes and fixed charges including interest credited to contractholder funds (1+4+9)	\$ 2,916	\$ 2,767	\$ 10,182	\$ 4,858	\$ 6,936	\$ 5,735	\$ 3,625
12. Ratio of earnings to fixed charges (11/10)	4.0X	3.9X	3.4X	1.8X	3.0X	2.6X	1.7X

(A)

Allstate has authority to issue up to 25,000,000 shares of preferred stock, par value \$1.00 per share; however, there are currently no shares outstanding and Allstate does not have a preferred stock dividend obligation. Therefore, the Ratio of Earnings to Fixed Charges and Preferred Stock Dividends is equal to the Ratio of Earnings to Fixed Charges and is not disclosed separately.

(B)

In this presentation, interest credited to contractholder funds is excluded to promote transparency and allows users of this exhibit to quantify the impact of interest credited to contractholder funds on the ratio of earnings to fixed charges.

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## USE OF PROCEEDS

We estimate that the net proceeds, after expenses, from the sale of the Debentures will be approximately \$492,330,000. We expect to use the net proceeds for the repurchase of our common stock.

## CAPITALIZATION

The following table sets forth our consolidated short term debt and capitalization (i) as of March 31, 2007, (ii) as adjusted to give effect to this offering of Debentures, and (iii) as adjusted to give effect to both this offering of Debentures and the concurrent offering of Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067. The following data should be read in connection with our consolidated financial statements and notes, which are incorporated by reference.

	As of March 31, 2007		
	Actual	As Adjusted for this offering of Debentures	As Adjusted for the offering of both the Debentures and the Series B Debentures
(in millions)			
Short-term debt	\$	\$	\$
Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures	\$	\$ 500	\$ 500
Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures(1)			500
Other long-term debt	4,640	4,640	4,640
Common stock and additional capital paid-in	2,994	2,994	2,994
Unrealized net capital gains and losses	2,058	2,058	2,058
Unrealized foreign currency translation adjustments	28	28	28
Net funded status of pension and other postretirement benefit obligation	(1,068)	(1,068)	(1,068)
Retained income	30,322	30,322	30,322
Deferred ESOP expense	(68)	(68)	(68)
Treasury stock, at cost	(11,775)	(11,775)	(11,775)
Total shareholders' equity	22,491	22,491	22,491
Total capitalization	\$ 27,131	\$ 27,631	\$ 28,131

- (1) Concurrently with this offering, we will offer, by means of a separate prospectus supplement, Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 in an aggregate principal amount of \$500,000,000 (the "concurrent offering"). The offering of the Debentures is not conditioned on the completion of the concurrent offering. There can be no assurance that the concurrent offering will be completed. The Debentures will rank *pari passu* with the Debentures offered in the concurrent offering.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated statement of operations and financial position data and other data for the periods indicated. The financial data for each of the five years in the period ended December 31, 2006 are derived from our audited consolidated financial statements. The financial data for the three months ended March 31, 2007 and 2006 are derived from our unaudited condensed consolidated financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, that management considers necessary for a fair presentation of our financial position and results of operations as of such dates and for such periods. The results for the three months ended March 31, 2007 are not necessarily indicative of full year results. The following amounts should be read in conjunction with the consolidated financial statements and notes thereto contained in our other filings with the Securities and Exchange Commission available as described under "Where You Can Find More Information" and "The Allstate Corporation Filings" in the accompanying prospectus.

	As of or for the three months ended March 31,		As of or for the year ended December 31,				
	(Unaudited) 2007	(Unaudited) 2006	2006	2005	2004	2003	2002
<b>(in millions, except per share data)</b>							
<b>Consolidated Statements of Operations Data:</b>							
Insurance premiums and contract charges	\$ 7,289	\$ 7,371	\$ 29,333	\$ 29,088	\$ 28,061	\$ 26,981	\$ 25,654
Net investment income	1,571	1,511	6,177	5,746	5,284	4,972	4,849
Realized capital gains and losses	471	199	286	549	591	196	(924)
<b>Total Revenues</b>	<b>9,331</b>	<b>9,081</b>	<b>35,796</b>	<b>35,383</b>	<b>33,936</b>	<b>32,149</b>	<b>29,579</b>
Benefits, claims, expenses and other	7,145	6,972	28,525	33,282	29,326	28,537	28,043
(Loss) gain on disposition of operations		(53)	(93)	(13)	(24)	(41)	4
Income tax expense	691	641	2,185	323	1,230	846	65
Income from continuing operations	1,495	1,415	4,993	1,765	3,356	2,720	1,465
Cumulative effect of change in accounting principle, after-tax					(175)	(15)	(331)
Net income	\$ 1,495	\$ 1,415	\$ 4,993	\$ 1,765	\$ 3,181	\$ 2,705	\$ 1,134
<b>Per common share data:</b>							
Net income per share basic	\$ 2.42	\$ 2.20	\$ 7.89	\$ 2.67	\$ 4.57	\$ 3.85	\$ 1.60
Net income per share diluted	\$ 2.41	\$ 2.19	\$ 7.84	\$ 2.64	\$ 4.54	\$ 3.83	\$ 1.60
Cash dividends declared per common share	\$ 0.38	\$ 0.35	\$ 1.40	\$ 1.28	\$ 1.12	\$ 0.92	\$ 0.84
Redemption of shareholder rights	\$	\$	\$	\$	\$	\$ 0.01	\$
<b>Consolidated Financial Position Data:</b>							
Investments	\$ 122,382	\$ 118,840	\$ 119,757	\$ 118,297	\$ 115,530	\$ 103,081	\$ 90,650
Total assets	160,089	156,807	157,554	156,072	149,725	134,142	117,426
Reserve for claims and claims expenses, life-contingent contract benefits and contractholder funds	93,945	92,842	93,683	94,639	86,801	75,805	67,697
Short-term debt		34	12	413	43	3	279
Long-term debt	4,640	5,533	4,650	4,887	5,291	5,073	3,961
Mandatorily redeemable preferred securities of subsidiary trusts							200
Shareholders' equity	22,491	20,545	21,846	20,186	21,823	20,565	17,438

**DESCRIPTION OF THE  
JUNIOR SUBORDINATED DEBENTURES**

*The following is a brief description of the terms of the Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 (the "Debentures") and the junior subordinated indenture. It does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to the Debentures and the junior subordinated indenture referred to below, copies of which are available upon request from us.*

**General**

The Debentures will be issued pursuant to the subordinated indenture, dated as of November 25, 1996, between us and U.S. Bank National Association, as trustee (successor in interest to State Street Bank and Trust Company) as amended by the third supplemental indenture dated as of July 23, 1999 and as amended by the fourth supplemental indenture dated as of June 12, 2000. We refer to the subordinated indenture, as so amended and supplemented by the third supplemental indenture, the fourth supplemental indenture and the fifth supplemental indenture, to be dated as of the date of completion of this offering, as the "*junior subordinated indenture*," and to U.S. Bank National Association (successor in interest to State Street Bank and Trust Company) or its successor, as trustee, as the "*trustee*." You should read the junior subordinated indenture for provisions that may be important to you.

The Debentures are part of the "subordinated debt securities" referred to in the accompanying prospectus. The following description of certain terms of the Debentures and certain provisions of the junior subordinated indenture in this prospectus supplement supplements the description under "Description of Debt Securities" in the accompanying prospectus and, to the extent it is inconsistent with that description, replaces the description in the accompanying prospectus.

When we use the term "*holder*" in this prospectus supplement with respect to registered Debentures, we mean the person in whose name such Debenture is registered in the security register. We expect that the Debentures will be held in book-entry form only, as described under "Book-Entry System," and will be held in the name of DTC or its nominee.

The junior subordinated indenture does not limit the amount of debt that we or our subsidiaries may incur under the junior subordinated indenture or under other indentures to which we are or become a party. The Debentures are not convertible into or exchangeable for our common stock or authorized preferred stock.

We will initially issue \$500,000,000 aggregate principal amount of Debentures. We may, without the consent of holders of the Debentures, increase the principal amount of the Debentures by issuing additional Debentures in the future on the same terms and conditions as the Debentures being offered hereby in all respects, except for any difference in the issue date, issue price and interest accrued prior to the issue date of the additional Debentures, and with the same CUSIP number as the Debentures offered hereby, so long as such additional Debentures are fungible for U.S. federal income tax purposes with the Debentures offered hereby. The Debentures offered hereby and any additional Debentures would rank equally and ratably in right of payment and would be treated as a single series of junior subordinated debt securities for all purposes under the junior subordinated indenture.

The Debentures will be unsecured, subordinated and junior in right of payment upon our liquidation, including to all of our existing and future senior indebtedness, but will rank equally in

right of payment upon liquidation with debt that by its terms does not rank senior upon our liquidation to the Debentures and with our trade creditors, and will be effectively subordinated to all liabilities of our subsidiaries, including obligations to policyholders.

### **Interest Rate and Interest Payment Dates**

#### ***Fixed Rate Period***

From May 10, 2007 to but excluding May 15, 2037, or earlier redemption or repayment date, the Debentures will bear interest at the annual rate of 6.50% and we will pay interest semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2007 subject to our rights and obligations under " Option to Defer Interest Payments" and " Alternative Payment Mechanism" below. We refer to these dates as "*interest payment dates*" and we refer to the period beginning on and including May 10, 2007 and ending on but excluding the first interest payment date and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment date until May 15, 2037 as a "*fixed rate interest period*." Interest payments will be made to the persons or entities in whose names the Debentures are registered at the close of business on May 1 or November 1, as the case may be, next preceding the relevant interest payment date. The amount of interest payable for any fixed rate interest period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any interest payment date on or before May 15, 2037 would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day, and no interest will accrue as a result of that postponement.

#### ***Floating Rate Period***

The Debentures will bear interest at an annual rate equal to three-month LIBOR, as defined below, plus 2.12%, accruing from and including May 15, 2037, computed on the basis of a 360-day year and the actual number of days elapsed. We will pay interest on the Debentures quarterly in arrears on February 15, May 15, August 15 and November 15, beginning on August 15, 2037, to the persons or entities in whose names the Debentures are registered at the close of business on the 15th day preceding the relevant interest payment date, subject to our rights and obligations under " Option to Defer Interest Payments" and " Alternative Payment Mechanism" below. References in this prospectus supplement to "*interest payment dates*" after May 15, 2037 are to these dates and we refer to the period beginning on and including May 15, 2037 and ending on but excluding the next interest payment date and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment as a "*floating rate interest period*" and together with the fixed rate period, each an "*interest period*." In the event that any interest payment date during a floating rate interest period would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day, except that if such business day is in the next succeeding calendar month, then such interest payment date will be the immediately preceding business day. Interest will accrue to but excluding the date that interest is actually paid.

For the purposes of calculating interest due on the Debentures during any floating rate interest period:

"*Three-month LIBOR*" means, with respect to any floating rate interest period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that floating rate interest period that appears on

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Reuters Page LIBOR01 as of 11:00 a.m., London time, on the LIBOR determination date for that floating rate interest period. If such rate does not appear on Reuters Page LIBOR01, three-month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that floating rate interest period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (after consultation with us), at approximately 11:00 a.m., London time, on the LIBOR determination date for that floating rate interest period. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two such quotations are provided, three-month LIBOR with respect to that floating rate interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of such quotations. If fewer than two quotations are provided, three-month LIBOR with respect to that floating rate interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of that floating rate interest period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that floating rate interest period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the calculation agent to provide quotations are quoting as described above, three-month LIBOR for that floating rate interest period will be the same as three-month LIBOR as determined for the previous floating rate interest period or, in the case of the interest period beginning on May 15, 2037, 5.356%. The establishment of three-month LIBOR for each floating rate interest period by the calculation agent shall (in the absence of manifest error) be final and binding.

"*Calculation agent*" means U.S. Bank National Association, or any other successor appointed by us, acting as calculation agent.

"*London banking day*" means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

"*LIBOR determination date*" means the second London banking day immediately preceding the first day of the relevant floating rate interest period.

"*Reuters Page LIBOR01*" means the display so designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered rate for U.S. dollar deposits).

"*Business day*" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or (iii) a day on which the corporate trust office of the trustee is closed for business, and, on or after May 15, 2037, a day on which commercial banks are not open for general business in London.

Accrued interest that is not paid on the applicable interest payment date will bear additional interest, to the extent permitted by law, at the interest rate in effect from time to time, from the relevant interest payment date, compounded on each subsequent interest payment date. When we use the term "*interest*" in this prospectus supplement, we are referring not only to regularly

scheduled interest payments but also to interest on interest payments not paid on the applicable interest payment date.

#### **Option to Defer Interest Payments**

So long as no event of default with respect to the Debentures has occurred and is continuing, we may elect at one or more times to defer payment of interest on the Debentures for one or more consecutive interest periods that do not exceed 10 years. We may defer payment of interest prior to, on or after the scheduled maturity date, subject to our obligations described under " Alternative Payment Mechanism" and " Repayment of Principal" below. We may not defer interest beyond the date on which the principal becomes due, as described under " Repayment of Principal" below.

Deferred interest on the Debentures will bear interest at the then applicable interest rate, compounded on each interest payment date, subject to applicable law. As used in this prospectus supplement, a "*deferral period*" refers to the period beginning on an interest payment date with respect to which we elect to defer interest and ending on the earlier of (i) the tenth anniversary of that interest payment date and (ii) the next interest payment date on which we have paid all deferred and unpaid amounts (including compounded interest on such deferred amounts) and all other accrued interest on the Debentures.

We have agreed in the junior subordinated indenture that, subject to the occurrence and continuation of a market disruption event (as described further below):

immediately following the first interest payment date during the deferral period on which we elect to pay current interest or, if earlier, the fifth anniversary of the beginning of the deferral period, we will be required to sell qualifying APM securities (as defined below under " Alternative Payment Mechanism") pursuant to the alternative payment mechanism (as described below under " Alternative Payment Mechanism") and apply the eligible proceeds (as defined below under " Alternative Payment Mechanism") to the payment of any deferred interest (including compounded interest thereon, to the extent permitted by law) on the next interest payment date, and this requirement will continue in effect until the end of the deferral period; and

we will not pay any deferred interest on the Debentures (including compounded interest thereon, to the extent permitted by law) from any source other than eligible proceeds prior to the date on which the principal is due, except in the case of a business combination to the extent described below.

Although our failure to comply with the foregoing with respect to the alternative payment mechanism and payment of interest during a deferral period will be a breach of the junior subordinated indenture, it will not constitute an event of default under the junior subordinated indenture or give rise to a right of acceleration or similar remedy under the terms thereof.

If we are involved in a business combination where immediately after its consummation more than 50% of the voting stock of the surviving entity of the business combination or the person to whom all or substantially all of our property or assets are conveyed, transferred or leased in such business combination is owned by the shareholders of the other party to the business combination, then the foregoing with respect to the alternative payment mechanism will not apply to any payment of interest for the deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.



If we have paid all deferred interest (including compounded interest thereon, to the extent permitted by law) on the Debentures, we can again defer interest payments on the Debentures as described above.

We will give the holders of the Debentures and the trustee written notice of our election to commence or continue a deferral period at least one and not more than sixty business days before the next interest payment date.

We have no present intention of exercising our right to defer payments of interest.

**Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances**

We will agree that, so long as any Debentures remain outstanding, if we have given notice of our election to defer interest payments on the Debentures but the related deferral period has not yet commenced or a deferral period is continuing, then we will not, nor will we permit our subsidiaries to:

declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock;

make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our debt securities that rank upon our liquidation on a parity with or junior to the Debentures; or

make any guarantee payments regarding any guarantee issued by us of securities of any of our subsidiaries if the guarantee ranks upon our liquidation on a parity with or junior to the Debentures.

The restrictions listed above do not apply to:

any purchase, redemption or other acquisition of shares of our capital stock in connection with:

any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors;

the satisfaction of our obligations pursuant to any contract entered into in the ordinary course of business prior to the beginning of the deferral period;

a dividend reinvestment or shareholder purchase plan; or

the issuance of our capital stock, or securities convertible into or exercisable for such capital stock, as consideration in an acquisition transaction entered into prior to the applicable deferral period;

any exchange, redemption or conversion of any class or series of our capital stock, or the capital stock of one of our subsidiaries, for any other class or series of our capital stock, or of any class or series of our indebtedness for any class or series of our capital stock;

any purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged;

any declaration of a dividend in connection with any shareholder rights plan, or the issuance of rights, stock or other property under any shareholder rights plan, or the redemption or purchase of rights pursuant thereto;

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

any payment of current or deferred interest on debt securities that rank in right of payment upon our liquidation on a parity with the Debentures (including the Debentures, "*pari passu securities*") that is made *pro rata* to the amounts due on such *pari passu securities* (including the Debentures); *provided* that such payments are made in accordance with the last paragraph under " Alternative Payment Mechanism" to the extent it applies, and any payments of deferred interest on *pari passu securities* that, if not made, would cause us to breach the terms of the instrument governing such *pari passu securities*; or

any payment of principal in respect of *pari passu securities* having the same scheduled maturity date as the Debentures, as required under a provision of such *pari passu securities* that is substantially the same as the provision described below under " Repayment of Principal," and that is made on *pro rata* basis among one or more series of *pari passu securities* having such a provision and the Debentures.

In addition, if any deferral period lasts longer than one year, the limitation on our ability to redeem or purchase our APM qualifying securities or any of our securities that on our bankruptcy or liquidation rank *pari passu* or junior, as applicable, to such APM qualifying securities will continue until the first anniversary of the date on which all deferred interest has been paid.

If we are involved in a business combination where immediately after its consummation more than 50% of the voting stock of the surviving entity of the business combination or the person to whom all or substantially all of our property or assets are conveyed, transferred or leased in such business combination is owned by the shareholders of the other party to the business combination, then the immediately preceding paragraph will not apply during the deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

#### **Alternative Payment Mechanism**

Subject to the conditions described in " Option to Defer Interest Payments" above and to the exclusions described in this section and in " Market Disruption Events" below, if we defer interest on the Debentures, we will be required, commencing on the earlier of (i) the first interest payment date on which we pay current interest on the Debentures (which we may do from any source of funds) or (ii) the fifth anniversary of the commencement of the deferral period, if on such date such deferral period has not ended, to issue qualifying APM securities either in public offerings or private placements, until we have raised an amount of eligible proceeds at least equal to the aggregate amount of accrued and unpaid deferred interest, including compounded interest thereon, to the extent permitted by law, on the Debentures. We refer to this period as the "*APM period*" and

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to this method of funding the payment of accrued and unpaid interest as the "*alternative payment mechanism*."

We have agreed to apply eligible proceeds raised during any deferral period pursuant to the alternative payment mechanism to first pay deferred interest (including compounded interest thereon, to the extent permitted by law) on the Debentures.

Notwithstanding (and as a qualification to) the foregoing, under the alternative payment mechanism:

we are not required to issue common stock or qualifying warrants prior to the fifth anniversary of the commencement of a deferral period, if the number of shares of common stock issued during such deferral period plus the number of shares of common stock issued or issuable upon the exercise of qualifying warrants previously issued during such deferral period would exceed an amount equal to 2% of the total number of issued and outstanding shares of our common stock as of the date of our most recent publicly available consolidated financial statements immediately prior to the date of such issuance (the "*common equity issuance cap*");

we are not permitted to issue qualifying preferred stock and mandatorily convertible preferred stock to the extent that the net proceeds of any issuance of qualifying preferred stock and mandatorily convertible preferred stock applied, together with the net proceeds of all prior issuances of qualifying preferred stock and any still-outstanding mandatorily convertible preferred stock applied during the current and all prior deferral periods, to pay interest on the Debentures pursuant to the alternative payment mechanism, would exceed 25% of the aggregate principal amount of the Debentures issued under the junior subordinated indenture (the "*preferred stock issuance cap*"); and

so long as the definition of "qualifying APM securities" has not been amended to eliminate common stock, as discussed below:

the sale of qualifying warrants to pay deferred interest is an option that may be exercised at our sole discretion, subject to the common equity issuance cap and the share cap amount, as defined below, and we will not be obligated to sell qualifying warrants or to apply the proceeds of any such sale to pay deferred interest on the Debentures, and

no class of investors of our securities, or any other party, may require us to issue qualifying warrants.

Once we reach the common equity issuance cap for a deferral period, we will not be obligated to issue more common stock or, if the definition of "qualifying APM securities" has been amended to eliminate common stock, more qualifying warrants as described above, pursuant to the alternative payment mechanism prior to the fifth anniversary of the commencement of a deferral period even if the number of outstanding shares of our common stock subsequently increases. The common equity issuance cap will cease to apply with respect to a deferral period following the fifth anniversary of the commencement of a deferral period, at which point we must pay any deferred interest, regardless of the time at which it was deferred, using the alternative payment mechanism, subject to any market disruption event and the share cap amount. In addition, if the common equity issuance cap is reached during a deferral period and we subsequently pay all deferred interest, the

common equity issuance cap will cease to apply with respect to a deferral period at the termination of such deferral period and will not apply again unless and until we start a new deferral period.

"*Eligible proceeds*" means, for each relevant interest payment date, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance or sale) we have received during the 180-day period prior to that interest payment date from the issuance or sale of qualifying APM securities (excluding sales of qualifying preferred stock and mandatorily convertible preferred stock in excess of the preferred stock issuance cap) to persons that are not our subsidiaries.

Notwithstanding the common equity issuance cap and the preferred stock issuance cap described above, for purposes of paying deferred interest, we are not permitted, subject to the provisions of the next paragraph, to sell shares of our common stock, qualifying warrants, or mandatorily convertible preferred stock such that the common stock to be issued (or which would be issuable upon exercise or conversion thereof) would be in excess of 37.5 million shares of our common stock (the "*share cap amount*"). If the issued and outstanding shares of our common stock are changed into a different number of shares or a different class by reason of any stock split, reverse stock split, stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or other similar transaction, the share cap amount shall be correspondingly adjusted. The share cap amount limitation will apply so long as the Debentures remain outstanding. If we issue additional Debentures, the share cap amount will be increased accordingly. Moreover, if we amend the definition of "qualifying APM Securities" to eliminate common stock, then the number of shares constituting the share cap amount will be increased by 100%.

If the share cap amount has been reached and it is not sufficient to allow us to raise sufficient proceeds to pay deferred interest in full, we have agreed to use commercially reasonable efforts to increase the share cap amount (i) only to the extent that we can do so and simultaneously satisfy our future fixed or contingent obligations under other securities and derivative instruments that provide for settlement or payment in shares of our common stock or (ii) if we cannot increase the share cap amount as contemplated in the preceding clause, by requesting our board of directors, subject to its fiduciary duties, to adopt a resolution for shareholder vote at the next occurring annual shareholders meeting to increase the number of shares of our authorized common stock for purposes of satisfying our obligations to pay deferred interest.

"*Common stock*" means our common stock (including treasury shares of common stock), common stock issued pursuant to any dividend reinvestment plan or our employee and director benefit and compensation plans, a security of ours ranking upon our liquidation, dissolution or winding-up junior to our qualifying preferred stock and *pari passu* with our common stock that tracks the performance of, or relates to the results of, a business, unit or division of us, and any securities issued in exchange therefor in connection with a merger, consolidation, binding share exchange, business combination, recapitalization or other similar event.

"*Mandatorily convertible preferred stock*" means preferred stock with (a) no prepayment obligation of the liquidation preference on the part of the issuer thereof, whether at the election of the holders or otherwise, and (b) a requirement that the preferred stock converts into our common stock within three years from the date of its issuance at a conversion ratio within a range established at the time of issuance of the preferred stock.

"*Qualifying APM securities*" means our common stock, qualifying preferred stock, qualifying warrants and mandatorily convertible preferred stock, *provided* that we may, without the consent of the holders of the Debentures, amend the definition of "qualifying APM securities" to eliminate

common stock and/or mandatorily convertible preferred stock from the definition if, after the issue date, an accounting standard or interpretive guidance of an existing accounting standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards followed by the issuer becomes effective such that there is more than an insubstantial risk that failure to eliminate common stock and/or mandatorily convertible preferred stock from the definition would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States or International Financial Reporting Standards (IFRS) if then applicable to the issuer or IFRS if subsequently adopted by the issuer. We will promptly notify the holders of the Debentures, in the manner contemplated in the junior subordinated indenture, of such change.

"*Qualifying preferred stock*" means our non-cumulative perpetual preferred stock that ranks *pari passu* with or junior to all of our other preferred stock, is perpetual and (a) is subject to a replacement capital covenant substantially similar to the replacement capital covenant or any "other qualifying capital replacement covenant," as such term is defined under "Description of the Replacement Capital Covenant," or (b) is subject to both (i) mandatory suspension of dividends in the event we breach certain financial metrics specified within the offering documents, and (ii) "intent-based replacement disclosure," as such term is defined under "Description of the Replacement Capital Covenant." Additionally, in both (a) and (b) the transaction documents shall provide for no remedies as a consequence of non-payment of distributions other than "permitted remedies," as such term is defined under "Description of the Replacement Capital Covenant."

"*Qualifying warrants*" means any net share settled warrants to purchase our common stock that (1) have an exercise price greater than the "current stock market price" of our common stock, and (2) we are not entitled to redeem for cash and the holders of which are not entitled to require us to purchase for cash in any circumstances. If we sell qualifying warrants to pay deferred interest pursuant to the alternative payment mechanism, we will be required to use commercially reasonable efforts, subject to the common equity issuance cap, to set the terms of the qualifying warrants so as to raise sufficient proceeds from their issuance to pay all deferred interest on the Debentures in accordance with the alternative payment mechanism. We intend that any qualifying warrants issued in accordance with the alternative payment mechanism will have exercise prices at least 10% above the current stock market price of our common stock on the date of issuance. The "*current stock market price*" of our common stock on any date shall be the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if our common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which our common stock is traded or quoted. If our common stock is not listed on any U.S. securities exchange on the relevant date, the "current stock market price" shall be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If our common stock is not so quoted, the "current stock market price" shall be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach the junior subordinated indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy under the terms thereof. The

remedies of holders of the Debentures will be limited in such circumstances as described under "Risk Factors - Holders of the Debentures will have only limited rights of acceleration" above.

If, due to a market disruption event or otherwise, we were able to raise some, but not all, eligible proceeds necessary to pay all deferred interest (including compounded interest thereon, to the extent permitted by law) on any interest payment date, we will apply any available eligible proceeds to pay accrued and unpaid interest on the applicable interest payment date in chronological order based on the date each payment was first deferred, subject to the common equity issuance cap, the preferred stock issuance cap, and the share cap amount, and you will be entitled to receive your *pro rata* share of any amounts received on the Debentures. If we have outstanding pari passu securities under which we are obligated to sell securities that are qualifying APM securities and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by us from those sales and available for payment of the deferred interest and distributions shall be applied to the Debentures and those other pari passu securities on a *pro rata* basis up to the common equity issuance cap or the preferred stock issuance cap and the share cap amount (or comparable provisions in the instruments governing those pari passu securities) in proportion to the total amounts that are due on the Debentures and such securities.

### Market Disruption Events

A "*market disruption event*" means the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally, or shares of our securities specifically, on the New York Stock Exchange or any other national securities exchange, or in the over-the-counter market on which our qualifying APM securities or qualifying capital securities, as the case may be, are then listed or traded shall have been suspended or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the SEC, the relevant exchange or by any other regulatory body or governmental agency having jurisdiction such that trading shall have been materially disrupted;

we would be required to obtain the consent or approval of our stockholders or a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue or sell qualifying APM securities pursuant to the alternative payment mechanism or to issue qualifying capital securities pursuant to our repayment obligations described under "Repayment of Principal" below, as the case may be, and that consent or approval has not yet been obtained notwithstanding our commercially reasonable efforts to obtain that consent or approval;

a banking moratorium shall have been declared by the federal or state authorities of the United States such that market trading in the qualifying APM securities or the qualifying capital securities, as applicable, has been materially disrupted or ceased;

a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States such that market trading in the qualifying APM securities or the qualifying capital securities, as applicable, has been materially disrupted or ceased;

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in the qualifying APM securities or the qualifying capital securities, as applicable, has been materially disrupted or ceased;

there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, or the effect of international conditions on the financial markets in the United States shall be such that trading in the qualifying APM securities or qualifying capital securities, as applicable, has been materially disrupted;

an event occurs and is continuing as a result of which the offering document for the offer and sale of qualifying APM securities or qualifying capital securities, as the case may be, would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event at such time, in our reasonable judgment, is not otherwise required by law and would have a material adverse effect on our business or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, *provided* that no single suspension period described in this bullet shall exceed 90 consecutive days and multiple suspension periods described in this bullet shall not exceed an aggregate of 180 days in any 360-day period; or

we reasonably believe that the offering document for the offer and the sale of qualifying APM securities or qualifying capital securities, as the case may be, would not be in compliance with a rule or regulation of the SEC (for reasons other than those described in the immediately preceding bullet) and we determine that we are unable to comply with such rule or regulation or such compliance is unduly burdensome, *provided* that no single suspension period described in this bullet shall exceed 90 consecutive days and multiple suspension periods described in this bullet shall not exceed an aggregate of 180 days in any 360-day period.

We will be excused from our obligations under the alternative payment mechanism in respect of any interest payment date if we provide written certification to the trustee (which the trustee will promptly forward upon receipt to each holder of record of Debentures) no more than 15 and no less than 10 business days in advance of that interest payment date certifying that:

a market disruption event was existing after the immediately preceding interest payment date; and

either (a) the market disruption event continued for the entire period from the business day immediately following the preceding interest payment date to the business day immediately preceding the date on which that certification is provided, or (b) the market disruption event continued for only part of this period, but we were unable after using commercially reasonable efforts to raise sufficient eligible proceeds during the rest of that period to pay all accrued and unpaid interest.

We will not be excused from our obligations under the alternative payment mechanism if we determine not to pursue or complete the sale of qualifying APM securities solely due to pricing, coupon, dividend rate or dilution considerations.

## Repayment of Principal

### *Scheduled Maturity*

We must repay the principal amount of the Debentures, together with accrued and unpaid interest, on May 15, 2057, or if that date is not a business day, the following business day (the "*scheduled maturity date*"), subject to the limitations described below.

Our obligation to repay the Debentures on the scheduled maturity date is limited. We are required to repay the Debentures on the scheduled maturity date only to the extent that we have raised sufficient net proceeds from the issuance of qualifying capital securities, as described under "Description of the Replacement Capital Covenant" below, within a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date. We will be required to repay the unpaid portion of the Debentures (i) on each subsequent interest payment date to the extent we sell a sufficient amount of qualifying capital securities and until the Debentures are paid in full or (ii) upon the occurrence of an event of default and acceleration. We will also be required to repay any unpaid portion of the Debentures on the final maturity date, as described under "Final Maturity Date" below.

We will agree in the junior subordinated indenture to use our commercially reasonable efforts (except as described below) to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the Debentures in full on this date in accordance with the replacement capital covenant. We will further agree in the junior subordinated indenture that if we are unable for any reason to raise sufficient proceeds to permit payment in full on the scheduled maturity date, we will use our commercially reasonable efforts (except as described below) to raise sufficient proceeds to permit repayment on the next quarterly interest payment date, and on each quarterly interest payment date thereafter until such time as we are required to repay the unpaid portion of the Debentures, as described in the preceding paragraph. Except under those circumstances, our failure to use our commercially reasonable efforts to raise these proceeds would be a breach of covenant under the junior subordinated indenture. However, in no event will such failure be an event of default thereunder.

Although under the replacement capital covenant the principal amount of Debentures that we may redeem or repay at any time may be based on the net cash proceeds from certain issuances during the applicable measurement period of common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity in addition to certain qualifying capital securities (as described under "Description of the Replacement Capital Covenant"), we have no obligation under the junior subordinated indenture to use commercially reasonable efforts to issue any securities other than qualifying capital securities or to use the proceeds of the issuance of any other securities to repay the Debentures on the scheduled maturity date or at any time thereafter.

We may amend or supplement the replacement capital covenant from time to time with the consent of the holders of at least a majority in principal amount of the then-effective series of covered debt. We may, acting alone and without the consent of the covered debtholders, amend or supplement the replacement capital covenant if (i) the effect of such amendment or supplement is solely to impose additional restrictions on the types of securities qualifying as replacement capital securities, and one of our officers has delivered to the holders of the then-effective series of covered debt in the manner provided for in the indenture, fiscal agency agreement or other



instrument with respect to such covered debt a written certificate to that effect, (ii) such amendment or supplement is not materially adverse to the covered debtholders and one of our officers has delivered to the holders of the then-effective series of covered debt in the manner provided for in the junior subordinated indenture, fiscal agency agreement or other instrument with respect to such covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not materially adverse to such covered debtholders or (iii) such amendment or supplement eliminates common stock, debt exchangeable for common equity, qualifying warrants and/or mandatorily convertible preferred stock as replacement capital securities if, in the case of this clause (iii), after the issue date, an accounting standard or interpretive guidance of an existing accounting standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards followed by the issuer becomes effective such that we reasonably believe that there is more than an insubstantial risk that failure to so eliminate common stock, debt exchangeable for common equity, qualifying warrants and/or mandatorily convertible preferred stock would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States or International Financial Reporting Standards (IFRS) if then applicable to the issuer or IFRS if subsequently adopted by the issuer.

We generally may amend or supplement the replacement capital covenant without the consent of the holders of the Debentures. We have agreed in the junior subordinated indenture for the Debentures that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining whether or to what extent repayment, redemption or purchase of the Debentures is permitted, except with the consent of holders of a majority by principal amount of the Debentures.

If any amount of Debentures remains outstanding after the scheduled maturity date, the principal amount of the outstanding Debentures will continue to bear interest at a floating rate of interest until paid as described above under " Interest Rate and Interest Payment Dates."

"*Commercially reasonable efforts*" to sell our qualifying capital securities means commercially reasonable efforts to complete the offer and sale of our qualifying capital securities to third parties that are not subsidiaries of ours in public offerings or private placements. We will not be considered to have made commercially reasonable efforts to effect a sale of qualifying capital securities if we determine to not pursue or complete such sale solely due to pricing, coupon, dividend rate or dilution considerations.

We will be excused from our obligation under the junior subordinated indenture to use commercially reasonable efforts to sell qualifying capital securities to permit repayment of the Debentures under the terms of the replacement capital covenant if we provide written certification to the trustee (which certification will be forwarded to each holder of record of the Debentures) no more than 15 and no less than 10 business days in advance of the required repayment date certifying that:

a market disruption event was existing during the 180-day period preceding the date of the certificate or, in the case of any required repayment date following the scheduled maturity date, the 90-day period preceding the date of the certificate; and

either (a) the market disruption event continued for the entire 180-day period or 90-day period, as the case may be, or (b) the market disruption event continued for only part of

the period, but we were unable after commercially reasonable efforts to raise sufficient net proceeds during the rest of that period to permit repayment of the Debentures in full.

Net proceeds that we are permitted to apply to the repayment of the Debentures on and after the scheduled maturity date will be applied, first, to pay deferred interest (including compounded interest thereon, to the extent permitted by law) to the extent of eligible proceeds under the alternative payment mechanism, second, to pay current interest that we are not paying from other sources and, third, to repay the principal of the Debentures; *provided* that if we are obligated to sell qualifying capital securities and apply the net proceeds to payments of principal of or interest on any outstanding securities in addition to the Debentures, then on any date and for any period the amount of net proceeds received by us from those sales and available for such payments shall be applied to the Debentures and those other securities having the same scheduled maturity date as the Debentures *pro rata* in accordance with their respective outstanding principal amounts and none of such net proceeds shall be applied to any other securities having a later scheduled maturity date until the principal of and all accrued and unpaid interest on the Debentures has been paid in full. If we raise less than \$5 million of net proceeds from the sale of qualifying capital securities during the relevant 180-day or 90-day period, we will not be required to repay any Debentures on the scheduled maturity date or the next quarterly interest payment date, as applicable, but we will use those net proceeds to repay the Debentures on the next quarterly interest payment date as of which we have raised at least \$5 million of net proceeds.

***Final Maturity Date***

Unless previously paid, any principal amount of the Debentures, together with accrued and unpaid interest, will be due and payable on the final maturity date of the Debentures, regardless of the amount of qualifying capital securities we have issued and sold by that time. The final maturity date will be May 15, 2067 or, if that date is not a business day, the following business day.

***Redemption***

The Debentures:

are repayable on the scheduled maturity date or thereafter as described under "Repayment of Principal" above;

are redeemable, in whole or in part, at our option at any time at the redemption price set forth below;

are redeemable, in whole but not in part prior to May 15, 2037, after the occurrence of a "tax event" or a "rating agency event," as described below; and

are not subject to any sinking fund or similar provisions.

Any redemption of the Debentures prior to May 15, 2067, will be subject to the restrictions described under "Description of the Replacement Capital Covenant" below.

The redemption price will be equal to, in the case of any optional redemption:

in whole or in part, at any time prior to May 15, 2037, in cases not involving a "tax event" or "rating agency event," each as defined below, the greater of (i) 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest to the redemption date or (ii) the present value of a principal payment on May 15, 2037 and

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scheduled payments of interest that would have accrued from the redemption date to May 15, 2037 on the Debentures being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the treasury rate plus the applicable spread (the "make-whole redemption price");

in whole, but not in part, at any time prior to May 15, 2037, within 90 days following the occurrence and during the continuation of a tax event or a rating agency event, the greater of (i) 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest to the redemption date or (ii) the applicable make-whole redemption price; and

in whole or in part, at any time on or after May 15, 2037, 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest to the redemption date.

If in the case of an optional redemption, the Debentures are not redeemed in whole, we may not affect such redemption unless at least \$25 million aggregate principal amount of the Debentures, excluding any Debentures held by us or any of our affiliates, remains outstanding after giving effect to such redemption.

"*Tax event*" means the receipt by us of an opinion of counsel experienced in such matters to the effect that, as a result of any:

amendment to or change (including any officially announced proposed change) in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is effective on or after the date of issuance of the Debentures; or

official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after the date of issuance of the Debentures; or

threatened challenge asserted in connection with an audit of us or our subsidiaries, or a threatened challenge asserted in writing against any tax payer that has raised capital through the issuance of securities that are substantially similar to the Debentures and which securities were rated investment grade at the time of issue of such securities;

there is more than an insubstantial increase in the risk that interest payable by us on the Debentures is not, or within 90 days of the date of such opinion will not be, deductible by us, in whole or in part, for United States federal income tax purposes.

"*Rating agency event*" means a change by any nationally recognized statistical rating organization within the meaning of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*") that currently publishes a rating for us (a "*rating agency*") to its equity credit criteria for securities such as the Debentures, as such criteria are in effect on the date of this prospectus supplement (the "*current criteria*"), which change results in (i) the length of time for which such current criteria are scheduled to be in effect is shortened with respect to the Debentures, or (ii) a lower equity credit being given to the Debentures as of the date of such change than the equity credit that would have been assigned to the Debentures as of the date of such change by such rating agency pursuant to its current criteria.

For the purposes of the discussion above:

"*treasury rate*" means the semi-annual equivalent yield to maturity of the "treasury security" that corresponds to the "treasury price" (calculated in accordance with standard market practice and computed as of the second trading day preceding the redemption date);

"*treasury security*" means the United States Treasury security that the "treasury dealer" determines would be appropriate to use, at the time of determination and in accordance with standard market practice, in pricing the Debentures being redeemed in a tender offer based on a spread to United States Treasury yields;

"*treasury price*" means the bid-side price for the treasury security as of the third trading day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York on that trading day and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities," except that: (i) if that release (or any successor release) is not published or does not contain that price information on that trading day; or (ii) if the treasury dealer determines that the price information is not reasonably reflective of the actual bid-side price of the treasury security prevailing at 3:30 p.m., New York City time, on that trading day, then treasury price will instead mean the bid-side price for the treasury security at or around 3:30 p.m., New York City time, on that trading day (expressed on a next trading day settlement basis) as determined by the treasury dealer through such alternative means as are commercially reasonable under the circumstances;

"*treasury dealer*" means J.P. Morgan Securities Inc. and Goldman, Sachs & Co. (or their successors) or, if J.P. Morgan Securities Inc. and Goldman, Sachs & Co. (or their successors) refuse to act as treasury dealers for this purpose or cease to be primary U.S. Government securities dealers, another nationally recognized investment banking firm that is a primary U.S. Government securities dealer specified by us for these purposes; and

"*applicable spread*" means 0.50% in the case of a tax event, 0.50% in the case of a rating agency event and 0.25% in all other cases.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Debentures to be redeemed at its registered address. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Debentures or portions thereof called for redemption.

We may not redeem the Debentures in part if the principal amount has been accelerated and such acceleration has not been rescinded or unless all accrued and unpaid interest, including deferred interest, has been paid in full on all outstanding Debentures for all interest periods terminating on or before the redemption date.

In the event of any redemption, neither we nor the trustee will be required to:

issue, register the transfer of, or exchange, Debentures during a period beginning at the opening of business 15 days before the day of selection for redemption of Debentures and ending at the close of business on the day of mailing of notice of redemption; or

transfer or exchange any Debentures so selected for redemption, except, in the case of any Debentures being redeemed in part, any portion thereof not to be redeemed.

The provisions relating to defeasance discussed in the accompanying prospectus shall apply to the Debentures. You should refer to the description of these provisions under "Description of Debt Securities Defeasance and Covenant Defeasance" in the accompanying prospectus; *provided* that any defeasance of the Debentures will be subject to the replacement capital covenant described under "Description of the Replacement Capital Covenant" in this prospectus supplement. For the avoidance of doubt, any reference in the section of this prospectus supplement under the heading "Description of the Replacement Capital Covenant" to any repayment of our securities will be deemed to include a reference to defeasance of our obligations under such securities.

### **Subordination**

The payment of the principal of and interest on the Debentures is expressly subordinated, to the extent and in the manner set forth in the junior subordinated indenture, in right of payment to the prior payment in full of all of our senior indebtedness.

Subject to the qualifications described below, the term "*senior indebtedness*" is defined in the junior subordinated indenture to include principal of, and interest and premium (if any) on, and any other payment due pursuant to any of the following, whether incurred prior to, on or after the date of this prospectus supplement:

all of our obligations (other than obligations pursuant to the junior subordinated indenture and the Debentures) for money borrowed;

all of our obligations evidenced by notes, debentures, bonds or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses and including all other debt securities issued by us to any trust or a trustee of such trust, or to a partnership or other affiliate that acts as a financing vehicle for us, in connection with the issuance of securities by such vehicles;

all of our obligations under leases required or permitted to be capitalized under generally accepted accounting principles;

all of our reimbursement obligations with respect to letters of credit, bankers' acceptances or similar facilities issued for our account;

all of our obligations issued or assumed as the deferred purchase price of property or services, including all obligations under master lease transactions pursuant to which we or any of our subsidiaries have agreed to be treated as owner of the subject property for federal income tax purposes (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business);

all of our payment obligations under interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements at the time of determination, including any such obligations we incurred solely to act as a hedge against increases in interest rates that may occur under the terms of other outstanding variable or floating rate indebtedness of ours;

all obligations of the types referred to in the preceding bullet points of another person and all dividends of another person the payment of which, in either case, we have assumed or guaranteed or for which we are responsible or liable, directly or indirectly, jointly or severally, as obligor, guarantor or otherwise;

all compensation and reimbursement obligations of ours to the trustee pursuant to the junior subordinated indenture; and

all amendments, modifications, renewals, extensions, refinancings, replacements and refundings of any of the above types of indebtedness;

except, in each case, the Debentures and (i) indebtedness incurred for the purchase of goods, materials, or property, or for services obtained in the ordinary course of business or for other liabilities arising in the ordinary course of business (i.e., trade accounts payable), (ii) any indebtedness which by its terms expressly provides that it is not superior in right or payment to the Debentures, (iii) any of our indebtedness owed to a person who is our subsidiary or employee, or (iv) any liability for federal, state, local or other taxes owed or owing by us or our subsidiaries.

The Debentures will rank senior and have priority in right of payment with respect to all of our capital securities equity.

The senior indebtedness will continue to be senior indebtedness and entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of the senior indebtedness or extension or renewal of the senior indebtedness.

All liabilities of our subsidiaries including trade accounts payable and accrued liabilities arising in the ordinary course of business, as well as obligations to policyholders, are effectively senior to the Debentures to the extent of the assets of such subsidiaries. As of March 31, 2007, we had indebtedness for money borrowed at the parent holding company level of \$4.6 billion and our subsidiaries had total liabilities of \$132.4 billion as reported on our consolidated statement of financial position, all of which would effectively be senior to the Debentures upon liquidation. In addition, the Debentures would be subordinated to our other senior indebtedness, including capital lease obligations and payment obligations under interest rate swap and similar agreements.

If certain events of bankruptcy, insolvency or reorganization occur, we will first pay all senior indebtedness, including any interest accrued after the events occur, in full before we make any payment or distribution, whether in cash, securities or other property, on account of the principal of or interest on the Debentures. In such an event, we will pay or deliver directly to the holders of senior indebtedness, any payment or distribution otherwise payable or deliverable to holders of the Debentures. We will make the payments to the holders of senior indebtedness according to priorities existing among those holders until we have paid all senior indebtedness, including accrued interest, in full.

If such events of bankruptcy, insolvency or reorganization occur, after we have paid in full all amounts owed on senior indebtedness, the holders of Debentures together with the holders of any of our other pari passu securities will be entitled to receive from our remaining assets any principal, premium or interest due at that time on the Debentures and such other obligations, subject to the limitation on payments of deferred and unpaid interest described under " Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership," before we make any payment or other distribution on account of any of our capital stock or obligations ranking junior to the Debentures.

If we violate the junior subordinated indenture by making a payment or distribution to holders of the Debentures before we have paid all the senior indebtedness in full, then such holders of the Debentures will have to pay or transfer the payments or distributions to the trustee in bankruptcy, receiver, liquidating trustee or other person distributing our assets for payment of the senior indebtedness.

Because of the subordination provisions, if we become insolvent, holders of senior indebtedness may receive more, ratably, and holders of the Debentures having a claim pursuant to those securities may receive less, ratably, than our other creditors. This type of subordination will not prevent an event of default from occurring under the junior subordinated indenture in connection with the Debentures.

The junior subordinated indenture places no limitation on the amount of senior indebtedness that we may incur. We expect from time to time to incur additional indebtedness and other obligations constituting senior indebtedness.

The Debentures will rank *pari passu* with our Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067.

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

The junior subordinated indenture provides that each holder of Debentures, by that holder's acceptance of the Debentures, agrees that in certain events of our bankruptcy, insolvency or receivership prior to the redemption or repayment of its Debentures, that holder of Debentures will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon, to the extent permitted by law) that has not been settled through the application of the alternative payment mechanism to the extent the amount of such interest exceeds the amount of interest that relates to the earliest two years of the portion of the deferral period for which interest has not been paid.

#### **Denominations**

The Debentures will be issued only in registered form, without coupons, in denominations of \$1,000 each or multiples of \$1,000. We expect that the Debentures will be held in book-entry form only, as described under "Book-Entry System," and will be held in the name of DTC or its nominee.

#### **Limitation on Mergers and Sales of Assets**

The junior subordinated indenture generally permits a consolidation or merger between us and another entity. It also permits the sale or transfer by us of all or substantially all of our property and assets. These transactions are permitted if:

the resulting or acquiring entity, if other than us, is organized and existing under the laws of a domestic jurisdiction and assumes all of our responsibilities and liabilities under the junior subordinated indenture, including the payment of all amounts due on the debt securities and performance of the covenants in the junior subordinated indenture;

immediately after the transaction, and giving effect to the transaction, no event of default under the junior subordinated indenture exists; and

certain other conditions as prescribed in the junior subordinated indenture are met.

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If we consolidate or merge with or into any other entity or sell or lease all or substantially all of our assets according to the terms and conditions of the junior subordinated indenture, the resulting or acquiring entity will be substituted for us in such junior subordinated indenture with the same effect as if it had been an original party to the junior subordinated indenture. As a result, such successor entity may exercise our rights and powers under the junior subordinated indenture, in our name and, except in the case of a lease of all or substantially all of our properties and assets, we will be released from all our liabilities and obligations under the junior subordinated indenture and under the Debentures.

### Events of Default; Waiver and Notice

The following events are "*events of default*" with respect to the Debentures:

default in the payment of interest, including compounded interest, to the extent permitted by law, in full on any Debentures for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period if at such time such deferral period has not ended;

default in the payment of principal on the Debentures when due, whether at stated maturity, upon redemption, upon a declaration of acceleration, or otherwise, subject to the limitations described under "Repayment of Principal"; or

certain events of our bankruptcy, insolvency or receivership.

Except as expressly provided in the foregoing definition, an event of default does not include a failure to comply with covenants under the junior subordinated indenture, including our obligations under the alternative payment mechanism.

The junior subordinated indenture for the Debentures provides that the trustee must give holders notice of all defaults or events of default within 90 days after it becomes actually known to a responsible officer of the trustee. However, except in the cases of a default or an event of default in payment on the Debentures, the trustee will be protected in withholding the notice if its responsible officers determine that withholding of the notice is in the interest of such holders.

If an event of default under the junior subordinated indenture occurs and continues, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debentures may declare the entire principal amount of and all accrued but unpaid interest on all Debentures to be due and payable immediately.

If such a declaration occurs, the holders of a majority of the aggregate principal amount of the outstanding Debentures can, subject to certain conditions, rescind the declaration.

The holders of a majority in aggregate principal amount of the outstanding Debentures may waive any past default, except:

a default in payment of principal or interest; or

a default under any provision of the junior subordinated indenture that itself cannot be modified or amended without the consent of the holder of each outstanding Debenture.

The holders of a majority in principal amount of the Debentures shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, subject to the provisions of the junior subordinated indenture.



We are required to file an officers' certificate with the trustee each year that states, to the knowledge of the certifying officer, whether or not any defaults exist under the terms of the junior subordinated indenture.

**Actions Not Restricted by Junior Subordinated Indenture**

The junior subordinated indenture does not contain restrictions on our ability to:

incur, assume or become liable for any type of debt or other obligation;

create liens on our property for any purpose; or

pay dividends or make distributions on our capital stock or purchase or redeem our capital stock, except as set forth under "Dividend and Other Payment Stoppages During Interest Deferral and Under Certain Other Circumstances" above.

The junior subordinated indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, the junior subordinated indenture does not contain any provisions that would require us to repurchase or redeem or modify the terms of any of the Debentures upon a change of control or other event involving us that may adversely affect the creditworthiness of the Debentures.

**Modification of Junior Subordinated Indenture**

As described in the accompanying prospectus, under the junior subordinated indenture, certain