

**FEDERAL FARM CREDIT BANKS**  
**CONSOLIDATED SYSTEMWIDE BONDS AND DISCOUNT NOTES**



The Federal Farm Credit Banks Funding Corporation, established under the laws of the United States of America and acting as agent for the Banks of the Farm Credit System, proposes to offer for sale from time to time Federal Farm Credit Banks Consolidated Systemwide Bonds and Federal Farm Credit Banks Consolidated Systemwide Discount Notes (collectively, the “Securities”) by means of this Offering Circular and, in the case of Bonds, an Offering Announcement or Term Sheet and, in the case of Discount Notes, an Offering Announcement. The Securities are the general unsecured joint and several obligations of the Banks and will be issued under the authority of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration.

**THE SECURITIES ARE NOT OBLIGATIONS OF AND ARE NOT GUARANTEED BY THE UNITED STATES OR ANY FEDERAL AGENCY OR INSTRUMENTALITY, OTHER THAN THE BANKS. THE SECURITIES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE “EXEMPTED SECURITIES” WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.**

**For a discussion of certain of the risks relevant to an investment in the Securities, see “Certain Investment Considerations” on page 13.**

The following terms and conditions generally apply to the Securities which the Funding Corporation may offer from time to time. The applicable Offering Announcement or Term Sheet will contain the specific information about the Security and may contain additional or different terms and conditions related to that Security. For more detail, see “Terms and Conditions of the Securities.”

BONDS*	DISCOUNT NOTES*
<ul style="list-style-type: none"> <li>• Mature 3 months to 30 years</li> </ul>	<ul style="list-style-type: none"> <li>• Mature 1 to 365 days</li> </ul>
<ul style="list-style-type: none"> <li>• Fixed or floating interest rate or discounted from the amount to be paid at maturity</li> </ul>	<ul style="list-style-type: none"> <li>• Discounted from the amount to be paid at maturity</li> </ul>
<ul style="list-style-type: none"> <li>• May be eligible for separation into Interest and Principal Components</li> </ul>	<ul style="list-style-type: none"> <li>• Not eligible for separation into Interest and Principal Components</li> </ul>
<ul style="list-style-type: none"> <li>• May be subject to redemption at option of the Banks</li> </ul>	<ul style="list-style-type: none"> <li>• Not subject to redemption</li> </ul>
<ul style="list-style-type: none"> <li>• Book-entry form</li> </ul>	<ul style="list-style-type: none"> <li>• Book-entry form</li> </ul>
<ul style="list-style-type: none"> <li>• Fixed-Rate Bonds and Zero-Coupon Bonds — minimum denomination of \$5,000, increased in multiples of \$1,000</li> <li>• Floating-Rate Bonds or Fixed-Rate Bonds with structured feature(s) — minimum denomination of \$100,000, increased in multiples of \$1,000</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum denomination of \$5,000, increased in multiples of \$1,000</li> </ul>
<ul style="list-style-type: none"> <li>• No fixed maximum aggregate principal amount outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum aggregate par amount outstanding of \$25 billion</li> </ul>
<ul style="list-style-type: none"> <li>• Final terms set forth in an Offering Announcement or a Term Sheet</li> </ul>	<ul style="list-style-type: none"> <li>• Final terms set forth in an Offering Announcement</li> </ul>

\* Unless otherwise specified by the Funding Corporation with respect to a particular issue of Securities.

*The date of this Offering Circular is June 18, 1999.*

The Securities will be offered and sold from time to time by the Funding Corporation through Dealers described below acting as principal, whether individually or in a syndicate, or, if so designated by the Funding Corporation, as agent. Bonds may be offered for sale through all Dealers in a selling group process or through a single Dealer or a limited group of Dealers through syndication, negotiation or a competitive bidding process. Discount Notes will be offered for sale through a limited group of Dealers. In addition, Designated Dealers may be appointed by the Funding Corporation to participate through Discount Note Dealers in the distribution of Discount Notes. From time to time, the Funding Corporation may appoint additional Bond Dealers, Discount Note Dealers and Designated Dealers and either the Funding Corporation or a Dealer or a Designated Dealer may terminate such appointment.

Dealers may be paid underwriting concessions in connection with the distribution of Bonds and Discount Notes and Designated Dealers may be paid selling concessions in connection with the distribution of Discount Notes. Dealers purchasing certain Bonds from the Funding Corporation may offer a selling concession to other Dealers or to securities dealers that are not members of a Funding Corporation selling group in connection with the sale of such Bonds, subject to certain requirements. Discount Note Dealers may pay a selling concession to Designated Dealers. Dealers and Designated Dealers may share their underwriting or selling concession, as applicable, with their affiliates, subject to certain requirements.

In connection with any particular issue of Securities, one or more of the Banks may enter into interest rate swaps or other hedging transactions with, or arranged by, a Dealer or Designated Dealer participating in the issuance, an affiliate of such Dealer or Designated Dealer or an unrelated third party. The Dealer, Designated Dealer or other party may receive compensation, trading gain or other benefits in connection with such hedging transactions. Such interest rate swaps or other hedging transactions may reference the Securities, other obligations of the Banks or obligations of other issuers.

The Securities may be sold directly by the Funding Corporation to investors and no concessions will be payable on these direct sales. See “Plan of Distribution.”

The Securities will not be listed on any securities exchange and there can be no assurance that the Securities described in this Offering Circular will be sold or that there will be a secondary market for the Securities. See “Certain Investment Considerations.” The Funding Corporation reserves the right to withdraw, cancel or modify any offer made pursuant hereto without notice.

Capitalized terms used in this Offering Circular are defined in the Glossary.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**This Offering Circular relates only to the Securities and not to any other securities of the Banks which have been or will be issued on behalf of the Banks pursuant to a different disclosure document, including, but not limited to, those securities issued under the Banks' Global Debt Program or those that have been issued under the Bonds and Discount Notes Offering Circular dated January 22, 1996 or the Medium-Term Notes Offering Circular dated July 19, 1993. The Funding Corporation, as agent for the Banks, will no longer offer Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes on or after the date of this Offering Circular.**

**No person is authorized to give any information or to make any representation not contained in this Offering Circular (and any supplements hereto), the Incorporated Information (as defined below) and, if applicable, the Offering Announcement or the Term Sheet with respect to a particular issue of Securities, and, if given or made, such information or representation must not be relied on as having been authorized by the Funding Corporation, the Banks, the Dealers or the Designated Dealers. This Offering Circular does not constitute an offer to sell or a solicitation of any offer to buy any securities other than the Securities described herein or any offer to sell or a solicitation of an offer to buy the Securities in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer. Neither the delivery of this Offering Circular, the Incorporated Information, the Offering Announcement or the Term Sheet, nor any sale hereunder, shall under any circumstances create any implication that the information herein or therein is correct as of any time subsequent to the respective dates hereof or thereof.**

**The Securities may not be suitable investments for all investors, and the Securities are intended for purchase only by investors capable of understanding the risks involved in such an investment. No investor should purchase any of the Securities unless such investor understands and is able to bear the price, yield, market, liquidity, structure, redemption and other risks associated with that Security. Investors should consult their own financial and legal advisors about the risks arising from an investment in a particular issue of Securities, the appropriate tools to analyze that investment, and the suitability of that investment in each investor's particular circumstances. See "Certain Investments Considerations" beginning on page 13 for a discussion of certain risks that should be considered in connection with an investment in the Securities. However, neither this Offering Circular nor any applicable Offering Announcement or Term Sheet describes all of the risks of any investment in the Securities, including, but not limited to, Bonds with principal or interest determined by reference to one or more interest rate indices, currencies, other indices or formulae, Bonds that include redemption features, caps, floors or other rights or options or an investment in the Securities (which are all U.S. dollar denominated) where the investor's principal currency is other than the U.S. dollar. The Funding Corporation and the Banks disclaim any responsibility to advise investors of those risks as they exist at the date of the Offering Circular or any related Offering Announcement or Term Sheet or as they may change from time to time.**

**Additional Bonds may be issued and sold as part of an existing issue of Bonds. Certain Bonds may be subject to redemption in whole or in part prior to maturity and may be eligible for separation into Interest Components and Principal Components. Any secondary market for particular issues of Bonds may be adversely affected by such additional issuance, the full or partial redemption of that issue of Bonds or the separation of Bonds into Interest Components and Principal Components.**

**Consequently, investors may not be able to sell their Bonds readily or at prices that will enable them to realize their desired return.**

**In connection with the offering of any issue of Bonds, Dealers may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

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This Offering Circular applies only to Bonds and Discount Notes issued pursuant to Offering Announcements or Term Sheets dated on or after the date hereof. This Offering Circular will be updated through supplements from time to time as determined by the Funding Corporation.

### DOCUMENTS INCORPORATED BY REFERENCE AND AVAILABLE INFORMATION

#### Documents Incorporated by Reference

Important information regarding the Banks and the System, including combined financial information, is contained in disclosure information made available by the Funding Corporation. This information consists of the most recent Farm Credit System Annual Information Statement and the most recent Farm Credit System Quarterly Information Statement issued after the Annual Information Statement (collectively, “Information Statements”) and certain press releases, if any, that relate to financial results or to other developments affecting the System issued by the Funding Corporation since the publication of the most recent Information Statement (the “Press Releases”). The Information Statements, other than the section entitled “Description of Debt Securities,” and the Press Releases are incorporated by reference into this Offering Circular and the information therein is considered to be part of this Offering Circular (such information is referred to herein as the “Incorporated Information”). **This Offering Circular should be read in conjunction with the Incorporated Information.** Investors should rely only on the information incorporated by reference or provided in this Offering Circular, any supplement to this Offering Circular, and the applicable Offering Announcement or Term Sheet for a particular issue of Securities. The Funding Corporation has not authorized anyone else to provide investors with different information.

#### Available Information

Neither the Funding Corporation nor the Banks file reports or other information with the United States Securities and Exchange Commission.

Copies of the Information Statements, Press Releases, the Farm Credit System Annual Report to Investors for the current and two preceding fiscal years and a current list of the Dealers and Designated Dealers are available without charge by writing or telephoning the Federal Farm Credit Banks Funding Corporation, Financial Management Division, at 10 Exchange Place, Suite 1401, Jersey City, New Jersey 07302; Telephone: (201) 200-8000. These documents are also available from the Dealers. In addition, the Funding Corporation maintains a Web site that contains the Information Statements, the Press Releases, this Offering Circular, any supplements to this Offering Circular and a current listing of the Dealers and Designated Dealers. Term Sheets related to particular issuances of Bonds are available on the Funding Corporation's Web site on or after the applicable Settlement Date. The Internet address of the Funding Corporation's Web site is <http://www.farmcredit-ffcb.com>.

Neither the Banks nor the Funding Corporation, as agent for the Banks, is making an offer of these Securities in any state where such an offer is not permitted. Investors should not assume that the information in this Offering Circular, any supplement to this Offering Circular, the Information Statements, the Press Releases, any Offering Announcement or Term Sheet is accurate as of any date other than the respective dates on the front cover of those documents.

## SUMMARY

*This Summary highlights selected information from this Offering Circular and may not contain all of the information that is important to an investor. For a more complete description of the Securities, each investor should read carefully this entire Offering Circular and the documents referred to in "Documents Incorporated by Reference and Available Information," together with the applicable Offering Announcement or Term Sheet. Page references are included parenthetically to direct investors to a more complete discussion of the topics in this Summary.*

**ISSUERS** (p. 16) ..... The Banks are instrumentalities of the United States, federally chartered under the Act and are subject to supervision, examination and regulation by the FCA. The System is a nationwide network of lending institutions and affiliated service and other entities which lends money and provides related credit and other services to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, certain farm-related businesses, agricultural and aquatic cooperatives (or to other entities for the benefit of such cooperatives), rural utilities, and to certain foreign or domestic entities in connection with international agricultural credit transactions.

### FUNDING

**CORPORATION** (p. 1) ..... The Funding Corporation is a corporation established under the laws of the United States and acts as agent for the Banks in the issuance of debt securities and related matters.

**ISSUE** (p. 17) ..... The Bonds and the Discount Notes (collectively, the "Securities"). The terms and conditions set forth in this Offering Circular apply generally to the Securities. The Offering Announcement or Term Sheet for each issue of Securities will contain the specific information and the final terms and conditions for that Security. In the case of any discrepancy between the terms and conditions of a Security as described in this Offering Circular and the terms and conditions of a particular Security as described in the applicable Offering Announcement or Term Sheet, the terms and conditions as described in the Offering Announcement or Term Sheet will take precedence. If a particular Bond is described in both an Offering Announcement and a Term Sheet, the terms and conditions as described in the Term Sheet will take precedence in the event of any discrepancy.

*Bonds* will be offered by the Funding Corporation through all the Dealers in a selling group process or through a single Dealer or a limited number of Dealers through syndication, negotiation or a competitive bidding process. Bonds may be offered with fixed rates of interest, with floating rates of interest or at a discount from the amount to be paid at maturity with no periodic payments of interest. The specific terms and conditions of an issue of Bonds will be set forth in an Offering Announcement and/or in a Term Sheet.

*Discount Notes* will generally be offered each Business Day by the Funding Corporation. Discount Notes will be offered at a discount from the amount to be paid at maturity with no periodic payments of interest. The specific terms and conditions of an issue of Discount Notes will be set forth in an Offering Announcement.

The Funding Corporation may discontinue offering Bonds and Discount Notes at any time in its discretion.

**Amount** ..... The current maximum aggregate principal and/or par amount of the Securities that the Banks may have outstanding at any one time is:

Type of Security	Authorized Maximum Amount Outstanding
Bonds	No maximum
Discount Notes	\$25 billion

The maximum aggregate amounts of Bonds and Discount Notes outstanding are subject to change from time to time by the Funding Corporation, subject to the approval of the FCA.

**Reopenings** ..... Additional Bonds may be issued and sold as part of an existing issue of Securities.

**Paying Agent** ..... Federal Reserve Banks.

**Form of Securities** ..... The Securities will be issued, maintained and transferred on the book-entry system of the Federal Reserve Banks. The Securities may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts the Securities have been deposited are referred to in this Offering Circular as “Participants.”

**Denominations** ..... The Securities will have the following minimum denominations:

Type of Security	Minimum Denomination/Multiples
Fixed-Rate Bonds and Zero-Coupon Bonds	\$5,000/\$1,000
Floating-Rate Bonds and Fixed-Rate Bonds with structured feature(s)	\$100,000/\$1,000
Discount Notes	\$5,000/\$1,000

**Issue Price** ..... The Securities may be issued at par, at a premium to par or at a discount to par as set forth in the applicable Offering Announcement or Term Sheet.

**Settlement** ..... The Securities will be available in book-entry form on the Fed Book-Entry System on the Settlement Date. The Securities will be delivered against payment in Immediately Available Funds and will be effective only upon the Funding Corporation’s receipt of the funds.

**Interest Rate** ..... The rates of interest payable on the Securities will be as follows:

Type of Security	Interest Rate
Bonds	Fixed or Floating Rate or discounted from the amount to be paid at maturity
Discount Notes	Discounted from the amount to be paid at maturity

The rate of interest will be specified in the applicable Offering Announcement or Term Sheet. The interest rate for Floating-Rate Bonds may be based on one or more of the following Reference Rates as described in the Reference Rates Supplement, which is attached to and a part of this Offering Circular:

- the Designated Maturity rate for U.S. Treasury Notes of specified maturity (“Treasury Rate”);
- the London Interbank Offered Rate (“LIBOR”);
- the Federal Funds effective rate (“Federal Funds Effective Rate”);
- the U.S. Treasury Bill rate (“T-Bill Rate”); and
- the prevailing commercial banking industry prime loan rate (“Prime Rate”).

The applicable Offering Announcement or Term Sheet will indicate the Reference Rate(s) and any Spread. In addition, a Floating-Rate Bond may have a maximum and/or minimum interest rate limitation. Other rates, indices or formulas may be used as described in the applicable Offering Announcement or Term Sheet.

**Interest Payments** ..... Payments of interest on the Securities will be made as follows:

**Bonds** — In arrears on the dates specified in the applicable Offering Announcement or Term Sheet and/or on the Maturity Date. No periodic payments of interest will be made on Zero-Coupon Bonds.

Interest on Fixed-Rate Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on Floating-Rate Bonds will be computed using the day-count convention specified in this Offering Circular or in the applicable Offering Announcement or Term Sheet.

**Discount Notes** — No periodic payments of interest; a discount from the par amount to be paid at maturity will be computed based on the actual number of days from the Issue Date to the Maturity Date based on a 360-day year.

**Principal Payments** . . . . . The outstanding principal amount of each Bond, together with interest accrued and unpaid thereon, and the par amount of each Discount Note will be payable as follows:

Type of Security	Principal/Par Payment
Bonds	Maturity Date or Redemption Date*
Discount Notes	Maturity Date

\* May be subject to full or partial redemption at the option of the Banks.

**Maturities** . . . . . The Securities will have the following Maturity Dates:

Type of Security	Maturity Dates
Bonds	3 months to 30 years*
Discount Notes	1 to 365 days

\* Unless otherwise agreed to by the Funding Corporation and the relevant Dealer.

**Redemption** . . . . . Bonds may be subject to redemption in whole or in part at the option of the Banks prior to maturity if so designated in the applicable Offering Announcement or Term Sheet. Discount Notes are not subject to redemption prior to maturity.

**No Acceleration Rights** . . . . . The Securities are not subject to acceleration prior to maturity upon the occurrence of any default or other similar event.

**Stripped Bonds** . . . . . Certain Bonds may be eligible for separation into Interest Components and Principal Components.

**MODIFICATIONS AND AMENDMENTS** (p. 25) . . . . . The Funding Corporation may modify, amend or supplement certain terms of the Securities under certain circumstances without the consent of any Participant or beneficial owner and under certain circumstances with the written consent of Participants.

**STATUS AND PRIORITY OF THE SECURITIES** (p. 17) . . . . . The Securities will be issued pursuant to authorizing resolutions adopted by the board of directors of each Bank and under the authority of the Act and the Regulations of the FCA. Pursuant to the Act, the Securities are the joint and several obligations of the Banks. Pursuant to the Regulations, the Securities, as general unsecured obligations, rank equally with each other and other unsecured debt securities on which the Banks are jointly and severally liable. **The Securities are not obligations of and are not guaranteed by the United**

**States or any Federal agency or instrumentality, other than the Banks.**

**CERTAIN INVESTMENT**

**CONSIDERATIONS (p. 13) . . . . .** The Securities will not be listed on any securities exchange and there may not be an active secondary trading market for particular issues of Securities. Each Dealer and Designated Dealer has agreed to use reasonable efforts to facilitate secondary market transactions in the particular issue of Securities that it distributes. The Dealers and Designated Dealers are not obligated to make a market in the Securities and may discontinue any market-making at any time without notice. There can be no assurance that the Securities will have secondary market liquidity.

There are other risks with respect to an investment in the Securities. Prospective investors should carefully review “Certain Investment Considerations” discussed in this Offering Circular and should consult their own financial and legal advisors about the risks associated with an investment in a particular issue of Securities and the suitability of investing in the Securities in light of their particular circumstances.

**GOVERNING LAW (p. 27) . . . . .** The Securities are governed by and construed in accordance with the Federal laws of the United States of America and, to the extent of the absence of controlling Federal law, in accordance with the laws of the State of New York, without giving effect to its principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of the laws of another jurisdiction, unless otherwise provided under the terms and conditions of a particular issue of Securities.

**TAX STATUS (p. 28) . . . . .** Interest on the Securities is not exempt from United States Federal income taxation, but the Securities and interest thereon are generally exempt from state, local and municipal income taxation in the United States. The exemption from state, local and municipal income taxation may not apply to nondiscriminatory franchise taxes or other non-property taxes in lieu thereof imposed on corporations. Payments on Securities owned by non-United States Owners will not be subject to U.S. withholding tax provided certain certification and documentation requirements described under “Certain Tax Considerations — Non-United States Owners” are satisfied. If any withholding or other tax is imposed by any jurisdiction, the Banks have no obligation to pay additional interest or other amounts in consequence thereof.

**PLAN OF**

**DISTRIBUTION (p. 38) . . . . .** The Securities will be offered and sold from time to time by the Funding Corporation through the Dealers. Bonds may be offered for sale through all Dealers in a selling group process or through a single Dealer or a limited group of Dealers

through syndication, negotiation or a competitive bidding process. Discount Notes will be offered for sale through a limited group of Discount Note Dealers. In addition, Designated Dealers may be appointed by the Funding Corporation to participate through Discount Note Dealers in the distribution of Discount Notes. From time to time, the Funding Corporation may appoint additional Bond Dealers, Discount Note Dealers and Designated Dealers and either the Funding Corporation or a Dealer or a Designated Dealer may terminate such appointment. The Dealers act as principal, whether individually or in a syndicate, unless designated by the Funding Corporation to act as agent.

The underwriting concession payable to Dealers and the selling concession payable to Designated Dealers, if any, which vary depending on the type of Securities being sold and other factors, are determined in accordance with the respective Selling Group Agreements and Designated Selling Group Agreements entered into by the Funding Corporation and each Dealer and Designated Dealer. Dealers purchasing certain Bonds from the Funding Corporation may offer a selling concession to other Dealers or to securities dealers that are not members of a Funding Corporation selling group in connection with the sale of such Bonds, subject to certain requirements. Discount Note Dealers may pay a selling concession to Designated Dealers. Dealers and Designated Dealers may share their underwriting or selling concession, as applicable, with their affiliates, subject to certain requirements. The Securities may also be sold directly to investors by the Funding Corporation and no concession will be payable on these direct sales.

Each Dealer and Designated Dealer must determine the application of and comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular, or any part thereof including any Offering Announcement or Term Sheet, or any such other material.

## CERTAIN INVESTMENT CONSIDERATIONS

*The following does not describe all the risks and other ramifications of an investment in the Securities. Prospective investors should consult their own financial and legal advisors about risks associated with investing in a particular issue of Securities, should utilize the appropriate tools to analyze that investment and should assess the suitability of investing in the Securities in light of their particular circumstances. The Securities may not be suitable investments for certain investors. Risks to investors associated with the purchase of the Securities are, in general, similar to those associated with owning other comparable debt securities.*

### **Credit Risk**

The Banks' financial condition may be affected by factors affecting the agricultural economy, since these factors impact the demand for the financial services offered by the Banks and the ability of the Banks' customers to make payments on loans and leases and the demand for other services offered by the Banks. These factors include but are not limited to:

- changes in government programs;
- weather-related conditions which periodically occur that impact agricultural productivity and income; and
- the relationship of demand relative to supply of American agricultural commodities.

The Banks can also be affected by major international events, such as a downturn in the world economy, which can affect such things as the price of commodities or products used or sold by System borrowers.

In addition to the credit risk related to the aggregate creditworthiness of the Banks, the market value of the Securities will be affected by a number of risks that are independent of the creditworthiness of the Banks. See the Incorporated Information regarding the creditworthiness of the Banks.

### **Structure Risks**

Interest rate risks include risk arising from changes in market rates of interest, spread risk arising from changes in the relationship of market yields for the Securities relative to U.S. Treasury issues of similar maturities, and basis risk arising from changes in the relationships of other indices utilized to originally price, or to reprice, the Securities. In particular, an investment in an issue of the Securities with interest payments determined by reference to one or more interest rates or other indices, either directly or inversely, may entail significant risks not associated with an investment in a conventional fixed or floating rate debt security. Changes in an applicable index may not correlate with changes in interest rates generally or with changes in other indices. Two or more Reference Rates or formulas that may be expected to move in tandem or in any other relation to each other may unexpectedly converge or diverge or otherwise not move as expected. Furthermore, Securities with more complex formulas or other terms may have more volatile performance results. These risks include but are not limited to:

- the possibility that Reference Rates or indices may be subject to significant changes;
- the resulting interest rate will be less than that payable on a comparable conventional fixed or floating rate debt security issued by the Banks at the same time;

- no interest will be payable; or
- the repayment of principal can occur at times other than that expected by the investor.

These risks depend on a number of factors, including financial, economic and political events, over which the Banks have no control. In addition, if the formula used to determine the amount of interest payable with respect to an issue of Securities contains a multiple or leverage factor, the effect of any change in a Reference Rate may be magnified. Certain Reference Rates and other indices may be highly volatile. Fluctuations in any particular Reference Rate or other index that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

Any redemption (call) feature of an issue of the Securities will affect the market value of the Securities. Since the Banks may be expected to redeem the Securities when prevailing offering rates are lower than the interest rates of certain Securities, an investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities.

If an applicable Reference Rate or index includes or is subject to a maximum (cap) or minimum (floor) interest rate limitation, the interest or principal payable on the Security may be less than that payable on a conventional debt security issued by the Banks at the same time. Two issues of Securities issued at the same time and with interest rates determined by reference to the same applicable Reference Rate or index and otherwise comparable terms and conditions may have different interest rates and yields when issued or thereafter if the frequency of each issue's interest rate adjustments is different.

Investors in certain Securities should have knowledge of and access to appropriate analytical tools to analyze quantitatively the effect (or value) of any redemption, cap or floor, or certain other features of the Securities, and the resulting impact on the value of the Securities.

In order to hedge their exposure to certain of the foregoing risks in connection with any particular issue of Securities, one or more of the Banks may enter into interest rate swaps or other hedging transactions with, or arranged by, a Dealer or Designated Dealer participating in the issuance, an affiliate of such Dealer or Designated Dealer or an unrelated third party. The Dealer, Designated Dealer or other party may receive compensation, trading gain or other benefits in connection with such hedging transactions. Such interest rate swaps or other hedging transactions may reference the Securities, other obligations of the Banks or obligations of other issuers.

### **Secondary Market Risks**

The Securities will not be listed on any securities exchange. Generally, there is an active secondary market for Discount Notes and certain Bonds. However, other Bonds may not have an established trading market upon issuance. Each Dealer and Designated Dealer has agreed to use reasonable efforts to facilitate secondary market transactions in the Securities. Although the Dealers and Designated Dealers may make a market in the Securities, they are not obligated to do so and may discontinue any market-making at any time without notice. The Dealers and Designated Dealers have agreed to advise the Funding Corporation promptly of any material development known to them in the secondary market for the Securities. The Dealers and Designated Dealers have also agreed to advise the Funding Corporation promptly of their decision to withdraw from secondary market-making in the Securities. There can be no assurance that the Securities will have secondary market liquidity.

The secondary market for the Securities will be affected by a number of factors independent of the creditworthiness of the Banks and the level of any applicable index or indices, which may include:

- the complexity and volatility of Reference Rates or indices;
- the method of calculating the principal or any interest to be paid on the Securities;

- the time remaining to the maturity of the Securities;
- the outstanding amount of the Securities;
- any redemption feature of the Securities;
- the amount of other Securities linked to the index or indices; or
- the level, direction and volatility of market interest rates generally.

These factors also will affect the market value of the Securities. In addition, certain Securities may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities. Investors may not be able to sell the Securities readily or at prices that will enable investors to realize their anticipated yield. No investor should purchase the Securities unless the investor understands and is able to bear the risk that certain Securities may not be readily saleable, that the value of the Securities may fluctuate over time and that the fluctuations may be significant.

The prices of structured securities and Zero-Coupon Bonds, as well as other instruments issued at a substantial discount from their principal amount payable at maturity, generally tend to fluctuate in the secondary markets more in relation to general changes in interest rates than do such prices for conventional interest-bearing securities of comparable maturities.

### **Legality of Investment**

Each investor should consult its own legal advisors in determining whether and to what extent the Securities constitute legal investments for that investor and whether and to what extent the Securities can be used as collateral for various types of borrowings. In addition, financial institutions should consult their legal advisors or regulators in determining the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

Investors whose investment activities are subject to legal investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities, which may include some or all of the Securities. Investors should review and consider those restrictions prior to investing in the Securities. In addition, any investor that is subject to the regulatory jurisdiction of any government agency should review and consider the applicability of rules, guidelines, regulations and policy statements adopted by its regulators prior to purchasing or pledging the Securities.

### **Suitability**

Investors in any particular issue of Securities should have sufficient knowledge and experience in financial and business matters to evaluate the Securities, the merits and risks of investing in the Securities and the information contained and incorporated by reference in the Offering Circular, any Offering Announcement or Term Sheet or any supplement or amendment to this Offering Circular. In addition, investors should have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's financial situation, the Securities, the merits and risks of investing in the Securities and the impact the Securities will have on their overall investment portfolio. Not every Security is suitable for every investor. No investor should purchase a Security unless the investor understands and has sufficient financial resources to bear the price, yield, market, liquidity, structure, redemption and other risks associated with the Security. Investors also should not purchase any Security without sufficient experience, financial resources and liquidity, relative to the potential risks, to manage their investments, including their investment in the Security. Before purchasing any Security, investors should understand thoroughly the terms and conditions of the Security, be familiar with the behavior of the relevant financial markets, and consider (possibly with the assistance of a

financial advisor) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the associated risks under a variety of such scenarios. Investors also should consider any legal restrictions that may apply to their investments in the Securities. See “Certain Investment Considerations — Legality of Investment.”

Certain Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex Securities as stand-alone investments, but rather as a means of reducing risk or enhancing yield with an understood, measured, appropriate addition of risk to their overall portfolio. Investors in the Securities should possess the expertise, either alone or with a financial advisor, to evaluate the manner in which the Securities will perform under changing conditions, the resulting effects on their value, and the impact any investment in the Securities will have on the investor’s overall investment portfolio.

### **THE FARM CREDIT SYSTEM**

The System is a nationwide network of lending institutions and affiliated service and other entities. Through its Banks and related associations, the System lends money and provides related credit and other services to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, certain farm-related businesses, agricultural and aquatic cooperatives (or to other entities for the benefit of such cooperatives), rural utilities, and to certain foreign or domestic entities in connection with international agricultural credit transactions. The Banks and related associations are not commonly owned or controlled. They are cooperatively owned, directly or indirectly, by their respective borrowers. System institutions are federally chartered under the Act and are subject to supervision, examination and regulation by an independent Federal agency, the FCA.

The summaries in this Offering Circular of certain provisions of the Act, the Regulations and the Securities do not purport to be complete and are qualified in their entirety by reference to the provisions of the Act and the Regulations.

Unlike commercial banks and other financial institutions that lend both to the agricultural sector and to other sectors of the economy, under the Act, System institutions are restricted solely to making loans and providing financially-related services to qualified borrowers in the agricultural sector and to certain related entities. Moreover, the System is required to make credit available in all areas of the nation. In order to fulfill its broad statutory mandate, the System maintains lending units in all 50 states and the Commonwealth of Puerto Rico.

The System, unlike commercial banks and other depository institutions, obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities, including the Securities. Each Bank determines its participation in each issuance of Systemwide Debt Securities based on its funding and operating requirements, subject to:

- the availability of eligible collateral (as described below);
- compliance with conditions of participation as prescribed in an agreement among the Banks and the Funding Corporation;
- determinations by the Funding Corporation as to amounts, maturities, rates of interest and terms of each issuance; and
- FCA approval.

## SYSTEMWIDE DEBT SECURITIES

### General

Systemwide Debt Securities, including the Securities, will be issued by the Banks through the Funding Corporation pursuant to authorizing resolutions adopted by the Board of Directors of each Bank and under the authority of the Act and the Regulations. Pursuant to the Act, the Banks are jointly and severally liable on the Securities and all other Systemwide Debt Securities. Pursuant to the Regulations, the Securities, as unsecured debt obligations, rank equally with each other and with other unsecured Systemwide Debt Securities, including Global Debt Securities.

The Securities are not subject to acceleration prior to maturity upon the occurrence of any default or similar event. Certain Securities may be subject to full or partial redemption prior to maturity as discussed below. The Securities will not be issued under an indenture and no trustee is provided with respect to the Securities.

The Funding Corporation and the Banks may at any time, and from time to time, purchase Securities at any price or prices in the open market or otherwise. These Securities may be held, resold or canceled by the Funding Corporation.

The outstanding principal amount of any issue of Bonds may be increased from time to time without the consent of any Participant or beneficial owner of the Bonds by issuing additional Bonds with the same terms and conditions (other than the Issue Price, the Issue Date and the Settlement Date, which will vary). Bonds may be reopened one or more times following the Issue Date at any time there is a requisite investor demand and the reopening is consistent with the Banks' funding needs. The evaluation of these criteria and, consequently, the decision whether to reopen an issue of Bonds will be at the sole discretion of the Funding Corporation. There is no assurance that any issue of Bonds will be reopened, or, if reopened, in what additional principal amounts.

**The Securities are not obligations of and are not guaranteed by the United States or any Federal agency or instrumentality, other than the Banks.**

### Insurance Fund

As more fully described in the Information Statements, payment of principal of and interest on Systemwide Debt Securities is insured by the Insurance Corporation to the extent provided in the Act. The Insurance Corporation maintains the Insurance Fund for this purpose and for other purposes specified in the Act. In the event of a default by a Bank on an insured debt obligation (as defined in the Act) for which that Bank is primarily liable, the Insurance Corporation must expend amounts in the Insurance Fund to the extent necessary to insure the timely payment of principal of and interest on such debt obligation, and the provisions of the Act providing for joint and several liability of the Banks on such debt obligation cannot be invoked until the amounts in the Insurance Fund have been exhausted. However, because of the other mandatory and permissive uses of the Insurance Fund specified in the Act, there is no assurance that any available amount in the Insurance Fund will be sufficient to fund the timely payment of principal of or interest on insured debt obligations in the event of a default by a Bank having the primary liability thereon.

**The insurance provided through use of the Insurance Fund is not an obligation of and is not a guarantee by the United States or any Federal agency or instrumentality, other than the Insurance Corporation.**

### Joint and Several Liability

Subject to the insurance provisions discussed above, in the event a Bank having primary liability for a Systemwide Debt Security is unable to meet this liability, the FCA is required under the Act to

make calls to satisfy the liability first on all non-defaulting Banks in the proportion that each such Bank's "available collateral" ("available collateral" is collateral in excess of the aggregate of the Bank's collateralized obligations) bears to the aggregate available collateral of all such Banks. If these calls do not satisfy the liability, then a further call would be made in proportion to each such Bank's remaining assets. On making such a call on non-defaulting Banks with respect to a Systemwide Debt Security issued on behalf of a defaulting Bank, the FCA is required to appoint the Insurance Corporation as the receiver for such defaulting Bank, which receiver is to expeditiously liquidate the Bank.

### **Collateral**

The Act and the Regulations require, as a condition of a Bank's participation in the issuance of Systemwide Debt Securities, that the Bank maintain, free of any lien or other pledge, specified eligible assets (referred to in the Act as "collateral") at least equal in value to the total amount of outstanding debt securities of the Bank that are subject to the collateral requirement. This requirement applies to all Systemwide Debt Securities for which the Bank is primarily liable and investment bonds or other debt securities which the Bank has issued individually. This collateral is required to consist of notes and other obligations representing loans or real or personal property acquired in connection with loans made under the authority of the Act (valued in accordance with the Regulations and FCA directives), obligations of the United States or any agency thereof direct or fully guaranteed, other FCA-approved Bank assets, including marketable securities, or cash. The collateral requirement does not provide holders of Systemwide Debt Securities with a security interest in any assets of the Banks. The Banks may in the future issue Systemwide Debt Securities that are secured by specific assets. While the collateral requirement limits the circumstances under which Systemwide Debt Securities may be issued by the Banks, as described above, unless specifically provided under the terms of a particular issue, Systemwide Debt Securities will not impose any additional limit on other indebtedness or securities that may be incurred or issued by the Banks and will contain no financial or similar restrictions on the Banks.

### **Status in Liquidation**

The Regulations provide that in the event a Bank is placed in liquidation, holders of Systemwide Debt Securities have claims against the Bank's assets whether or not the holders file individual claims. Under the Regulations, the claims of the holders are junior to claims relating to costs incurred by the receiver in connection with the administration of the receivership, claims for taxes, claims of secured creditors and claims of holders of bonds, including investment bonds, issued by the Bank individually, to the extent such bonds are collateralized in accordance with the requirements of the Act. The Regulations further provide that claims of holders of Systemwide Debt Securities are senior to all claims of general creditors. If particular Systemwide Debt Securities were offered on a secured basis, the holders of these obligations would, under the Regulations, have the priority accorded secured creditors of the liquidating Bank. To date, the Banks have not issued secured Systemwide Debt Securities.

## TERMS AND CONDITIONS OF THE SECURITIES

*References in these Terms and Conditions to terms and conditions specified for a particular issue of Securities include references to terms and conditions specified in the applicable Offering Announcement or Term Sheet issued with respect to such issue of Securities.*

### **General**

The following terms and conditions apply generally to the Securities. The Offering Announcement or Term Sheet for each issue of Securities will contain the specific information related to that Security and may contain additional or different terms and conditions for that Security. It is important to consider the information in this Offering Circular and the applicable Offering Announcement or Term Sheet in making an investment decision. In the case of any discrepancy between the terms and conditions of a particular Security as described in this Offering Circular and the terms and conditions of the Security as described in the applicable Offering Announcement or Term Sheet, the terms and conditions as described in the Offering Announcement or Term Sheet will take precedence. If a particular Bond is described in both an Offering Announcement and a Term Sheet, the terms and conditions as described in the Term Sheet will take precedence in the event of any discrepancy. Offering Announcements and/or Term Sheets will be issued for Bonds; Offering Announcements will be issued for Discount Notes. The Offering Announcement will appear on a nationally recognized financial information service (such as Bloomberg and/or Telerate). The Term Sheet will be sent to the investor by the Dealer through which the Bond was purchased or by the Funding Corporation in the case of a Security sold directly by it.

### **Bonds**

Bonds will be issued from time to time with Maturity Dates of not less than three months nor more than 30 years from the Issue Date, unless otherwise specified by the Funding Corporation. Currently, there is no fixed maximum aggregate principal amount of Bonds the Banks may have outstanding at any one time. A limitation on the amount outstanding may be imposed by the Funding Corporation at any time and is subject to the approval of the FCA. The types of Bonds which may be offered are:

- *Fixed-Rate Bonds*
- *Floating-Rate Bonds*
- *Zero-Coupon Bonds*

In addition, the Funding Corporation may from time to time offer other types of Bonds which will be described in supplements to this Offering Circular or in an Offering Announcement or Term Sheet.

### ***Form and Denomination***

Bonds will be issued, maintained and transferred on the Fed Book-Entry System, as described below under “Book-Entry System.” The Bonds will be issued, maintained and transferred only in the following minimum denominations:

- *Fixed-Rate Bonds and Zero-Coupon Bonds* — minimum denominations of \$5,000 and integrals of \$1,000 in excess thereof.
- *Floating-Rate Bonds and Fixed-Rate Bonds with structured feature(s)* (as determined by the Funding Corporation) — minimum denominations of \$100,000 and integrals of \$1,000 in excess thereof.

### *Settlement*

Settlement of the Bonds will occur on the Issue Date or such other date as may be agreed to by the Funding Corporation and the Dealer (*i.e.*, the scheduled Settlement Date). Settlement of the Bonds will be effected by payment of the Issue Price for the Bonds, less the Dealer's underwriting concession, if any. See "Plan of Distribution." The Issue Price of a Bond will be 100% of its principal amount or such other percentage of the principal amount of the Bond as is set forth in the applicable Offering Announcement or Term Sheet. Bonds will be delivered against payment on the Settlement Date in Immediately Available Funds and will be effected only upon the Funding Corporation's receipt of funds. See "Book-Entry System."

### *Payment of Principal and Interest*

*General.* Payment of the principal and interest on the Bonds will be made on the applicable payment dates to Participants of the Bonds as of the close of the Business Day preceding the payment dates by the credit of the payment amount to the Participants' accounts at the Federal Reserve Banks. The Participant and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the accounts of their customers.

In any case in which an Interest Payment Date, a Redemption Date, the Maturity Date or other payment date is not a Business Day, payment of interest or principal, as the case may be, will be made on the next succeeding Business Day and will be treated as if paid on such applicable date.

*Payment of Interest.* Payments of interest will be made on the Interest Payment Date(s) as specified in the applicable Offering Announcement or Term Sheet as follows:

- Generally, interest on Fixed-Rate Bonds with maturities of less than one year will be payable on the Maturity Date of the Bonds. Interest on Fixed-Rate Bonds with maturities of one year or longer generally will be payable semi-annually in arrears on the Interest Payment Dates specified in the Offering Announcement or Term Sheet for the Bonds and on the Maturity Date. These Bonds will bear interest from and including their Issue Date to but excluding their Maturity Date at an annual fixed interest rate as specified in the applicable Offering Announcement or Term Sheet. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.
- Interest on Floating-Rate Bonds will be payable in arrears on the Interest Payment Dates specified in the applicable Offering Announcement or Term Sheet for the Bonds and on the Maturity Date. These Bonds will bear interest from and including their Issue Date to but excluding their Maturity Date based on their Reference Rate or formula as specified in the applicable Offering Announcement or Term Sheet. Interest will be computed as discussed below with respect to each type of Floating-Rate Bond.
- Zero-Coupon Bonds will be sold at a discount from the amount to be paid at maturity with no periodic payments of interest.

Interest payments on the Bonds will include interest accrued from and including the Issue Date or the most recent Interest Payment Date to or for which interest has been paid or duly provided, to but excluding the next succeeding Interest Payment Date.

*Payment of Principal.* The outstanding principal amount of each Bond, together with interest accrued and unpaid thereon, will be paid on the Maturity Date, unless designated as Redeemable Bonds or Optional Principal Redemption Bonds. All of the principal amount of Redeemable Bonds and all or a portion of the principal amount of Optional Principal Redemption Bonds may be paid prior to the Maturity Date at the option of the Banks in accordance with the terms and conditions of the Bonds.

## *Interest Rates*

Bonds may be offered with interest payable at fixed rates of interest (Fixed-Rate Bonds), with interest payable at floating rates (Floating-Rate Bonds) or with no periodic interest payments (Zero-Coupon Bonds). The floating rate of interest will be calculated pursuant to the Reference Rates set forth below unless otherwise agreed to by the Funding Corporation and the Dealer.

*Fixed-Rate Bonds.* The fixed rate of interest will be as specified in the applicable Offering Announcement or Term Sheet. There may be one fixed rate of interest for the life of the Bond or there may be more than one fixed rate of interest, each for a specified period during the life of the Bond, but in no event will there be more than one fixed rate of interest in effect for an Interest Period. Bonds for which there is more than one fixed rate of interest will be designated as “Step Rate Bonds” in the Offering Announcement or Term Sheet relating to the Bonds.

*Floating-Rate Bonds.* The floating rate of interest will be determined by reference to a specified index rate (a Reference Rate) or to an interest rate formula based on one or more of the following Reference Rates, as specified in the applicable Offering Announcement or Term Sheet:

- the Designated Maturity rate for U.S. Treasury Notes of specific maturity (“Treasury Rate”);
- the London Interbank Offered Rate (“LIBOR”);
- the Federal Funds effective rate (“Federal Funds Effective Rate”);
- the U.S. Treasury Bill rate (“T-Bill Rate”); and
- the prevailing commercial banking industry prime loan rate (“Prime Rate”).

A floating rate of interest based on a Reference Rate that is not described in the Reference Rates Supplement which is attached to and a part of this Offering Circular will be described in a supplement to this Offering Circular or in the Offering Announcement or Term Sheet relating to that Bond.

The applicable Offering Announcement or Term Sheet will also indicate any Spread. In addition, Floating-Rate Bonds may have a maximum and/or minimum rate of interest which may accrue and be payable for the relevant Interest Period(s).

*Adjustments.* Any adjustment to the rate of interest on a Floating-Rate Bond on a Reset Date will be effective as of that Reset Date to but excluding the next Reset Date. Amounts to be paid on an Interest Payment Date, a Redemption Date or the Maturity Date will be calculated on the Calculation Date.

*Accrued Interest Calculation.* The accrued interest for all Floating-Rate Bonds will be calculated by multiplying the principal amount of the Bond by an accrued interest factor.

An Actual/Actual day count convention will be used to calculate the accrued interest factor on any day for Treasury Rate Bonds and for T-Bill Rate Bonds by:

- (1) determining the interest rate applicable to each day on which the Bond has been outstanding during the period from and including the later of the Issue Date or the last date to or for which interest has been paid or duly provided, to but excluding the date as of which the accrued interest factor is being computed;
- (2) calculating for each such day the quotient equal to (A) the interest rate applicable to such day divided by (B) the number of days in the calendar year in which such day falls; and
- (3) determining the sum of the quotients calculated pursuant to clause (2) above.

An Actual/360 day count convention will be used to calculate the accrued interest factor on any day for LIBOR Bonds, Prime Rate Bonds and Federal Funds Effective Rate Bonds by:

- (1) adding the interest rates applicable to each day on which the Bond has been outstanding during the period from and including the later of the Issue Date or the last date to or for which interest has been paid or duly provided, to but excluding the date as of which the accrued interest factor is being computed; and
- (2) dividing the sum by 360.

*Where to Obtain Current Rate of Interest.* Information concerning the current rate of interest on a Floating-Rate Bond and the relevant accrued interest factor is available by calling the Funding Corporation's Finance Division at (201) 200-8000 and may also be available through a nationally recognized financial information service (such as Bloomberg and/or Telerate).

### ***Redemption***

The Bonds will not be subject to redemption prior to maturity, unless designated as Redeemable Bonds or Optional Principal Redemption Bonds.

*Redeemable Bonds* may be redeemed (called), at the Banks' option, by the Funding Corporation, in whole, on any day or days as specified in the applicable Offering Announcement or Term Sheet. The redemption price will be 100% of the principal amount and the redemption payment will be in addition to the interest due on the Redemption Date.

*Optional Principal Redemption Bonds* may be redeemed (called), at the Banks' option, by the Funding Corporation, in whole or in part, on any day or days as specified in the applicable Offering Announcement or Term Sheet. In the event of a partial redemption, the Funding Corporation will redeem a pro rata portion of the then outstanding principal amount. The redemption price will be 100% of the principal amount to be redeemed. The redemption payment, which will be in addition to the interest due on the Redemption Date, will be derived by multiplying:

- (1) the original principal amount by
- (2) the difference between the Current Factor in effect prior to the redemption and the Current Factor in effect following the redemption.

A notice of redemption generally will be published not less than seven Business Days prior to any Redemption Date through at least one nationally recognized financial information service (such as Bloomberg and/or Telerate) which disseminates redemption information with respect to securities ("Notice"). The Funding Corporation will also notify the FRBNY and request that the FRBNY cause the Notice to be broadcast prior to the Redemption Date through its communication system. Failure to give any Notice, or any defect therein, will not affect the validity of the redemption or any proceeding related to the redemption. The Notice will include the Redemption Date, the redemption price and, if any, the Current Factor then in effect and the Current Factor to be in effect immediately following the redemption.

### ***Eligibility for Stripping***

Certain issues of Bonds specified by the Funding Corporation ("Eligible Bonds") will be eligible to be separated (stripped) into their separate Interest Components and Principal Components on the Fed Book-Entry System. The components of an Eligible Bond are (i) each future interest payment due on or prior to the Maturity Date (each an "Interest Component") and (ii) the principal payment (the "Principal Component"). The initial or final interest payment on an Eligible Bond, however, cannot be separated into an Interest Component if the applicable Interest Period is shorter or longer than the other Interest Periods, based on a 360-day year consisting of twelve 30-day months. If the

initial Interest Period is shorter or longer, an Eligible Bond will not be eligible for stripping until after such interest payment is made. If the final Interest Period is shorter or longer, the final interest payment will remain with the Principal Component. Each Interest Component and Principal Component (each a “Component”) will be assigned a CUSIP number.

An issue of Bonds that is capable of being stripped on the Fed Book-Entry System may be specified by the Funding Corporation as eligible to be stripped into Components either at the time of original issuance of the Bonds or at any time thereafter until the Cut-off Date. The Funding Corporation is under no obligation, however, to specify any issue of Bonds as Eligible Bonds.

For an Eligible Bond to be stripped into Components, the principal amount of the portion of the Eligible Bond to be stripped must be an amount that, based on the stated interest rate of the Eligible Bond, will produce an interest payment of \$1,000 or an integral multiple thereof on each Interest Payment Date for the Eligible Bond. The minimum principal amount required to strip an Eligible Bond currently may be obtained by calling the Funding Corporation’s Securities Operations Division at (201) 200-8000. The minimum principal amount required to strip a Bond that is eligible to be stripped upon original issuance generally will be disclosed in the applicable Offering Announcement or Term Sheet.

In some cases, certain Interest Components of two or more issues of Eligible Bonds may be due on the same day. Such Interest Components may have the same or different CUSIP numbers. It currently is expected that most Interest Components due on the same day (regardless of Eligible Bond issue) will have the same CUSIP number. However, the Funding Corporation may specify Interest Components from an issue of Eligible Bonds to receive CUSIP numbers different than the CUSIP numbers of Interest Components due on the same day from one or more other issues of Eligible Bonds. The Funding Corporation also may specify at any time that any or all Interest Components of issues of Eligible Bonds originally issued on or after a specified time will have CUSIP numbers different than Interest Components of issues of Eligible Bonds originally issued prior to such time.

A Participant of an Eligible Bond currently may request that the Eligible Bond be separated into its Components at any time from the date it becomes eligible to be stripped until but not including the Cut-off Date, subject to the long and short Interest Period requirements discussed above. The Participant must make a request for separation to the FRBNY and comply with any requirements and procedures, including payment of applicable fees, if any, of the FRBNY in effect at that time. Any Bond that has been specified as an Eligible Bond may not be stripped any earlier than the Business Day following the Settlement Date, also subject to the long and short Interest Period requirements discussed above.

The Components will be maintained and transferred on the Fed Book-Entry System in integral multiples of \$1,000. Payments on Components will be made in U.S. dollars on the applicable payment dates as of the close of the Business Day preceding such payment dates by credit of the payment amount to the account at the Federal Reserve Bank of the Participants whose names appear on the book-entry records of the Federal Reserve Banks as the entities to whose account such Components have been deposited (“Component Participants”).

If any modification, amendment or supplement of the terms and conditions of an issue of Eligible Bonds requires any consent of Participants, the consent with respect to Eligible Bonds which have been stripped is to be provided by the Component Participants of Principal Components, and Component Participants of Interest Components will have no right to give or withhold such consent; provided, however, that Component Participants of an Interest Component will have the right to give or withhold consent to any such modification, amendment or supplement which would change the due date of the installment of interest relating to that Interest Component or would result in the material

modification of the rate of interest represented by that Interest Component. See “Modification and Amendment.”

Currently, at the request of a Component Participant holding a Principal Component and all applicable unmatured Interest Components and on the Component Participant’s payment of a fee (presently the FRBNY’s fee applicable to on-line book-entry securities transfers), the FRBNY will restore (reconstitute) the Principal Components of a stripped Bond and the applicable unmatured Interest Components (all in appropriate amounts) to the Eligible Bond in fully constituted form. Generally, for purposes of reconstituting an Eligible Bond, the Principal Component of an issue of Eligible Bonds may be combined with either Interest Components of such issue or Interest Components, if any, from other issues of Eligible Bonds that have the same CUSIP numbers as the unmatured Interest Components of such issue. Component Participants wishing to reconstitute Components into an Eligible Bond also must comply with all applicable requirements and procedures of the FRBNY relating to the stripping and reconstitution of securities.

The preceding discussion is based on the Funding Corporation’s understanding of the manner in which the FRBNY currently strips and reconstitutes eligible securities on the Fed Book-Entry System. The FRBNY may cease stripping or reconstituting Eligible Bonds or may change the manner in which this is done or the requirements, procedures or charges therefor at any time without notice to or consent of any Participant of Eligible Bonds.

#### **Discount Notes**

Discount Notes will generally be offered each Business Day by the Funding Corporation. Currently, the maximum aggregate par amount of Discount Notes that the Banks may have outstanding at any one time is \$25 billion, which amount is subject to change by the Funding Corporation at any time, subject to the approval of the FCA. Discount Notes will be issued with Maturity Dates of one to 365 days from the Issue Date. Discount Notes will be offered at a discount from the amount to be paid at maturity with no periodic payments of interest. Discount Notes will not be subject to redemption prior to maturity.

The Maturity Date, Posted Rate and other terms and conditions with respect to a particular issue of Discount Notes will be established by the Funding Corporation. This information will be set forth in the applicable Offering Announcement which will be available through one or more Discount Note Dealers or Designated Dealers.

Discount Notes will be sold on a discounted basis. The Issue Price will be derived from the formula below:

$$\left( 1 - \left( \frac{\text{Number of Days from Settlement Date to Maturity Date} \times \text{Posted Rate}}{360 \text{ days}} \right) \right) \times 100$$

The Posted Rate for each issue of Discount Notes will generally be posted by 9:00 a.m. each Business Day on at least one nationally recognized financial information service (such as Bloomberg and/or Telerate) that disseminates pricing information with respect to discount notes. Currently, it is contemplated the Discount Notes anticipated to be offered for a Trade Date will be posted on Telerate Pages 26244-5, or their successor pages, by the close of business on the Business Day prior to the Trade Date.

### ***Form and Denomination***

Discount Notes will be issued, maintained and transferred on the Fed Book-Entry System, as described below under “Book-Entry System.” Discount Notes will be issued, maintained and transferred in minimum par amounts of \$5,000 and integral multiples of \$1,000 in excess thereof.

### ***Settlement***

Generally, the Issue Date and the Settlement Date of a Discount Note is the Trade Date of the Discount Note. From time to time the Funding Corporation may sell Discount Notes whose Settlement Date may differ from the Trade Date. Discount Notes will be delivered against payment of the Issue Price less the underwriting concession due to the Discount Note Dealer, if any, on the Settlement Date in Immediately Available Funds and will be effected only upon the Funding Corporation’s receipt of funds. See “Plan of Distribution” and “Book-Entry System.”

### ***Payment of Par Amount***

Payment of the par amount on the Discount Notes will be paid on the applicable Maturity Date to Participants of the Discount Notes as of the close of business on the Business Day immediately preceding the Maturity Date by the credit of the payment to the Participants’ accounts at the Federal Reserve Banks. The Participant and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the accounts of their customers.

In any case in which the Maturity Date is not a Business Day, payment of the par amount will be made on the next succeeding Business Day and will be treated as if paid on such applicable date.

### **Calculations**

Unless noted otherwise, for purposes of any calculations referred to in this Offering Circular and any applicable Offering Announcement or Term Sheet:

- all percentages resulting from any calculations will be rounded, if necessary, to the nearest one hundredth-thousandth of a percentage point (*e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655)); and
- all U.S. dollar amounts used in or resulting from any calculations will be rounded to the nearest cent (with one-half cent being rounded up).

## **MODIFICATIONS AND AMENDMENTS**

The Funding Corporation may from time to time, and at any time, modify, amend or supplement the terms and conditions of any issue of Securities in a supplement to this Offering Circular, in the applicable Offering Announcement or Term Sheet, through a notice broadcasted over the FRBNY communication system or a nationally recognized financial news service, or may direct a Dealer or a Designated Dealer to modify, amend or supplement these documents, without the consent of any Participant or beneficial owner of any Security:

- for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision in the terms and conditions of the Securities as described in this Offering Circular or any supplement to this Offering Circular, the applicable Offering Announcement or Term Sheet;
- for the purpose of conforming the terms and conditions of a Security to, or curing any ambiguity or discrepancy resulting from any changes in, the laws and regulations applicable to the Securities or the Fiscal Agency Agreement;

- for the purpose of increasing the principal amount of such issue of Securities; or
- in any manner the Funding Corporation may determine and that will not adversely affect in any material respect the interests of the Participants or beneficial owners of the Securities at the time of such modification, amendment or supplement.

In addition, with the written consent of the Participants of at least a majority of the then aggregate outstanding principal amount of an issue of Securities, the Funding Corporation may from time to time, and at any time, modify, amend or supplement the terms and conditions of an issue of Securities for any purpose other than as described above in this section, including, but not limited to, adding any provisions to or changing in any manner or eliminating any provisions of those Securities or modifying in any manner the rights of the Participants; provided, however, that no such modification, amendment or supplement may, without the written consent of the Participants of the principal amount of that Security:

- change the Maturity Date of, or the due date of any installment of interest on, that Security;
- materially modify the redemption provisions, if any, relating to the redemption price of, or any redemption date or period for, that Security;
- reduce the principal amount of, or materially modify the rate of interest or the calculation of the rate of interest on, that Security; or
- reduce the percentage of the then aggregate outstanding principal amount of the same issue of Securities necessary to consent to the modification, amendment or supplement of the related terms and conditions.

The form of any proposed amendment, modification or supplement need not be approved by the Participants so long as the substance of the proposed amendment, modification or supplement conforms to the consent provided by the Participants.

Any instrument given by or on behalf of any Participant of a Security in connection with any consent to any such modification, amendment or supplement will be irrevocable once given and will be conclusive and binding on all subsequent Participants of that Security. Any modification, amendment or supplement of the terms and conditions of the Securities will be conclusive and binding on all Participants of the Securities subject to that modification, amendment or supplement, whether or not they have given such consent.

Any change from the terms and conditions of the Securities set forth in this Offering Circular will be set forth in a supplement, an Offering Announcement or a Term Sheet relating to a particular issue of Securities.

### **BOOK-ENTRY SYSTEM**

The Securities will be issued, maintained and transferred on the Fed Book-Entry System. The Securities will be issued pursuant to a Fiscal Agency Agreement between the Funding Corporation, acting on behalf of the Banks, and the Federal Reserve Banks, as fiscal agent. The summaries in this Offering Circular of certain provisions of the Fiscal Agency Agreement do not purport to be complete and are qualified in their entirety by the provisions of the Fiscal Agency Agreement, copies of which may be examined at the Office of the FRBNY (33 Liberty Street, New York, New York 10045) or the Funding Corporation. The Fiscal Agency Agreement makes generally applicable to the Securities the following regulations and other documents that govern transactions in Systemwide Debt Securities issued in book-entry form for which the Federal Reserve Banks act as the Banks' agent:

- the Farm Credit Securities Regulations;
- the applicable operating circulars or letters of the Federal Reserve Banks; and

- the Treasury Securities Regulations, insofar as applicable.

The accounts of Participants on the Fed Book-Entry System are governed by the foregoing. Copies of the Farm Credit Securities Regulations may be obtained on request from the Funding Corporation and copies of the Treasury Securities Regulations may be obtained on request from any Federal Reserve Bank, the Treasury Department or the Funding Corporation.

The Securities will be evidenced by means of entries on a Federal Reserve Bank's records of:

- the name of the Participant;
- the Participant's employer identification number, when appropriate; and
- the amount, Maturity Date and CUSIP number.

It is expected each issue of Securities will be available in book-entry form on the Fed Book-Entry System on the Settlement Date for the issue against payment in Immediately Available Funds. The Federal Reserve Banks will maintain book-entry accounts with respect to the Securities and make payments, for the Funding Corporation on behalf of the Banks, of principal of and interest on the Bonds and of the par amount of Discount Notes on the applicable payment dates by crediting Participants' accounts at the Federal Reserve Banks. Payment of principal of and interest on, or the par amount of, the Securities does not require the presentation of a coupon or certificate. The book-entry records of the Federal Reserve Banks will reflect a Participant's aggregate holdings of the Securities.

The Securities may be held of record only by and transferred of record only between entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts the Securities have been deposited are referred to in this Offering Circular as "Participants." A Participant is not necessarily the investor who is the beneficial owner of a Security. Beneficial owners will ordinarily hold the Securities through one or more Securities Intermediaries. Beneficial owners generally receive a custody receipt from their bank or non-bank dealer instead of receiving a bond, debenture or other certificate evidencing indebtedness of the Banks. Investors may choose as custodian a bank or other financial institution that maintains book-entry accounts with a member of the Federal Reserve System.

A Participant that is not the beneficial owner of a Security, and each other Securities Intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Security with respect to the Banks, the Funding Corporation and the Federal Reserve Banks may be exercised only through the Participant that holds the Security. The Banks, the Funding Corporation and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Security that is not also a Participant. The Federal Reserve Banks will act only on the instructions of Participants in recording transfers of the Securities. The Banks, the Funding Corporation and the Federal Reserve Banks may treat the Participants as the absolute owners of the Securities for the purpose of making payments of principal of and interest on the Bonds and of the par amount of Discount Notes and for all other purposes.

Information and trading with respect to any Securities for which a face amount (*i.e.*, in the case of Bonds, the original principal amount and in the case of Discount Notes, the par amount) has been designated will be with reference to the face amount.

#### **GOVERNING LAW**

The Securities are governed by and construed in accordance with the Federal laws of the United States of America and, to the extent of the absence of controlling Federal law, in accordance with the laws of the State of New York, without giving effect to its principles or rules of conflict of laws to the

extent such principles or rules would require or permit the application of the laws of another jurisdiction, unless otherwise provided under the terms and conditions of a particular issue of Securities.

### USE OF PROCEEDS

Net proceeds from sales of the Securities will be used by the Banks to fund their loan portfolios, to meet maturing debt obligations and for other corporate purposes. The Banks anticipate additional financing, including financing through various types of debt securities, will be required from time to time. The amount and nature of such financing are dependent on a number of factors, including the volume of the Banks' maturing debt obligations, the volume of loans made by and repaid to System institutions and general market conditions.

### CERTAIN TAX CONSIDERATIONS

In the opinion of Sutherland Asbill & Brennan LLP, counsel to the Banks, the following summary describes certain Federal and other tax consequences of the ownership of Securities as of the date hereof. It is based on the Act, the Internal Revenue Code of 1986, as amended (the "Code"), and final, temporary and proposed Treasury regulations, Revenue Rulings, and judicial decisions, all as of the date hereof, which authorities may be repealed, revoked or modified (possibly with retroactive effect) so as to result in Federal tax consequences different from those discussed below. It is also based on certain of the facts set forth in the applicable offering materials distributed with respect to particular issues of Securities and on standard procedures followed in connection with the offer and sale of the Securities. This summary deals only with Securities held as capital assets by their original purchasers and does not address special tax situations. This summary does not purport to cover all the possible tax consequences of the purchase, ownership or disposition of the Securities, and it is not intended as tax advice to any owner thereof. **Persons considering the purchase or sale of the Securities should consult their own tax advisors concerning the application of the income tax laws of the United States to their particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

Additional Federal and state income and other tax consequences applicable to particular Securities may be set forth in offering materials distributed with respect to particular issues of Securities.

#### General

The Act provides that the Securities and interest thereon are exempt from state, local and municipal income taxation. Provisions of several statutes which are analogous to the relevant tax exemption provisions of the Act applicable to the Securities have been construed by certain state courts as not exempting securities similar to the Securities or interest thereon from nondiscriminatory franchise taxes or other non-property taxes in lieu thereof imposed on corporations. As described in greater detail below, interest on the Securities is not exempt from Federal income taxation. In addition, gain from the sale or other disposition of the Securities or their transfer by inheritance, gift, or other means is not exempt from Federal taxation, and generally is not exempt from state, local or municipal taxation.

#### United States Owners

As used herein, "United States Owner" means a beneficial owner of a Security that is a United States person. A "non-United States Owner" is a beneficial owner that is not a United States person. As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to Federal income taxation regardless of its source, a trust subject to the supervision of a court within the United States

and the control of a United States person as described in Section 7701(a)(30) of the Code and the Treasury regulations thereunder, or a trust that was in existence on or before August 20, 1996, that meets certain requirements and elects to be treated as a United States person. “United States” generally means the United States of America (including the States and the District of Columbia), its territories, its possessions (including the commonwealth of Puerto Rico) and other areas subject to its jurisdiction.

In general, interest (including original issue discount, as discussed below) on a Security will be treated as ordinary interest income to the United States Owner of the Security at the time it accrues or is received, in accordance with the United States Owner’s method of accounting for tax purposes, or, in the case of original issue discount, specific Federal income tax provisions. The amount of original issue discount or market discount (as discussed below) which is includible in income in respect of a Security while held by a United States Owner will be added to such United States Owner’s tax basis for such Security, and such basis will be reduced by any amortized acquisition or other premium (as discussed below) and amounts of other payments that do not constitute qualified stated interest (as defined below). A United States Owner of a Security will recognize gain or loss on the sale, exchange or retirement of such Security equal to the difference between the amount realized thereon and such owner’s tax basis in the Security, which gain or loss will generally be capital gain or loss (except to the extent of market discount that is treated as having accrued) and will be long-term capital gain or loss if at the time of the sale, exchange or retirement, the Security has been held for more than one year. The maximum tax rate on ordinary income for taxpayers that are individuals, estates or trusts is currently higher than the maximum tax rate on long-term capital gains on a Security held by such taxpayers. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of limitations on the deductibility of capital losses.

### ***Original Issue Discount***

A Security with an “issue price” which is less than its “stated redemption price at maturity” will generally be considered to be issued at an original issue discount for Federal income tax purposes. Generally, however, under the “de minimis exception,” if the difference between a Security’s stated redemption price at maturity and its issue price is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years from the issue date to maturity, the Security will not be considered to have original issue discount.

“Issue price” is defined generally as the initial offering price to the public at which a substantial amount of the particular issue of Securities is sold. “Stated redemption price at maturity” is defined generally as the amount payable on an obligation at maturity, with the exception of payments of “qualified stated interest.” “Qualified stated interest” is generally defined as stated interest unconditionally payable or constructively received at least annually at:

- (1) a single fixed rate;
- (2) a “qualified floating rate” (a single floating rate the variations in which can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds); or
- (3) an “objective rate” ((A) a single floating rate using a single fixed formula based on objective financial or economic information (e.g., generally a rate that is based on one or more qualified floating rates or on the yield of actively traded property), or (B) a fixed rate minus a qualified floating rate, but only if the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (a “qualified inverse floating rate”), and neither (A) nor (B) results in significant front- or back-loading of interest).

Stated interest unconditionally payable or constructively received at least annually at:

- (1) multiple fixed rates;
- (2) a single fixed rate and one or more qualified floating rates;
- (3) a single fixed rate and a single objective rate that is a qualified inverse floating rate; or
- (4) multiple qualified floating rates

may also constitute qualified stated interest although, depending on the particular interest rate formula used and as discussed further below, such stated interest may be treated in whole or in part as original issue discount. In addition, qualified stated interest does not include any payments on a debt instrument with a term of one year or less. (See below for a discussion of the application of the de minimis exception for obligations with a term of one year or less.)

If the period between the issue date of a Bond and the first Interest Payment Date is longer than the periods between subsequent Interest Payment Dates, the Bond will be a “long-period Bond.” A long-period Bond will not be considered issued with original issue discount if all stated interest on the Bond is qualified stated interest. If all stated interest is not qualified stated interest because the interest rate for the long period is effectively below the rate applicable for the remainder of the Bond’s term, the Bond will not have original issue discount if:

- (1) in the case of a Bond that otherwise provides for interest payable at a single fixed rate, the value of the fixed rate is adjusted in “any reasonable manner” to take into account the length of the long period; or
- (2) in the case of all Bonds, the de minimis exception discussed above, with certain modifications, applies.

One of these exceptions will generally apply to long-period Bonds, but if neither exception applies, then such Bonds will generally be treated as bearing interest at multiple fixed rates.

If interest is payable on a Bond at multiple fixed rates (whether or not it is a long-period Bond), then such Bond will provide for qualified stated interest only to the extent of the lowest fixed rate at which qualified interest would be payable. Any interest payable in excess of this rate will be included in the Bond’s stated redemption price at maturity and will generally be considered original issue discount.

United States Owners of Bonds with original issue discount that mature more than one year from the issue date will generally be required to include original issue discount in gross income for Federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, in advance of receipt of the cash payments attributable to such income. Such original issue discount will result in the acceleration of recognition of ordinary income to cash method United States Owners. Under the constant yield method, United States Owners of such Bonds will generally be required to include in income increasing amounts of original issue discount.

Floating-Rate Bonds that provide for total noncontingent principal payments at least equal to the debt instrument’s issue price (subject to a special de minimis rule) and do not provide for stated interest other than stated interest (compounded or paid at least annually) at the current value of:

- (1) one or more qualified floating rates;
- (2) a single fixed rate and one or more qualified floating rates;
- (3) a single objective rate; or
- (4) a single fixed rate and a single objective rate that is a qualified inverse floating rate

will generally be considered “variable rate debt instruments.” Such variable rate debt instruments will not be considered to have original issue discount merely because stated interest is payable at a floating rate. However, a variable rate debt instrument may bear original issue discount if interest:

- (a) is not unconditionally payable or constructively received at least annually; and/or
- (b) is payable at other than a single qualified floating rate or objective rate.

The amount, if any, and accrual of original issue discount and qualified stated interest with respect to such a debt instrument are generally determined by converting it into an equivalent fixed rate debt instrument (*e.g.*, by substituting for each qualified floating rate the value of such rate as of the issue date) and then applying the general original issue discount rules for fixed rate debt instruments as discussed above. The qualified stated interest allocable to an accrual period is adjusted to the extent interest actually paid during the period differs from the interest assumed to be paid on the equivalent fixed rate debt instrument.

A Floating-Rate Bond that is not a variable rate debt instrument will generally be treated as having original issue discount, and interest on such a debt instrument will be treated as contingent interest. In addition, a Floating-Rate Bond subject to an interest rate ceiling and/or floor will not be considered to bear interest at a qualified floating rate or at an objective rate and will be treated as bearing contingent interest unless the interest rate ceiling and/or floor is fixed throughout the term of the Floating-Rate Bond or is not reasonably expected as of the issue date to cause the yield on such Bond to be significantly more or less, as the case may be, than the expected yield determined without such ceiling and/or floor. An issuer generally is required to determine the “comparable yield” for a debt instrument bearing contingent interest. The “comparable yield” is generally the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument, all as of the issue date. The issuer then determines a projected payment schedule that produces the comparable yield. The projected payment schedule will consist of all the noncontingent payments on the debt instrument and a projected amount for each contingent payment, which amount will generally be the forward price for the property right (*e.g.*, a forward contract or an option) that is substantially similar to the contingent payment. Interest will be includible in income based on the schedule, with subsequent adjustments if the actual amount of a contingent payment differs from the amount projected in the schedule. A United States Owner must follow this projected payment schedule unless such owner determines its own schedule and on its timely filed Federal income tax return for the taxable year that includes the acquisition date of the Bond describes that fact and the reason why it set its own schedule (*e.g.*, why the schedule it was provided was unreasonable). The Term Sheet relating to an issue of Bonds with contingent interest will contain the projected payment schedule for such issue of Bonds as well as additional information on the timing of the inclusion of interest income and subsequent adjustments thereto.

All payments (including all stated interest) with respect to a Security will be included in the stated redemption price at maturity if the Security has a term of one year or less (a “short-term Security”) and, thus, a United States Owner will generally be taxable on discount in lieu of stated interest. As a result, a short-term Security will in almost all circumstances fall outside the general *de minimis* exception discussed above. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a short-term Security, unless the United States Owner elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method United States Owners of short-term Securities are not required to accrue such discount for Federal income tax purposes and will generally be required to include stated interest (if any) in income when received, unless an election is made to accrue discount as computed above. This election will apply to all debt instruments having a maturity of one year or less that the United States Owner holds in the taxable year of the election and in all subsequent years and may not be revoked without the consent of the Internal Revenue Service. United States Owners who report income for

Federal income tax purposes on the accrual method and certain other United States Owners, including banks and dealers in securities, are required to accrue discount on such short-term Securities (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method. The amount of discount which accrues in respect of a short-term Security while held by a United States Owner will be added to such owner's tax basis in such Security to the extent included in income. In the case of a United States Owner who is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the short-term Security will be ordinary income to the extent of the discount accrued (less the amount of stated interest received (if any) previously included in income) on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, such non-electing United States Owners which are not subject to the current inclusion requirement described in this paragraph will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry such short-term Securities in an amount not exceeding the deferred interest income, until such deferred interest income is realized.

A United States Owner may elect to accrue all "interest" on a Security as original issue discount (*i.e.*, using the constant yield method discussed above). If a United States Owner elects this method, the Security's issue price will be deemed to be such owner's basis in the Security at the time of its acquisition, and all of the payments on the Security will be treated as included in its stated redemption price at maturity. This election is available whether or not such a Security has original issue discount, and it applies to any stated interest, original issue discount (including discount that is *de minimis* or attributable to a short-term Security) and market discount (as discussed below) on a Security, all as adjusted by any acquisition or other premium (as discussed below). This election may be made on an obligation-by-obligation basis but, once made on an obligation with bond premium, it will operate as an election to amortize premium with respect to all of such United States Owner's debt instruments with premium, not just those on which it is electing to apply the constant yield method. A similar consistency rule applies to debt instruments with market discount and the election to include such discount in income currently.

### ***Reopenings***

Because the Banks have the right to increase the principal amount of an issue of Bonds (the "original Bonds") by issuing additional Bonds (the "new Bonds") with the same terms and conditions, the manner in which specific Federal income tax provisions, including those relating to original issue discount, would be applied to the new Bonds will depend in part upon whether the new Bonds will be treated for Federal income tax purposes as a separate issue of Bonds rather than as part of the same issue of original Bonds. For example, certain new Bonds issued at a lower price than the original Bonds may be considered issued with original issue discount if treated as a separate issue, but considered not to be issued with original issue discount if treated as part of the same issue as the original Bonds. In general, two or more debt instruments are part of the same issue if they have the same credit and payment terms and are sold reasonably close in time either pursuant to a common plan or as part of a single transaction or a series of related transactions. Thus, the determination of whether the new Bonds and the original Bonds will be treated for Federal income tax purposes as part of the same issue will depend upon the specific facts and circumstances of the issuance of the new Bonds. Each United States Owner of a new Bond should consult its tax advisor.

### ***Market Discount and Premium***

If a United States Owner purchases a Security other than a short-term Security (including a purchase in connection with its original issuance) for an amount that is less than its "revised issue price" (defined as the sum of the issue price of the Security, as defined above, and the aggregate

amount, if any, of the original issue discount included, without regard to the rules for acquisition premium discussed below, in the gross income of all previous owners of the Security), the amount of the difference will be treated as “market discount” for Federal income tax purposes, unless such difference is less than a specified de minimis amount. In general, under the market discount rules, a United States Owner will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Security as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such Security at the time of such payment or disposition. In addition, the United States Owner may be required to defer, until the maturity of the Security or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Security. Any market discount will be considered to accrue ratably during the period from the date of acquisition to the Maturity Date of the Security, unless the United States Owner elects to accrue on a constant yield method. A United States Owner of a Security may elect to include market discount in income currently as it accrues (on either a ratable or constant yield method), in which case the rule described above regarding deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service.

A United States Owner that purchases a Security with original issue discount for an amount that is greater than the Security’s “adjusted issue price” (defined generally as the issue price of the Security increased by the aggregate amount of original issue discount includible, if any, in the gross income of all previous owners of the Security and decreased by the aggregate amount of payments made on the Security, if any, other than payments of qualified stated interest) but less than the sum of all amounts payable on the Security after the purchase date (other than payments of qualified stated interest) will be considered to have purchased such Security at an “acquisition premium.” The amount of original issue discount such owner must include in its gross income with respect to such Security for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

If a United States Owner acquires a Security for an amount that is greater than the sum of all amounts payable on the Security after the purchase date (other than payments of qualified stated interest), such owner will be considered to have purchased such Security at a premium, such Security will have no original issue discount, and such owner may elect to amortize such premium using a constant yield method, generally over the remaining term of the Security if the Security is not subject to redemption prior to maturity. Such premium shall be deemed to be an offset to interest otherwise includible in income in respect of such Security for each accrual period. If the premium allocable to an accrual period exceeds the qualified stated interest allocable to the accrual period, a United States Owner must treat the excess as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which the United States Owner’s total interest income on the Security in prior accrual periods exceeds the total amount treated by the United States Owner as a bond premium deduction on the Security in prior accrual periods and if the premium allocable to an accrual period exceeds the sum of (i) such amount treated as a deduction for the accrual period and (ii) the qualified stated interest allocable to the accrual period, the excess is carried forward to the next accrual period and is treated as a bond premium allocable to that period. If a Security is subject to redemption prior to maturity after the United States Owner has acquired it, the United States Owner generally may not assume that the Security will be redeemed prior to maturity and must amortize the premium to the Maturity Date of the Security. If the Security is in fact redeemed prior to maturity, any unamortized premium may be deducted in the year of redemption. The election to amortize a premium using a constant yield method once made will apply to certain other debt instruments acquired at a premium held or

subsequently acquired by the electing United States Owner on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. Bond premium on a Security held by a United States Owner that does not make such an election will be taken into account in computing the gain or the loss recognized on disposition of the Security because it is part of such owner's tax basis for such Security. In the case of a short-term Security, this paragraph applies to cash method United States Owners unless they account for interest or original issue discount on the short-term Security as it accrues, as discussed above.

### ***Interest Components and Principal Components of Eligible Bonds***

***Beneficial Owners of Interest and Principal Components.*** Under Federal tax law, the separation of ownership of the right to receive some or all of the interest payments on a debt instrument from ownership of the right to receive some or all of the principal payments results in the creation of "stripped bonds" with respect to principal payments and "stripped coupons" with respect to interest payments. Consequently, a beneficial owner that purchases a Principal Component or an Interest Component will be considered to own stripped bonds or stripped coupons, respectively.

A stripped bond or a stripped coupon, for purposes of applying the original issue discount rules, is treated as a debt instrument issued with original issue discount on the date that such stripped interest is purchased. Accordingly, the tax consequences to a beneficial owner that purchases a Component are determined as if the Component were a Security issued with original issue discount on the date of purchase or, in the case of a Component maturing one year or less from the date of purchase, a short-term Security issued on that date. The amount of original issue discount is equal to the excess (if any) of the Component's stated redemption price at maturity over the purchase price paid by the new beneficial owner on the date of purchase for the Component. The stated redemption price at maturity of an Interest Component or Principal Component is the amount payable on that Component.

***Tax Consequences of Stripping an Eligible Bond.*** A beneficial owner of an Eligible Bond is taxed on income from the Eligible Bond as if the ability to strip the Eligible Bond did not exist, unless and until (i) the Eligible Bond is stripped and (ii) the beneficial owner disposes of some or all of the resulting Components. The mere exchange of an Eligible Bond for Interest and Principal Components, without the disposition of any of those Components, should not be treated as a taxable event. If a beneficial owner exchanges an Eligible Bond for Interest Components and Principal Components and disposes of all of those Components, the beneficial owner effectively is treated as if it had disposed of the Eligible Bond. If such beneficial owner disposes of less than all the Components resulting from the stripping transaction, such beneficial owner will be required on the date of disposition:

- (1) to include as income all interest and market discount accrued on the Eligible Bond not previously included as income;
- (2) to increase its basis in the Eligible Bond by the same amount;
- (3) to allocate its adjusted basis in the Eligible Bond among the Components in proportion to the respective fair market values of those Components; and
- (4) to recognize gain or loss with respect to each disposition of a Component equal to the difference between the amount realized and the basis allocated to that Component.

If there is not an established market for the Components, it is not clear how such a beneficial owner should determine relative market values for this purpose and each beneficial owner should consult its tax advisor in these circumstances.

Generally, any gain or loss on the disposition of a Principal Component or an Interest Component will be capital gain or loss. A beneficial owner should consult a tax advisor regarding the tax consequences of disposition of an Interest Component.

A beneficial owner who disposes of less than all of the Components of an Eligible Bond after a stripping transaction is taxed on each retained Component as if such beneficial owner had purchased the retained Component for an amount equal to the basis allocated to such Component.

*Ownership of Pro Rata Share of Outstanding Interest Components and Principal Components.* If a beneficial owner purchases in one transaction a *pro rata* share of both the Principal Component and the applicable unmatured Interest Components relating to the same Eligible Bond, while the matter is not free from doubt, such beneficial owner should be treated as purchasing an undivided interest in the Eligible Bond rather than the separate Components. If it cannot be ascertained whether such Components relate to the same Eligible Bond, or if such Components are purchased in separate transactions, then the Federal income tax treatment of the Components could be determined by treating each Component separately, rather than as a combined Eligible Bond. If a beneficial owner who has purchased a *pro rata* share of both the Principal Component and the applicable unmatured Interest Components in either separate transactions or with respect to different Eligible Bonds requests a reconstitution of such Components as an Eligible Bond, while the matter also is not free from doubt, (i) the reconstitution should not be treated as a taxable exchange and (ii) the beneficial owner should continue to be taxed on each Component separately, rather than as a combined Eligible Bond. A beneficial owner should consult its tax advisor in any of the circumstances described in this paragraph.

### ***Backup Withholding and Information Reporting***

A 31% “backup” withholding tax and certain information reporting requirements may apply to certain payments to certain United States Owners of principal of and interest (including original issue discount, if any) on, and proceeds of the sale or exchange before maturity of, a Security. Under current Treasury regulations, backup withholding and information reporting will not apply to payments on the Securities made by a Bank or Banks or any paying agent thereof (in its capacity as such) to exempt recipients, such as corporations or financial institutions, but such entities may be required to establish their status as such. Under current Treasury regulations, backup withholding and information reporting also will not apply to payments on the Securities made by any custodian, nominee or other agent of a United States Owner, or to the payment of the proceeds of a sale or exchange of a Security made to a United States Owner, if such payments or proceeds are paid to exempt recipients such as corporations or financial institutions, but such entities may be required to establish their status as such. In the case of a United States Owner that has not established an exemption from information reporting and backup withholding (for example, if the United States Owner is an individual), backup withholding will not be applicable if such owner has supplied an accurate Taxpayer Identification Number, has not been notified by the Internal Revenue Service that it has failed to report properly payments of interest and dividends and, in certain circumstances, has certified under penalties of perjury that it has received no such notification and that it has supplied an accurate Taxpayer Identification Number. Any amounts withheld under the backup withholding rules from a payment to a United States Owner of a Security will be allowed as a refund or a credit against such owner’s Federal income tax, provided that any required information is furnished to the Internal Revenue Service.

## **Non-United States Owners**

### ***General***

Under current Federal income and estate tax laws, and subject to the discussion below concerning backup withholding:

- (1) no withholding of Federal income tax will be required with respect to the payment by a Bank or Banks or any paying agent thereof (in its capacity as such) of principal or interest (which for purposes of this discussion includes original issue discount) on a Security to a non-United States Owner, provided that (i) such owner does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of a Bank or Banks entitled to vote within the meaning of Section 871(h)(3) of the Code, (ii) the non-United States Owner is not a controlled foreign corporation that is related to a Bank or Banks through stock ownership or a bank, in each case within the meaning of Section 881(c)(3) of the Code, (iii) the beneficial owner satisfies the statement requirement (described generally below) set forth in Section 871(h) and Section 881(c) of the Code (the “Portfolio Interest Exception”), and (iv) in the case of interest, such interest is not effectively connected with a United States trade or business of such owner;
- (2) no withholding of Federal income tax will be required with respect to the payment of interest (including original issue discount) on a Security to a non-United States Owner, provided that (i) such interest is not effectively connected with a United States trade or business of such owner, and (ii) the Security is payable 183 days or less from the date of original issue;
- (3) no withholding of Federal income tax will be required with respect to any gain or income realized by a non-United States Owner upon the sale, exchange or retirement of a Security, provided that such gain or income is not effectively connected with a United States trade or business of such owner; and
- (4) a Security held by an individual who at the time of death is a non-United States Owner will not be subject to Federal estate tax as a result of such individual’s death, provided that such individual does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of a Bank or Banks entitled to vote within the meaning of Section 871(h)(3) of the Code and provided that the interest payments with respect to such Security are not effectively connected with a United States trade or business of such individual.

To qualify for the exemption from withholding tax with respect to the Securities, the last United States person (the “Withholding Agent”) in the chain of payment prior to payment to a non-United States Owner must have received in the year in which a payment of principal or interest occurs, or in either of the two preceding years, a statement that:

- (a) is signed by the beneficial owner of a Security under penalties of perjury;
- (b) certifies that such beneficial owner is not a United States Owner; and
- (c) provides the name and address of such beneficial owner.

The statement may be made on a Form W-8 or substantially similar substitute form and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Security is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent instead of the beneficial owner. However, in such case, the signed statement must be accompanied by a copy of a Form W-8 or a substitute form provided by

the beneficial owner to the organization or institution holding the Security on behalf of the beneficial owner.

### ***Effectively Connected Income***

Interest on a Security that is effectively connected with a United States trade or business may be subject to graduated Federal income tax. A non-United States Owner may establish an exemption from withholding of such Federal income tax if certain requirements are met.

### ***Backup Withholding and Information Reporting***

A 31% “backup” withholding tax and certain information reporting requirements may apply to certain payments to certain non-United States Owners of principal of and interest (including original issue discount, if any) on, and proceeds of the sale or exchange before maturity of, a Security. Under current Treasury regulations, backup withholding and information reporting will not apply to payments made by a Bank or Banks or any paying agent thereof (in its capacity as such) to a non-United States Owner of a Security with respect to which such owner has provided required certification of its non-United States person status under penalties of perjury (provided that neither a Bank or Banks nor the paying agent has actual knowledge that the owner is a United States Owner) or has otherwise established an exemption (*e.g.*, as a corporation).

If such principal or interest is collected outside the United States by the non-United States office of the foreign custodian, foreign nominee or other foreign agent of the beneficial owner of a Security and is paid by such office outside the United States to such owner, or if the non-United States office of a foreign “broker” (as defined in applicable Treasury regulations) pays the proceeds of the sale or exchange of a Security outside the United States to the seller thereof, backup withholding and information reporting will not apply to such payment (provided that such nominee, custodian, agent or broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business in the United States and is not a controlled foreign corporation for United States tax purposes). Principal and interest so paid by the non-United States office of other custodians, nominees or agents, or the payment by the foreign office of other brokers of the proceeds of the sale or exchange of a Security, will not be subject to backup withholding, but will be subject to information reporting, unless the custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner or seller is not or was not, as the case may be, a United States Owner and certain conditions are met or the beneficial owner or seller otherwise establishes an exemption. Principal and interest so paid by the United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of a sale or exchange of a Security is subject to both backup withholding and information reporting unless the beneficial owner or seller certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

On October 14, 1997, the Internal Revenue Service issued final regulations relating to withholding, backup withholding and information reporting with respect to payments made to non-United States Owners (the “Final Regulations”). The Final Regulations unify current certification procedures and clarify reliance standards. The Final Regulations generally apply to payments on debt instruments made after December 31, 2000, even if the debt instruments were issued on or before that date. Withholding certificates valid on or after January 1, 1999, generally will remain valid until the earlier of their expiration or December 31, 2000.

A payment of interest on Securities made to a non-United States Owner after December 31, 2000, generally will qualify for the Portfolio Interest Exception if, at the time such payment is made, the Withholding Agent holds a valid Form W-8 (or acceptable substitute form) from the beneficial owner and can reliably associate the interest payment with such Form W-8. Under certain

circumstances, a Withholding Agent is allowed under the Final Regulations to rely on a Form W-8 furnished by a financial institution or other intermediary on behalf of one or more beneficial owners (or other intermediaries) without having to obtain copies of the beneficial owner's Form W-8, provided that the financial institution or other intermediary has entered into a withholding agreement with the Internal Revenue Service and thus is a "qualified intermediary." Subject to certain exceptions, the Final Regulations treat a payment to a foreign partnership as a payment directly to the foreign partners. Owners of Securities should consult their tax advisors as to the potential impact of the Final Regulations on their particular situations.

## **PLAN OF DISTRIBUTION**

The Securities may be sold to one or more investors:

- through Dealers and Designated Dealers, acting as principal, who have entered into one or more Selling Group Agreements or Designated Selling Group Agreements with the Funding Corporation;
- through agents, if so designated by the Funding Corporation; or
- directly by the Funding Corporation.

### **By Dealers or Designated Dealers**

The Funding Corporation appoints the Dealers and determines the types of the Securities each Dealer is authorized to offer and sell. From time to time, the Funding Corporation may appoint additional Bond Dealers or Discount Note Dealers and either the Funding Corporation or a Dealer may terminate such appointment. The Securities will be purchased by the Dealers as principal under the terms of the applicable Selling Group Agreements pertaining to the sale of Bonds and Discount Notes.

Dealers purchasing certain Bonds from the Funding Corporation may offer a selling concession to other Dealers or to securities dealers that are not members of a Funding Corporation selling group in connection with the sale of such Bonds, subject to certain requirements imposed by the Selling Group Agreements and by other agreements entered into by a Dealer and securities dealers that are not members of a Funding Corporation selling group.

In addition, the Funding Corporation has appointed certain Bond Dealers (the "Designated Dealers") who may also participate in the distribution of Discount Notes through, and receive a selling concession from, the Discount Note Dealers. From time to time, the Funding Corporation may appoint additional Designated Dealers and either the Funding Corporation or a Designated Dealer may terminate such appointment. The Designated Dealers are entitled to participate, as principal, in the distribution of Discount Notes pursuant to the terms of Designated Selling Group Agreements entered into with the Funding Corporation and the arrangements they establish with one or more of the Discount Note Dealers.

Subject to certain requirements, affiliates of Dealers and Designated Dealers may participate in the distribution and sale of Bonds and Discount Notes.

Copies of the respective Selling Group Agreements and Designated Selling Group Agreements, as in effect from time to time, are available for inspection upon request to the General Counsel of the Funding Corporation at the address set forth on page 6.

### ***Offerings and Issue Price***

The Securities may be offered by the Funding Corporation in accordance with a published schedule or at varying times. The Funding Corporation has the right to accept or reject offers to purchase Securities and may reject any such offer, in whole or in part. A Dealer or Designated Dealer, without

notice to the Funding Corporation, may reject, in whole or in part, any offer received by it to purchase Securities.

*Bonds* will be offered through all Bond Dealers in a selling group process or through a single Dealer or a limited group of Dealers through syndication, negotiation or a competitive bidding process.

In sales of Bonds under a selling group process, the Funding Corporation generally will announce over a nationally recognized financial information service (such as Bloomberg and/or Telerate) each such Bond issue. Each such announcement by the Funding Corporation will outline the terms of the offering, including, but not limited to, the Offering Date, the Settlement Date, the amount of Bonds that are being so offered, the Maturity Date and the underwriting concession allowed to Dealers. Pricing of these Bonds generally will take place on the Business Day immediately preceding the Offering Date and will be announced by the Funding Corporation through a nationally recognized financial information service (such as Bloomberg and/or Telerate).

Bonds will be offered for sale to investors at the Issue Price (generally 100% of the principal amount of the Bonds) or at varying prices according to prevailing market prices at the time of the resale as determined by the Dealer.

*Discount Notes* are generally offered for sale to Discount Note Dealers each Business Day. Discount Notes may also be sold through Designated Dealers who purchase such Notes from the Discount Note Dealers for resale to investors. Current Posted Rates for Discount Notes of varying maturities can be obtained by contacting a Discount Note Dealer or a Designated Dealer. Unless otherwise advised by the Funding Corporation, Discount Notes may be resold to investors on the Trade Date at a price which is not less than the Posted Rate; after the Trade Date, Discount Notes may be resold at varying prices.

#### ***Underwriting and Selling Concession Amounts***

The underwriting concession payable to Dealers and the selling concession, if any, payable to Designated Dealers, to other Dealers or to securities dealers that are not members of a Funding Corporation selling group, which concessions will vary depending on the type of Securities being sold and other factors, are determined in accordance with the respective Selling Group Agreements and Designated Selling Group Agreements. In certain circumstances and subject to certain requirements, Dealers and Designated Dealers may share their underwriting or selling concession, as applicable, with their affiliates. The underwriting and selling concessions are subject to change at any time in the Funding Corporation's sole discretion.

*Bonds.* The Funding Corporation will pay an underwriting concession to the Bond Dealers, if any, at a rate specified in the applicable Offering Announcement or Term Sheet. The underwriting concession payable for Bonds generally varies depending on the maturity of the Bonds. Dealers purchasing certain Bonds from the Funding Corporation may offer a selling concession to other Dealers or to securities dealers that are not members of a Funding Corporation selling group in connection with the sale of such Bonds, subject to certain requirements. Unless otherwise agreed to by the Funding Corporation, the selling concession offered by a Dealer shall be as specified by the Funding Corporation and may not exceed the Dealer's underwriting concession. In certain circumstances, Dealers may share their underwriting concession with their affiliates.

*Discount Notes.* The Funding Corporation will pay an underwriting concession to Discount Note Dealers in the amount specified in the applicable Offering Announcement. Currently, the underwriting concession will be the dollar amount derived from the following formula:

$$\frac{\text{Par Amount of Discount Note} \times .0004 \times \text{Settlement Date to Maturity Date}}{360 \text{ days}}$$

A Designated Dealer who purchases Discount Notes from a Discount Note Dealer will be entitled to receive a selling concession in an amount equal to one-half of the Discount Note Dealer's underwriting concession, unless otherwise specified by the Funding Corporation. In certain circumstances, Discount Note Dealers and Designated Dealers may share their underwriting or selling concession, as applicable, with their affiliates.

See "General Information" below for a description of other transactions where a Dealer or Designated Dealer may realize additional compensation in transactions that may be related to the sale of the Securities.

### **By Agents**

The Securities may be sold through Dealers or Designated Dealers as agent if so designated by the Funding Corporation.

### **Direct Sales**

The Securities may also be sold directly by the Funding Corporation. In this case, no Dealers or Designated Dealers would be involved and no underwriting or selling concession or other fee would be payable.

### **Offering Information and Sales Restrictions**

Each Dealer and Designated Dealer is required to deliver (1) this Offering Circular, as amended or supplemented, any applicable Term Sheet and, if so requested, the Incorporated Information to purchasers of the Securities, and (2) this Offering Circular, as amended or supplemented, the applicable Term Sheet and the Incorporated Information to any person to whom the Securities are offered (or any person solicited to purchase the Securities) if such person requests such information. In certain circumstances, affiliates of the Dealers and securities dealers that are not members of a Funding Corporation selling group who participate in the distribution of Bonds are also required to comply with certain document delivery requirements. No Dealer, Designated Dealer or any other person is authorized to make any representation or use any information in connection with the issue, offering and sale of the Securities other than as contained in this Offering Circular, the applicable Offering Announcement or Term Sheet or such other information relating to the Funding Corporation, the Banks or the Securities that the Funding Corporation has authorized the Dealers and Designated Dealers to use.

Each Dealer and Designated Dealer must determine the application of and comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular, or any part thereof, including any Offering Announcement or Term Sheet, or any such other material.

Selling restrictions may be modified or supplemented by the agreement of the Funding Corporation and the relevant Dealers or Designated Dealers following a change in any relevant law, regulation or directive.

### **General Information**

The Funding Corporation, the Dealers and the Designated Dealers have agreed in the respective Selling Group Agreements and Designated Selling Group Agreements to indemnify each other against and contribute toward certain liabilities.

Each Dealer and Designated Dealer engages in transactions with and performs services for the Funding Corporation and the Banks in the ordinary course of business. In connection with any

particular issue of Securities, one or more of the Banks may enter into interest rate swaps or other hedging transactions with, or arranged by, a Dealer or Designated Dealer participating in the issuance, an affiliate of such Dealer or Designated Dealer or an unrelated third party. The Dealer, Designated Dealer or other party may receive compensation, trading gain or other benefits in connection with such transactions. Such interest rate swaps or other hedging transactions may reference the Securities, other obligations of the Banks or obligations of other issuers.

Either the Funding Corporation or a Dealer or a Designated Dealer may terminate, upon notice, the status of the Dealer or Designated Dealer by termination of the applicable Selling Group Agreement or Designated Selling Group Agreement. In addition, under certain circumstances, the Funding Corporation may, in its sole discretion, terminate or suspend a Dealer or Designated Dealer.

## GLOSSARY

Set forth below are definitions of some of the commonly used terms in this Offering Circular.

**“Act”** means the Farm Credit Act of 1971, as amended.

**“Actual/Actual”** means that interest or any other relevant accrual factor will be calculated on the basis of the actual number of days elapsed in the Interest Period divided by the number of days in the year in which the day for which interest is being calculated falls (365 days or 366 days in a leap year).

**“Actual/360”** means that interest or any other relevant accrual factor will be calculated on the basis of the actual number of days elapsed in the Interest Period divided by a year of 360 days.

**“Banks”** means the Banks of the Farm Credit System.

**“Bloomberg”** means Bloomberg L.P. or any successor to such publication. Bloomberg means, when used in connection with any designated page or Reference Rate, the display page so designated on Bloomberg, or any successor to such publication (or such other page as may replace that page on that service) or such other service as may be designated as the information vendor, for the purpose of displaying rates or prices comparable to that Reference Rate.

**“Bond-Equivalent Yield”** is the yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond-Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the per annum rate for the security, quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 days (or 366 days if the security for which the Bond-Equivalent Yield calculation is being performed settles or matures in the period that is 365 days prior to any February 29 through and including such February 29); and “M” refers to the actual number of days in the period for which interest is being calculated.

**“Bonds”** means the Federal Farm Credit Banks Consolidated Systemwide Bonds.

**“Business Day”** means any day other than (1) a Saturday or Sunday, (2) a day on which the FRBNY is closed for business or commercial banks do not settle payments in U.S. dollars in New York City, and (3) with respect to any payment in respect of any Security, a day on which the Federal Reserve Bank maintaining the book-entry account relating to such security is closed.

**“Calculation Date”** means the date on which the Funding Corporation calculates an amount to be paid on an Interest Payment Date, Redemption Date or the Maturity Date, which generally will be six Business Days prior to such date.

**“Calendar Week”** means Monday through Sunday.

**“Component”** means an Interest Component or a Principal Component.

**“Composite Quotations”** means the daily statistical release entitled “Composite 3:30 P. M. Quotations for U.S. Government Securities,” or any successor publication, published by the FRBNY.

**“Current Factor”** means a number that represents the fraction (expressed as a decimal) the numerator of which represents the aggregate principal amount of a particular issue of Optional Principal Redemption Bonds then outstanding and the denominator of which represents the initial aggregate principal amount of such Bonds.

**“CUSIP Number”** means the unique nine-character identification number used to identify the Securities on the records of the Federal Reserve Banks.

**“Cut-off Date”** means the Maturity Date of an Eligible Bond or, if the Eligible Bond is subject to redemption prior to the Maturity Date, the first date on which the Eligible Bond is subject to redemption.

**“Dealers”** means certain investment dealers and dealer banks appointed by the Funding Corporation to offer and sell the Securities under the relevant Selling Group Agreement, including Bond Dealers and Discount Note Dealers. To be a Dealer with respect to a particular type of Security, the Dealer must execute the relevant Selling Group Agreement. A current list of Bond Dealers and Discount Note Dealers is available upon request to the Funding Corporation at the address set forth on page 6. These lists are also available on the Funding Corporation’s Web site; the Internet address is <http://www.farmcredit-ffcb.com>.

**“Designated Dealers”** means certain Dealers appointed as Bond Dealers who have also been appointed by the Funding Corporation to participate in the distribution of Discount Notes through the Discount Note Dealers under the relevant Designated Selling Group Agreements. To be a Designated Dealer with respect to Discount Notes, the Bond Dealer must execute the relevant Designated Selling Group Agreement. A current list of Designated Dealers is available upon request to the Funding Corporation at the address set forth on page 6. This list is also available on the Funding Corporation’s Web site; the Internet address is <http://www.farmcredit-ffcb.com>.

**“Designated Maturity”** means the period of time specified in the applicable Offering Announcement or Term Sheet relating to the period to maturity of the instrument or obligation from which the Reference Rate is calculated. For floating interest rates, the Designated Maturity may vary for different Reference Rates as discussed in the Offering Circular.

**“Designated Selling Group Agreements”** means the Federal Farm Credit Banks Funding Corporation Discount Note Selling Group Agreement — Designated Dealers, dated as of June 18, 1999, entered into with various Designated Dealers, each as may be amended from time to time.

**“Determination Date”** means the date as of which the interest rate for a Floating-Rate Bond is established, to be effective as of the following Reset Date. For Reference Rates, the Determination Date may vary for different Reference Rates as discussed in the Offering Circular.

**“Discount Notes”** means the Federal Farm Credit Banks Consolidated Systemwide Discount Notes.

**“Eligible Bonds”** means those issues of Bonds specified by the Funding Corporation as eligible to be separated into their Interest Components and Principal Components.

**“Farm Credit Securities Regulations”** means the regulations prescribed from time to time by the FCA governing the Banks’ debt securities, currently set forth in 12 CFR Part 615, Subpart O, as amended from time to time.

**“FCA”** means the Farm Credit Administration.

**“Fed Book-Entry System”** means the book-entry system of the Federal Reserve Banks.

**“Fiscal Agency Agreement”** means the fiscal agency agreement between the Funding Corporation, acting on behalf of the Banks, and the Federal Reserve Banks, as fiscal agent, as may be amended from time to time.

**“Fixed-Rate Bonds”** means Bonds that bear interest at a fixed rate.

**“Floating-Rate Bonds”** means Bonds that bear interest at a floating rate determined by reference to one or more interest rate indices or otherwise.

**“FRBNY”** means the Federal Reserve Bank of New York.

**“Funding Corporation”** means the Federal Farm Credit Banks Funding Corporation.

**“Global Debt Securities”** means Systemwide Debt Securities issued pursuant to the Banks’ Global Debt Program.

**“H.15(519)”** means the Federal Reserve Statistical Release for Selected Interest Rates H.15(519) which is currently published by the Board of Governors of the Federal Reserve System each Monday with data from the prior week, or any successor publication.

**“H.15 Daily Update”** means the daily update of H.15(519) available through the Web site of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor site or publication.

**“Immediately Available Funds”** means payment in funds credited and immediately available to the Funding Corporation’s account at the FRBNY.

**“Incorporated Information”** means the Information Statements and the Press Releases.

**“Information Statements”** means the most recent Farm Credit System Annual Information Statement and the most recent Farm Credit System Quarterly Information Statement issued after the Annual Information Statement.

**“Initial Interest Rate”** with respect to a Floating-Rate Bond means the rate, if any, specified in the applicable Offering Announcement or Term Sheet as the accrual rate for the period from and including the Issue Date to but excluding the date specified in the Offering Announcement or Term Sheet for such Bond as the first Reset Date.

**“Insurance Corporation”** means the Farm Credit System Insurance Corporation.

**“Insurance Fund”** means the Farm Credit Insurance Fund.

**“Interest Component”** means each future interest payment due on or prior to the Cut-off Date of an Eligible Bond.

**“Interest Payment Date”** means the date on which interest will be paid as specified in the applicable Offering Announcement or Term Sheet.

**“Interest Period”** means the period from and including the Issue Date of the Securities to but excluding the first Interest Payment Date for the Security and thereafter each successive period from and including one Interest Payment Date to but excluding the next succeeding Interest Payment Date.

**“Issue Date”** means the date a Security is issued as specified in the applicable Offering Announcement or Term Sheet.

**“Issue Price”** means the offering price of the Security as specified in the applicable Offering Announcement or Term Sheet.

**“London Banking Day”** means, for purposes of determining LIBOR only, any day, other than a Saturday or Sunday, on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

**“Maturity Date”** means the date on which the Security will mature and payment of the par amount or the principal amount outstanding, as the case may be, will be made.

**“New York Banking Day”** means, for purposes of determining the Treasury Note Rate only, any day, other than a Saturday or Sunday, on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in New York.

**“Offering Announcement”** means the specific information and terms and conditions for each issue of Discount Notes or Bonds as such information and terms and conditions appear on a nationally recognized financial information service (such as Bloomberg and/or Telerate).

**“Offering Date”** means the date and time Bonds issued through all Dealers through the selling group process may be traded, as specified in the applicable Offering Announcement or Term Sheet.

**“Optional Principal Redemption Bond”** means a Bond that may be redeemed, at the Banks’ option, in whole or in part, on any day or days as specified in the applicable Offering Announcement or Term Sheet.

**“Participant”** means the entity whose name appears on the book-entry records of a Federal Reserve Bank as the entity for whose account the Securities have been deposited.

**“Posted Rate”** means the discount rate offered for a Discount Note on the Trade Date as specified in the applicable Offering Announcement.

**“Press Releases”** means certain press releases relating to financial results or to other developments affecting the System issued by the Funding Corporation since the publication of the most recent Information Statement.

**“Principal Component”** means the stripped principal portion of an Eligible Bond which is entitled to payments of principal only, or payments of principal and specified portions of interest due on or after the Cut-off Date, if any, from the amount otherwise payable on such Bond.

**“Redeemable Bond”** means a Bond that may be redeemed, at the Banks’ option, in whole, on any day or days as specified in the applicable Offering Announcement or Term Sheet.

**“Redemption Date”** means the date on which the Security is to be redeemed.

**“Reference Rate”** means a specified index rate.

**“Regulations”** means the regulations of the FCA issued under the Act.

**“Representative Amount”** means an amount that is representative for a single transaction in the relevant market at the relevant time.

**“Reset Date”** means the date on which a Floating-Rate Bond will begin to bear interest at the variable interest rate determined on the relevant Determination Date.

**“Securities”** means the Bonds and Discount Notes offered pursuant to this Offering Circular.

**“Securities Intermediary”** means any one of the persons described as a Securities Intermediary in the Farm Credit Securities Regulations, including, without limitation, a bank, brokerage firm or securities clearing organization, through which a beneficial owner holds a Security.

**“Selling Group Agreements”** means the Federal Farm Credit Banks Funding Corporation Amended and Restated Bond Selling Group Agreement, dated as of June 18, 1999, and the Federal Farm Credit Banks Funding Corporation Amended and Restated Discount Note Selling Group Agreement — Core Dealers, dated as of June 18, 1999, entered into with various Dealers, each as may be amended from time to time.

**“Settlement Date”** means the date on which the Funding Corporation will deliver the Securities against payment.

**“Spread”** means the constant amount or percentage, if any, specified in the applicable Offering Announcement or Term Sheet to be added to or subtracted from the Reference Rate, as the case may be, to determine the interest rate for each Reset Period for a Floating-Rate Bond.

**“Step Rate Bonds”** means Bonds that bear interest at two or more specified fixed rates for specified periods.

**“System”** means the Farm Credit System.

**“Systemwide Debt Securities”** means all debt securities of the Banks issued under Section 4.2(d) of the Act.

**“Telerate”** means the Dow Jones Market or any successor to such publication. Telerate means, when used in connection with any designated page or Reference Rate, the display page so designated on Dow Jones, or any successor to such publication (or such other page as may replace that page on that service) or such other service as may be designated as the information vendor, for the purpose of displaying rates or prices comparable to that Reference Rate.

**“Term Sheet”** means the document that contains the specific information and final terms and conditions for certain issues of Bonds.

**“Trade Date”** with respect to Discount Notes means any Business Day between 8:00 A.M. and 11:59 P.M. on which a Discount Note is offered for sale by the Funding Corporation to a Dealer.

**“Treasury Securities Regulations”** means the regulations and procedures from time to time prescribed by the United States Department of the Treasury governing United States securities, currently set forth in 31 CFR Parts 306 and 357, as amended from time to time.

**“Zero-Coupon Bonds”** means Bonds which are offered at a discount from the amount to be paid at maturity with no periodic payment of interest.

## REFERENCE RATES SUPPLEMENT

*Terms used in this Reference Rates Supplement unless otherwise defined in the Glossary to the Offering Circular have the meanings ascribed to them in this Supplement. The following terms and conditions apply generally to the Securities. The Offering Announcement or Term Sheet for each offering of Securities will contain the specific information related to that offering and may contain additional or different terms and conditions for that Security. It is important to consider the information in the Offering Circular, the applicable Offering Announcement or Term Sheet and this Supplement in making an investment decision. In the case of any discrepancy between the terms and conditions of a particular Security as described in the Offering Circular or this Supplement and the terms and conditions of the Security as described in the applicable Offering Announcement or Term Sheet, the terms and conditions as described in the Offering Announcement or Term Sheet will take precedence. If a particular Bond is described in both an Offering Announcement and a Term Sheet, the terms and conditions as described in the Term Sheet will take precedence in the event of any discrepancy.*

### **Treasury Rate Bonds**

Each Treasury Rate Bond will bear interest at a rate per annum equal to the Treasury Note Rate for the Specified Treasury Notes (as defined below) calculated as described below either plus or minus a Spread, if any. Interest will be computed using an Actual/Actual day count convention.

#### ***Calculation of Treasury Note Rate***

The Treasury Note Rate effective beginning on each Reset Date will be determined with reference to the yield for direct obligations of the United States with a Designated Maturity specified in the applicable Offering Announcement or Term Sheet for an issue of Treasury Rate Bonds (“Specified Treasury Notes”), and for that Reset Date as set forth in H.15(519) under the caption “Treasury Constant Maturities” as such yield is displayed currently on Telerate Page 7051 for the Determination Dates.

“Reset Date” with respect to the calculation of the Treasury Note Rate means the day that is specified as such in the applicable Offering Announcement or Term Sheet for an issue of Treasury Rate Bonds. “Determination Date” with respect to the calculation of the Treasury Note Rate means the day that is two New York City Banking Days preceding the Reset Date.

The following procedures will occur if the rate cannot be set as described above:

- (1) If, on a Determination Date, the rate for that Reset Date does not yet appear on Telerate Page 7051, the Treasury Note Rate for that Reset Date will be equal to the yield for the Specified Treasury Notes that appears in H.15(519) under the caption “Treasury Constant Maturities” for the Reset Date.
- (2) If no Treasury Note Rate is so published in H.15(519), the rate for that Reset Date will be the rate for the Specified Treasury Notes as may then be published by either the Federal Reserve Board of Governors or the United States Department of the Treasury that the Funding Corporation determines to be comparable to the rate that would otherwise have been published in H.15(519).
- (3) If the Federal Reserve Board of Governors or the United States Department of the Treasury does not publish a yield for the Specified Treasury Notes, the rate will be determined by the Funding Corporation and will be a yield-to-maturity based on the arithmetic mean of the secondary market bid rates (in each case, the bids will be as quoted by three primary United States government securities dealers in New York City, selected by the Funding Corporation, at approximately 3:30 p.m. (New York City time) on the Determination Date

from five such dealers and eliminating the highest and lowest quotations) for the issue of Treasury Notes with an original maturity closest to the constant maturity of the Specified Treasury Notes, a remaining term to maturity no more than one year shorter than that of the constant maturity of the Specified Treasury Notes and in a Representative Amount.

If fewer than five but more than two prices are provided as requested, the rate for that Reset Date will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of the quotations will be eliminated.

If fewer than three prices are provided as requested, the rate for that Reset Date will be calculated by the Funding Corporation and will be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m. (New York City time) on the day that is two New York City Banking Days preceding that Reset Date of three leading primary United States government securities dealers in the City of New York selected by the Funding Corporation (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity greater than the constant maturity of the Specified Treasury Notes, a remaining term to maturity closest to the constant maturity of the Specified Treasury Notes and in a Representative Amount.

If two United States Treasury securities with an original maturity greater than the constant maturity of the Specified Treasury Notes have remaining terms to maturity equally close to the constant maturity of the Specified Treasury Notes, the quotes for the Treasury security with the shorter original term to maturity will be used.

## **LIBOR Bonds**

Each LIBOR Bond will bear interest from and including its Issue Date to its Maturity Date at a rate per annum equal to LIBOR calculated as provided below either plus or minus a Spread, if any. Interest on LIBOR Bonds will be computed using an Actual/360 day count convention.

### ***Calculation of LIBOR***

LIBOR effective beginning on each Reset Date will be the British Bankers Association (the "BBA") Interest Settlement Rate for deposits in U.S. dollars for a period of the Designated Maturity which corresponds to the applicable Reset Period and appears on Telerate, currently on Page 3750, based on calculations from quotations taken as of 11:00 a.m. (London time) on the Determination Date corresponding to the relevant Reset Period.

"Reset Date" with respect to the calculation of LIBOR means the first day of a Reset Period. "Reset Period" means with respect to a LIBOR Bond each successive period equal to the Designated Maturity specified in the applicable Offering Announcement or Term Sheet for the Bond, which will be one month, three months, six months, or such other Designated Maturity as specified in the Offering Announcement or Term Sheet. "Determination Date" means with respect to any Reset Period of a LIBOR Bond, the date which is two London Banking Days preceding that Reset Date beginning the period.

The following procedures will occur if the rate cannot be determined as described above:

- (1) If, on a Determination Date, LIBOR for that Reset Date does not yet appear as described above, then LIBOR for that Reset Date will be determined on the basis of the rates at which deposits in U.S. dollars are offered by the principal London offices of four major banks, selected by the Funding Corporation, at approximately 11:00 a.m. (London time) on the Determination Date to prime banks in the London interbank market for a period of the

Designated Maturity commencing on that Reset Date and in a Representative Amount. The Funding Corporation will request the quotations from each of the selected banks.

- (2) If at least two quotations are provided, LIBOR for that Reset Date will be the arithmetic mean of the quotations.
- (3) If fewer than two quotations are provided, LIBOR for that Reset Date will be the arithmetic mean of the rates quoted by four major banks in New York City, selected by the Funding Corporation, at approximately 11:00 a.m. (New York City time) on that Reset Date for loans in U.S. dollars to leading European banks for a period of the Designated Maturity commencing on that Reset Date and in the Representative Amount.
- (4) If the banks selected by the Funding Corporation are not quoting as described above, then LIBOR will be the rate in effect for the immediately preceding Reset Date or if there was no preceding Reset Date, then LIBOR will be the rate in effect on the Issue Date.

The interest rate in effect on each day will be:

- (1) the interest rate with respect to the Determination Date pertaining to the Reset Date if the day is a Reset Date; or
- (2) the interest rate with respect to the Determination Date pertaining to the immediately preceding Reset Date if the day is not a Reset Date.

#### **T-Bill Rate Bonds**

Each T-Bill Rate Bond will bear interest at a rate per annum equal to the T-Bill Rate calculated as provided below either plus or minus a Spread, if any. Interest on T-Bill Rate Bonds will be computed using an Actual/Actual day count convention.

#### ***Calculation of T-Bill Rate***

The initial T-Bill Rate and the T-Bill Rate effective beginning on each Reset Date will be equal to the Bond-Equivalent Yield of the rate for the applicable Treasury Bill auction as reported in H.15(519) opposite the Designated Maturity under the heading "Auction high" and appears on Telerate currently on Page 56 or Telerate Page 57 under the heading "Investment Rate." If on a Calculation Date for an Interest Period United States Treasury bills of the Designated Maturity have been auctioned on a Reset Date during the Interest Period but the rate for the Reset Date does not appear on H.15(519), Telerate Page 56 or Telerate Page 57, then the rate for that Reset Date will be the Bond-Equivalent Yield of the auction average per annum discount rate applied on a daily basis for direct obligations of the United States with a Designated Maturity sold at the applicable Treasury Bill auction.

The initial T-Bill Rate will be based on the results of the most recent applicable Treasury Bill auction prior to the Issue Date and the T-Bill Rate thereafter will be subject to adjustment on each Reset Date as follows:

- (1) The T-Bill Rate in effect from the first day of each Interest Period through and including the date of the first applicable Treasury Bill auction on or after the first day of the Interest Period will be based on the results of the most recent applicable Treasury Bill auction prior to that day.
- (2) The T-Bill Rate in effect for the period beginning on the Calculation Date through and including the calendar day preceding an Interest Payment Date will be based on the results of the most recent applicable Treasury Bill auction prior to that period.

“Reset Date” with respect to the calculation of the T-Bill Rate means the calendar day immediately following each applicable auction of Treasury Bills, except as described below.

Except as provided above with respect to the period from and including the Calculation Date to but excluding the Interest Payment Date for a T-Bill Rate Bond, in the event no applicable auction of Treasury Bills is held during any period of seven consecutive calendar days ending on and including any Friday, then until such time as an auction is held, the T-Bill Rate:

- (1) will be adjusted on the date, as determined by the Funding Corporation, on which the last applicable Treasury Bill auction should have been held in accordance with usual practices of the United States Department of the Treasury, and thereafter on the first Business Day of each week (in such circumstances, each such date will be a “Reset Date”); and
- (2) will be the Bond-Equivalent Yield of the rate set forth in H.15(519) for that Reset Date opposite the applicable heading under the caption “U.S. Government Securities/Treasury Bills/Secondary Market” (the “Secondary Market Rate”).

The following procedures will occur if the rate cannot be set as described above:

- (1) If, on the Calculation Date, the Secondary Market Rate for a Reset Date has not been published in H.15(519), the rate for that Reset Date will be the Bond-Equivalent Yield of the rate set forth in H.15 Daily Update (or such other recognized electronic source used for the purpose of displaying such rate) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.”
- (2) If, on the Calculation Date, the rate for a Reset Date has not yet been published in H.15(519) or H.15 Daily Update (or such other recognized electronic source used for the purpose of displaying such rate), the rate will be the Bond-Equivalent Yield of the arithmetic mean of the secondary market bid rates for the issue of U.S. Treasury Bills with a maturity closest to the Designated Maturity (in each case, the bids will be as quoted by three primary United States government securities dealers in New York City, selected by the Funding Corporation, as of approximately 3:30 p.m. (New York City time) on the Reset Date).

### **Prime Rate Bonds**

Each Prime Rate Bond will bear interest at a rate per annum equal to the Prime Rate calculated as provided below either plus or minus a Spread, if any. Interest on Prime Rate Bonds will be computed using an Actual/360 day count convention.

#### ***Calculation of Prime Rate***

The Prime Rate effective beginning on each Reset Date will be the rate set forth in H.15(519) opposite the caption “Bank Prime Loan” which appears on Telerate, currently on Page 125, for the Business Day prior to the Reset Date, except the Prime Rate, with respect to any day which is in the period beginning on the Calculation Date through and including the calendar day first preceding an Interest Payment Date, will be the rate in effect on the Calculation Date. If, on a Calculation Date, the Prime Rate for a Reset Date in that Interest Period is not yet published in H.15(519) or displayed on Telerate Page 125, the rate will be the rate set forth in H.15 Daily Update (or such other recognized electronic source used for the purpose of displaying such rate) for that day, opposite the caption “Bank Prime Loan.”

“Reset Date” with respect to the calculation of the Prime Rate means each Business Day in an Interest Period.

The following procedures will occur if the rate cannot be set as described above:

- (1) If, on the Calculation Date, the Prime Rate for a Reset Date is not yet published or displayed in H.15(519), Telerate Page 125, H.15 Daily Update or another recognized electronic source used for the purpose of displaying such rate, then the rate for that Reset Date will be the arithmetic mean of the rates of interest publicly announced by each bank named on Telerate under the heading “Prime Rate—Top 30 U.S. Banks,” currently on Telerate Page 38, as such bank’s U.S. dollar prime rate or base lending rate as in effect on such day as of 11:00 a.m. (New York City time).
- (2) If fewer than four rates appear on Telerate for that Reset Date, then the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by three major banks in New York City, selected by the Funding Corporation, as their U.S. dollar prime rate or base lending rate as in effect for that day.

### **Federal Funds Effective Rate Bonds**

Each Federal Funds Effective Rate Bond will bear interest from and including its Issue Date to its Maturity Date at a rate per annum equal to the Federal Funds Effective Rate calculated as provided below either plus or minus a Spread, if any. Interest on Federal Funds Effective Rate Bonds will be computed using an Actual/360 day count convention.

### ***Calculation of Federal Funds Effective Rate***

The Federal Funds Effective Rate effective beginning on each Reset Date and for each day in an Interest Period which is not a Reset Date will be the rate set forth in H.15(519) opposite the caption “Federal Funds (Effective),” as the rate appears on Telerate, currently on Page 120, for the Determination Date; except the Federal Funds Effective Rate with respect to any day which is in the period beginning on the Calculation Date through and including the calendar day first preceding an Interest Payment Date will be the rate in effect on the Calculation Date.

“Reset Date” with respect to the calculation of the Federal Funds Effective Rate means each Business Day in an Interest Period. “Determination Date” means the Business Day immediately preceding the Reset Date.

The following procedures will occur if the rate cannot be set as described above:

- (1) If, on the Calculation Date, the Federal Funds Effective Rate for a Reset Date does not appear on Telerate Page 120 or is not yet published in H.15(519), the rate for that Reset Date will be the rate set forth in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying that rate, for that day opposite the caption “Federal Funds (Effective).”
- (2) If that rate does not appear on Telerate Page 120 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source used for the purpose of displaying such rate, then the Federal Funds Effective Rate for the Reset Date will be the arithmetic mean of the rates for the last transaction in overnight United States Federal Funds arranged by three leading brokers of Federal Funds transactions, selected by the Funding Corporation, prior to 9:00 a.m. (New York City time) on the Determination Date for that Reset Date. If fewer than three brokers are quoting as described, the rate of interest in effect for the applicable period will be the same as the rate of interest in effect for the prior Interest Period.

### **Discrepancy**

With respect to the calculation of a rate for any Bond, if any discrepancy arises between Telerate and the printed version of H.15(519), the printed version of H.15(519) will take precedence.

## ***Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes***



The Federal Farm Credit Banks Funding Corporation, a corporation established under the laws of the United States of America, as agent for the Banks of the Farm Credit System, hereby amends and supplements the Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes Offering Circular dated June 18, 1999 (the "Offering Circular"). This supplement should be read in conjunction with the Offering Circular. Capitalized terms not defined herein are defined in the Offering Circular.

Certain information set forth under "Certain Tax Considerations" in the Offering Circular is hereby amended and supplemented as follows:

### **CERTAIN TAX CONSIDERATIONS**

In the opinion of Sutherland Asbill & Brennan LLP, counsel to the Banks, the following summary describes certain Federal and other tax consequences of the ownership of Securities as of the date hereof. It is based on the Act, the Internal Revenue Code of 1986, as amended (the "Code"), and final, temporary and proposed Treasury regulations, Revenue Rulings, and judicial decisions, all as of the date hereof, which authorities may be repealed, revoked or modified (possibly with retroactive effect) so as to result in Federal tax consequences different from those discussed below. It is also based on certain of the facts set forth in the applicable offering materials distributed with respect to particular issues of Securities and on standard procedures followed in connection with the offer and sale of the Securities. This summary deals only with Securities held as capital assets by their original purchasers and does not address special tax situations. This summary does not purport to cover all the possible tax consequences of the purchase, ownership or disposition of the Securities, and it is not intended as tax advice to any owner thereof. **Persons considering the purchase or sale of the Securities should consult their own tax advisors concerning the application of the income tax laws of the United States to their particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

Additional Federal and state income and other tax consequences applicable to particular Securities may be set forth in offering materials distributed with respect to particular issues of Securities.

#### **General**

The Act provides that the Securities and interest thereon are exempt from state, local and municipal income taxation. Provisions of several statutes which are analogous to the relevant tax exemption provisions of the Act applicable to the Securities have been construed by certain state courts as not exempting securities similar to the Securities or interest thereon from nondiscriminatory franchise taxes or other non-property taxes in lieu thereof imposed on corporations. As described in greater detail below, interest on the Securities is not exempt from Federal income taxation. In addition, gain from the sale or other disposition of the Securities or their transfer by inheritance, gift or other means is not exempt from Federal taxation, and generally is not exempt from state, local or municipal taxation.

## **United States Owners**

As used herein, "United States Owner" means a beneficial owner of a Security that is a United States person. A "non-United States Owner" is a beneficial owner that is not a United States person. As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to Federal income taxation regardless of its source, a trust subject to the supervision of a court within the United States and the control of a United States person (as described in Section 7701(a)(30) of the Code and the Treasury regulations thereunder), or a trust that was in existence on or before August 20, 1996, that meets certain requirements and elects to be treated as a United States person. "United States" generally means the United States of America (including the States and the District of Columbia), its territories, its possessions (including the commonwealth of Puerto Rico) and other areas subject to its jurisdiction.

In general, interest (including original issue discount, as discussed below) on a Security will be treated as ordinary interest income to the United States Owner of the Security at the time it accrues or is received, in accordance with the United States Owner's method of accounting for tax purposes, or, in the case of original issue discount, specific Federal income tax provisions. The amount of original issue discount or market discount (as discussed below) which is includible in income in respect of a Security while held by a United States Owner will be added to such United States Owner's tax basis for such Security, and such basis will be reduced by any amortized acquisition or other premium (as discussed below) and amounts of other payments that do not constitute qualified stated interest (as defined below). A United States Owner of a Security will recognize gain or loss on the sale, exchange or retirement of such Security equal to the difference between the amount realized thereon and such owner's tax basis in the Security, which gain or loss will generally be capital gain or loss (except to the extent of market discount that is treated as having accrued) and will be long-term capital gain or loss if at the time of the sale, exchange or retirement, the Security has been held for more than one year. The maximum tax rate on ordinary income for taxpayers that are individuals, estates or trusts is currently higher than the maximum tax rate on long-term capital gains on a Security held by such taxpayers. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of limitations on the deductibility of capital losses.

### ***Original Issue Discount***

A Security with an "issue price" which is less than its "stated redemption price at maturity" will generally be considered to be issued at an original issue discount for Federal income tax purposes. Generally, however, under the "de minimis exception," if the difference between a Security's stated redemption price at maturity and its issue price is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years from the issue date to maturity, the Security will not be considered to have original issue discount.

"Issue price" is defined generally as the initial offering price to the public at which a substantial amount of the particular issue of Securities is sold. "Stated redemption price at maturity" is defined generally as the amount payable on an obligation at maturity, with the exception of payments of "qualified stated interest." "Qualified stated interest" is generally defined as stated interest unconditionally payable or constructively received at least annually at:

- (1) a single fixed rate;
- (2) a "qualified floating rate" (a single floating rate the variations in which can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds); or
- (3) an "objective rate" ((A) a single floating rate using a single fixed formula based on objective financial or economic information (e.g., generally a rate that is based on one or more qualified floating rates or on the yield of actively traded property), or (B) a fixed rate minus a qualified floating rate, but only if the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (a "qualified

inverse floating rate”), and neither (A) nor (B) results in significant front- or back-loading of interest).

Stated interest unconditionally payable or constructively received at least annually at:

- (1) multiple fixed rates;
- (2) a single fixed rate and one or more qualified floating rates;
- (3) a single fixed rate and a single objective rate that is a qualified inverse floating rate; or
- (4) multiple qualified floating rates

may also constitute qualified stated interest although, depending on the particular interest rate formula used and as discussed further below, such stated interest may be treated in whole or in part as original issue discount. In addition, qualified stated interest does not include any payments on a debt instrument with a term of one year or less. (See below for a discussion of the application of the de minimis exception for obligations with a term of one year or less.)

If the period between the issue date of a Bond and the first Interest Payment Date is longer than the periods between subsequent Interest Payment Dates, the Bond will be a “long-period Bond.” A long-period Bond will not be considered issued with original issue discount if all stated interest on the Bond is qualified stated interest. If all stated interest is not qualified stated interest because the interest rate for the long period is effectively below the rate applicable for the remainder of the Bond's term, the Bond will not have original issue discount if:

- (1) in the case of a Bond that otherwise provides for interest payable at a single fixed rate, the value of the fixed rate is adjusted in “any reasonable manner” to take into account the length of the long period; or
- (2) in the case of all Bonds, the de minimis exception discussed above, with certain modifications, applies.

One of these exceptions will generally apply to long-period Bonds, but if neither exception applies, then such Bonds will generally be treated as bearing interest at multiple fixed rates.

If interest is payable on a Bond at multiple fixed rates (whether or not it is a long-period Bond), then such Bond will provide for qualified stated interest only to the extent of the lowest fixed rate at which qualified stated interest would be payable. Any interest payable in excess of this rate will be included in the Bond's stated redemption price at maturity and will generally be considered original issue discount.

United States Owners of Bonds with original issue discount that mature more than one year from the issue date will generally be required to include original issue discount in gross income for Federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, in advance of receipt of the cash payments attributable to such income. Such original issue discount will result in the acceleration of recognition of ordinary income to cash method United States Owners. Under the constant yield method, United States Owners of such Bonds will generally be required to include in income increasing amounts of original issue discount.

Floating-Rate Bonds that provide for total noncontingent principal payments at least equal to the debt instrument's issue price (subject to a special de minimis rule) and do not provide for stated interest other than stated interest (compounded or paid at least annually) at the current value of:

- (1) one or more qualified floating rates;
- (2) a single fixed rate and one or more qualified floating rates;

- (3) a single objective rate; or
- (4) a single fixed rate and a single objective rate that is a qualified inverse floating rate

will generally be considered “variable rate debt instruments.” Such variable rate debt instruments will not be considered to have original issue discount merely because stated interest is payable at a floating rate. However, a variable rate debt instrument may bear original issue discount if interest:

- (a) is not unconditionally payable or constructively received at least annually; and/or
- (b) is payable at other than a single qualified floating rate or objective rate.

The amount, if any, and accrual of original issue discount and qualified stated interest with respect to such a debt instrument are generally determined by converting it into an equivalent fixed rate debt instrument (e.g., by substituting for each qualified floating rate the value of such rate as of the issue date) and then applying the general original issue discount rules for fixed rate debt instruments as discussed above. The qualified stated interest allocable to an accrual period is adjusted to the extent interest actually paid during the period differs from the interest assumed to be paid on the equivalent fixed rate debt instrument.

A Floating-Rate Bond that is not a variable rate debt instrument will generally be treated as having original issue discount, and interest on such a debt instrument will be treated as contingent interest.

In addition, a Floating-Rate Bond subject to an interest rate ceiling and/or floor will not be considered to bear interest at a qualified floating rate or at an objective rate and will be treated as bearing contingent interest unless the interest rate ceiling and/or floor is fixed throughout the term of the Floating-Rate Bond or is not reasonably expected as of the issue date to cause the yield on such Bond to be significantly more or less, as the case may be, than the expected yield determined without such ceiling and/or floor. An issuer generally is required to determine the “comparable yield” for a debt instrument bearing contingent interest. The “comparable yield” is generally the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument, all as of the issue date. The issuer then determines a projected payment schedule that produces the comparable yield. The projected payment schedule will consist of all the noncontingent payments on the debt instrument and a projected amount for each contingent payment, which amount will generally be the forward price for the property right (e.g., a forward contract or an option) that is substantially similar to the contingent payment. Interest will be includible in income based on the schedule, with subsequent adjustments if the actual amount of a contingent payment differs from the amount projected in the schedule. A United States Owner must follow this projected payment schedule unless such owner determines its own schedule and on its timely filed Federal income tax return for the taxable year that includes the acquisition date of the Bond describes that fact and the reason why it set its own schedule (e.g., why the schedule it was provided was unreasonable). The Term Sheet relating to an issue of Bonds with contingent interest will contain the projected payment schedule for such issue of Bonds as well as additional information on the timing of the inclusion of interest income and subsequent adjustments thereto.

All payments (including all stated interest) with respect to a Security will be included in the stated redemption price at maturity if the Security has a term of one year or less (a “short-term Security”) and, thus, a United States Owner will generally be taxable on discount in lieu of stated interest. As a result, a short-term Security will in almost all circumstances fall outside the general de minimis exception discussed above. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a short-term Security, unless the United States Owner elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method United States Owners of short-term Securities are not required to accrue such discount for Federal income tax purposes and will generally be required to include stated interest (if any) in income when received, unless an election is made to accrue discount as computed above. This election will apply to all debt instruments having a maturity of one year or less that the United States Owner holds in the taxable year of the

election and in all subsequent years and may not be revoked without the consent of the Internal Revenue Service. United States Owners who report income for Federal income tax purposes on the accrual method and certain other United States Owners, including banks and dealers in securities, are required to accrue discount on such short-term Securities (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method. The amount of discount which accrues in respect of a short-term Security while held by a United States Owner will be added to such owner's tax basis in such Security to the extent included in income. In the case of a United States Owner who is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the short-term Security will be ordinary income to the extent of the discount accrued (less the amount of stated interest received (if any) previously included in income) on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, such non-electing United States Owners which are not subject to the current inclusion requirement described in this paragraph will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry such short-term Securities in an amount not exceeding the deferred interest income, until such deferred interest income is realized.

A United States Owner may elect to accrue all "interest" on a Security as original issue discount (*i.e.*, using the constant yield method discussed above). If a United States Owner elects this method, the Security's issue price will be deemed to be such owner's basis in the Security at the time of its acquisition, and all of the payments on the Security will be treated as included in its stated redemption price at maturity. This election is available whether or not such a Security has original issue discount, and it applies to any stated interest, original issue discount (including discount that is de minimis or attributable to a short-term Security) and market discount (as discussed below) on a Security, all as adjusted by any acquisition or other premium (as discussed below). This election may be made on an obligation-by-obligation basis but, once made on an obligation with bond premium, it will operate as an election to amortize premium with respect to all of such United States Owner's debt instruments with premium, not just those on which it is electing to apply the constant yield method. A similar consistency rule applies to debt instruments with market discount and the election to include such discount in income currently.

### **Reopenings**

Because the Banks have the right to reopen Bonds—that is, to increase the principal amount of an issue of Bonds (the "original Bonds") by issuing additional Bonds (the "new Bonds") with the same terms and conditions—the manner in which specific Federal income tax provisions, including those relating to original issue discount, will be applied to the new Bonds will depend in part upon whether the new Bonds are treated for Federal income tax purposes as a separate issue of Bonds or as part of the same issue of original Bonds. For example, certain new Bonds issued at a lower price than the original Bonds may be considered issued with original issue discount if treated as a separate issue, but considered not to be issued with original issue discount if treated as part of the same issue as the original Bonds. In general, two or more debt instruments are part of the same issue if they have the same credit and payment terms, are sold pursuant to a common plan or as part of a single transaction or a series of related transactions, and are issued within a 13-day period beginning on the date the first instruments were sold to the public. In addition, if additional debt instruments are issued within 6 months of previously issued debt instruments, the original and the additional debt instruments are treated as part of the same issue if they have the same terms, the original debt instruments are publicly traded, and the yield on the original debt instruments on the date their price is established (or, if earlier, the date the sale of the additional debt instruments is announced) is not more than 10 percent higher than the yield on their issue date. If the original debt instruments were issued with no more than a de minimis amount of OID, this test is based on the increase in the coupon rate rather than the yield. If the additional debt instruments are issued with a de minimis amount of original issue discount when tested separately, they are treated as part of the same issue as the original debt instruments if they have the same terms and the original debt instruments are publicly traded, irrespective of whether the 6-month reopening period or 10 percent yield increase limitations described above are satisfied.

The Banks intend to reopen a series of Bonds only in circumstances where the new Bonds will be treated as part of the same issue as the original Bonds for Federal income tax purposes. Accordingly, the issue date, issue price and adjusted issue price of any new Bonds issued by the Banks in a reopening will be the same as the issue date, issue price and adjusted issue price of the original Bonds for tax purposes.

### ***Market Discount and Premium***

If a United States Owner purchases a Security other than a short-term Security (including a purchase in connection with its original issuance) for an amount that is less than its “revised issue price” (defined as the sum of the issue price of the Security, as defined above, and the aggregate amount, if any, of the original issue discount included, without regard to the rules for acquisition premium discussed below, in the gross income of all previous owners of the Security), the amount of the difference will be treated as “market discount” for Federal income tax purposes, unless such difference is less than a specified de minimis amount. In general, under the market discount rules, a United States Owner will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Security as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such Security at the time of such payment or disposition. In addition, the United States Owner may be required to defer, until the maturity of the Security or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Security. Any market discount will be considered to accrue ratably during the period from the date of acquisition to the Maturity Date of the Security, unless the United States Owner elects to accrue on a constant yield method. A United States Owner of a Security may elect to include market discount in income currently as it accrues (on either a ratable or constant yield method), in which case the rule described above regarding deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service.

A United States Owner that purchases a Security with original issue discount for an amount that is greater than the Security's “adjusted issue price” (defined generally as the issue price of the Security increased by the aggregate amount of original issue discount includible, if any, in the gross income of all previous owners of the Security and decreased by the aggregate amount of payments made on the Security, if any, other than payments of qualified stated interest) but less than the sum of all amounts payable on the Security after the purchase date (other than payments of qualified stated interest) will be considered to have purchased such Security at an “acquisition premium.” The amount of original issue discount such owner must include in its gross income with respect to such Security for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

If a United States Owner acquires a Security for an amount that is greater than the sum of all amounts payable on the Security after the purchase date (other than payments of qualified stated interest), such owner will be considered to have purchased such Security at a premium, such Security will have no original issue discount, and such owner may elect to amortize such premium using a constant yield method, generally over the remaining term of the Security if the Security is not subject to redemption prior to maturity. Such premium shall be deemed to be an offset to interest otherwise includible in income in respect of such Security for each accrual period. If the premium allocable to an accrual period exceeds the qualified stated interest allocable to the accrual period, a United States Owner must treat the excess as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which the United States Owner's total interest income on the Security in prior accrual periods exceeds the total amount treated by the United States Owner as a bond premium deduction on the Security in prior accrual periods and if the premium allocable to an accrual period exceeds the sum of (i) such amount treated as a deduction for the accrual period and (ii) the qualified stated interest allocable to the accrual period, the excess is carried forward to the next accrual period and is treated as a bond premium allocable to that period. If a Security is subject to redemption prior to maturity after the United States Owner has acquired it, the United States Owner generally may not assume that the Security will be redeemed prior to maturity and must amortize the premium to the Maturity Date of the Security. If the Security is in fact redeemed prior to maturity, any unamortized

premium may be deducted in the year of redemption. The election to amortize a premium using a constant yield method once made will apply to certain other debt instruments acquired at a premium held or subsequently acquired by the electing United States Owner on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. Bond premium on a Security held by a United States Owner that does not make such an election will be taken into account in computing the gain or the loss recognized on disposition of the Security because it is part of such owner's tax basis for such Security. In the case of a short-term Security, this paragraph applies to cash method United States Owners unless they account for interest or original issue discount on the short-term Security as it accrues, as discussed above.

### ***Interest Components and Principal Components of Eligible Bonds***

*Beneficial Owners of Interest and Principal Components.* Under Federal tax law, the separation of ownership of the right to receive some or all of the interest payments on a debt instrument from ownership of the right to receive some or all of the principal payments results in the creation of "stripped bonds" with respect to principal payments and "stripped coupons" with respect to interest payments. Consequently, a beneficial owner that purchases a Principal Component or an Interest Component will be considered to own stripped bonds or stripped coupons, respectively.

A stripped bond or a stripped coupon, for purposes of applying the original issue discount rules, is treated as a debt instrument issued with original issue discount on the date that such stripped interest is purchased. Accordingly, the tax consequences to a beneficial owner that purchases a Component are determined as if the Component were a Security issued with original issue discount on the date of purchase or, in the case of a Component maturing one year or less from the date of purchase, a short-term Security issued on that date. The amount of original issue discount is equal to the excess (if any) of the Component's stated redemption price at maturity over the purchase price paid by the new beneficial owner on the date of purchase for the Component. The stated redemption price at maturity of an Interest Component or Principal Component is the amount payable on that Component.

*Tax Consequences of Stripping an Eligible Bond.* A beneficial owner of an Eligible Bond is taxed on income from the Eligible Bond as if the ability to strip the Eligible Bond did not exist, unless and until (i) the Eligible Bond is stripped and (ii) the beneficial owner disposes of some or all of the resulting Components. The mere exchange of an Eligible Bond for Interest and Principal Components, without the disposition of any of those Components, should not be treated as a taxable event. If a beneficial owner exchanges an Eligible Bond for Interest Components and Principal Components and disposes of all of those Components, the beneficial owner effectively is treated as if it had disposed of the Eligible Bond. If such beneficial owner disposes of less than all the Components resulting from the stripping transaction, such beneficial owner will be required on the date of disposition:

- (1) to include as income all interest and market discount accrued on the Eligible Bond not previously included as income;
- (2) to increase its basis in the Eligible Bond by the same amount;
- (3) to allocate its adjusted basis in the Eligible Bond among the Components in proportion to the respective fair market values of those Components; and
- (4) to recognize gain or loss with respect to each disposition of a Component equal to the difference between the amount realized and the basis allocated to that Component.

If there is not an established market for the Components, it is not clear how such a beneficial owner should determine relative market values for this purpose and each beneficial owner should consult its tax advisor in these circumstances.

Generally, any gain or loss on the disposition of a Principal Component or an Interest Component will be capital gain or loss. A beneficial owner should consult a tax advisor regarding the tax consequences of disposition of an Interest Component.

A beneficial owner who disposes of less than all of the Components of an Eligible Bond after a stripping transaction is taxed on each retained Component as if such beneficial owner had purchased the retained Component for an amount equal to the basis allocated to such Component.

*Ownership of Pro Rata Share of Outstanding Interest Components and Principal Components.* If a beneficial owner purchases in one transaction a *pro rata* share of both the Principal Component and the applicable unmatured Interest Components relating to the same Eligible Bond, while the matter is not free from doubt, such beneficial owner should be treated as purchasing an undivided interest in the Eligible Bond rather than the separate Components. If it cannot be ascertained whether such Components relate to the same Eligible Bond, or if such Components are purchased in separate transactions, then the Federal income tax treatment of the Components could be determined by treating each Component separately, rather than as a combined Eligible Bond. If a beneficial owner who has purchased a *pro rata* share of both the Principal Component and the applicable unmatured Interest Components in either separate transactions or with respect to different Eligible Bonds requests a reconstitution of such Components as an Eligible Bond, while the matter also is not free from doubt, (i) the reconstitution should not be treated as a taxable exchange and (ii) the beneficial owner should continue to be taxed on each Component separately, rather than as a combined Eligible Bond. A beneficial owner should consult its tax advisor in any of the circumstances described in this paragraph.

#### ***Backup Withholding and Information Reporting***

A 31% “backup” withholding tax and certain information reporting requirements may apply to certain payments to certain United States Owners of principal of and interest (including original issue discount, if any) or premium (if any) on, and proceeds of the sale or exchange before maturity of, a Security. Backup withholding and information reporting will not apply to payments on the Securities made by a Bank or Banks or any paying agent thereof (in its capacity as such) to exempt recipients, such as corporations or financial institutions, that establish their status as such, regardless of whether such entities are United States Owners of Securities or hold Securities as a custodian, nominee or agent of a United States Owner. However, backup withholding and information reporting will apply to payments on the Securities made by any custodian, nominee or other agent to a United States Owner unless such United States Owner is an exempt recipient and establishes its status as such.

In the case of a United States Owner that is not an exempt recipient (for example, if the United States Owner is an individual), backup withholding will not be applicable if such owner (i) has supplied an accurate Taxpayer Identification Number (usually on a Form W-9), (ii) has not been notified by the Internal Revenue Service that it has failed to properly report payments of interest and dividends and (iii) in certain circumstances, has certified under penalties of perjury that it has received no such notification and that it has supplied an accurate Taxpayer Identification Number. However, information reporting by a Bank or its paying agent will be required in such a case.

Any amounts withheld under the backup withholding rules from a payment to a United States Owner of a Security will be refunded or allowed as a credit against such owner's Federal income tax liability, provided that any required information is furnished to the Internal Revenue Service in a timely manner.

## Non-United States Owners

### General

Payments of interest (which for purposes of this discussion includes original issue discount) and premium (if any) on a Security to a non-United States Owner generally will be subject to withholding of Federal income tax at a rate of 30% of the gross amount unless an exemption applies. Under current Federal income and estate tax laws, and subject to the discussion below concerning backup withholding:

- (1) no withholding of Federal income tax will be required with respect to the payment by a Bank or Banks or any paying agent thereof (in its capacity as such) of principal, premium (if any) or interest on a Security to a non-United States Owner, provided that (i) such owner does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of a Bank or Banks entitled to vote within the meaning of Section 871(h)(3) of the Code, (ii) the non-United States Owner is not a controlled foreign corporation that is related to a Bank or Banks through stock ownership or a bank, in each case within the meaning of Section 881(c)(3) of the Code, and (iii) the beneficial owner satisfies the statement requirement (described generally below) set forth in Section 871(h) and Section 881(c) of the Code;
- (2) no withholding of Federal income tax will be required with respect to the payment of interest on a Security to a non-United States Owner, provided that the Security is payable 183 days or less from the date of original issue;
- (3) no withholding of Federal income tax will be required with respect to any gain or income realized by a non-United States Owner upon the sale, exchange or retirement of a Security; and
- (4) a Security held by an individual who at the time of death is a non-United States Owner will not be subject to Federal estate tax as a result of such individual's death, provided that such individual does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of a Bank or Banks entitled to vote within the meaning of Section 871(h)(3) of the Code and provided that the interest payments with respect to such Security are not effectively connected with a United States trade or business of such individual.

To qualify for the exemption from withholding tax with respect to the Securities, the last United States person in the chain of payment prior to payment to a non-United States Owner (the "Withholding Agent") must have received in the year in which a payment of principal or interest occurs, or in one of the three preceding years, a statement that:

- (a) is signed by the beneficial owner of a Security under penalties of perjury;
- (b) certifies that such beneficial owner is not a United States Owner; and
- (c) provides the name and address of such beneficial owner.

The statement may be made on a Form W-8BEN or substantially similar substitute form and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. Under certain circumstances, a Withholding Agent is allowed to rely on a Form W-8IMY or other similar documentation furnished by a financial institution or other intermediary on behalf of one or more beneficial owners (or other intermediaries) without having to obtain copies of the beneficial owner's Form W-8BEN. Subject to certain exceptions, a payment to a foreign partnership or to certain foreign trusts is treated as a payment directly to the foreign partners or to the trust beneficiaries, as the case may be.

If a non-United States Owner is engaged in a United States trade or business and interest on a Security is effectively connected with the conduct of such trade or business, the non-United States Owner will be exempt from the withholding of Federal income tax described above, provided it has furnished the Withholding Agent with a Form W-8ECI or substantially similar substitute form stating that interest on the Security is effectively connected with the non-United States Owner's conduct of a trade or business in the United States. Such a non-United States Owner will be subject to Federal income tax on such interest on a net income basis in the same manner as if it were a United States Owner.

A non-United States Owner that is not eligible for relief under one of the exceptions described above may qualify for an exemption from Federal income tax, or a reduced rate of, Federal income and withholding tax under a United States income tax treaty. In general, this exemption or reduced rate of tax applies only if the non-United States Owner provides a properly completed Form W-8BEN or substantially similar substitute form to the Withholding Agent.

### ***Backup Withholding and Information Reporting***

A 31% "backup" withholding tax and certain information reporting requirements may apply to certain payments to certain non-United States Owners of principal of and interest (including original issue discount, if any) or premium (if any) on, and proceeds of the sale or exchange before maturity of, a Security. Backup withholding and information reporting will not apply to payments made by a Bank or Banks or any paying agent thereof (in its capacity as such) to a non-United States Owner of a Security with respect to which such owner has provided under penalties of perjury the required certification of its non-United States person status under (provided that neither a Bank or the Banks nor the paying agent has actual knowledge or reason to know that the owner is a United States Owner) or has otherwise established its status as an exempt recipient (e.g., as a corporation or a financial institution).

If payments of principal, interest or premium (if any) are made to a custodian, nominee or agent for the non-United States Owner of a Security, information reporting may be required. In particular, information reporting will be required on payments made outside the United States by a custodian, nominee or agent of the beneficial owner of a Security if such custodian, nominee or agent is (i) a United States person, (ii) a foreign person 50% or more of whose gross income for certain specified periods is effectively connected with the conduct of a trade or business in the United States, (iii) a foreign partnership that at any time during its taxable year is more than 50% (by income or capital interest) owned by U.S. persons or engaged in the conduct of a U.S. trade or business, (iv) a controlled foreign corporation for United States tax purposes or (v) a U.S. branch of a foreign bank or a foreign insurance company for United States tax purposes (a person described in paragraphs (ii), (iii), (iv), or (v) hereinafter a "U.S. Controlled Person"), unless (1) such custodian, nominee or agent (i) obtains a withholding certificate or other appropriate documentary evidence establishing that the beneficial owner is not a United States person, and (ii) does not have actual knowledge or reason to know that the information contained therein is false, or (2) the beneficial owner is a corporation or a financial institution or other exempt recipient eligible for an exemption from information reporting. If information reporting is required in these circumstances, backup withholding will be required only if such custodian, nominee or agent has actual knowledge that the beneficial owner is a United States person.

Proceeds from the sale or redemption of a Security through a United States broker or the United States office of a foreign broker will be subject to information reporting, and backup withholding will be required unless a withholding certificate or other appropriate documentary evidence is provided to the broker. Proceeds from the sale or redemption of a Security through the foreign office of a broker who is a United States person or a U.S. Controlled Person will be subject to information reporting unless (1) such broker (i) obtains a withholding certificate or other documentary evidence establishing that the beneficial owner is not a United States person, and (ii) does not have actual knowledge or reason to know that such evidence is false, or (2) the beneficial owner is a corporation or a financial institution or other exempt recipient eligible for an exemption from information reporting. In circumstances where information reporting by the foreign office of such a broker is required, backup withholding will be required only if the broker has actual knowledge that the beneficial owner is a United States person.

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**OFFERING CIRCULAR SUPPLEMENT**

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(To the Offering Circular dated June 18, 1999)

**Federal Farm Credit Banks Consolidated  
Systemwide Bonds and Discount Notes**



The Federal Farm Credit Banks Funding Corporation, a corporation established under the laws of the United States of America, as agent for the Banks of the Farm Credit System, hereby amends and supplements the Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes Offering Circular dated June 18, 1999 and as previously supplemented by the Offering Circular Supplement dated August 20, 2001 (the "Offering Circular"). This Offering Circular Supplement should be read in conjunction with the Offering Circular, as previously amended and supplemented. Capitalized terms not defined herein are defined in the Offering Circular as amended and supplemented.

The distribution of the Offering Circular, as amended or supplemented, or any other offering materials and the offer, sale, and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession offering material comes must inform themselves about and observe any such restrictions. The Offering Circular, as amended or supplemented, does not constitute, and may not be used for or in connection with, an offer or solicitation of the Securities in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or solicitation by anyone not authorized so to act. The Offering Circular, as amended or supplemented, does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Securities. Neither the delivery of the Offering Circular, as amended or supplemented, or any other offering materials, nor any sale hereunder, shall under any circumstances create any implication that the information herein or therein is correct as of any time subsequent to the respective dates hereof or thereof.

The Funding Corporation, any Dealer or Designated Dealer may only communicate or cause to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Funding Corporation.

The Securities have not and will not be registered under the Securities and Exchange Law of Japan, and offers and sales, direct or indirect, of the Securities may not be made in Japan or to any resident of Japan or to any person for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to and in compliance with, or under an available exemption from, the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Investors in France may only participate in the issue of the Securities for their own account in accordance with the conditions set out in *décret* no. 98-880 dated 1<sup>st</sup> October, 1998. The Securities may only be issued, directly or indirectly, to the public in France in accordance with articles L. 411-1 and L. 411-2 of the French *Code Monétaire et Financier*.

*The date of this Offering Circular Supplement is November 26, 2003.*

The section "Plan of Distribution – Offering Information and Sales Restrictions" in the Offering Circular on page 40 is hereby amended and restated as follows:

### **Offering Information and Sales Restrictions**

The Funding Corporation is not required to register the Securities under the U.S. Securities Act of 1933, as amended. Accordingly, it has not filed a registration statement with the U.S. Securities and Exchange Commission (the "SEC") with respect to the Securities. The Securities are "exempted securities" within the meaning of the Securities Exchange Act of 1934, as amended. Neither the SEC nor any state securities commission has approved or disapproved these Securities or determined if the Offering Circular, as amended or supplemented, is truthful or complete. Any representation to the contrary is a criminal offense.

Each Dealer and Designated Dealer is required to deliver (1) the Offering Circular, as amended or supplemented, any applicable Term Sheet and, if so requested, the Incorporated Information to purchasers of the Securities, and (2) the Offering Circular, as amended or supplemented, the applicable Term Sheet and the Incorporated Information to any person to whom the Securities are offered (or any person solicited to purchase the Securities) if such person requests such information. In certain circumstances, affiliates of the Dealers and securities dealers that are not members of a Funding Corporation selling group who participate in the distribution of Bonds are also required to comply with certain document delivery requirements. No Dealer, Designated Dealer or any other person is authorized to make any representation or use any information in connection with the issue, offering and sale of the Securities other than as contained in this Offering Circular, as amended or supplemented, the applicable Offering Announcement or Term Sheet or such other information relating to the Funding Corporation, the Banks or the Securities that the Funding Corporation has authorized the Dealers and Designated Dealers to use.

The Securities may be offered or sold only where it is legal to do so. Each Dealer and Designated Dealer must determine the application of and comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes the Offering Circular, as amended or supplemented, or any part thereof, including any Offering Announcement or Term Sheet, or any such other material. Each Dealer and each Designated Dealer has agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it may offer, sell or deliver the Securities or distribute the Offering Circular, as amended or supplemented, or any other offering announcement.

Selling restrictions may be modified or supplemented by the agreement of the Funding Corporation and the relevant Dealers or Designated Dealers following a change in any relevant law, regulation or directive. Some of the restrictions that may be applicable to the offer and sale of Securities are set forth below.

#### **France**

Each of the Funding Corporation, the Dealers and the Designated Dealers have represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Securities to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Offering Circular, as amended or supplemented, or any other offering material relating to the Securities and that any offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L. 411-1 and L. 411-2 of the French *Code Monétaire et Financier* and *décret* no. 98-880 dated 1<sup>st</sup> October, 1998.

## Germany

Each Dealer or Designated Dealer has represented and agreed that the Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Sales Prospectus Act of 13th September 1990, as amended (*Wertpapier-Verkaufsprospektgesetz*) or any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities.

## Hong Kong

Each Dealer and each Designated Dealer has represented and agreed that (a) it has not offered or sold nor will it offer or sell in Hong Kong, by means of any document, any Securities other than (i) to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and (b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571) and any rules made thereunder.

## Italy

The offering of the Securities in Italy has not been cleared by the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of the Offering Circular, as amended or supplemented, or of any other offering document relating to the Securities be distributed in the Republic of Italy, except: (a) to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2, of CONSOB Regulation No. 11522 of 1<sup>st</sup> July, 1998, as amended; or (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24<sup>th</sup> February, 1998 (the "Financial Services Act") and Article 33, paragraph 1, of CONSOB Regulation No. 11971 of 14<sup>th</sup> May, 1999, as amended.

Any offer, sale or delivery of the Securities or distribution of copies of the Offering Circular, as amended or supplemented, or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1<sup>st</sup> September, 1993 (the "Banking Act"), as amended; and (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and (iii) in accordance with any other applicable laws and regulations.

## Japan

The Securities have not been and will not be registered under the Securities and Exchange Law of Japan. Each Dealer and each Designated Dealer has agreed that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to other persons for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the

registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### **The Netherlands**

Each Dealer and each Designated Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Securities with a denomination of less than ¥50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, investment funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*) is applicable and the conditions attached to such exemption or exception are complied with.

### **Singapore**

Neither the Offering Circular nor any amendment or supplement thereto have been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore (the "Securities and Futures Act"). Accordingly, no Dealer or Designated Dealer will offer or sell the Securities nor make the Securities the subject of an invitation for subscription or purchase, nor will it circulate or distribute the Offering Circular, any amendment or supplement thereto or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, (b) to a sophisticated investor (as defined in Section 275 of the Securities and Futures Act) and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

### **United Kingdom**

Each Dealer and each Designated Dealer has represented and agreed that:

- (i) in relation to Securities which have a maturity of one year or more, it has not offered or sold and, prior to the expiration of a period of six months from the issue date of such Securities, will not offer or sell any such Securities to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) in relation to any Securities having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) has not offered or sold and will not offer or sell any Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Funding Corporation;

- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Funding Corporation; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Securities in, from or otherwise involving the United Kingdom.

### **General**

The Securities will be issued outside Australia, Austria, Belgium, Canada, China, Denmark, Finland, Ireland, Norway, Portugal, Spain, Sweden and Switzerland (each a “Specified Jurisdiction”) and may not be offered to the public therein. Accordingly, the Securities will not be offered or sold, directly or indirectly, to the public in a Specified Jurisdiction; and the Offering Circular, as amended or supplemented, or any other offering material relating to the Securities will not be distributed or caused to be distributed to the public in a Specified Jurisdiction.

If such distribution of Securities is made in a Specified Jurisdiction nonetheless, each Dealer or Designated Dealer will offer and sell the Securities (i) only under circumstances for the issuance to be exempt from the provisions of the relevant statutes, regulations, orders and directives and (ii) otherwise in accordance with the provisions of any other laws applicable in the Specified Jurisdiction governing the issue, offering and sale of securities.

OFFERING CIRCULAR SUPPLEMENT  
(To the Offering Circular dated June 18, 1999)

***Federal Farm Credit Banks Consolidated  
Systemwide Bonds and Discount Notes***



The Federal Farm Credit Banks Funding Corporation, a corporation established under the laws of the United States of America, as agent for the Banks of the Farm Credit System, hereby amends and supplements the Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes Offering Circular dated June 18, 1999, as previously supplemented by the Offering Circular Supplements dated August 20, 2001 and November 26, 2003 (together, the "Offering Circular"). This Offering Circular Supplement should be read in conjunction with the Offering Circular, as previously amended and supplemented. Capitalized terms not defined herein are defined in the Offering Circular as amended and supplemented.

**Discount Notes  
Aggregate Par Amount Outstanding**

Effective February 23, 2007, the aggregate par amount of Discount Notes that the Banks may have outstanding at any one time is increased from the aggregate par amount outstanding at any one time of up to \$25 billion to an aggregate par amount outstanding at any one time of up to \$40 billion.

The aggregate par amount of Discount Notes to be outstanding at any one time may be further increased in the future.

*The date of this Offering Circular Supplement is March 8, 2007.*

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OFFERING CIRCULAR SUPPLEMENT

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(To the Offering Circular dated June 18, 1999)

***Federal Farm Credit Banks Consolidated  
Systemwide Bonds and Discount Notes***



The Federal Farm Credit Banks Funding Corporation, a corporation established under the laws of the United States of America, as agent for the Banks of the Farm Credit System, hereby amends and supplements the Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes Offering Circular dated June 18, 1999, as previously supplemented by the Offering Circular Supplements dated August 20, 2001, November 26, 2003 and March 8, 2007 (together, the "Offering Circular"). This Offering Circular Supplement should be read in conjunction with the Offering Circular, as previously amended and supplemented. Capitalized terms not defined herein are defined in the Offering Circular as amended and supplemented.

**Discount Notes  
Aggregate Par Amount Outstanding**

Effective September 24, 2008, the aggregate par amount of Discount Notes that the Banks may have outstanding at any one time is increased from the aggregate par amount outstanding at any one time of up to \$40 billion to an aggregate par amount outstanding at any one time of up to \$60 billion.

The aggregate par amount of Discount Notes to be outstanding at any one time may be further increased in the future.

*The date of this Offering Circular Supplement is September 30, 2008.*