

EATON CORP  
Form 424B2  
May 08, 2008

**Table of Contents****EXPLANATORY NOTE**

This filing under Rule 424(b)(2) is being made solely to reflect the payment of the registration fee with respect to 1,750,000 common shares issuable upon the exercise of the underwriters' over-allotment option. Eaton Corporation previously wired to its account with the Securities and Exchange Commission funds sufficient to cover the full \$63,549 registration fee for 19,250,000 common shares offered by this prospectus supplement, which reflects the total number of shares offered, including those subject to the over-allotment option. Of these funds, \$57,771 was credited with respect to the offering on April 23, 2008.

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price per Share</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Common stock, \$.50 par value per share	19,250,000	\$ 84.00	\$ 1,617,000,000	\$ 5,778 <sup>(1)</sup>

(1) \$ 57,771 was credited with respect to the offering on April 23, 2008.

**Filed Pursuant to Rule 424(b)(2)  
Registration Number: 333-130318**

**PROSPECTUS SUPPLEMENT  
(To Prospectus Dated December 14, 2005)**

17,500,000 Shares

Eaton Corporation  
Common Shares

We are selling 17,500,000 of our common shares. We have granted the underwriters an option to purchase up to 1,750,000 additional shares to cover over-allotments.

Our common shares are listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol ETN. On April 22, 2008, the closing price for our common shares on the New York Stock Exchange was \$85.09 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of 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.

	<b>Per Share</b>	<b>Total</b>
Public Offering Price	\$ 84.00	\$ 1,470,000,000
Underwriting Discount	\$ 2.52	\$ 44,100,000
Proceeds to Eaton Corporation (before expenses)	\$ 81.48	\$ 1,425,900,000

The underwriters expect to deliver the common shares to purchasers on or about April 28, 2008 through the book-entry facilities of The Depository Trust Company.

***Joint Book-Running Managers***

**Citi**

**JPMorgan**

**Morgan Stanley**

***Co-Managers***

**Banc of America Securities LLC**

**KeyBanc Capital Markets**

**Barclays  
Capital**

**BNP  
PARIBAS**

**BNY Capital  
Markets, Inc.**

**Deutsche Bank  
Securities**

**Goldman,  
Sachs & Co.**

**Merrill  
Lynch & Co.**

April 22, 2008

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not 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. Our business, financial condition, results of operations and prospects may have changed since those dates.**

## TABLE OF CONTENTS

### Prospectus Supplement

<u>Where You Can Find More Information</u>	S-3
<u>Special Note Regarding Forward-Looking Statements</u>	S-3
<u>Summary</u>	S-4
<u>Use of Proceeds</u>	S-7
<u>Capitalization</u>	S-8
<u>Price Range of Common Shares and Dividends</u>	S-9
<u>Underwriting</u>	S-10
<u>Legal Opinions</u>	S-13
<u>Experts</u>	S-13

### Prospectus

<u>Where You Can Find More Information</u>	2
<u>The Company</u>	3
<u>Use of Proceeds</u>	3
<u>Ratio of Earnings to Fixed Charges</u>	3
<u>Prospectus</u>	3
<u>Prospectus Supplement</u>	4
<u>Description of Debt Securities</u>	4
<u>Description of Debt Warrants</u>	20
<u>Description of Preferred Shares</u>	22
<u>Description of Common Shares</u>	25
<u>Plan of Distribution</u>	28
<u>Legal Opinions</u>	29
<u>Experts</u>	29

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports and other information with the Securities and Exchange Commission ( 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 its public reference rooms. Our SEC filings are also available to the public from the SEC 's web site at <http://www.sec.gov>. Our common shares are listed on the New York Stock Exchange and the Chicago Stock Exchange, and information about us is also available there.

This prospectus supplement is part of a registration statement that we have filed with the SEC. The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to other documents that we identify as part of this prospectus supplement. Our subsequent filings of similar documents with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until we sell all of these securities.

Annual Report on Form 10-K for the year ended December 31, 2007.

Current Reports on Form 8-K filed on January 22, 2008, January 31, 2008, March 3, 2008 and April 7, 2008.

You may obtain a copy of these filings at no cost by writing to or telephoning us at the following address:

Eaton Corporation  
Eaton Center  
1111 Superior Avenue  
Cleveland, Ohio 44114-2584  
(216) 523-5000

You should rely only on the information incorporated by reference or provided in this prospectus supplement and the accompanying prospectus. We have not authorized anyone else to provide you with different information. This prospectus supplement is an offer to sell or buy only the securities described in this document, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement is current only as of the date of this prospectus supplement.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements included or incorporated by reference in the accompanying prospectus or this prospectus supplement constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as expects , intends , plans , projects , believes , estimates , anticipates and variations of similar expressions are used to identify these forward-looking statements. These forward-looking statements refer to, among other things, our plans, strategies and prospects, both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we can give no assurance that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the forward-looking statements we make in those documents are set forth in those documents, and include those described under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007. All forward-looking statements attributable to us or persons acting on our behalf are

expressly qualified by those cautionary statements. We will not update these forward-looking statements even though our situation will change in the future.

S-3

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**Table of Contents**

**SUMMARY**

*This summary may not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision.*

**The Company**

We are a global leader in the design, manufacture, marketing and servicing of electrical systems and components for power quality, distribution and control; hydraulics components, systems and services for industrial and mobile equipment; hydraulics, fuel and pneumatic systems for commercial and military aircraft; intelligent truck drivetrain systems for safety and fuel economy; and automotive engine air management systems, powertrain solutions and specialty controls for performance, fuel economy and safety. Headquartered in Cleveland, Ohio, we have 79,000 employees and sell products in more than 150 countries.

Our operations are categorized into the following five business segments: Electrical, Hydraulics, Aerospace, Truck and Automotive. Prior to January 1, 2008, we reported our businesses in four segments, with the current Hydraulics and Aerospace segments being part of one segment called Fluid Power.

***Electrical***

The Electrical segment is a leader in power distribution and power protection equipment including uninterruptible power supply (or UPS) systems, switches, power distribution units, circuit breakers, switch boards, filters, meters and relays. The principal markets for the Electrical segment are industrial, non-residential and residential construction, commercial, government, institutional, and telecommunications customers. These customers are generally concentrated in North America, Europe and Asia/Pacific; however, sales are made globally. Sales in the Electrical segment are made directly and indirectly through distributors and manufacturers representatives to these customers.

***Hydraulics***

The Hydraulics segment manufactures hydraulic components and systems for industrial and mobile applications, including: pumps; motors; hydraulic power units; hose and fittings; power and load management systems; a wide range of controls and sensing products, including valves, cylinders and electronic controls; a full range of fluid conveyance products, including hose, thermoplastic tubing, fittings, couplings and sealing; filtration systems solutions, including filter bags, canisters and vessels; heavy-duty drum and disc brakes; and golf grips. The principal markets for the Hydraulics segment are original equipment manufacturers and after-market customers of off-highway and industrial equipment; equipment and systems in oil & gas, fine chemicals, mining, metal forming and food & beverage applications. These manufacturers are located globally, and these products are sold and serviced through a variety of channels.

***Aerospace***

The Aerospace segment manufactures hydraulic power generation systems for aerospace applications, including: pumps, motors, hydraulic power units, hose and fittings, electro-hydraulic pumps and power and load management systems; controls and sensing products, including valves, cylinders, electronic controls, electromechanical actuators, sensors, displays and panels, aircraft flap and slat systems and nose wheel steering systems; fluid conveyance products, including hose, thermoplastic tubing, fittings, adapters, couplings, sealing and ducting; and fuel systems,

including fuel pumps, sensors, valves, adapters and regulators. The principal markets for the Aerospace segment are manufacturers of commercial and military aircraft and related after-market customers. These manufacturers are located globally and these products are sold and serviced through a variety of channels.

S-4

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**Table of Contents**

***Truck***

The Truck segment is a leader in the design, manufacture and marketing of drivetrain systems and components for medium-and heavy-duty commercial vehicles, primarily in the Americas. The segment designs and manufactures transmissions, clutches, collision warning systems, mobile diagnostics, fleet resource management solutions, and hybrid electric powertrain systems. The principal markets for the Truck segment are original equipment manufacturers and after-market customers of heavy-, medium- and light-duty trucks and passenger cars. These manufacturers and other customers are located globally, and most sales of these products are made directly to these manufacturers.

***Automotive***

The Automotive segment designs, manufactures and markets superchargers, engine valves and valve actuation systems, cylinder heads, locking and limited slip differentials, powerfold actuators, transmission controls, engine controls, fuel vapor components, compressor control clutches for mobile refrigeration, fluid connectors and hoses for air conditioning and power steering, decorative spoilers, underhood plastic components, fluid conveyance products including, hose, thermoplastic tubing, fittings, adapters, couplings and sealing products to the global automotive industry. The principal markets for the Automotive segment are original equipment manufacturers and aftermarket customers of light-duty trucks and passenger cars. These manufacturers are located globally, and most sales of these products are made directly to these manufacturers.

Our principal executive office is located at Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114-2584, and our telephone number is (216) 523-5000.

**Recent Developments**

***First Quarter 2008 Earnings***

On April 14, 2008, we issued a press release announcing certain financial results for the first quarter of 2008. We announced net income per share of \$1.64 for the first quarter of 2008, an increase of 5% over the first quarter of 2007, and a record for the first quarter. Sales in the quarter were \$3.5 billion, 12% above the same period in 2007, and a record for the first quarter. Net income in the quarter was \$247 million, an increase of 6% over the same period in 2007, and was also a record for the first quarter. Net income in both periods included charges for integration of acquisitions.

**The Offering**

Issuer	Eaton Corporation
Common shares offered	17,500,000 shares
Common shares estimated to be outstanding immediately after this offering	164.6 million shares
Use of proceeds	We expect the net proceeds from the sale of the common shares offered by this prospectus supplement to be approximately \$1,425.5 million, after deducting underwriting discounts and commission and offering expenses. We will use these proceeds to repay borrowings under our revolving credit facility, which we entered into on January 25, 2008, or to repay

commercial paper issued under the backstop provided by the facility. The revolving credit facility, in the amount of \$3.0 billion, was entered into to either fund direct loans or to backstop commercial paper borrowings. As of April 18, 2008, borrowings under our revolving credit facility totaled \$917.3 million at an average interest rate of 3.01%.

S-5

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**Table of Contents**

Commercial paper issued under the backstop provided by the facility totaled \$1,574.0 million at an average interest rate of 2.71%, with an average maturity period of 30 days. The proceeds of the revolving credit facility were used to finance the acquisitions of The Moeller Group, on April 4, 2008 and Phoenixtec Power Company Ltd. on February 26, 2008. See Use of Proceeds.

New York Stock Exchange symbol            ETN

The amounts above are based on 147.1 million common shares outstanding as of March 31, 2008 and assume no exercise of outstanding options since that date. The number of common shares expected to be outstanding after this offering excludes:

12,386,060 common shares that were subject to outstanding stock options at a weighted average exercise price of \$61.64 per share as of March 31, 2008;

503,102 common shares of unvested restricted stock awarded as of March 31, 2008; and

1,165,903 common shares reserved for future grants under our director and employee stock plans as of March 31, 2008 (or approximately 3,750,000 as of April 23, 2008, due to the anticipated approval of a new stock plan at our annual meeting of shareholders).

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their right to purchase up to 1,750,000 common shares to cover over-allotments.

**Table of Contents**

**USE OF PROCEEDS**

We expect the net proceeds from the sale of the common shares offered by this prospectus supplement to be approximately \$1,425.5 million, after deducting underwriting discounts and commission and offering expenses. We will use these proceeds to repay borrowings under our revolving credit facility, which we entered into on January 25, 2008, or to repay commercial paper issued under the backstop provided by the facility. The revolving credit facility, in the amount of \$3.0 billion, was entered into to either fund direct loans or to backstop commercial paper borrowings. As of April 18, 2008, borrowings under our revolving credit facility totaled \$917.3 million at an average interest rate of 3.01%. Commercial paper issued under the backstop provided by the facility totaled \$1,574.0 million at an average interest rate of 2.71%, with an average maturity period of 30 days. The proceeds of the revolving credit facility were used to finance the acquisitions of The Moeller Group, on April 4, 2008 and Phoenixtec Power Company Ltd. on February 26, 2008.

S-7

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**Table of Contents****CAPITALIZATION**

The following table sets forth the capitalization of Eaton and its consolidated subsidiaries at December 31, 2007. The

As Adjusted capitalization set forth below gives effect to the issuance of the common shares offered hereby, after deducting underwriting discounts and commission and offering expenses.

	<b>As of December 31, 2007</b>	
	<b>Historical</b>	<b>As Adjusted</b>
	<b>Millions</b>	
Short-term debt, primarily commercial paper	\$ 825	\$ 825
Current portion of long-term debt	160	160
<b>Total short-term debt and current portion of long-term debt</b>	<b>\$ 985</b>	<b>\$ 985</b>
<b>Long-term debt</b>		
7.40% notes due 2009	\$ 15	\$ 15
Floating rate senior notes due 2009 (4.88% at December 31, 2007 LIBOR + .08%)	250	250
Floating rate senior note due 2010 (5.14% at December 31, 2007 LIBOR + .26%)	281	281
5.75% notes due 2012	300	300
7.58% notes due 2012	12	12
5.80% notes due 2013	7	7
12.5% British Pound debentures due 2014	12	12
4.65% notes due 2015	100	100
5.3% notes due 2017	250	250
7.09% notes due 2018	25	25
6.89% notes due 2018	6	6
7.07% notes due 2018	2	2
6.875% notes due 2018	3	3
8-7/8% debentures due 2019	38	38
8.10% debentures due 2022	100	100
7.625% debentures due 2024	66	66
6-1/2% debentures due 2025	145	145
7.875% debentures due 2026	72	72
7.65% debentures due 2029	200	200
5.45% debentures due 2034	150	150
5.25% notes due 2035	72	72
5.8% notes due 2037	240	240
Other	86	86
<b>Total long-term debt</b>	<b>2,432</b>	<b>2,432</b>
<b>Shareholders' equity</b>		
Common shares, par value \$0.50 per share, 300.0 million common shares authorized and 146.0 million common shares issued and outstanding, historical;	73	
163.5 million common shares issued and outstanding, as adjusted		82
Capital in excess of par value	2,290	3,706

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Retained earnings	3,257	3,257
Accumulated other comprehensive loss	(423)	(423)
Deferred compensation plans	(25)	(25)
Total shareholders' equity	5,172	6,597
Total capitalization (long-term debt and Shareholders' equity)	\$ 7,604	\$ 9,029

S-8

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**Table of Contents****PRICE RANGE OF COMMON SHARES AND DIVIDENDS**

Our common shares are traded on the New York Stock Exchange under the symbol ETN. The common shares are also traded on the Chicago Stock Exchange.

The following table sets forth the high and low closing prices of the common shares on the New York Stock Exchange and the cash dividends declared per common share during the fiscal quarters indicated. On April 22, 2008, the closing price for our common shares on that exchange was \$85.09 per share.

	<b>High</b>	<b>Low</b>	<b>Cash dividend declared per common share</b>
<b>2008</b>			
Second quarter (through April 22, 2008)	\$ 90.63	\$ 78.94	N/A(1)
First quarter	\$ 96.18	\$ 77.55	\$ 0.50
<b>2007</b>			
Fourth quarter	\$ 101.26	\$ 85.29	\$ 0.43
Third quarter	\$ 102.55	\$ 85.12	\$ 0.43
Second quarter	\$ 94.15	\$ 83.85	\$ 0.43
First quarter	\$ 85.53	\$ 73.80	\$ 0.43
<b>2006</b>			
Fourth quarter	\$ 78.38	\$ 69.53	\$ 0.39
Third quarter	\$ 74.86	\$ 63.00	\$ 0.39
Second quarter	\$ 78.89	\$ 69.80	\$ 0.35
First quarter	\$ 73.29	\$ 64.48	\$ 0.35

Dividends on our common shares are payable at the discretion of our board of directors out of funds legally available therefor. Future payments of dividends (and the amounts of these dividends) will depend on our financial condition, results of operations, capital requirements and any other factors that the board of directors deems relevant.

(1) We expect that our board of directors will declare a dividend of \$0.50 per share at its meeting on April 23, 2008.

**Table of Contents****UNDERWRITING**

Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated are acting as joint book-running managers of the offering and are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of common shares set forth opposite the underwriter's name.

<b>Underwriter</b>	<b>Number of Shares</b>
Citigroup Global Markets Inc	3,963,750
J.P. Morgan Securities Inc.	3,963,750
Morgan Stanley & Co. Incorporated	4,777,500
Banc of America Securities LLC	910,000
KeyBanc Capital Markets Inc.	910,000
BNP Paribas Securities Corp.	787,500
Goldman, Sachs & Co.	787,500
Barclays Capital Inc.	350,000
BNY Capital Markets, Inc.	350,000
Deutsche Bank Securities Inc.	350,000
Merrill Lynch, Pierce Fenner & Smith Incorporated	350,000
<b>Total</b>	<b>17,500,000</b>

The underwriting agreement provides that the obligations of the underwriters to purchase the common shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the common shares (other than those covered by the over-allotment option described below) if they purchase any of the common shares.

The underwriters propose to offer some of the common shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the common shares to dealers at the public offering price less a concession not to exceed \$1.51 per share. If all of the common shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

If the underwriters sell more common shares than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,750,000 additional common shares at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional common shares approximately proportionate to that underwriter's initial purchase commitment. Any common shares issued or sold under the option will be issued and sold on the same terms and conditions as the other common shares that are the subject of this offering.



We have agreed that for a period of 90 days from the date of this prospectus supplement, and certain of our officers have agreed that for a period of 30 days from the date of this prospectus supplement, we and they, with certain exceptions, will not, without the prior written consent of Citigroup Global Markets Inc., J.P. Morgan Securities Inc., and Morgan Stanley & Co. Incorporated, dispose of or hedge any common shares or any securities convertible into or exchangeable for common shares, subject to certain exceptions. Citigroup Global Markets Inc., J.P. Morgan Securities Inc., and Morgan Stanley & Co. Incorporated in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, if (i) during the last 17 days of the 30- or 90-day periods described above, we issue an earnings release or material news or a material event relating to our company occurs; or (ii) prior to the expiration of the 30- or 90-day restricted periods, as applicable, we announce that we will release earnings results during the 16-day period beginning on the last day of the 30- or 90-day period, the restrictions

S-10

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## **Table of Contents**

described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

### **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of common shares described in this prospectus supplement may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the common shares that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or

to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts or

in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of common shares described in this prospectus supplement located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an offer to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The seller of the common shares has not authorized and does not authorize the making of any offer of common shares through any financial intermediary on its behalf, other than offers made by the underwriters with a view to the final placement of the common shares as contemplated in this prospectus supplement. Accordingly, no purchaser of the common shares, other than the underwriters, is authorized to make any further offer of the common shares on behalf of the seller or the underwriters.

### **Notice to Prospective Investors in the United Kingdom**

This prospectus supplement is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ( Qualified Investors ) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order ) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons ). This prospectus supplement and its contents are confidential and should not be distributed,

published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant persons should not act or rely on this document or any of its contents.

Our common shares are listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol ETN.

S-11

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**Table of Contents**

As described in Use of Proceeds, some of the net proceeds of this offering may be used to pay down borrowings under our revolving credit facility. Because more than 10% of the proceeds of this offering, not including underwriting compensation, may be received by affiliates of the underwriters in this offering, this offering is being conducted in compliance with National Association of Securities Dealers ( NASD ) Conduct Rule 2710(h). Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of equity securities for which a bona fide independent market, as defined by the NASD rules, exists as of the date of the filing of the registration statement and as of the effective date thereof.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional common shares.

	<b>No Exercise</b>	<b>Full Exercise</b>
Per share	\$ 2.52	\$ 2.52
Total	\$ 44,100,000	\$ 48,510,000

We estimate that our total expenses for this offering will be approximately \$400,000.

In connection with the offering, the underwriters may purchase and sell common shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of common shares than they are required to purchase in the offering.

Covered short sales are sales of common shares in an amount up to the number of common shares represented by the underwriters over-allotment option.

Naked short sales are sales of common shares in an amount in excess of the number of common shares represented by the underwriters over-allotment option.

Covering transactions involve purchases of common shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.

To close a naked short position, the underwriters must purchase common shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering.

To close a covered short position, the underwriters must purchase common shares in the open market after the distribution has been completed or by exercising the over-allotment option. In determining the source of common shares to close the covered short position, the underwriters will consider, among other things, the price of common shares available for purchase in the open market as compared to the price at which they may purchase common shares through the over-allotment option.