MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EF-2005-0498, Kansas City Power and Light Company

FROM: Matt Barnes, Financial Analysis Department
Dan Redel, Budget and Fiscal Services

/s/ Matt Barnes 08/31/05 ______________________________
Project Coordinator / Date

/s/ Steven Dottheim 08/31/05 ______________________________
General Counsel's Office / Date

SUBJECT: Staff Recommendation concerning the Application of Kansas City Power & Light Company ("Company or KCP&L"), for Authority to Issue Debt Securities and to enter into Interest Rate Hedging Instruments with one or more counterparties in conjunction with debt securities issued under this authorization to meet the new financing and refinancing requirements outlined in Appendix B of the Stipulation and Agreement filed in Case No. EO-2005-0329, "In the Matter of a Proposed Experimental Regulatory Plan of Kansas City Power & Light Company."

DATE: August 31, 2005

1. (a) **Type of Issue:** Unsecured or secured debt securities

   (b) **Amount:** Up to $635,000,000 principal amount

   (c) **Rate:** Interest rates on the debt securities, represented by either (i) the coupon on fixed rate debt securities or (ii) the initial rate on any variable or remarketed debt securities, will not exceed nine percent (9%).

2. **Proposed Date of Transaction:** As appropriate given market conditions over the 2005-2009 period.

3. (a) **Statement of Purpose of the Issue:** "Proceeds of the securities will be used by Applicant to refinance outstanding long-term debt and to execute the Experimental Regulatory Plan described in the Stipulation" in Case No. EO-2005-0329, "In the Matter of a Proposed Experimental Regulatory Plan of Kansas City Power & Light Company"

   (b) **From a financial perspective, does Staff deem this purpose reasonable?:**

   Yes _X_ No

4. **Copies of executed instruments defining terms of the proposed securities:**

___ (a) If such instruments have been previously filed with the Commission, a reference to the Case Number in which the instruments were furnished.

_X_ (b) If such instruments have not been executed at the time of filing, a statement of the general terms and conditions to be contained in the instruments, which are proposed to be executed.

___ (c) If no such instruments are either executed or to be executed, a statement of how the securities are to be sold.

5. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**

Yes _X_ No

6. **Pro-forma Balance Sheet and Income Statement reviewed:**

Yes _X_ No

7. **Capital expenditure schedule reviewed:**

Yes _X_ No

8. **Journal entries are required to be filed by the Company to allow for the Fee Schedule to be applied:**

Yes _X_ No

9. **Recommendation of the Staff:**

___ Grant by session order (see Comments)

_X_ Conditional Approval granted pending receipt of definite terms of issuance (see Comments)

___ Require additional and/or revised data before approval can be granted (see Comments)

___ Formal hearing required (see Comments)

___ Recommend dismissal (see Comments)

COMMENTS:

Kansas City Power & Light Company (KCP&L), a wholly owned subsidiary of Great Plains Energy Incorporated, is a regulated provider of energy-related products and services for homes, businesses, industries, and municipalities in the Kansas City metropolitan area. KCP&L serves nearly 500,000 customers in 24 counties in northwestern Missouri and eastern Kansas, a territory of about 4,600 square miles. Delivering that power requires 1,700 miles of transmission lines, more than 10,000 miles of overhead distribution lines, and approximately 3,400 miles of underground distribution lines.

On June 22, 2005, KCPL filed an Application with the Missouri Public Service Commission (Commission or MPSC) requesting approval for authority to issue debt securities in an amount up to $635 million. The Company states in its Application:

> 3. Applicant is a Signatory Party to a Stipulation and Agreement (hereafter, "the Stipulation") submitted to the Commission in Case No. EO-2005-0329, "In the Matter of a Proposed Experimental Regulatory Plan of Kansas City Power & Light Company." Appendix B to such Stipulation outlined Applicant's proposed Financing Plan for the 2005-2009 period, including the projected issuance of debt securities for new financing and refinancing requirements.
>
> 10. To meet the new financing and refinancing requirements outlined in Appendix B of the Stipulation, Applicant seeks authority to issue up to $635 million principal amount of debt securities through December 31, 2009, and to enter into interest rate hedging instruments in connection with such debt securities. Applicant will issue such debt, up to the authorized amount, through one or a number of offerings to be determined from time to time by the Applicant. By providing flexibility and ability to take advantage of rapidly changing market conditions, such an approach allows the Applicant to obtain the most advantageous terms and conditions at the time of issuance, thereby enabling the Applicant to maintain its low-cost debt structure.
>
> 11. The debt securities will have maturities of one year to 40 years and will be issued by the Applicant or through agents or underwriters for the Applicant in multiple offerings of differing amounts with different interest rates (including variable interest rates) and other negotiated terms and conditions. Interest rates on the debt securities, represented by either (i) the coupon on fixed rate debt securities or (ii) the initial

rate on any variable or remarketed debt securities, will not exceed nine percent (9%).

12. The debt securities may be senior or subordinated…

13. Applicant also requests authority to enter into interest rate hedging instruments in conjunction with debt securities to be issued under this authorization...

14. Proceeds of the securities will be used by Applicant to refinance outstanding long-term debt and to execute the Experimental Regulatory Plan described in the Stipulation.

On August 9, 2005 the Company submitted a late-filed exhibit for the present financing case. The cover pleading to the late-filed exhibit states:

> KCP&L also indicated in its August 9, 2005 submission that it would provide the MPSC with a copy of the Registration Statement that KCP&L will file with the Securities and Exchange Commission ("SEC"). The timing and form of such Registration Statement is presently uncertain. Because KCP&L desires to provide the MPSC with all the information that is necessary and pertinent to the Application in as timely a manner as possible, attached hereto is a "statement of how the securities are to be sold," pursuant to the MPSC's filing requirements for the issuance of securities, as set forth in 4CSR 240-3.120(1)(C)3.

See Attachment F for a complete explanation of how the securities will be sold.

Standard & Poor's (S&P) Rationale of its July 29, 2005 research report on Great Plains Energy states the following about KCP&L's Stipulation and Agreement (Stipulation) with some, but not all, parties, and which was filed for approval with the MPSC and the Kansas Corporation Commission (KCC):

> KCP&L is proceeding with its proposed $1.3 billion capital plan, which includes several resource acquisitions, including a new 800 MW-900 MW coal-fired generating station at the utility's Iatan 2 site in Missouri, as well as 100 MW of wind generation. The company reached stipulated agreements with the staffs of both the MPSC and the KCC in March 2005 and May 2005, respectively, that provide a framework for rate relief during the construction period, including the ability to file annual rate cases beginning in 2006 and the implementation of an interim energy charges for recovery of increasing

> power supply costs. The MPSC approved the agreement on July 28, 2005, while the KCC is expected to make its decision over the next several weeks.

S&P's Outlook in the same report states the following:

> The stable outlook reflects the expectation of strong cash flow coverage, near-term reduction in debt leverage, and a healthy economic outlook for the Kansas City area. The outlook also assumes implementation by both the MPSC and the KCC of stipulated agreements regarding a fuel cost recovery mechanism and a regulatory framework that provides KCP&L with access to rate relief during implementation of the company's large capital program.
>
> Exceptionally strong regulatory support, project execution, and debt reduction could lead to an improved outlook. In contrast, failure to secure adequate rate relief or a fuel cost recovery mechanism by 2007 could have negative credit implications. Rising fuel and purchased-power costs at KCP&L could contribute to financial pressure through 2007, although the utility has taken proactive steps to hedge its exposure.

Staff reviewed the pro-forma financial statements provided by the Company. After reviewing the pro-forma financial statements and a discussion with the Company, Staff and the Company are in agreement for the purposes of this Application as to the current components to use to calculate the three key financial ratios agreed to in the Stipulation in Case No. EO-2005-0329. The three key financial ratios are Funds From Operations (FFO) Interest Coverage, FFO as a Percentage of Average Total Debt, and Total Debt to Total Capital. The parties' intent in the Stipulation in Case No. EO-2005-0329 was to allow KCP&L the opportunity to receive enough cash flow, assuming prudent and reasonable actions by KCP&L, for the three key financial ratios to meet the lower end of the top one-third of BBB ratings as defined in the Stipulation. Of course as the parties discussed in reaching agreement in the Stipulation filed in Case No. EO-2005-0329, KCP&L is responsible for meeting the benchmark for Total Debt to Total Capital. See Attachment D "Credit Ratio Ranges and Ratio Definitions" to this recommendation. In the same discussion mentioned above with KCP&L, Staff and the Company agreed to signify in greater detail, than in Appendix E-1 "Credit Ratio Ranges and Ratio Definitions" of the Stipulation in Case No. EO-2005-0329, exactly what components Staff and the Company will use to calculate FFO. Currently FFO is defined in Appendix E-1 of the Stipulation as Cash From Operations minus Working Capital, but does not mention the components to use to calculate Cash From Operations and Working Capital.

Staff submitted data requests (DR 0008 and DR 0009) asking KCP&L to provide the amount of amortization built into the pro-formas and to provide an explanation of how the Company arrived at the amortization amount. KCP&L replied:

> As reflected in the projected Consolidated KCP&L Financial Statements submitted as Exhibit 36 Schedule MWC-9 by Company witness Michael Cline, the amount of amortization built into these financial statements is ** _________ ** annually during the projected ** _________ ** period.
>
> KCPL began including the annual ** _________ ** of accelerated amortization expense in its financial projections for the ** _________ ** period as an estimate of the amount needed to generate additional cash flow sufficient to achieve financial ratios that would help maintain an investment grade credit rating. The total amortization expense for ** ____ ** resulted in financial ratios that produced credit ratios above investment grade credit ratio targets. The source of the expense is an acceleration of the recovery of the capitalized cost associated with existing plant-in-service.

Staff also requested in the same discussion mentioned above that KCP&L provide the amount of amortization as related to the Missouri properties and the Kansas properties. In response to Staff's question, KCP&L said, "…the entire amount of the amortization of ** _________ ** is built into the pro-formas. Of this, approximately $17 million relates to Missouri with the rest pertaining to Kansas."

Staff calculated the ratios with the ** _________ ** amortization based on the pro-forma financial statements for the period ** _________ ** and concluded that the FFO Interest Coverage would range from a low of ** ___ ** times, which is within the benchmark range for an "** _ **" rated company, to a high of ** ___ ** times, which is within the benchmark range for a "** ___ **" rated company. FFO as a Percentage of Average Total Debt ranges from a low of ** _____ ** percent to a high of ** _____ ** percent, which is within the benchmark range of the lower end of the top one third for a "BBB" rated company. The Company's Total Debt to Total Capital for the period 2005-2009 ranges from a low of ** _____ ** percent, which is within the benchmark range for an "** _ **" rated company, to a high of ** _____ ** percent, which is within the benchmark range of the lower end of the top one-third for a "BBB" rated company. See Attachment A for the overall capital structure and Attachment B for these key financial ratios on an annual basis.

Staff calculated the ratios without the ** _________ ** amortization based on the pro-forma financial statements for the period ** _________ ** and concluded that the FFO Interest Coverage would range from a low of ** ___ ** times, which is within the benchmark range for an "** _ **" rated company, to a high of ** ___ ** times, which is within the benchmark range for an "** ___ **" rated company. FFO as a Percentage of Average Total Debt ranges from a low of ** _____ ** percent, which is below the benchmark range of the lower end of the top one-third for a "BBB" rated company, to a high of ** _____ ** percent, which is within the benchmark range of the lower end of the top one-third for a "BBB" rated company. The Company's Total Debt to Total Capital for the period 2005-2009 ranges from a low of ** _____ ** percent, which is within the benchmark range for an "** __ **" rated company, to a high of ** _____ ** percent, which is within the benchmark range of the lower end of the top one-third for a "BBB" rated company. See Attachment A for the overall capital structure and Attachment C for these key financial ratios on an annual basis.

KCP&L submitted its anticipated five-year budget financing plan summary as an appendix to the Stipulation reflecting the issuance of debt and common stock to support the Regulatory Plan. KCP&L projects that it will issue and refinance the following debt: Existing Senior Notes of $160.0 million in 2005 and $225.0 million in 2007 ; Commercial Paper of $101.0 million, $22.3 million, and $67.0 million in 2005, 2007, and 2009, respectively; New Capital Expenditure Funding of $250.0 million in 2008. KCP&L's pro-forma financial statement also anticipates the issuance of the following amounts of Common Stock: $150.0 million, $213.6 million, $100.0 million, and $100.0 million in 2006 through 2009, respectively. See Appendix E for KCP&L's Anticipated 5-Year Budget Financing Plan Summary.

As most of the pro-forma ratios are above the lower end of the top one-third of the "BBB" category, Staff will carefully evaluate in future rate cases KCP&L's need for $17.0 million in amortization from Missouri ratepayers that KCP&L built into its pro-forma financial statements in this case. The intent of the Stipulation was to allow KCP&L the opportunity to meet the lower end of the top one-third of S&P's benchmarks for a "BBB" rating for FFO Interest Coverage and FFO as a Percentage of Average Total Debt, assuming KCP&L issues Common Stock according to the pro-formas and KCP&L otherwise proceeds in a prudent and reasonable manner. If KCP&L does not issue the Common Stock contemplated in the pro-forma financial statements, which only KCP&L can control, the other two ratios would be adversely affected. Staff will carefully evaluate the prudence and reasonableness of KCP&L's common stock issuances in future rate cases. If KCP&L requests that the Commission authorize higher rates in order to meet the lower end of the top one-third of S&P's benchmarks for a "BBB" rating for the FFO Interest Coverage and FFO as a Percentage of Average Total Debt ratios, then it would appear to be equitable that KCP&L should ensure that its Total Debt to Total Capital ratio should also meet this benchmark.

Staff believes that in addition to certain routine finance case conditions, KCP&L should also be required to keep Staff regularly informed concerning how certain events may be impacting the three financial ratios of relevance to the provision in the Stipulation for additional amortization.

Staff recommends that the Commission approve the Application submitted by KCP&L in this case subject to the following conditions:

1. That the Company shall submit to the Financial Analysis Office of the Commission any information concerning deviations from the stated use of the funds or any information that would materially change the pro-forma capitalization and financial ratios.

2. That the interest rate for any debt issuance covered by the Application is not to exceed nine (9) percent.

3. That the Company shall submit to the Financial Analysis Office of the Commission any information concerning communication with credit rating agencies concerning these issuances.

4. That the Application is approved for the purposes stated in the Application and not for operating expenses.

5. That at no time are the Company's total borrowings, including all instruments, to exceed its regulated rate base.

6. That the Company shall submit to the Financial Analysis Department of the Commission the three key financial ratios discussed in the Stipulation and Agreement in Case No. EO-2005-0329 on a quarterly basis and after each issuance of long-term debt and/or common stock as defined in the Staff's Recommendation and in Appendix E-1 attached to the Stipulation and Agreement in Case No. EO-2005-0329.

7. That KCP&L shall file with the Commission within ten (10) days of the issuance of any debt securities authorized pursuant to this proceeding, a report including the amount of debt securities issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance. With regard to such debt, KCP&L shall abide by the conditions and restrictions set forth by the Federal Energy Regulatory Commission in its Order issued February 21, 2003, in Docket No. ES02-51-000.

8. That nothing in the Commission's order is to be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.

Attachments:	A	Pro-Forma Capitalization
	B	Pro-Forma Financial Ratios with ** __________ ** Amoritization
	C	Pro-Forma Financial Ratios without the ** __________ ** Amortization
	D	Credit Ratio Ranges & Definitions
	E	Anticipated Five-Year Budget Financing Plan Summary
	F	Statement of How Securities Are To Be Sold

Copies: Director - Utility Operations Division

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Director - Utility Services Division
General Counsel
Office of the Public Counsel

Changes in Capitalization for 2004-2009
for Kansas City Power & Light
(thousands of dollars)

Capital Component		Actual Percentage of Capital as of 12/31/04	Pro-Forma Percentage of Capital as of 12/31/05	Pro-Forma Percentage of Capital as of 12/31/06	Pro-Forma Percentage of Capital as of 12/31/07	Pro-Forma Percentage of Capital as of 12/31/08	Pro-Forma Percentage of Capital as of 12/31/09	
Common Equity	**							**
Preferred Stock	**							**
Long-Term Debt	**							**
Short-Term Debt	**							**
Total	**							**

Source:
KCP&L Consolidated Pro-Forma Financial Statements filed by Company witness Michael Cline as Exhibit 36 Schedule MWC 7 & 8 in Case No. EO-2005-0329.

Revised Financial Guidelines
Total Debt / Total Capital

Business Profile	AA	A	BBB	BB	
1	48-55	55-60	60-70		
2	45-52	52-58	58-68		
3	42-50	50-55	55-65	65-70	
4	38-45	45-52	52-62	62-68	
5	35-42	42-50	50-60	60-65	
6	32-40	40-48	48-58	58-62	KCPL
7	30-38	38-45	45-55	55-60	GPE
8	25-35	35-42	42-52	52-58	SE
9		32-40	40-50	50-55	
10		25-35	35-48	48-52	

Sources:
1. Standard & Poor's Utilities Rating Service, New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised, June 2, 2004.

2. Company response to Staff Data Request 0004.

3. KCPL Consolidated Pro-Forma Financial Statements filed by Company witness Michael Cline as Exibit 36 Schedule MWC-7 & 8 in Case No. EO-2005-0329.

4. Credit Ratio Ranges and Definitions filed by KCPL as Appendix E-1 in the Stipulation and Agreement in Case No. EO-2005-0329.

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Attachment A

Kansas City Power & Light
Key Financial Ratios with ** ________ ** Amortization

		2004 Actual	2005 Pro-Forma	2006 Pro-Forma	2007 Pro-Forma	2008 Pro-Forma	2009 Pro-Forma	
Funds From Operations Interest Coverage:	**	____ _	____ _	____ _	____ _	____ _	____ _	**
Funds From Operations to Average Total Debt:	**	______	______	______	______	______	______	**
Total Debt to Total Capital:	**	______	______	______	______	______	______	**

	"AA" Rating (1) Min.-Max.	"A" Rating (1) Min.-Max.	"BBB" Rating (1) Min.	Top 1/3	Max.	"BB" Rating (1) Min.-Max.
Funds From Operations Interest Coverage:	5.2-6.0 x	4.2-5.2 x	3.0 x	3.8 x	4.2 x	2.0-3.0 x
Funds From Operations to Average Total Debt:	35-45 %	28-35 %	18 %	25 %	28 %	12-18 %
Total Debt to Total Capital:	32-40 %	40-48 %	48 %	51 %	58 %	58-62 %

Sources:

1. Standard & Poor's Utilities Rating Service, New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised, June 2, 2004.

2. Company response to Staff Data Request 0004.

3. KCPL Consolidated Pro-Forma Financial Statements filed by Company witness Michael Cline as Exhibit 36 Schedule MWC-7 & 8 ir Case No. EO-2005-0329.

4. Credit Ratio Ranges and Definitions filed by KCPL as Appendix E-1 in the Stipulation and Agreement ir Case No. EO-2005-0329.

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Attachment B

Kansas City Power & Light
Key Financial Ratios Without ** __________ ** Amortization

		2004 Actual	2005 Pro-Forma	2006 Pro-Forma	2007 Pro-Forma	2008 Pro-Forma	2009 Pro-Forma	
Funds From Operations Interest Coverage	**	____ _	____ _	____ _	____ _	____ _	____ _	**
Funds From Operations to Total Debt	**	_______	_______	_______	_______	_______	_______	**
Total Debt to Total Capital	**	_______	_______	_______	_______	_______	_______	**

	"AA" Rating (1) Min.-Max.	"A" Rating (1) Min.-Max.	"BBB" Rating (1) Min.	"BBB" Rating (1) Top 1/3	"BBB" Rating (1) Max.	"BB" Rating (1) Min.-Max.
Funds From Operations Interest Coverage:	5.2-6.0 x	4.2-5.2 x	3.0 x	3.8 x	4.2 x	2.0-3.0 x
Funds From Operations to Total Debt:	35-45 %	28-35 %	18 %	25 %	28 %	12-18 %
Total Debt to Total Capital:	32-40 %	40-48 %	48 %	51 %	58 %	58-62 %

Sources:

1. Standard & Poor's Utilities Rating Service, New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised, June 2, 2004.

2. Company response to Staff Data Request 0004.

3. KCPL Consolidated Pro-Forma Financial Statements filed by Company witness Michael Cline as Exibit 36 Schedule MWC-7 & 8 ir Case No. EO-2005-0329.

4. Credit Ratio Ranges and Definitions filed by KCPL as Appendix E-1 in the Stipulation and Agreement ir Case No. EO-2005-0329.

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Attachment C

Credit Ratio Ranges & Definitions

	AA		A		BBB			BB	
	Min.	Max.	Min.	Max.	Min.	Top 1/3	Max.	Min.	Max.
Total Debt to Total Capitalization (1)	32%	40%	40%	48%	48%	51%	58%	58%	62%
Funds From Operations Interest Coverage (2)	5.2x	6.0x	4.2x	5.2x	3.0x	3.8x	4.2x	2.0x	3.0x
Funds From Operations as a % of Average Total Debt (3)	35%	45%	28%	35%	18%	25%	28%	12%	18%

Ratio Definitions:

(1) "Total Debt to Total Capitalization" is calculated as Total Debt ÷ Total Capitalization where Total Debt and Total Capitalization are defined as below:
- Total Debt is calculated as:
  - Notes Payable + Current Maturities of Long-Term Debt + Current Capitalized Lease Obligations + Long-Term Debt + Capitalized Lease Obligations + Total Off-Balance Sheet Debt
    - "Total Off-Balance Sheet Debt" includes off-balance sheet financings such as:
      - Operating and synthetic leases, accounts receivable securitizations, contingent liabilities and other potential off-balance sheet obligations
- Total Capitalization includes:
  - Total Debt + Minority Interest + Total Preferred and Preference Stock + Common Stock Equity

(2) "Funds From Operations Interest Coverage" is calculated as (Funds From Operations + Gross Interest Expense) ÷ Gross Interest Expense where Funds From Operations and Gross Interest Expense are defined as below:
- Funds From Operations is calculated as:
  - Cash From Operations – Working Capital
- Gross Interest Expense is calculated as:
  - Interest Expense (net) + Allowance For Borrowed Funds Used During Construction + Interest on Off-Balance Sheet Debt

(3) "Funds From Operations as a % of Average Total Debt" is calculated as Funds From Operations ÷ Average Total Debt where Funds From Operations and Average Total Debt are defined as below:
- Funds From Operations
  - As defined above
- Average Total Debt is calculated as:
  - The average total debt over the period subject to analysis

Anticipated Five-Year Budget Financing Plan Summary

Kansas City Power & Light

Anticipated 5-Year Budget Financing Plan Summary

($ in millions)

	Projected					
	2005	2006	2007	2008	2009	TOTAL
ISSUANCES						
KCP&L Debt						
Refinancings						
Existing Senior Notes	160.0	0.0	225.0	0.0	0.0	385.0
New Financings						
Commercial Paper	101.0	0.0	22.3	0.0	67.0	190.4
New Capital Expenditure Funding	0.0	0.0	0.0	250.0	0.0	250.0
KCP&L Equity (Contributed From GPE)						
New Capital Expenditure Funding	0.0	150.0	213.6	100.0	100.0	563.6
TOTAL ISSUANCES	**$261.0**	**$150.0**	**$460.9**	**$350.0**	**$167.0**	**$1,389.0**

Appendix B

Attachment E

<u>**Exhibit 1**</u>

Statement Of How Securities Are To Be Sold

Pursuant to 4 CSR § 240-3.120(1)(C)3.

(in lieu of the Registration Statement
that KCPL will file with the SEC)

STATEMENT OF HOW SECURITIES ARE TO BE SOLD

A. Registered securities under the Securities Act of 1933, as amended.

Kansas City Power & Light Company (the "Company") may register the debt securities authorized in this case under the Securities Act of 1933, as amended (the "Securities Act"), and sell such debt securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The prospectus or prospectus supplement with respect to each series of debt securities will set forth the terms of the offering of such debt securities, including the name or names of any underwriters or agents, the purchase price of such debt securities and the proceeds to the Company from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such debt securities may be listed.

Unless otherwise set forth in the prospectus supplement, the obligations of the underwriters to purchase any series of debt securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of debt securities, if any are purchased.

Underwriters and agents may be entitled under agreements to be entered into with the Company to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of debt securities will be a new issue of securities and will have no established trading market. Any underwriters to whom debt securities are sold for public offering and sale may make a market in such debt securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The debt securities may or may not be listed on a national securities exchange.

B. Unregistered securities.

The Company may also sell debt securities authorized in this case that are not registered under the Securities Act. Such sales will be done pursuant to purchase agreements containing, among other things, the terms and conditions of such debt securities. Unless otherwise set forth in the purchase agreements, the obligations of the initial purchasers to purchase any series of debt securities will be subject to certain conditions precedent and the initial purchasers will be obligated to purchase all of such series of debt securities, if any are purchased.

Any offer or sale of such securities will be done pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The initial purchasers of such debt securities may propose to resell such debt securities to qualified institutional buyers in reliance on Rule 144A under the Securities Act.

The initial purchasers may be entitled under agreements to be entered into with the Company to indemnification against certain civil liabilities, including liabilities under the 1933 Act. The initial purchasers may engage in transactions with, or perform services for, the Company in the ordinary course of business.

The debt securities will have no established trading market and will not be listed on any securities exchange or included in any automated dealer quotation system. The initial purchasers may make a market for such debt securities, but will have no obligation to do so and may discontinue market-making at any time without providing any notice.