MCKESSON CORP
Form 424B5
February 27, 2007

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The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. We are not using this prospectus supplement to offer to sell these securities or to solicit offers to buy these securities in any place where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No.333-124921

SUBJECT TO COMPLETION
Preliminary Prospectus Supplement dated February 27, 2007

PROSPECTUS SUPPLEMENT
(To prospectus dated August 4, 2005)

$

$ % Notes due 2013
$ % Notes due 2017

We will pay interest on the notes on and of each year, beginning , 2007. The % notes due 2013, which we refer to as the 2013 notes, will mature on , 2013, and the % notes due 2017, which we refer to as the 2017 notes, will mature on , 2017. We may redeem either series of notes in whole or in part at any time at the redemption prices set forth under Description of Notes Optional Redemption. If we experience a change of control triggering event, we may be required to offer to purchase the notes from holders. See Description of Notes Change of Control.

The notes will be unsecured obligations and rank equally with our existing and future unsecured senior indebtedness. The notes will be issued only in registered book-entry form and in denominations of $1,000 and integral multiples of $1,000 thereafter.

	Per 2013 note	Total	Per 2017 note	Total
Public offering price (1)	%	$	%	$
Underwriting discount	%	$	%	$
Proceeds to McKesson, before expenses (1)	%	$	%	$

(1) Plus accrued interest from , 2007, if settlement occurs after that date.

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

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about , 2007.

Joint Book-Running Managers

Banc of America Securities LLC **Wachovia Securities**

The date of this prospectus supplement is February , 2007.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering, the notes and matters relating to us and our financial performance and condition. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering. If the description of this offering and the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

In various places in this prospectus supplement and the accompanying prospectus, we refer you to sections of other documents for additional information by indicating the caption heading of the other sections. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise indicated.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Statements containing words such as believes, expects, anticipates, may, will, seeks, approximately, intends, plans or estimates, or the negative of these words, or other comparable terminolog The discussion of financial trends, strategy, plans or intentions may also include forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected. The most significant of these risks and uncertainties are described in our Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission (the SEC).

You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in their entirety. They contain information that you should consider when making your investment decision.

You should rely only on the information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person, including any dealer, salesperson or other individual, to provide you with different information or to make any representations other than those contained in this prospectus supplement and the accompanying prospectus. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder or thereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein or therein is correct as of any time subsequent to the date hereof.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. We urge you to read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the historical financial statements and notes to those financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Please read Risk Factors in our Annual Report on Form 10-K for the year ended March 31, 2006 and our subsequent Quarterly Reports on Form 10-Q for more information about important risks that you should consider before investing in the notes. Except as otherwise indicated, all references in this prospectus supplement to McKesson, the company, we , our and us refer to McKesson Corporation and its consolidated subsidiaries.

McKesson Corporation

McKesson Corporation (NYSE: MCK) is a Fortune 16 healthcare services and information technology company dedicated to helping its customers deliver high-quality healthcare by reducing costs, streamlining processes and improving the quality and safety of patient care. Over the course of its 174-year history, McKesson has grown by providing pharmaceutical and medical-surgical supply management across the spectrum of care; healthcare information technology for hospitals, physicians, homecare and payors; hospital and retail pharmacy automation; and services for manufacturers and payors designed to improve outcomes for patients.

We conduct our business through three segments. Through our Pharmaceutical Solutions segment, we are a leading distributor of ethical and proprietary drugs, and health and beauty care products throughout North America. This segment provides medical management and specialty pharmaceutical solutions for biotech and pharmaceutical manufacturers, patient and other services for payors, and software, and consulting and outsourcing services to pharmacies and, through our investment in Parata Systems, LLC, sells automated pharmaceutical dispensing systems for retail pharmacies. Our Medical-Surgical Solutions segment distributes medical-surgical supplies, first-aid products and equipment, and provides logistics and other services within the United States and Canada. Our Provider Technologies segment delivers enterprise-wide patient care, clinical, financial, supply chain, managed care and strategic management software solutions, automated pharmaceutical dispensing systems for hospitals, as well as outsourcing and other services, to healthcare organizations throughout North America, the United Kingdom and other European countries. Our strategy is to create strong, value-based relationships with customers, enabling us to sell additional products and services to these customers over time.

Our principal executive offices are located at McKesson Plaza, One Post Street, San Francisco, California 94104. Our telephone number is (415) 983-8300.

The Offering

Issuer	McKesson Corporation

Securities Offered	$ aggregate principal amount of notes, consisting of:
	$ aggregate principal amount of % Notes due 2013.
	$ aggregate principal amount of % Notes due 2017.

Maturity	2013 notes , 2013. 2017 notes , 2017.
Interest Rate	2013 notes % per year. 2017 notes % per year.
Interest Payment Dates	Interest will be paid on and of each year, beginning on , 2007. Interest on the notes will accrue from , 2007.
Use of Proceeds	We estimate that we will receive approximately $ million from the sale of the notes, after deducting underwriting discounts and estimated offering expenses. We will use the net proceeds from this offering to repay borrowings outstanding under our interim credit facility.
Optional Redemption	Upon 30 days notice to noteholders, we may redeem the notes of each series for cash in whole, at any time, or in part, from time to time, prior to maturity, at redemption prices that include accrued and unpaid interest and a make-whole premium. See Description of Notes Optional Redemption .
Change of Control	Upon the occurrence of both (1) a change of control of us and (2) a downgrade of the notes below an investment grade rating by each of Fitch Ratings, Moody s Investors Service, Inc. and Standard & Poor s Ratings Services within a specified period, we will be required to make an offer to purchase the notes of each series at a price equal to 101% of the principal amount of such series, plus accrued and unpaid interest to the date of repurchase. See Description of Notes Change of Control .
Other Covenants	We will issue the notes under an indenture with The Bank of New York Trust Company, N.A., as trustee. The indenture includes certain covenants, including limitations on: liens; sale and lease-backs; and mergers or consolidations with another entity. These covenants are subject to a number of important exceptions, limitations and qualifications that are described under Description of Notes Certain Covenants .

Ranking	Each series of notes will be unsecured and will rank equally with all our existing and future unsecured and unsubordinated indebtedness from time to time outstanding. The indenture does not limit the amount of debt we may incur.
Further Issues	We may create and issue further notes of each series ranking equally and ratably with the notes of such series in all respects, so that such further notes shall be consolidated and form a single series with the notes of such series.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million, after deducting underwriting discounts and estimated offering expenses. We plan to use the net proceeds from the sale of the notes to repay borrowings outstanding under the interim credit facility that we entered into to fund a portion of the merger consideration for the recent acquisition of Per-Se Technologies, Inc. The interim credit facility matures on January 25, 2008, and bears interest at a floating rate based on either a Eurodollar rate or a base rate. At January 31, 2007, there was approximately $1.0 billion outstanding under the interim credit facility. As of such date, our borrowings under the interim credit facility accrued interest at the rate of 5.82% per year. We intend to use any remaining net proceeds for general corporate purposes.

Certain affiliates of each of the underwriters are lenders and/or agents under our interim credit facility and our revolving credit facility. Therefore, affiliates of the underwriters will receive their pro rata share of the net proceeds from this offering used to refinance the interim credit facility.

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CAPITALIZATION

The following table sets forth our short-term debt and total capitalization as of December 31, 2006:

on an actual basis;

on an adjusted basis to give effect to the incurrence of indebtedness under our interim credit facility in connection with the Per-Se acquisition; and

on an adjusted basis to give effect to the incurrence of indebtedness under our interim credit facility in connection with the Per-Se acquisition, this offering and the application of the net proceeds from the sale of the notes (other than any net proceeds used for general corporate purposes). See Use of Proceeds.

You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical financial statements and notes to those financial statements that are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of December 31, 2006		
	Actual	**Adjusted for Per-Se Acquisition**	**Adjusted for Per-Se Acquisition and This Offering**
		(unaudited) **(in millions, except per share amounts)**	
Short-term borrowings	$	$ 1,000	$
Long-term debt and capital lease obligations (including current portion):			
8.95% Series B Senior Notes due February 2007	$ 20	$ 20	$ 20
9.13% Series C Senior Notes due February 2010	215	215	215
6.40% Notes due March 2008	150	150	150
7.75% Notes due February 2012	399	399	399
7.65% Debentures due March 2027	175	175	175
ESOP related debt	15	15	15
Other debt	8	8	8
Notes offered hereby			
Total long-term debt	$ 982	$ 982	$
Total debt	$ 982	$ 1,982	$
Stockholders equity:			
Preferred stock, $0.01 par value, 100 shares authorized, no shares issued or outstanding	$	$	$
Common stock $0.01 par value, 800 shares authorized; 336 shares issued	3	3	3
Additional paid-in capital	3,508	3,508	3,508
Other capital	(32)	(32)	(32)
Retained earnings	4,473	4,473	4,473

Accumulated other comprehensive income	76	76	76
ESOP notes and guarantees	(15)	(15)	(15)
Treasury shares	(1,915)	(1,915)	(1,915)
Total stockholders equity	$ 6,098	$ 6,098	$ 6,098
Total capitalization	$ 7,080	$ 8,080	$

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

We have derived the following results of operations and balance sheet data for and as of the end of fiscal years 2002, 2003, 2004, 2005 and 2006 from our audited consolidated financial statements. The selected financial data for the nine months ended December 31, 2005 and 2006 have been derived from our unaudited consolidated financial statements. The unaudited financial information, in the opinion of management, contains all adjustments necessary for a fair presentation of the information for the periods presented. The results for the nine months ended December 31, 2006 may not be indicative of the results to be achieved for the entire fiscal year. You should read the information set forth below in conjunction with our consolidated financial statements and related notes and other financial information incorporated by reference into this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

	For the Year Ended March 31,					For the Nine Months Ended December 31,	
	2002	2003	2004	2005	2006	2005	2006
	(unaudited) (in millions)						
Income Statement Data:							
Revenues	$ 48,546	$ 55,710	$ 67,993	$ 79,096	$ 86,983	$ 64,193	$ 68,812
Gross profit	2,640	2,954	3,107	3,342	3,777	2,738	3,081
Income (loss) from continuing operations before taxes	558	812	869	(266)	1,171	816	934
Income (loss) from continuing operations	395	538	621	(173)	745	522	711
Income (loss) from discontinued operations	24	17	26	16	6	9	(55)
Net income (loss)	419	555	647	(157)	751	531	656
Cash Flow Data:							
Net cash provided by operating activities	$ 277	$ 773	$ 595	$ 1,543	$ 2,738	$ 1,466	$ 555
Net cash provided (used) by investing activities	(346)	(664)	(300)	(360)	(1,816)	(768)	(152)
Net cash provided (used) by financing activities	193	(145)	(109)	(91)	(583)	(317)	(529)
Other Supplemental Data:							
Ratio of earnings to fixed charges(a)	4.5	5.9	6.5	(b)	9.7	9.2	10.4

	As of March 31,					As of December 31,	
	2002	2003	2004	2005	2006	2005	2006
	(unaudited) (in millions)						
Balance Sheet & Other Data:							

Working capital	$ 3,226	$ 3,394	$ 3,706	$ 3,658	$ 3,527	$ 3,750	$ 3,578
Total assets	13,334	14,361	16,240	18,775	20,961	20,769	22,490
Total debt, including capital lease obligations	1,636	1,507	1,485	1,211	991	991	982
Stockholders equity	3,937	4,525	5,165	5,275	5,907	5,908	6,098

(a) The ratio of earnings to fixed charges is computed by dividing fixed charges (interest cost, both expensed and capitalized, including amortization of debt discounts and deferred loan costs, and the interest component of rental expense) into earnings available for fixed charges (income from continuing operations before income taxes plus fixed charges, minus equity in net income of and dividends from equity investees and interest capitalized).

(b) Earnings for the year ended March 31, 2005 were inadequate to cover fixed charges. The coverage deficiency was $276 million for the ratio of earnings to fixed charges.

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DESCRIPTION OF NOTES

This description of the notes supplements and, to the extent it is inconsistent, replaces, the description of the general provisions of the notes and the indenture in the accompanying prospectus. The notes are Senior Debt Securities, as that term is used in the accompanying prospectus.

General

The notes will be issued under an indenture, dated as of , 2007, between us and The Bank of New York Trust Company, N.A. You may request a copy of the indenture and the form of notes from the trustee.

We will issue the notes of each series in fully registered book-entry form without coupons and in denominations of $1,000 and integral multiples of $1,000 thereafter. We do not intend to apply for the listing of the notes of either series on a national securities exchange or for quotation of such notes on any automated dealer quotation system.

The following statement relating to the notes and the indenture are summaries of certain provisions thereof and are subject to the detailed provisions of the indenture, to which reference is hereby made for a complete statement of such provisions. Certain provisions of the indenture are summarized in the accompanying prospectus. We encourage you to read the summaries of the notes and the indenture in both this prospectus supplement and the accompanying prospectus, as well as the form of notes and the indenture.

The notes will be our unsecured senior obligations. The cover page of this prospectus supplement sets forth the maturity dates, the aggregate principal amounts and the interest rates of the notes. The notes will bear interest from the date of issuance, payable semiannually on each and , commencing , 2007, to the persons in whose names the notes are registered at the close of business on the immediately preceding each or the immediately preceding each . Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. Payments of principal and interest to owners of book-entry interests (as described below) are expected to be made in accordance with the procedures of The Depository Trust Company (DTC) and its participants in effect from time to time.

We may, without the consent of the holders of the notes, create and issue additional notes ranking equally with either series of notes in all respects, except for the issue price and the date from which interest accrues. No additional notes may be issued if an event of default has occurred and is continuing with respect to such series of notes.

Optional Redemption

The notes of each series will be redeemable, in whole at any time or in part from time to time, at our option at a redemption price equal to the greater of:

(i) 100% of the principal amount of the notes of such series to be redeemed; or

(ii) an amount determined by the Quotation Agent equal to the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus basis points with respect to the 2013 notes and basis points with respect to the 2017 notes,

plus, in each case, accrued interest thereon to the date of redemption. Notwithstanding the foregoing, installments of interest on notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the notes of the applicable series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such series of notes.

Comparable Treasury Price means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Quotation Agent means the Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (i) Banc of America Securities LLC (or its affiliates that are Primary Treasury Dealers) and its successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price of such redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the series of notes to be redeemed. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes of such series or portions thereof called for redemption. If less than all of the notes of a series are to be redeemed, the notes of such series to be redeemed will be selected by the trustee by a method the trustee deems to be fair and appropriate.

Change of Control

If a Change of Control Triggering Event occurs, unless we have exercised our right to redeem the notes as described above, holders of notes will have the right to require us to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of their notes pursuant to the offer described below (the Change of Control Offer) on the terms set forth in the notes. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to the date of purchase (the Change of Control Payment). Within 30 days following any Change of Control Triggering Event, we will be required to mail a notice to holders of notes describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the Change of Control Payment Date), pursuant to the procedures required by the notes and described in such notice. We must comply with the requirements of Rule 14e-1 under the Exchange and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the notes, we will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the notes by virtue of such conflicts.

On the Change of Control Payment Date, we will be required, to the extent lawful, to:

accept for payment all notes or portions of senior notes properly tendered pursuant to the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the Trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being purchased.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of McKesson and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require McKesson to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of McKesson and its subsidiaries taken as a whole to another Person (as defined in the indenture) or group may be uncertain.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

Below Investment Grade Rating Event means the notes are rated below an Investment Grade Rating by each of the Rating Agencies (as defined below) on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

Change of Control means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of McKesson and its subsidiaries taken as a whole to any Person other than McKesson or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of McKesson s voting stock; or (3) the first day on which a majority of the members of McKesson s Board of Directors are not Continuing Directors. Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control if (i) we become a wholly owned subsidiary of a holding company and (ii) the holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction.

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

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

Fitch means Fitch Ratings.

Investment Grade Rating means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody s and BBB-(or the equivalent) by S&P.

Moody s means Moody s Investors Service, Inc.

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

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

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Certain Covenants

Definitions

The term Attributable Debt shall mean in connection with a sale and lease-back transaction the lesser of (a) the fair value of the assets subject to such transaction, as determined by McKesson s Board of Directors, or (b) the present value of the obligations of the lessee for net rental payments during the term of any lease discounted at the rate of interest set forth or implicit in the terms of such lease or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the debt securities of each series outstanding pursuant to the indenture and subject to limitations on sale and lease-back transaction covenants, compounded semi-annually in either case as determined by our principal accounting or financial officer.

The term Consolidated Subsidiary shall mean any Subsidiary substantially all the property of which is located, and substantially all the operations of which are conducted, in the United States of America whose financial statements are consolidated with our financial statements in accordance with generally accepted accounting principles.

The term Exempted Debt shall mean the sum of the following as of the date of determination: (1) Indebtedness of ours and our Consolidated Subsidiaries incurred after the date of issuance of the Notes and secured by liens not permitted by the limitation on liens provisions, and (2) Attributable Debt of ours and our Consolidated Subsidiaries in respect of every sale and lease-back transaction entered into after the date of the issuance of the Notes, other than leases permitted by the limitation on sale and lease-back provisions.

The term Indebtedness shall mean all items classified as indebtedness on our most recently available consolidated balance sheet, in accordance with generally accepted accounting principles.

The term Subsidiary shall mean any corporation of which at least a majority of the outstanding stock having voting power under ordinary circumstances for the election of the board of directors of said corporation shall at the time be owned by us or by us and one or more Subsidiaries or by one or more Subsidiaries.

Limitation on Liens

We covenant that, so long as any of the notes remain outstanding, we will not, and will not permit any Consolidated Subsidiary, to create or assume any Indebtedness for money borrowed which is secured by a lien (as defined in the indenture) upon any assets, whether now owned or hereafter acquired, of ours or any such Consolidated Subsidiary without equally and ratably securing the notes by a lien ranking ratably with and equally to such secured Indebtedness, except that the foregoing restriction shall not apply to:

liens on assets of any corporation existing at the time such corporation becomes a Consolidated Subsidiary;

liens on assets existing at the time of acquisition thereof, or to secure the payment of the purchase price of such assets, or to secure indebtedness incurred or guaranteed by us or a Consolidated Subsidiary for the purpose of financing the purchase price of such assets or improvements or construction thereon, which indebtedness is incurred or guaranteed prior to, at the time of or within 360 days after such acquisition, or in the case of real property, completion of such improvement or construction or commencement of full operation of such property, whichever is later;