

EASTMAN CHEMICAL CO

Form S-3/A

May 07, 2004

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As filed with the Securities and Exchange Commission on May 7, 2004

Registration No. 333-113693

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Eastman Chemical Company

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

62-1539359

(I.R.S. Employer Identification Number)

**100 N. Eastman Road
Kingsport, Tennessee 37660
(423) 229-2000**

*(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)*

**Theresa K. Lee
Senior Vice President, Chief Legal Officer
and Corporate Secretary
Eastman Chemical Company
100 N. Eastman Road
Kingsport, Tennessee 37660
(423) 229-2000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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New York, New York 10004-2498
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Approximate date of commencement of proposed sale to the public: From time to time following the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be Registered	Amount to be Registered	Proposed maximum offering price per unit(5)(6)	Proposed maximum aggregate offering price(6)	Amount of registration fee
Common stock, par value \$0.01 per share(1)	(2)	100%	(2)	N/A
Rights to purchase participating preferred stock(1)	(2)	100%	(2)	N/A
Preferred stock, par value \$0.01 per share	(2)	100%	(2)	N/A
Depository shares(3)	(2)	100%	(2)	N/A
Warrants	(2)	100%	(2)	N/A
Stock purchase contracts	(2)	100%	(2)	N/A
Stock purchase units	(2)	100%	(2)	N/A
Debt securities	(2)	100%	(2)	N/A
Units	(2)	100%	(2)	N/A
Total	\$1,000,000,000	100%	\$1,000,000,000	\$126,700(4)

(1) Each share of common stock includes a right to purchase shares of a participating series of the registrant's preferred stock. Prior to the occurrence of certain events, none of which have occurred as of the date hereof, the rights will not be exercisable or evidenced separately from the common stock.

(2) There are being registered under this Registration Statement such indeterminate number of shares of common stock and preferred stock, principal amount of debt securities and number of warrants, depository shares, stock purchase contracts and stock purchase units of the registrant as shall have an aggregate initial offering price not to exceed \$1,000,000,000. The securities registered hereunder are to be issued from time to time and at indeterminate prices. Any securities registered under this Registration Statement may be sold separately or as units with other securities registered under this Registration Statement. Any offering of securities denominated in any foreign currency or currency unit or compound currency will be treated as the equivalent in U.S. dollars. Also includes (i) such indeterminate number of shares of common stock or preferred stock, such number of depository shares or warrants and such principal amount of debt securities as may from time to time be issued upon conversion or exchange of any preferred stock, warrants or debt securities registered hereunder, for which no separate consideration will be payable, and (ii) such securities registered hereby as may be purchased by underwriters to cover over-allotments, if any.

(3) To be represented by depository receipts and representing an interest in all or a specified portion of a share of preferred stock.

(4) Calculated pursuant to Rule 457(o) under the Securities Act of 1933. This amount was previously paid on March 17, 2004.

(5) Estimated solely for the purpose of computing the registration fee.

(6) Exclusive of accrued interest and distributions, if any.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The securities may not be sold nor may offers to buy be accepted until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell the securities or a solicitation of an offer to buy, nor shall there be any sale of the Securities or solicitation of an offer to buy the Securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated May 7, 2004

PROSPECTUS

\$1,000,000,000

Eastman Chemical Company

Common Stock, Preferred Stock, Depositary Shares,

**Warrants, Stock Purchase Contracts, Stock Purchase Units,
Debt Securities and Units**

From time to time we may offer common stock, preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units, debt securities and units consisting of a combination of any of these securities at an aggregate initial offering price not to exceed \$1,000,000,000. The debt securities that we may offer may consist of debentures, notes and/or other unsecured evidences of indebtedness in one or more series. The securities offered under this prospectus may be offered separately, together or in separate series and in amounts, at prices and on terms to be determined at the time of sale. A prospectus supplement that will set forth the terms of the offering of any securities will accompany this prospectus.

Our common stock is traded on the New York Stock Exchange under the symbol EMN. On _____, 2004, the closing price was \$ _____ per share. As of the date of this prospectus, none of the other securities that we may offer by this prospectus are listed on any national securities exchange or automated quotation system.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate the sale of any securities unless accompanied by a prospectus supplement.

The date of this prospectus is _____, 2004.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$1,000,000,000 or the equivalent amount denominated in one or more foreign currencies.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering, including a description of any risks relating to the offering if those terms are not described in this prospectus. A prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any accompanying prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with additional information under the heading *Available Information* before investing in any of the securities offered.

You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement. We have not authorized anyone to provide you with different information. We are not making offers to sell the securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation.

We may sell securities to or through underwriters or dealers, and also may sell securities directly to other purchasers or through agents. To the extent not described in this prospectus, the names of any underwriters, dealers or agents employed by us in the sale of the securities covered by this prospectus, the principal amounts or number of shares or other securities, if any, to be purchased by such underwriters or dealers and the compensation, if any, of such underwriters, dealers or agents will be set forth in an accompanying prospectus supplement.

The information in this prospectus is accurate as of the date on the front cover. Information incorporated by reference into this prospectus is accurate as of the date of the document from which the information is incorporated.

References in this prospectus to the terms *we*, *us* or *Eastman* or other similar terms mean Eastman Chemical Company, including our subsidiaries, unless we state otherwise or the context indicates otherwise.

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SUMMARY

Eastman Chemical Company

Eastman Chemical Company, a global chemical company engaged in the manufacture and sale of a broad portfolio of chemicals, plastics and fibers, began business in 1920 for the purpose of producing chemicals for Eastman Kodak Company's photographic business. We were incorporated in Delaware in 1993 and became an independent entity as of December 31, 1993, when Eastman Kodak spun off its chemicals business. Our headquarters and largest manufacturing site are located in Kingsport, Tennessee.

We are the largest producer of polyethylene terephthalate, or PET, polymers for packaging based on capacity share and a leading supplier of raw materials for paints and coatings, inks and graphic arts, adhesives, textile sizes, and other formulated products, and of cellulose acetate fibers. We have 35 manufacturing sites in 16 countries that supply major chemicals, fibers and plastics products to customers throughout the world.

Our products and operations are managed and reported in six operating segments. Effective January 1, 2002, we implemented a divisional structure that aligned the businesses into two divisions: Eastman and Voridian. On January 1, 2003, we realigned the divisional structure to add the Developing Businesses Division, and reclassified its sales, operating earnings, and assets from Eastman Division. Eastman Division consists of the Coatings, Adhesives, Specialty Polymers and Inks, or CASPI, segment; the Performance Chemicals and Intermediates, or PCI, segment; and the Specialty Plastics, or SP, segment. Voridian Division contains the Polymers segment and the Fibers segment. Developing Businesses Division contains the Developing Businesses segment.

Our principal executive offices are located at 100 N. Eastman Road, Kingsport, Tennessee 37660, phone number (423) 229-2000. We maintain a website at www.eastman.com; however, we do not intend that information on our website be incorporated by reference into this prospectus except to the extent specified herein.

The Offering

From time to time we may offer common stock, preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units, debt securities or units consisting of a combination of any of these securities at an aggregate initial offering price not to exceed \$1,000,000,000. The debt securities that we may offer may consist of debentures, notes and/or other unsecured evidences of indebtedness in one or more series. The securities offered under this prospectus may be offered separately, together or in separate series and in amounts, at prices and on terms to be determined at the time of sale. A prospectus supplement that will set forth the terms of the offering of any securities will accompany this prospectus. The terms described in a prospectus supplement will include:

in the case of common stock, the offering price and number of shares;

in the case of preferred stock, with respect to the relevant class or series, the offering price, title, maximum number of shares, rate, if any (which may be fixed or variable), time of payment, and relative priority of any dividends, any terms for redemption at our option or the option of the holder, any terms for sinking fund payments, any terms for conversion or exchange into other securities, any voting rights, any restrictions on further issuances, any listing on a securities exchange and any other terms of the preferred stock;

in the case of depositary shares, the offering price, number of fractional shares of preferred stock represented thereby, the depositary, the terms of the preferred stock and any other terms of the depositary shares;

in the case of warrants, the offering price, designation and terms of the security purchasable upon exercise of the warrant (which may be a debt security or common or preferred stock), exercise price, amount of such underlying security that may be purchased upon exercise, exercisability and expiration dates, redemption provisions, if any, and any other terms of the warrants;

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in the case of stock purchase contracts and stock purchase units, the offering price, the party who is obligated to purchase common stock or preferred stock (which may be Eastman), the purchase price (which may be fixed or determined by formula), the purchase dates, the security sold with the stock purchase unit and any other terms of the stock purchase contracts and stock purchase units;

in the case of debt securities, the title, aggregate principal amount, denominations (which may be in United States dollars, in any other currency or in composite currencies), maturity, rate, if any (which may be fixed or variable), whether the debt securities are offered pursuant to a medium term notes program, time of payment of any interest, any terms for redemption at our option or the option of the holder, any terms for sinking fund payments, any terms for conversion or exchange into other securities, any listing on a securities exchange and the initial public offering price and any other terms in connection with the offering and sale of such debt securities; and

in the case of units, the offering price, the type and amount of securities sold as part of the unit, the terms of such securities and any other terms in connection with the offering and sale of such units.

Certain persons participating in an offering of securities may engage in transactions that stabilize, maintain or otherwise affect the price of the securities, including over-allotment, stabilizing and short-covering transactions in such securities, and the imposition of a penalty bid, in connection with such offering. For a description of these activities, see Plan of Distribution .

Forward-Looking Statements Are Subject to a Variety of Factors That Could Cause Actual Results to Differ Materially from Current Expectations

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: A number of the statements made or incorporated by reference in this prospectus are not historical or current facts, but deal with potential future circumstances and developments. These statements are intended as Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements and other written and oral forward-looking statements made by us from time to time may relate to, among other things, such matters as planned and expected capacity increases and utilization; anticipated capital spending; expected depreciation and amortization; environmental matters; legal proceedings; exposure to, and effects of hedging of, raw material and energy costs and foreign currencies; global and regional economic, political, and business conditions; competition; growth opportunities; supply and demand, volume, price, cost, margin and sales; earnings, cash flow, dividends and other expected financial conditions; expectations, strategies, and plans for individual products, businesses, segments and divisions as well as for the whole of Eastman Chemical Company; cash requirements and uses of available cash; pension expenses and funding; anticipated restructuring, divestiture, and consolidation activities; cost reduction and control efforts and targets; development, production, commercialization and acceptance of new products, services and technologies and related costs; expected tax rate; business, asset and product portfolio changes; and other risks and uncertainties described from time to time in our periodic reports filed with the Securities and Exchange Commission.

These plans and expectations are based upon certain underlying assumptions. Such assumptions are in turn based upon internal estimates and analyses of current market conditions and trends, management plans and strategies, economic conditions and other factors. These plans and expectations and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions and expectations proves to be inaccurate or is unrealized.

Table of Contents**USE OF PROCEEDS**

Unless otherwise indicated in the accompanying prospectus supplement, the net proceeds from the sale of the securities offered hereby will be used for general corporate purposes, which may include additions to working capital, refinancing existing indebtedness, capital expenditures and possible acquisitions. We have not allocated a specific portion of the net proceeds for any particular use at this time. Specific information concerning the use of proceeds from the sale of any securities will be included in the prospectus supplement relating to such securities.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges and earnings to combined fixed charges and preferred stock dividends for the indicated periods:

	Three Months	Year Ended December 31,				
	Ended March 31, 2004	2003	2002	2001	2000	1999
Ratio of earnings to fixed charges	(1)	(2)	1.6x	(3)	3.6x	1.5x
Ratio of earnings to fixed charges and preferred stock dividends	(1)	(2)	1.6x	(3)	3.6x	1.5x

- (1) Due to the net loss reported for the first quarter of 2004, the coverage ratio was less than 1.0x. To achieve a coverage ratio of 1.0x, additional pre-tax earnings of \$12 million would have been required for the first quarter of 2004.
- (2) Due to the net loss reported for 2003, the coverage ratio was less than 1.0x. To achieve a coverage ratio of 1.0x, additional pre-tax earnings of \$372 million would have been required for 2003.
- (3) Due to the net loss reported for 2001, the coverage ratio was less than 1.0x. To achieve a coverage ratio of 1.0x, additional pre-tax earnings of \$281 million would have been required for 2001.

For purposes of computing these ratios, earnings represents income from continuing operations before income taxes plus interest expense, the interest component of rental expense and amortization of capitalized interest. Fixed charges consist of interest expense, one-third of rent expense, which approximates the interest portion of rent expense, and capitalized interest. During these periods, no preferred stock dividends were being paid as there were no shares of preferred stock outstanding.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is a summary. You should refer to our certificate of incorporation and our bylaws for the actual terms of our capital stock. These documents are filed as exhibits to the registration statement of which this prospectus is a part.

Authorized Capital Stock

We are authorized to issue up to 400,000,000 shares of capital stock, of which 50,000,000 may be shares of preferred stock, par value \$.01 per share, and 350,000,000 may be shares of common stock, par value \$.01 per share. Each share of common stock has an attached right, which is described in more detail below. As of December 31, 2003, 77,388,646 shares of common stock and no shares of preferred stock were issued and outstanding.

Common Stock

Holder of common stock are entitled to one vote for each share on all matters voted on by stockholders. Holders of common stock do not have cumulative voting rights in the election of directors. Holders of common stock do not have any preemptive right to subscribe for or purchase any of our securities of any class or kind.

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Holders of common stock do not have any subscription, redemption or conversion privileges. Subject to the preferences or other rights of any preferred stock that may be issued from time to time, holders of common stock are entitled to participate ratably in dividends on the common stock as declared by the Board of Directors. Holders of common stock are entitled to share ratably in all assets available for distribution to stockholders in the event of our liquidation or dissolution, subject to distribution of the preferential amount, if any, to be distributed to holders of preferred stock.

Preferred Stock

Our certificate of incorporation authorizes the Board of Directors, without any vote or action by the holders of common stock, to issue up to 50,000,000 shares of preferred stock from time to time in one or more classes or series. Other than the participating preferred stock relating to the rights described in Rights Plan below, no class or series of preferred stock has been established, and no shares of preferred stock have been issued.

Subject to limitations prescribed by law, the Board of Directors is authorized to determine the rights, preferences, limitations and other terms of any class or series of preferred stock. Issuances of preferred stock would be subject to the applicable rules of the New York Stock Exchange or other organizations on whose systems our stock may then be quoted or listed. Depending upon the terms of preferred stock established by the Board of Directors, any or all classes or series of preferred stock may have preference over the common stock with respect to dividends and other distributions and upon our liquidation. Issuance of any such shares with voting powers would dilute the voting power of the outstanding common stock. Except as otherwise provided in an applicable prospectus supplement, holders of preferred stock will not have any preemptive right to subscribe for or purchase any of our securities of any class or kind.

A prospectus supplement relating to a certain class or series of preferred stock will describe the following terms of that class or series of preferred stock:

the designation of such class or series and the number of shares offered;

the initial public offering price at which the shares will be issued;

the dividend rate of that class or series, the conditions and dates upon which those dividends will be payable, and whether those dividends will be cumulative or noncumulative;

the relative ranking and preferences of that class or series as to dividend rights and rights upon any liquidation, dissolution or winding up of our affairs;

any redemption or sinking fund provisions;

any conversion or exchange rights of the holder or us;

any voting rights;

any restrictions on further issuances;

any listing of that class or series on any securities exchange; and

any other terms of that class or series.

Rights Plan

A rights plan is designed to help a company's board of directors negotiate offers for control of the company. In summary, rights plans function by giving stockholders the right to purchase one share of common stock or preferred stock at some fraction of the current market price of the common stock if certain offers for control, or accumulations of ownership, occur. This threatens substantial economic and voting dilution to an offeror unless the offeror negotiates with the board of directors, which can redeem the rights to purchase these diluting securities. The terms of our rights plan are described in more detail below.

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Each share of our common stock has attached to it one right issued pursuant to our Stockholder Protection Rights Agreement, or the rights agreement. Each right entitles its registered holder to purchase one one-hundredth of a share of a participating preferred stock, designed to have economic and voting terms similar to those of one share of common stock, for an exercise price of \$120.00 (subject to adjustment). Such a purchase may occur after the Separation Time, which is the earlier of:

the tenth business day (subject to extension) after commencement of a tender or exchange offer which, if consummated, would result in a person becoming the beneficial owner of 15% or more of the outstanding shares of common stock (an Acquiring Person); and

the tenth business day (subject to prior adjustment) after the first date (the Flip-in Date) of a public announcement by us that a person has become an Acquiring Person, other than as a result of a Flip-over Transaction or Event (as defined below).

The rights will not trade separately from the shares of common stock unless and until the Separation Time. Until a right is exercised or exchanged pursuant to the terms of the rights agreement, the holder of the right, as such, will have no rights as a stockholder of Eastman, including, without limitation, the right to vote or to receive dividends.

The rights will not be exercisable until the business day following the Separation Time. The rights will expire on the earliest of (i) the Exchange Time (as defined below), (ii) the close of business on December 4, 2013 and (iii) the date on which the rights are redeemed or terminated as described below. The exercise price and the number of rights outstanding, or in certain circumstances the securities purchasable upon exercise of the rights, are subject to adjustment upon the occurrence of certain events.

In the event that a Flip-in Date occurs prior to expiration, we will take such action as shall be necessary to ensure and provide that each right (other than rights beneficially owned by an Acquiring Person or any affiliate, associate or transferee of an Acquiring Person, which rights will become void) will constitute the right to purchase from us that number of shares of common stock having an aggregate market price equal to twice the exercise price for an amount in cash equal to the then current exercise price. In addition, our Board of Directors may, at its option, at any time after a Flip-in Date and prior to the time that an Acquiring Person becomes the beneficial owner of more than 50% of the outstanding shares of common stock, elect to exchange all of the then outstanding rights for shares of common stock at an exchange ratio of one share of common stock per right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date of the Separation Time (the Exchange Ratio). Immediately upon such action by the Board of Directors (the Exchange Time), the right to exercise the rights will terminate and each right will then represent only the right to receive a number of shares of common stock equal to the Exchange Ratio. If we become obligated to issue shares of common stock upon exercise of or in exchange for rights, we, at our option, may substitute for common stock shares of participating preferred stock, at a rate of one one-hundredth of a share of participating preferred stock for each share of common stock so issuable.

A Flip-over Transaction or Event occurs in the event that we enter into, consummate or permit to occur a transaction or series of transactions after the time an Acquiring Person has become such and prior to expiration in which, directly or indirectly:

we consolidate or merge or participate in a binding share exchange with any other person if, at the time of the consolidation, merger or share exchange or at the time we enter into an agreement with respect to the consolidation, merger or share exchange, the Acquiring Person controls our Board of Directors and any term of or arrangement concerning the treatment of shares of capital stock in the merger, consolidation or share exchange relating to the Acquiring Person is not identical to the terms and arrangements relating to other holders of common stock; or

we sell or otherwise transfer (or one or more of our subsidiaries sells or otherwise transfers) assets (i) aggregating more than 50% of the assets (measured by either book value or fair market value) or (ii) generating more than 50% of the operating income or cash flow, of Eastman and our subsidiaries (taken as a whole) to any other person (other than us or one or more of our wholly owned subsidiaries) or to two or more such persons which are affiliated or otherwise acting in concert, if, at

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the time of the sale or transfer of assets or at the time we (or any such subsidiary) enter into an agreement with respect to the sale or transfer, the Acquiring Person controls our Board of Directors.

If a Flip-over Transaction or Event occurs, we will take action necessary to ensure, and will not enter into, consummate or permit to occur the Flip-over Transaction or Event until we have entered into a supplemental agreement with the person engaging in the Flip-over Transaction or Event or the parent corporation thereof (the Flip-over Entity), for the benefit of the holders of the rights, providing that upon consummation or occurrence of the Flip-over Transaction or Event (i) each right will then constitute the right to purchase from the Flip-over Entity, upon exercise of the rights in accordance with the terms of the rights agreement, that number of shares of common stock of the Flip-over Entity having an aggregate market price on the date of consummation or occurrence of the Flip-over Transaction or Event equal to twice the exercise price for an amount in cash equal to the then current exercise price and (ii) the Flip-over Entity will then be liable for, and will assume, by virtue of such Flip-over Transaction or Event and such supplemental agreement, all our obligations and duties pursuant to the rights agreement. For purposes of the foregoing description, the term Acquiring Person includes any Acquiring Person and its affiliates and associates counted together as a single person.

The rights are redeemable by us at \$0.01 per right, subject to adjustment upon the occurrence of certain events, at any date prior to the date they become exercisable, and, in certain events, may be canceled and terminated without any payment to holders. The rights have no voting rights and are not entitled to dividends.

The rights will not prevent a takeover of Eastman. The rights, however, may cause substantial dilution to a person or group that acquires 15% or more of the common stock unless the rights are first redeemed or terminated by our Board of Directors. Nevertheless, the rights would not interfere with a transaction that the Board of Directors determines is in our best interests and the best interests of our stockholders because the rights can be redeemed or terminated by the Board of Directors as described, before the consummation of the transaction.

The complete terms of the rights are set forth in the rights agreement. The rights agreement is filed as an exhibit to the registration statement of which this prospectus is a part. A copy of the rights agreement can be obtained from us as described under Incorporation of Certain Documents by Reference or upon written request to the rights agent, American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10038, Attention: Shareholder Services Division.

Certain Provisions Affecting Control of the Company

General

In addition to the rights plan, certain provisions of our certificate of incorporation, our bylaws and Delaware statutory law described in this section may delay or make more difficult acquisitions or changes of control of Eastman not approved by our Board of Directors. These provisions could have the effect of discouraging third parties from making proposals involving an acquisition or change of control of Eastman, although these kinds of proposals, if made, might be considered desirable by a majority of our stockholders. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of the Board of Directors.

Number of Directors; Removal; Vacancies

Our certificate of incorporation and the bylaws provide that the number of directors will be determined from time to time exclusively by a vote of a majority of our Board of Directors then in office. The certificate of incorporation also provides that the Board of Directors has the exclusive right to fill vacancies, including vacancies created by expansion of the Board of Directors. The certificate of incorporation further provides that directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the shares of our capital stock then entitled to vote in the election of directors. This provision, in conjunction with the provision authorizing the Board of Directors to fill vacant directorships,

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could prevent stockholders from removing incumbent directors without cause and filling the resulting vacancies with their own nominees.

Classified Board of Directors

Our certificate of incorporation provides for our Board of Directors to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one third of our directors are elected each year. This provision could prevent a party who acquires control of a majority of the outstanding voting stock from obtaining control of the Board of Directors until the second annual stockholders meeting following the date the acquiror obtains the controlling stock interest. It could also have the effect of discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of Eastman, which increases the likelihood that incumbent directors will retain their positions.

No Stockholder Action by Written Consent; Special Meetings

The certificate of incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. The certificate of incorporation also provides that special meetings of the stockholders can only be called pursuant to a resolution approved by a majority of our Board of Directors then in office. Stockholders are not permitted to call a special meeting or to require our Board of Directors to call a special meeting of stockholders. These provisions could delay a stockholder vote on certain matters, such as business combinations and removal of directors, and could have the effect of discouraging a potential acquiror from making a tender offer.

Advance Notice for Raising Business or Making Nominations at Meetings

The bylaws establish an advance notice procedure for stockholder proposals to be brought before a meeting of stockholders and for nominations by stockholders of candidates for election as directors at an annual meeting or a special meeting at which directors are to be elected. As described more fully in the bylaws, only such business may be conducted at a meeting of stockholders as has been brought before the meeting by, or at the direction of, our Board of Directors, or by a stockholder who has given to the Corporate Secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. The presiding officer at a stockholders meeting has the authority to make these determinations. Only persons who are nominated by, or at the direction of, our Board of Directors, or who are nominated by a stockholder who has given timely written notice, in proper form, to the Corporate Secretary prior to a meeting at which directors are to be elected will be eligible for election as our directors.

These provisions could make it more difficult for stockholders to raise matters affecting control of Eastman, including tender offers, business combinations or the election or removal of directors, for a stockholder vote.

Amendments to Bylaws

Amendments to our bylaws must be approved by 80% of the voting power of all shares of our capital stock then entitled to vote. In addition, our bylaws provide that any amendment by stockholders to the section of the bylaws establishing the rights of stockholders and the Board of Directors to amend the bylaws require the approval of 80% of the voting power of all shares of our capital stock then entitled to vote. These provisions could make it difficult for stockholders to amend or repeal any provisions of the bylaws adopted by our Board of Directors or to adopt any bylaws provisions opposed by the Board of Directors.

Amendment of the Certificate of Incorporation

Any proposal to amend, alter, change or repeal any provision of the certificate of incorporation requires approval by the affirmative vote of both a majority of the members of our Board of Directors then in office and a majority vote of the voting power of all of the shares of our capital stock entitled to vote generally in the election of directors. This provision could make it difficult for stockholders to adopt, amend or repeal any provision of the certificate of incorporation, including a provision affecting control of Eastman.

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Preferred Stock and Additional Common Stock

Under the certificate of incorporation, our Board of Directors has the authority to provide by board resolution for the issuance of shares of one or more classes or series of preferred stock. Our Board of Directors is authorized to fix by resolution the terms and conditions of each such other class or series. The authorized shares of our preferred stock, as well as authorized but unissued shares of our common stock, are available for issuance without further action by our stockholders, unless stockholder action is required by applicable law or the rules of the New York Stock Exchange or any other stock exchange on which any class or series of our stock may then be listed.

These provisions give our Board of Directors the power to approve the issuance of a class or series of our preferred stock, or additional shares of our common stock, that could, depending on the terms of the stock, either impede or facilitate the completion of a merger, tender offer or other takeover attempt. For example, the issuance of new shares might impede a business combination if the terms of those shares include voting rights which would enable a holder to block business combinations; the issuance of new shares might facilitate a business combination if those shares have general voting rights sufficient to cause an applicable percentage vote requirement to be satisfied.

Constituency or Stakeholder Provision

In determining what is in our best interests and the best interests of our stockholders, our certificate of incorporation authorizes the Board of Directors in its discretion to consider, in addition to the long-term and short-term interests of the stockholders, the social and economic effects of the matter being considered on employees, customers, creditors and communities in which we operate. Further, in evaluating a potential business combination, the Board of Directors may also consider such matters as the business and financial condition of the acquiror, the competence and integrity of the acquiror's management, and prospects for successful conclusion of the business combination being considered.

This provision gives our Board of Directors the authority to take into account factors other than the financial interests of the stockholders and could result in the rejection of a business combination or tender offer even if proposed at a price exceeding market value.

Delaware Business Combination Statute

Section 203 of the Delaware General Corporation Law provides that, subject to specified exceptions, an interested stockholder of a Delaware corporation may not engage in any business combination with the corporation for a three-year period following the time that stockholder becomes an interested stockholder unless:

prior to that time, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder ;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares); or

on or subsequent to that time, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Except as otherwise specified in Section 203, an interested stockholder is defined to include (i) any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the relevant time and (ii) the affiliates and associates of any such person.

Under certain circumstances, Section 203 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period,

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although the stockholders may elect to exclude a corporation from the restrictions imposed under Section 203. Our certificate of incorporation does not exclude us from the restrictions imposed under Section 203. The provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our Board of Directors, since the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

American Stock Transfer & Trust Company is the transfer agent and registrar for the common stock and rights.

DESCRIPTION OF DEPOSITARY SHARES

The following briefly summarizes the general provisions of depositary shares and depositary receipts that we may issue from time to time. Additional terms of the depositary shares and depositary receipts, including pricing terms, the terms of the applicable deposit agreement pursuant to which depositary receipts are to be issued, and an explanation as to whether any of the generalized provisions summarized below do not apply to the depositary shares or receipts being offered will be set forth in an applicable prospectus supplement. The following description, as well as any description in a prospectus supplement, may not be complete. You should refer to the terms and provisions of the applicable deposit agreement, which we will file with the Securities and Exchange Commission in connection with any offering of depositary shares, since that document will govern your rights as a holder of depositary shares.

General

We may elect to offer fractional interests in shares of preferred stock instead of whole shares of preferred stock. If so, we will allow a depositary to issue depositary shares to the public, each of which will represent a fractional interest in a share of the relevant series of preferred stock, as described in an accompanying prospectus supplement.

The shares of preferred stock underlying any depositary shares will be deposited under a separate deposit agreement between us and a bank or trust company acting as depositary with respect to that series. The prospectus supplement relating to a series of depositary shares will identify the name and address of the depositary. Under the relevant deposit agreement, each owner of a depositary share will be entitled, in proportion to its fractional interest in a share of the preferred stock underlying that depositary share, to all the rights and preferences of that preferred stock, including dividend, voting, redemption, conversion, exchange and liquidation rights.

Depositary shares will be evidenced by one or more depositary receipts issued under the relevant deposit agreement.

Dividends and Other Distributions

The depositary will distribute all cash dividends or other cash distributions in respect of the preferred stock to the record depositary shareholders based on the number of the depositary shares owned by that holder on the relevant record date. The depositary will distribute only that amount which can be distributed without attributing to any depositary shareholders a fraction of one cent, and any balance not so distributed will be added to and treated as part of the next sum received by the depositary for distribution to the depositary shareholders of record.

If there is a distribution other than in cash, the depositary will distribute property to the depositary shareholders of record on a pro rata basis, unless the depositary determines that it is not feasible to make that distribution. In that case, the depositary may, with our consultation, adopt a method it deems equitable and

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practicable for making that distribution, including any sale of property and the distribution of the net proceeds from that sale to the concerned holders.

Each deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights we offer to preferred stockholders of the relevant series will be made available to depositary shareholders.

Withdrawal of Stock

Upon surrender of depositary receipts at the depositary's office, the holder of the relevant depositary shares will be entitled to the number of whole shares of the related series of preferred stock and any money or other property those depositary shares represent. Depositary shareholders will be entitled to receive whole shares of the related preferred stock series on the basis described in the relevant prospectus supplement, but holders of those whole preferred stock shares will not afterward be entitled to receive depositary shares in exchange for their shares. If the depositary receipts the holder delivers evidence a depositary share number exceeding the whole share number of the related preferred stock series to be withdrawn, the depositary will deliver to that holder a new depositary receipt evidencing the excess depositary share number.

Redemption; Liquidation

The terms on which the depositary shares relating to the preferred stock of any series may be redeemed, and any amounts distributable upon our liquidation, dissolution or winding up, will be described in the relevant prospectus supplement.

Conversion

The depositary shares, as such, are not convertible or exchangeable into our common stock or any of our other securities or property. Nevertheless, the prospectus supplement relating to an offering of depositary shares may provide that the holders of depositary receipts may surrender their depositary receipts to the depositary with written instructions to the depositary to instruct us to cause the conversion or exchange of the preferred stock represented by these depositary shares if the terms of such preferred stock provide for conversion or exchange.

Voting

Upon receiving notice of any meeting at which preferred stockholders of any series of preferred stock underlying the depositary shares are entitled to vote, the depositary will mail the information contained in that notice to the depositary shareholders of record relating to that series of preferred stock. Each depositary shareholder on the record date will be entitled to instruct the depositary on how to vote the shares of preferred stock underlying that holder's depositary shares. The depositary will vote the preferred stock shares underlying those depositary shares according to those instructions, and we will take actions we deem necessary to enable the depositary to do so. If the depositary does not receive specific instructions from the depositary shareholders relating to that series of preferred stock, it will abstain from voting those preferred stock shares, unless otherwise mentioned in the relevant prospectus supplement.

Amendment and Termination of Deposit Agreement

The depositary receipt form evidencing the depositary shares and the relevant deposit agreement may be amended by us and the depositary. A prospectus supplement will set forth the conditions under which the deposit agreement may be amended or terminated.

Charges of Depositary

We will pay all charges of each depositary in connection with the initial deposit and any redemption of the preferred stock. Depositary shareholders will be required to pay any other transfer and other taxes and

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governmental charges and any other charges expressly provided in the deposit agreement in respect of their accounts.

Miscellaneous

Each depositary will forward to the relevant depositary shareholders all reports and communications that we are required to furnish to our preferred stockholders.

Neither any depositary nor we will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under any deposit agreement. The obligations of each depositary under any deposit agreement will be limited to performance in good faith of its duties under that agreement, and it will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless it is provided with satisfactory indemnity. The depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred stock for deposit, depositary shareholders or other persons believed to be competent, and on documents believed to be genuine.

Title

We, each depositary and any of their agents may treat the registered owner of any depositary share as the absolute owner of that share, whether or not any payment for that depositary share is overdue and despite any notice to the contrary, for any purpose.

Resignation and Removal of Depositary

A depositary may resign at any time by delivering to us notice of its election to resign, and we may remove a depositary, and resignation or removal will take effect upon the appointment of a successor depositary and its acceptance of appointment.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

We may issue stock purchase contracts, including contracts obligating holders to purchase from us or sell to us, and obligating us to sell to or purchase from the holders, a specified or variable number of shares of our common stock, or our preferred stock, at a future date or dates. The price per share of common stock or preferred stock may be fixed at the time the stock purchase contracts are issued or may be determined by a specific reference to a formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of stock purchase units consisting of (1) a stock purchase contract and (2) debt securities, preferred securities or debt obligations of third parties, including U.S. Treasury securities, other stock purchase contracts or shares of our capital stock securing the holders' obligations to purchase our common stock or preferred stock under the stock purchase contracts. The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units, or vice versa, and such payments may be unsecured or prefunded and may be paid on a current or deferred basis. The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner.

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The applicable prospectus supplement will describe the terms of any stock purchase contracts and stock purchase units and will contain, where applicable, the following information about the stock purchase contracts or stock purchase units issued under it:

whether the stock purchase contracts obligate the holder to purchase or sell, or both purchase and sell, our common stock or preferred stock, as applicable, and the nature and amount of each of those securities, or the method of determining those amounts;

whether the stock purchase contracts are to be prepaid or not;

whether the stock purchase contracts are to be settled by delivery, or by reference or linkage to the value, performance or level of our common stock or preferred stock;

any acceleration, cancellation, termination or other provisions relating to the settlement of the stock purchase contracts;

whether the stock purchase contracts will be issued in fully registered or global form; and

applicable information about any third party issuing any debt securities offered as part of a stock purchase unit.

DESCRIPTION OF WARRANTS

General Description of Warrants

We may issue warrants for the purchase of debt securities, preferred stock or common stock, or any combination of these securities. Warrants may be issued independently or together with other securities and may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. The following outlines some of the general terms and provisions of the warrants that we may issue from time to time. Additional terms of the warrants and the applicable warrant agreement will be set forth in the applicable prospectus supplement. The following description, and any description of the warrants included in a prospectus supplement, may not be complete. You should refer to the terms and provisions of the applicable warrant agreement, which we will file with the Securities and Exchange Commission in connection with any offering of warrants, since that document will govern your rights as a holder of warrants.

Debt Warrants

The prospectus supplement relating to a particular issue of warrants to issue debt securities will describe the terms of those warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the debt securities purchasable upon exercise of the warrants;

if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;

if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;

the principal amount of debt securities that may be purchased upon exercise of a warrant and the price at which the debt securities may be purchased upon exercise;

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the dates on which the right to exercise the warrants commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

whether the warrants represented by the warrant certificates or debt securities that may be issued upon exercise of the warrants will be issued in registered or bearer form;

information relating to book-entry procedures, if any;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material U.S. federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

Stock Warrants

The prospectus supplement relating to a particular issue of warrants to issue common stock or preferred stock will describe the terms of the common stock warrants and preferred stock warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the common stock or preferred stock that may be purchased upon exercise of the warrants;

if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;

if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;

the number of shares of common stock or preferred stock that may be purchased upon exercise of a warrant and the price at which the shares may be purchased upon exercise;

the dates on which the right to exercise the warrants commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material U.S. federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants; and

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

Exercise of Warrants

Each warrant will entitle the holder of the warrant to purchase at the exercise price set forth in the applicable prospectus supplement the principal amount of debt securities or shares of common stock or

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preferred stock being offered. Holders may exercise warrants at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will be void. Holders may exercise warrants as set forth in the prospectus supplement relating to the warrants being offered.

Until a holder exercises the warrants to purchase any securities underlying the warrants, the holder will not have any rights as a holder of the underlying securities by virtue of ownership of warrants.

DESCRIPTION OF DEBT SECURITIES

Any debt securities offered by this prospectus are to be issued under an indenture, dated as of January 10, 1994, between Eastman Chemical Company and The Bank of New York, as trustee, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. You may also request a copy of the indenture from the trustee.

References in this section of the prospectus to the terms we, us or Eastman or other similar terms mean Eastman Chemical Company only, excluding our subsidiaries.

The following description, as well as any description in a prospectus supplement, may not be complete. You should refer to the terms and provisions of the indenture, including the definitions of certain terms, since that document will govern your rights as a holder of debt securities.

The following sets forth certain general terms and provisions of any debt securities offered by this prospectus. The particular terms of debt securities will be described in the prospectus supplement relating to those offered debt securities.

General

The indenture provides that debt securities in separate series may be issued thereunder from time to time without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the debt securities of any series. Such debt securities may have such terms and provisions which are not inconsistent with the indenture, including as to maturity, principal and interest, as we may determine. All debt securities issued under the indenture will be unsecured senior obligations of Eastman and will rank on a parity with all our other unsecured and unsubordinated indebtedness.

The prospectus supplement relating to any offered debt securities will describe the following terms:

the title of the offered debt securities;

any limit on the aggregate principal amount of the offered debt securities;

the person to whom any interest on the offered debt securities will be payable, if other than the person in whose name that debt security (or one or more predecessor debt securities) is registered at the close of business on the regular record date for such interest;

the date or dates on which the principal of and premium, if any, on the offered debt securities is payable or the method of determination of such date;

the rate or rates at which the offered debt securities will bear interest, if any, the date or dates from which any such interest will accrue or the method by which such date or dates shall be determined, the interest payment dates on which any such interest will be payable and the regular record date for interest payable on any interest payment date;

the place or places where the principal of, premium, if any, and interest on the offered debt securities will be payable;

whether the debt securities will be offered pursuant to a medium term notes program;

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the period or periods within which, the price or prices at which, the currency or currencies (including currency units) in which and the other terms and conditions upon which the offered debt securities may be redeemed, in whole or in part, at our option;

our obligation, if any, to redeem or purchase the offered debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder and the period or periods within which, the price or prices at which and the other terms and conditions upon which the offered debt securities will be redeemed or purchased, in whole or in part, pursuant to such obligation;

whether the debt securities will be convertible into or exchangeable for shares of common stock or other securities, and if so, the terms and conditions upon which the debt securities will be convertible or exchangeable;

the denominations in which the offered debt securities will be issuable;

the currency, currencies or currency units in which payment of the principal of and any premium and interest on any offered debt securities will be payable if other than the currency of the United States of America;

if the amount of payments of principal of or any premium or interest on any offered debt securities may be determined with reference to an index, formula or other method, the index, formula or other method by which such amounts will be determined;

if the principal of or any premium or interest on any offered debt securities is to be payable, at our election or a holder's, in one or more currencies or currency units other than that or those in which the debt securities are stated to be payable, the currency, currencies or currency units in which payment of the principal of and any premium and interest on the offered debt securities as to which such election is made will be payable, and the periods within which and the other terms and conditions upon which such election is to be made;

if other than the principal amount of the offered debt securities, the portion of the principal amount of the offered debt securities that will be payable upon declaration of acceleration of the maturity of such securities or the method by which such portion may be determined;

the applicability of the provisions described under Defeasance and Covenant Defeasance ;

if the offered debt securities will be issuable only in the form of a global security as described under Book-Entry System , the depository or its nominee with respect to the offered debt securities if other than The Depository Trust Company, and the circumstances under which the global security may be registered for transfer or exchange or authenticated and delivered in the name of a person other than the depository or its nominee; and

any other terms of the offered debt securities.

The debt securities may be offered and sold at a substantial discount below their stated principal amount. Federal income tax consequences and