KEYCORP /NEW/
Form 424B5
February 22, 2008
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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Trust Preferred Securities of KeyCorp Capital X	$805,000,000	$25	$805,000,000(1)	$31,637(2)

(1) Includes trust preferred securities to be sold upon exercise of the underwriters over-allotment option.

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

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Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-134937
333-134937-04

PROSPECTUS SUPPLEMENT
(To Prospectus Dated February 19, 2008)

$700,000,000

KeyCorp Capital X

8.000% Enhanced Trust Preferred Securities (Enhanced TruPS®)

(Liquidation amount $25 per trust preferred security)

Fully and unconditionally guaranteed, to the extent described herein, by

KeyCorp

The 8.000% Enhanced Trust Preferred Securities, which are referred to as the Enhanced TruPS® or trust preferred securities, will be issued by KeyCorp Capital X, a Delaware statutory trust, which may also be referred to as the Issuer Trust. KeyCorp, an Ohio corporation, will own all of the outstanding trust common securities of the Issuer Trust and will fully and unconditionally guarantee, on a subordinated basis, payment of amounts due on the trust preferred securities to the extent described in this prospectus supplement. The Issuer Trust will use the proceeds received in connection with the sale of the trust preferred securities and trust common securities to purchase 8.000% junior subordinated debentures due March 15, 2068 issued by KeyCorp, which are referred to as the junior subordinated debentures.

Distributions on the trust preferred securities will be cumulative from the date of original issuance and will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing June 15, 2008.

We may elect to defer interest payments on the junior subordinated debentures as described in this prospectus supplement. We will not be required to settle deferred interest pursuant to the alternative payment mechanism described in this prospectus supplement until we have deferred interest for five consecutive years or made a payment of current interest, and we may defer interest for up to ten consecutive years without giving rise to an event of default and acceleration. If we do not pay interest on the junior subordinated debentures, the Issuer Trust will not make the corresponding distributions on the trust preferred securities. In the event of a bankruptcy, holders may have a limited claim for deferred interest.

We may redeem the junior subordinated debentures in whole or in part on or after March 15, 2013, or in whole at any time after the occurrence of a tax event, capital treatment event, investment company event, or rating agency event as described herein. We will not redeem the junior subordinated debentures unless we obtain the prior approval of the Federal Reserve to do so, if such approval is then required. To the extent we redeem the junior subordinated debentures, the Issuer Trust must redeem a corresponding amount of the trust preferred securities. Any redemption, repayment or purchase by us prior to March 15, 2048 is subject to the replacement capital covenant described herein.

The trust preferred securities are expected to be approved for listing on the New York Stock Exchange, subject to official notice of issuance. If approved, we expect trading in the trust preferred securities on the New York Stock Exchange under the symbol KEYPrF to begin within 30 days after the original issue date.

Investing in the trust preferred securities involves risks.

See Risk Factors beginning on page S-15.

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

These securities are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. These securities are not savings accounts or deposits.

	Per Trust Preferred Security	***Total***
Initial Public Offering Price (1)	*$ 25.00*	*$ 700,000,000*
Underwriting discounts and commissions (2)	*$ 0.7875*	*$ 22,050,000*
Proceeds, before expenses, to KeyCorp	*$24.2125*	*$ 677,950,000*

(1) Plus accumulated distributions, if any, from February 27, 2008, if settlement occurs after that date.
(2) Because KeyCorp Capital X will use all of the proceeds from the sale of the trust preferred securities and its trust common securities to purchase junior subordinated debentures of KeyCorp, KeyCorp will pay all underwriting discounts and commissions. KeyCorp will pay the underwriters compensation of $0.50 per trust preferred security for sales to certain institutions. As a result of such sales, the total underwriting discounts will decrease, and the total proceeds to KeyCorp will increase.

The underwriters also may purchase up to an additional 4,200,000 trust preferred securities at the public offering price within 10 days of the date of this prospectus supplement in order to cover over-allotments, if any.

The underwriters expect to deliver the trust preferred securities in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about February 27, 2008.

This prospectus supplement and the accompanying prospectus may be used by our broker-dealer affiliate, KeyBanc Capital Markets Inc., in connection with offers and sales of the trust preferred securities in market-making transactions, at negotiated prices related to prevailing market prices at the time of sale or otherwise. KeyBanc Capital Markets Inc. may act as principal or agent in such transactions.

Joint Book-Running Managers

Citi *Wachovia Securities*

Joint Lead Manager

KeyBanc Capital Markets

Sole Structuring Advisor

Co-Managers

Merrill Lynch
Morgan Stanley
UBS Investment Bank
Banc of America Securities LLC
RBC Capital Markets
Bear, Stearns & Co. Inc.
Credit Suisse
Deutsche Bank Securities
Goldman, Sachs & Co.
JPMorgan
Lehman Brothers

February 20, 2008

TRUPS® is a registered service mark of Citigroup Global Markets Inc.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. KeyCorp s business, financial condition, results of operations and prospects may have changed since such dates.

If there is any inconsistency between the information in this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement to we, us, our or similar references mean KeyCorp.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, our SEC filings are available to the public at the SEC s Internet site at *http://www.sec.gov* and through the New York Stock Exchange Inc., 20 Broad Street, New York, New York 10005.

In this prospectus supplement, as permitted by law, we incorporate by reference information from other documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus supplement is considered to be automatically updated and superseded. In other words, in case of a conflict or inconsistency between information contained in this prospectus supplement and information incorporated by reference into this prospectus supplement, you should rely on the information contained in the document that was filed later.

We incorporate by reference the documents listed below and any documents we file with the SEC in the future under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until our offering is completed:

- Annual Report on Form 10-K for the year ended December 31, 2006;

- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007; and

- Current Reports on Form 8-K filed on January 19, 2007, February 20, 2007, February 22, 2007, March 12, 2007, April 17, 2007, June 27, 2007, July 17, 2007, July 27, 2007, September 26, 2007, October 16, 2007, November 16, 2007, November 27, 2007 and January 22, 2008 (two reports).

Information furnished under Item 2.02 or 7.01 of our Current Reports on Form 8-K is not incorporated by reference.

You may request a copy of any of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

KeyCorp

127 Public Square

Cleveland, Ohio 44114-1306

Attention: Investor Relations

(216) 689-6300

The Issuer Trust has no separate financial statements. The statements would not be material to the holders of the trust preferred securities because the Issuer Trust has no independent operations.

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SUMMARY OF OFFERING

This summary highlights information contained in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all the information that you should consider before investing in the trust preferred securities. You should read this entire prospectus supplement and the accompanying prospectus carefully, especially the risks of investing in the trust preferred securities set forth under the caption Risk Factors beginning on page S-15, to determine whether an investment in the trust preferred securities is appropriate for you.

Issuer Trust	KeyCorp Capital X is a Delaware statutory trust created solely for the purpose of issuing trust preferred securities to investors and trust common securities to us and investing the aggregate proceeds in an equivalent amount of our junior subordinated debentures. The junior subordinated debentures will be the sole assets of the Issuer Trust.
	The Issuer Trust has its principal office and mailing address at c/o KeyCorp, 127 Public Square, Cleveland, Ohio 44114-1306, and its telephone number is (216) 689-6300.
The Offering	The Issuer Trust is offering 28,000,000 trust preferred securities with a liquidation amount of $25 per trust preferred security and $700,000,000 in the aggregate. Each trust preferred security will represent an undivided preferred beneficial interest in the Issuer Trust. The Issuer Trust will use the proceeds from the sale of its trust preferred securities and the trust common securities to purchase the junior subordinated debentures from KeyCorp. The Issuer Trust will pass through to you as distributions the interest payments it receives from KeyCorp on the junior subordinated debentures. The diagram to the left outlines a simplified form of the relationship among investors in the trust preferred securities, the Issuer Trust, the junior subordinated debentures, KeyCorp and the subordinated guarantee of the trust preferred securities by KeyCorp. As shown to the left:
	The Issuer Trust issues the trust preferred securities to investors and the trust common securities to KeyCorp. The Issuer Trust uses the proceeds from the issuance of the trust preferred securities and the trust common securities to purchase junior subordinated debentures issued by KeyCorp. KeyCorp makes quarterly payments on the junior subordinated debentures. The Issuer Trust uses the quarterly interest payments it receives from KeyCorp to pay the quarterly distributions to the holders of the trust preferred securities and trust common securities. KeyCorp will guarantee, on a subordinated basis, payments of amounts due on the trust preferred securities to the extent provided under the captions Description of the Trust Preferred Securities and Description of the Guarantee in this prospectus supplement.

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See the discussion below under the caption Relationship Among the Trust Preferred Securities, the Junior Subordinated Debentures and the Guarantee in this prospectus supplement.

Distributions	Distributions on the trust preferred securities will be cumulative from the date they are issued and will be payable quarterly in arrears at the annual rate of 8.000% on March 15, June 15, September 15 and December 15 of each year, beginning June 15, 2008, unless they are deferred as described below. The amount of distributions payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months.
Distribution Deferral	We may, on one or more occasions, defer the quarterly interest payments on the junior subordinated debentures for one or more periods (each, an Optional Deferral Period) of up to 20 consecutive quarters, or five years, without being subject to our obligations described under Description of the Junior Subordinated Debentures Alternative Payment Mechanism, and for one or more periods of up to 40 consecutive quarters, or ten years, without giving rise to an event of default and acceleration under the terms of the junior subordinated debentures or the trust preferred securities. A deferral of interest payments cannot extend, however, beyond the maturity date of the junior subordinated debentures, nor can we begin a new Optional Deferral Period until we have paid all accrued interest on the junior subordinated debentures.

If we defer interest payments on the junior subordinated debentures, the Issuer Trust also will defer distributions on the trust preferred securities. Any deferred interest on the junior subordinated debentures will accrue additional interest at an annual rate of 8.000% (which rate is equal to the annual interest rate on the junior subordinated debentures), compounded quarterly, to the extent permitted by applicable law. Once we pay all deferred interest payments on the junior subordinated debentures, including all accrued interest, we may again defer interest payments on the junior subordinated debentures as described above, but not beyond the maturity date of the junior subordinated debentures.

We will provide to the Issuer Trust written notice of any optional deferral of interest at least ten and not more than 60 business days prior to the applicable interest payment date, and any such notice will be forwarded promptly by the Issuer Trust to each holder of record of trust preferred securities.

If one or more Option Deferral Periods arise, our payment of interest is subject to the limitations and related obligations described below in this summary under Alternative Payment Mechanism.

We may pay current interest at all times from any available funds.

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Alternative Payment Mechanism

If we have exercised our right to defer payments on the junior subordinated debentures, we will not be permitted to pay interest that has been deferred in an amount that exceeds the amount of Eligible Equity Proceeds raised as of the date such payment is made. Notwithstanding the above, at maturity of the junior subordinated debentures, or in the case of an indenture event of default and acceleration, or upon the occurrence of a Supervisory Event, we may pay accrued and unpaid interest without regard to the source of funds.

For each interest payment date, Eligible Equity Proceeds means the net proceeds (after underwriters or placement agents fees, commissions or discounts and other expenses relating to the issuance or sale) we have received during the 180-day period prior to such interest payment date from the issuance or sale of the following securities to persons that are not subsidiaries of ours:

- common shares, including treasury shares and common shares sold pursuant to our dividend reinvestment plan and employee benefit plans up to the maximum share number ;
- qualified warrants, which means any net share settled warrants to purchase common shares that (1) have an exercise price greater than the current stock market price (as defined under Description of the Junior Subordinated Debentures Alternative Payment Mechanism) of our common shares, and (2) we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances up to the maximum share number ;
- mandatorily convertible preferred shares, which means cumulative preferred shares with (a) no prepayment obligation on the part of KeyCorp, whether at the election of the holders or otherwise and (b) a requirement that the preferred shares convert into our common shares within three years from the date of issuance at a conversion ratio within a range established at the time of issuance of the preferred shares, subject to customary anti-dilution adjustments, up to the maximum share number or the preferred share issuance cap ; and/or
- qualifying preferred shares, which means non-cumulative perpetual preferred shares of KeyCorp that (a) ranks pari passu with or junior to all other preferred shares of ours and (b) either (x) are subject to a qualifying replacement capital covenant or (y) are subject to intent based replacement disclosure and have a provision that provides for mandatory suspension of distributions or the payment of distributions on the applicable distribution date from Eligible Equity Proceeds upon its failure to satisfy one or more financial tests set forth therein, and (c) as to which the transaction documents provide for no remedies as a consequence of non-payment of dividends other than permitted remedies , up to the preferred share issuance cap .

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We refer to common shares, qualified warrants, mandatorily convertible preferred shares and qualifying preferred shares in this prospectus supplement as qualifying APM securities. We may, without the consent of the holders of the trust preferred securities or the junior subordinated debentures, amend the definition of qualifying APM securities to eliminate common shares, qualified warrants or mandatorily convertible preferred shares (but not both common shares and qualified warrants) from the definition. You can find a complete description of qualifying APM Securities and the conditions under which we may narrow the definition of qualifying APM securities in Description of the Junior Subordinated Debentures Alternative Payment Mechanism below.

Commencing on the earlier of (i) the fifth anniversary of the commencement of an Optional Deferral Period, if on such date such Optional Deferral Period has not ended, and (ii) the date of any payment of current interest on the junior subordinated debentures during an Optional Deferral Period, we shall be required continuously to use our commercially reasonable efforts (as defined in the indenture) to effect sales of our qualifying APM securities in an amount that will generate sufficient Eligible Equity Proceeds to enable us to pay in full all deferred interest on the junior subordinated debentures. Notwithstanding (and as a qualification to) that obligation, we shall not be obligated to make offers of or to effect sales of qualifying APM securities during the occurrence and continuation of a Market Disruption Event or a Supervisory Event and will be permitted, but not obligated, to pay deferred interest using cash from any source upon the occurrence of a Supervisory Event. Furthermore, our issuance of qualifying APM securities under the Alternative Payment Mechanism is subject to certain caps and other limitations, as described in Description of the Junior Subordinated Debentures Alternative Payment Mechanism.

The limitations on our rights and obligations imposed on us by the indenture provisions described above are referred to as the Alternative Payment Mechanism. Our breach of the Alternative Payment Mechanism, including our use of funds in an amount in excess of the amount of Eligible Equity Proceeds raised to pay deferred interest or our failure to use commercially reasonable efforts to effect sales of qualifying APM securities and apply their proceeds as described above, will not, by itself, constitute an event of default and acceleration under the indenture that would permit the indenture trustee or the holders of the junior subordinated debentures to accelerate the junior subordinated debentures. However, an event of default and acceleration under the indenture will occur if we fail to pay all accrued and unpaid interest for a period of more than 40 consecutive quarters, or ten years.

Market Disruption Events

A Market Disruption Event is any one of a list of events, the occurrence and continuance of which excuse us from our obligations

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to continuously use commercially reasonable efforts to sell qualifying APM securities in connection with the Alternative Payment Mechanism described above. You can find a complete list of Market Disruption Events in Description of the Junior Subordinated Debentures Market Disruption Events below.

Supervisory Event	A Supervisory Event shall commence on the date we have notified the Board of Governors of the Federal Reserve System (including the Federal Reserve Bank of Cleveland or any other Federal Reserve Bank having primary regulatory authority over us, the Federal Reserve) of our intention both (1) to sell our qualifying APM securities and (2) to apply the net proceeds of such sale to pay deferred interest on the junior subordinated debentures, and the Federal Reserve has disapproved of either of these actions, even though we have affirmatively requested such approval. Because a Supervisory Event will exist if the Federal Reserve disapproves of either of these actions, the Federal Reserve will be able, without triggering a default under the indenture, to permit us to sell qualifying APM securities but to prohibit us from applying proceeds to pay deferred interest on the junior subordinated debentures. See Description of the Junior Subordinated Debentures Market Disruption Event; Supervisory Event below for a complete description of a Supervisory Event.
Dividend Stopper	Unless we have paid all accrued and unpaid interest on the junior subordinated debentures, we will not and we will not permit our subsidiaries to do any of the following, with certain limited exceptions:

declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock, or make any guarantee payments relating to the foregoing; or

make any payment of principal of or interest or premium, if any, on or repay, purchase or redeem any of our parity securities or any securities that rank junior in interest to the junior subordinated debentures.

Our outstanding junior subordinated debentures contain comparable provisions that will restrict the payment of principal of, and interest on, and the purchase or redemption of, any of the junior subordinated debentures as well as guarantee payments on the guarantee of the junior subordinated debentures if any of the foregoing circumstances occur with respect to those securities.

If any Optional Deferral Period lasts longer than one year, unless required to do so by the Federal Reserve, the limitation on our ability to redeem or repurchase any of our securities that rank pari passu with or junior in interest to any qualifying APM securities, the proceeds of which were used to settle deferred interest during that Optional Deferral Period, will continue until the first anniversary of the date on which all deferred interest has been paid, subject to certain exceptions described in Description of the Junior Subordinated Debentures

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	Option to Defer Interest Payments Certain Limitations During a Deferral Period below.

In addition, the terms of the junior subordinated debentures permit us to make (i) any payment of current or deferred interest on our debt securities or guarantees that rank on a parity with the junior subordinated debentures upon liquidation (parity securities) so long as the payment is made pro rata to the amounts due on parity securities (including the junior subordinated debentures), subject to the limitations described in the last paragraph under Description of the Junior Subordinated Debentures Alternative Payment Mechanism to the extent that they apply, and (ii) any payment of principal or of deferred interest on parity securities that, if not made, would cause us to breach the terms of the instrument governing such parity securities.

Maturity of Junior Subordinated Debentures	The junior subordinated debentures will mature on March 15, 2068.
Optional Redemption	The Issuer Trust will redeem the trust preferred securities to the extent we redeem the junior subordinated debentures. We may cause a redemption of the trust preferred securities by our election to redeem the junior subordinated debentures, in whole or in part, at any time on or after March 15, 2013, at a redemption price equal to the total liquidation amount of the trust preferred securities to be redeemed plus accumulated and unpaid distributions to the redemption date.
Special Event Redemption	We may cause a redemption of the trust preferred securities by our election to redeem the junior subordinated debentures, in whole but not in part, at any time prior to March 15, 2013 at a redemption price equal to (i) 100% of their principal amount if certain changes occur relating to the capital treatment of the trust preferred securities, investment company laws or tax laws or (ii) a make-whole redemption price if certain changes occur relating to the rating agency treatment of the junior subordinated debentures, in each case plus accumulated and unpaid distributions to the redemption date. For a description of the events that would permit a redemption of the junior subordinated debentures prior to March 15, 2013, and the make-whole redemption price, see Description of the Junior Subordinated Debentures Redemption below.

We will be subject to the replacement capital covenant described below if we elect to redeem any or all of the junior subordinated debentures prior to the termination of the replacement capital covenant. In addition, under the current risk-based capital adequacy guidelines of the Federal Reserve applicable to bank holding companies, Federal Reserve approval would be required for the redemption of the junior subordinated debentures.

Replacement Capital Covenant	The replacement capital covenant described under Certain Terms of the Replacement Capital Covenant will limit our right to redeem or purchase the junior subordinated debentures prior to March 15, 2048. In the replacement capital covenant, we covenant, for the benefit of

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	holders of a designated series of our indebtedness that ranks senior to the junior subordinated debentures, or in certain limited cases holders of a designated series of indebtedness of KeyBank, that neither we nor any of our subsidiaries will redeem, repay or purchase the junior subordinated debentures or the trust preferred securities prior to March 15, 2048 unless during the applicable measurement period we or our subsidiaries have received sufficient proceeds from the sale of certain equity or equity-like securities the terms of which are set forth in the replacement capital covenant. The replacement capital covenant is described in more detail under Certain Terms of the Replacement Capital Covenant below.

If an event of default resulting in the acceleration of the junior subordinated debentures occurs, we will not have to comply with the replacement capital covenant. Our covenant in the replacement capital covenant will run only to the benefit of the covered debtholders. It may not be enforced by the holders of the trust preferred securities or the junior subordinated debentures.

The term repay in the paragraphs above includes the defeasance by KeyCorp of the junior subordinated debentures, as well as the satisfaction and discharge of its obligations under the indenture.

Liquidation Preference	Upon any dissolution, winding-up or liquidation of the Issuer Trust involving the liquidation of the junior subordinated debentures, the holders of the trust preferred securities will be entitled to receive, out of assets held by the Issuer Trust, subject to the rights of any creditors of the Issuer Trust, the liquidation distribution in cash. The Issuer Trust will be able to make this distribution of cash only if we redeem the junior subordinated debentures.
The Guarantee	We will fully and unconditionally guarantee the payment of all amounts due on the trust preferred securities to the extent the Issuer Trust has funds available for payment of such distributions. The guarantee will be subordinated to our other indebtedness to the extent described below under the caption Description of the Junior Subordinated Debentures Ranking of the Junior Subordinated Debentures and Guarantee.

We also are obligated to pay most of the expenses and obligations of the Issuer Trust (other than the Issuer Trust s obligations to make payments on the trust preferred securities and common securities, which are covered only by the guarantee).

The guarantee does not cover payments when the Issuer Trust does not have sufficient funds to make payments on the trust preferred securities. In other words, if we do not make a payment on the junior subordinated debentures, the Issuer Trust will not have sufficient funds to make payments on the trust preferred securities, and the guarantee will not obligate us to make those payments on the Issuer Trust s behalf. In addition, our obligations under the guarantee are subordinate to our obligations to other creditors to the same extent as

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	the junior subordinated debentures. For more information, see the discussion below under the caption Description of the Guarantee.
Ranking of the Junior Subordinated Debentures and Guarantee	Our payment obligations under the junior subordinated debentures and the guarantee will be unsecured and will rank junior and be subordinated in right of payment and upon liquidation to all of our current and future indebtedness, other than trade accounts payable and accrued liabilities arising in the ordinary course of business; provided, however, that the junior subordinated debentures and the guarantee will rank equally in right of payment, subject to the Alternative Payment Mechanism and provisions described above in this summary under Dividend Stopper, with any Pari Passu Securities. Pari Passu Securities means: (i) indebtedness that, among other things, (a) qualifies as, or is issued to financing vehicles issuing securities that qualify as, Tier 1 capital of KeyCorp at the time of issuance under the applicable capital guidelines of the Federal Reserve and (b) by its terms ranks equally upon liquidation with our 7% Junior Subordinated Debentures due June 15, 2066, our 6.750% Junior Subordinated Debentures due December 15, 2066 and the 8.000% Junior Subordinated Debentures due March 15, 2068 to be issued in connection with this offering; and (ii) guarantees of indebtedness described in clause (i) or securities issued by one or more financing vehicles described in clause (i). Pari Passu Securities does not include our junior subordinated debentures or guarantees issued in connection with our currently outstanding and future traditional trust preferred securities, each of which will rank senior to the trust preferred securities being issued by the Issuer Trust.

As a holding company, our assets primarily consist of the equity securities of our subsidiaries. As a result, the ability of holders of the junior subordinated debentures to benefit from any distribution of assets of any subsidiary upon the liquidation or reorganization of such subsidiary is subordinate to the prior claims of present and future creditors of that subsidiary. The trust preferred securities, the junior subordinated debentures and the guarantee do not limit our or our subsidiaries ability to incur additional debt, including debt that ranks senior in priority of payment to the junior subordinated debentures and the guarantee. At September 30, 2007, our indebtedness and obligations, on an unconsolidated basis, totaled approximately $3.5 billion, all of which will rank senior in right of payment and upon liquidation to the junior subordinated debentures. In addition, the junior subordinated debentures will be effectively subordinated to all of our subsidiaries existing and future indebtedness and other obligations, including, but not limited to, obligations to depositors. At September 30, 2007, our subsidiaries total deposits and borrowings were approximately $79.8 billion.

Limitations on Claims in Bankruptcy	In the event of our bankruptcy, insolvency or receivership, a holder of the junior subordinated debentures will only have a claim for deferred and unpaid interest (including compounded interest thereon) to the

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extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the Optional Deferral Period for which interest has not been paid, as further described under Description of the Junior Subordinated Debentures Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership.

Voting Rights	Holders of the trust preferred securities will have only limited voting rights and, except upon the occurrence of certain events described in this prospectus supplement, will not be entitled to vote.
Dissolution of the Issuer Trust and Distribution of the Junior Subordinated Debentures	We can dissolve the Issuer Trust at any time, subject to obtaining the prior approval of the Federal Reserve to do so, if such approval is then required.

If the Issuer Trust is dissolved, the Issuer Trust will distribute the junior subordinated debentures to holders of the trust preferred securities and the trust common securities on a proportionate basis.

Use of Proceeds	The Issuer Trust will use the proceeds from the offering of the trust preferred securities to purchase the junior subordinated debentures issued by us. We expect to use the net proceeds from the sale of the junior subordinated debentures to the Issuer Trust for general corporate purposes, which may include: reducing or refinancing existing debt; repurchasing outstanding trust preferred securities; investments at the holding company level; investing in, or extending credit to, our operating subsidiaries; possible acquisitions or other business combinations; and share repurchases.
Listing of Trust Preferred Securities	We intend to apply to list the trust preferred securities on the New York Stock Exchange and, if approved for listing, expect trading in the trust preferred securities on the New York Stock Exchange to begin within 30 days after the original issue date.
Expected Ratings	We expect that the trust preferred securities will be rated A3, BBB and A- by Moody s Investor Services, Standard & Poor s and Fitch Ratings, respectively. None of these securities ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

Form of the Trust Preferred Securities	The trust preferred securities will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company, New York, New York. This means that you will not receive a certificate for your trust preferred securities and the trust preferred securities will not be registered in your name. For more details, see below under the caption Book-Entry Issuance in this prospectus supplement.

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U.S. Federal Income Tax Consequences	In connection with the issuance of the trust preferred securities, Squire, Sanders & Dempsey L.L.P., as special tax counsel, will render its opinions to us and the Issuer Trust that, for United States federal income tax purposes, (i) the Issuer Trust will be classified as a grantor trust and not an association taxable as a corporation and (ii) the junior subordinated debentures will be classified as indebtedness (although there is no clear authority on point). These opinions are subject to certain customary conditions. See below under the caption Certain United States Federal Income Tax Consequences in this prospectus supplement.
ERISA Considerations	If you are a fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title 1 of the Employee Retirement Income Security Act of 1974, as amended (ERISA), or section 4975 of the Internal Revenue Code of 1986, as amended (the Code), you should consider the requirements of ERISA and the Code in the context of the plan s particular circumstances and ensure the availability of an applicable exemption before authorizing an investment in the trust preferred securities. See below under the caption ERISA Considerations in this prospectus supplement.
Risk Factors	See below under the caption Risk Factors in this prospectus supplement and the other information in this prospectus supplement and our reports incorporated by reference therein for a discussion of factors you should carefully consider before deciding to invest in the trust preferred securities.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following is our selected audited consolidated financial information for each of the years in the three-year period ended December 31, 2006, and our selected unaudited consolidated financial information for each of the nine-month periods ended September 30, 2007 and 2006. You should read the following information together with our consolidated financial statements and notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus.

(dollars in millions, except per share amounts)	Nine Months Ended September 30,		Year Ended December 31,		
	2007	2006	2006	2005	2004
	(Unaudited)			(Audited)	
For the period					
Interest income	$ 4,197	$ 3,967	$ 5,380	$ 4,383	$ 3,562
Interest expense	2,138	1,864	2,565	1,727	1,106
Net interest income	2,059	2,103	2,815	2,656	2,456
Provision for loan losses	166	97	150	143	185
Noninterest income	1,741	1,569	2,127	2,067	1,925
Noninterest expense	2,352	2,340	3,149	3,054	2,884
Income from continuing operations before income taxes and cumulative effect of accounting changes	1,282	1,235	1,643	1,526	1,312
Income from continuing operations before cumulative effect of accounting changes	919	882	1,193	1,090	907
(Loss) income from discontinued operations, net of taxes	(25)	22	(143)	39	47
Income before cumulative effect of accounting changes	894	904	1,050	1,129	954
Net income	894	909	1,055	1,129	954
Per common share					
Income from continuing operations before cumulative effect of accounting changes	$ 2.34	$ 2.18	$ 2.95	$ 2.67	$ 2.21
(Loss) income from discontinued operations	(.06)	.05	(.35)	.10	.11
Income before cumulative effect of accounting changes	2.28	2.23	2.60	2.76	2.32
Net income	2.28	2.24	2.61	2.76	2.32
Income from continuing operations before cumulative effect of accounting changes assuming dilution	2.31	2.15	2.91	2.63	2.18
(Loss) income from discontinued operations assuming dilution	(.06)	.05	(.35)	.09	.11
Income before cumulative effect of accounting changes assuming dilution	2.25	2.20	2.56	2.73	2.30
Net income assuming dilution	2.25	2.21	2.57	2.73	2.30
Cash dividends paid	1.095	1.035	1.38	1.30	1.24
Book value at period end	20.12	19.73	19.30	18.69	17.46
Weighted average common shares outstanding (000)	393,048	405,218	404,490	408,981	410,585
Weighted average common shares and potential common shares outstanding (000)	397,816	411,029	410,222	414,014	415,430
At period end					
Loans	$ 68,999	$ 65,551	$ 65,826	$ 66,478	$ 63,372
Earning assets	84,973	83,132	80,090	80,143	78,140
Total assets	97,366	96,155	92,337	93,126	90,747
Deposits	63,714	61,429	59,116	58,765	57,842
Long-term debt	11,549	13,654	14,533	13,939	14,846
Shareholders equity	7,820	7,947	7,703	7,598	7,117
Performance ratios					
From continuing operations:					
Return on average total assets	1.31%	1.30%	1.30%	1.24%	1.09%
Return on average equity	16.03	15.44	15.43	14.88	13.07

Net interest margin (taxable equivalent)	3.46	3.67	3.67	3.65	3.62

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(dollars in millions, except per share amounts)	**Nine Months Ended September 30, 2007**	**2006**	**Year Ended December 31, 2006**	**2005**	**2004**
	(Unaudited)			**(Audited)**	
From consolidated operations:					
Return on average total assets	1.28%	1.29%	1.12%	1.24%	1.10%
Return on average equity	15.59	15.82	13.64	15.42	13.75
Net interest margin (taxable equivalent)	3.46	3.69	3.69	3.69	3.63
Capital ratios at period end					
Equity to assets	8.03%	8.26%	8.34%	8.16%	7.84%
Tangible equity to tangible assets	6.78	6.81	7.01	6.68	6.35
Tier 1 risk-based capital	7.94	8.02	8.24	7.59	7.22
Total risk-based capital	11.76	12.13	12.43	11.47	11.47
Leverage	8.96	8.89	8.98	8.53	7.96
Asset quality data					
Nonperforming loans at period end	$ 498	$ 223	$ 215	$ 277	$ 308
Nonperforming assets at period end	570	329	273	307	379
Allowance for loan losses at period end	955	944	944	966	1,138
Net loan charge-offs	156	116	170	315	431
Nonperforming loans to period-end portfolio loans	.72%	.34%	.33%	.42%	.49%
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets	.83	.50	.41	.46	.60
Allowance for loan losses to nonperforming loans	191.77	423.32	439.07	348.74	369.48
Allowance for loan losses to period-end loans	1.38	1.44	1.43	1.45	1.80
Net loan charge-offs to average loans from continuing operations	.31	.24	.26	.51	.74

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RISK FACTORS

Before purchasing any trust preferred securities, you should read carefully this prospectus supplement, carefully consider the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2006 and pay special attention to the following risk factors.

Because the Issuer Trust will rely on the payments it receives on the junior subordinated debentures to fund all payments on the trust preferred securities, and because the Issuer Trust may distribute the junior subordinated debentures in exchange for the trust preferred securities, you are making an investment decision regarding the junior subordinated debentures as well as the trust preferred securities. You should carefully review the information in this prospectus supplement about the trust preferred securities, the guarantee and the junior subordinated debentures before making an investment decision.

Risks Related to our Business

Disruptions in Financial Markets May Affect KeyCorp.

Since July 2007, certain credit markets have experienced difficult conditions, extraordinary volatility and rapidly widening credit spreads and, therefore, have provided significantly reduced availability of liquidity for many borrowers. Uncertainties in these markets present significant challenges, particularly for the financial services industry. As a financial services company, our operations and financial condition are affected by economic and market conditions. For example, in the third and fourth quarters of 2007, disruptions in the financial markets caused widening credit spreads resulting in markdowns and/or losses by financial institutions from trading, hedging and other market activities. We are similarly affected. In addition, during the fourth quarter of 2007, we significantly increased our provision for loan losses in response to deteriorating market conditions in our commercial real estate portfolio. In an effort to reduce the potential effects of any prolonged market disruption, management has implemented certain strategic decisions, including securing additional outside sources of funding for certain of its businesses, divesting and/or ceasing to conduct certain of our non-core businesses and closely managing growth and investment opportunities. It is difficult to predict how long these economic conditions will exist, which of our markets, products or other businesses will ultimately be affected, and whether management s actions will effectively mitigate these external factors. Accordingly, these factors could materially and adversely impact our financial condition and results of operations.

We Are Subject To Interest Rate Risk.

Our earnings and cash flows are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, the competitive environment within our markets, consumer preferences for specific loan and deposit products and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the amount of interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect our ability to originate loans and obtain deposits as well as the fair value of our financial assets and liabilities. If the interest we pay on deposits and other borrowings increases at a faster rate than the interest we receive on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest we receive on loans and other investments falls more quickly than the interest we pay on deposits and other borrowings. Management uses simulation analysis to produce an estimate of interest rate exposure based on assumptions and judgments related to balance sheet growth, customer behavior, new products, new business volume, pricing and anticipated hedging activities. Simulation analysis involves a high degree of subjectivity and requires estimates of future risks and trends. Accordingly, there can be no assurance that actual results will not differ from those derived in simulation analysis due to the timing, magnitude and frequency of interest rate changes, actual hedging strategies employed, changes in balance sheet composition, and the possible effects of unanticipated or unknown events.

Although management believes it has implemented effective asset and liability management strategies, including simulation analysis and the use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected and/or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

We Are Subject To Other Market Risk.

Recent conditions in the fixed income markets, specifically the widening of credit spreads over benchmark U.S. Treasury securities for many fixed income securities, have caused significant volatility in the market values of loans, securities, and certain other financial instruments that are held in our trading or held-for-sale portfolios. Other market factors such as changes in foreign exchange rates, changes in the equity markets, changes in the financial soundness of bond insurers, sureties and even of other unrelated financial companies, also have the potential to affect current market values of financial instruments. Recent market events have demonstrated this effect. Although management works to minimize the adverse affects when it is feasible to do so, those opportunities are not always available. It is not possible for management to predict whether there will be further substantial changes in the financial markets, which could materially and adversely impact our financial condition and results of operations.

We Are Subject To Credit Risk.

There are inherent risks associated with our lending and trading activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. We also are subject to various laws and regulations that affect our lending activities. Failure to comply with applicable laws and regulations could subject us to regulatory enforcement action that could result in the assessment against us of civil money or other penalties.

As of December 31, 2007, approximately 74% of our loan portfolio consisted of commercial, financial and agricultural loans, commercial real estate loans, including commercial mortgage and construction loans, and commercial leases. These types of loans are typically larger than residential real estate loans and consumer loans. We closely monitor and manage risk concentrations and utilize various portfolio management practices to limit excessive concentrations when it is feasible to do so; however, our loan portfolio still contains a number of commercial loans with relatively large balances. The deterioration of one or a few of these loans could cause a significant increase in non-performing loans, and an increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for possible loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our financial condition and results of operations.

Various Factors May Cause Our Allowance For Possible Loan Losses To Increase.

We maintain an allowance for possible loan losses, which is a reserve established through a provision for possible loan losses charged to expense, that represents management s estimate of probable losses within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management s continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and unexpected losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for possible loan losses inherently involves a degree of subjectivity and requires that we make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for possible loan losses. In addition, bank regulatory agencies and our independent auditors periodically review our allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments that can differ somewhat from those of our own management. In addition, if charge-offs in future periods exceed the allowance for possible loan losses (i.e., if the loan loss allowance is inadequate), we will need additional loan loss provisions to increase the allowance for possible loan losses. Additional provisions to increase the allowance for possible loan losses, should they become necessary, would result in a decrease in net income and capital, and may have a material adverse effect on our financial condition and results of operations.

We Are Subject To Liquidity Risk.

Market conditions or other events could negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner and without adverse consequences. Although management has implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned as well as unanticipated changes in assets and liabilities under both normal and adverse conditions, any substantial, unexpected and/or prolonged change in the level or cost of liquidity could have a material adverse effect on our financial condition and results of operations. Certain credit markets that we participate in and rely upon as sources of funding have been significantly disrupted and highly volatile since the third quarter of 2007. These conditions increase our liquidity risk exposure. Part of our strategy to reduce liquidity risk involves utilizing the liquidity and stability currently present in the short-term credit markets (borrowings with 0-90 day maturities). At this time, management believes short-term funding opportunities remain available and cost effective. However, if market disruption or other factors reduce the cost effectiveness and/or the availability of supply in the short-term credit market for a prolonged period of time, management may utilize other potential means of accessing, funding and managing liquidity, including more expansive utilization of secured wholesale funding instruments, generating client deposits, securitizing or selling loans, extending the maturity of wholesale borrowings, purchasing deposits from other banks, and relationships with fixed income investors in a variety of markets domestic , European and Canadian as well as increased management of loan growth and investment opportunities and other management tools. However, there can be no assurance that these alternative means of funding will exist either. For example, in 2007 Key was unable to securitize its student loan portfolio at cost-effective rates. Accordingly, a deep and prolonged disruption in the markets could have the effect of significantly restricting the accessibility of cost-effective capital and funding which could have a material adverse effect on our financial condition and results of operations.

We Are Subject To Operational Risk.

We, like all businesses, are subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses compliance (legal) risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards. Although we seek to mitigate operational risk through a system of internal controls, resulting losses from operational risk could take the form of explicit charges, increased operational costs, harm to our reputation or foregone opportunities, any and all of which could have a material adverse effect on our financial condition and results of operations.

Our Profitability Depends Significantly On Economic Conditions In The Geographic Regions In Which We Operate.

Our success depends primarily on economic conditions in the markets in which we operate. Although we are somewhat geographically diversified, assisted in part in this respect by our out of footprint commercial real estate and equipment leasing lines of business, we do have concentrations of loans and other business activities in geographic areas where our branches are principally located the Northwest, the Rocky Mountains, the Great Lakes and the Northeast. We also have potential exposure to geographic areas outside of our branch footprint. For example, the residential properties segment of Key s commercial real estate construction portfolio has been adversely affected by the downturn in the U.S. housing market because of deteriorating market conditions, principally in Florida and Southern California, and the significant increase in the level of nonperforming loans during the second half of 2007. As a result, management recently increased the provision for loan losses. The regional economic conditions in areas in which we conduct our business have an impact on the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources. A significant decline in general economic conditions caused by inflation, recession, an act of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors, such as severe declines in the value of homes and other real estate, could also impact these regional economies and, in turn, have a material adverse effect on our financial condition and results of operations.

We Operate In A Highly Competitive Industry And Market Areas.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national and super-regional banks as well as smaller community banks within the various markets in which we operate. However, we also face competition from many other types of financial institutions, including, without limitation, savings associations, credit unions, mortgage banking companies, finance companies, mutual funds, insurance companies, investment management firms, investment banking firms, broker-dealers and other local, regional and national financial services firms. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks.

Our ability to compete successfully depends on a number of factors, including, among other things:

- our ability to develop and execute strategic plans and initiatives;
- our ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe, sound assets;
- our ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We Are Subject To Extensive Government Regulation And Supervision.

We are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies; changes in the interpretation or implementation of statutes, regulations or policies; and/or continuing to become subject to heightened regulatory practices, requirements or expectations, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products that we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to appropriately comply with laws, regulations or policies (including internal policies and procedures designed to prevent such violations) could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations.

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Our Controls And Procedures May Fail Or Be Circumvented.

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

We Rely On Dividends From Our Subsidiaries For Most Of Our Funds.

KeyCorp is a legal entity separate and distinct from its subsidiaries. It receives substantially all of its cash flow from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on our common shares and interest and principal on our debt. Various laws and regulations limit the amount of dividends that KeyBank (KeyCorp s largest subsidiary) and certain non-bank subsidiaries may pay to KeyCorp. Also, KeyCorp s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors. In the event KeyBank is unable to pay dividends to KeyCorp, we may not be able to service debt, pay obligations or pay dividends on our common shares. The inability to receive dividends from KeyBank could have a material adverse effect on our business, financial condition and results of operations.

Our Earnings May Be Affected By Changes In Accounting Principles And In Tax Laws.

Changes in U.S. generally accepted accounting principles could have a significant adverse effect on Key s reported financial results. Although these changes may not have an economic impact on our business, they could affect our ability to attain targeted levels for certain performance measures.

We, like all businesses, are subject to tax laws, rules and regulations. Changes to tax laws, rules and regulations, including changes in the interpretation or implementation of tax laws, rules and regulations by the

Internal Revenue Service (the IRS) or other governmental bodies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, among other things. Failure to appropriately comply with tax laws, rules and regulations could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations.

Further, we are currently involved in litigation (previously reported in our SEC filings) with the IRS concerning the tax treatment of one Service Contract Lease entered into by AWG Leasing Trust. Our management believes our tax position is correct. Litigation, however, is uncertain. If the litigation is resolved against us, it could have a material adverse effect on our results of operations and a potentially substantial impact on our capital.

Potential Acquisitions May Disrupt Our Business And Dilute Shareholder Value.

Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality issues of the target company;
- difficulty and expense of integrating the operations and personnel of the target company;
- potential disruption to our business;
- potential diversion of our management s time and attention;

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- the possible loss of key employees and customers of the target company;
- difficulty in estimating the value (including goodwill) of the target company;
- difficulty in estimating the fair value of acquired assets, liabilities and derivatives of the target company; and
- potential changes in banking or tax laws or regulations that may affect the target company;

We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations.

We May Not Be Able To Attract And Retain Skilled People.

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we are engaged can be intense and we may not be able to hire or retain the people we want and/or need. Although we maintain employment agreements with certain key employees, and have incentive compensation plans aimed, in part, at long-term employee retention, the unexpected loss of services of one or more of our key personnel could still occur, and such events may have a material adverse impact on our business because of the loss of the employee s skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Our Information Systems May Experience An Interruption Or Breach In Security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We Continually Encounter Technological Change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Our largest competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

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We Are Subject To Claims And Litigation.

From time to time, customers and/or vendors may make claims and take legal action against us. We maintain reserves for certain claims when management deems it appropriate to do so based upon its assessment of the claims. Whether any particular claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in our favor they may result in significant financial liability and/or adversely affect how the market perceives us and our products and services as well as impact customer demand for those products and services. Any financial liability for which we have not adequately maintained reserves, and/or any reputation damage from such claims and legal actions could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Severe Weather, Natural Disasters, Acts Of War Or Terrorism And Other External Events Could Significantly Impact Our Business.

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. Although management has established disaster recovery plans and procedures, the occurrence of any such event could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Risks Related to the Junior Subordinated Debentures and Trust Preferred Securities

You May Not Receive Distributions on the Trust Preferred Securities for a Total of Up to Ten Years if after the First Five Years of Interest Deferral We Are Unable or Otherwise Fail to Issue Securities.

We may elect at our option to defer payment of all or part of the current and accrued interest otherwise due on the junior subordinated debentures for a period of up to 20 consecutive quarters, or five years, as described under the caption Description of the Junior Subordinated Debentures Option to Defer Interest Payments. If we fail to pay interest on the junior subordinated debentures, the Issuer Trust will make no distributions on the trust preferred securities. If we elect to defer interest payments, we will be prohibited from paying accrued and unpaid deferred interest during an Optional Deferral Period from any source other than Eligible Equity Proceeds. In addition, following a five-year Optional Deferral Period, we may fail to pay interest for up to an additional five years, resulting in a total of up to ten years without payment of interest on the junior subordinated debentures and, accordingly, without payment of distributions on the trust preferred securities.

The Indenture Limits Our Source of Funds to Pay Deferred Interest to Proceeds from the Sale of Qualifying APM Securities, Except in Limited Circumstances.

The indenture provides that, except in limited circumstances, if we elect to defer interest payments on the junior subordinated debentures, resulting in a corresponding deferral of distributions on the trust preferred securities, we will be limited to paying deferred interest from the proceeds of sales of qualifying APM securiti