MDC HOLDINGS INC
Form 424B5
July 20, 2005

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-117319

PROSPECTUS SUPPLEMENT
(To Prospectus Dated September 7, 2004)

$750,000,000

M.D.C. Holdings, Inc.

Medium Term Senior Notes

Medium Term Subordinated Notes
Due Nine Months or More from the Original Issue Date

We may use this prospectus supplement to offer our Medium Term Senior Notes and/or Medium Term Subordinated Notes from time to time.

The following terms may apply to the notes. We will provide the final terms for each note in a pricing supplement.

They may have maturities of nine months or more.

They may be subject to redemption or repayment at our option or the option of the holder.

They will be denominated in U.S. dollars.

They may bear interest at a fixed or floating rate. Some notes issued at a discount may not bear interest. Floating interest rates may be based on any of the following formulas or on other interest rate formulas specified in a pricing supplement.

CD Rate	Treasury Rate
Commercial Paper Rate	Prime Rate
Federal Funds Rate	CMT Rate
LIBOR	Another Base Rate specified in the pricing supplement

They may be issued as indexed notes.

They may be issued in certificated or book-entry form.

Interest will be paid on fixed rate notes on March 15 and September 15 of each year.

Interest will be paid on floating rate notes on dates determined at the time of issuance.

They may rank as senior or subordinated indebtedness of M.D.C. Holdings, Inc.

Senior notes will be guaranteed by certain of our subsidiaries.

The proceeds we will receive from the sales of the notes after paying any agents commissions will be set at the time of issuance and disclosed in a pricing supplement. We do not expect that any of the notes will be listed on an exchange, and a market for any particular series of notes may not develop.

Investing in the notes involves risks. See Risk Factors beginning on page S-2.

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

Banc of America Securities LLC

BNP PARIBAS
Citigroup
Comerica Securities
Credit Suisse First Boston
Deutsche Bank Securities
JPMorgan
KeyBanc Capital Markets
Merrill Lynch & Co.
RBS Greenwich Capital
SunTrust Robinson Humphrey
UBS Investment Bank
Wachovia Securities

July 20, 2005

You should only rely on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein is accurate as of any date other than the date on the front of this prospectus supplement, the date on the front of the accompanying prospectus or the date of the applicable incorporated document, as applicable.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
Forward-Looking Statements	ii
Prospectus Supplement Summary	S-1
Risk Factors	S-2
Description of Notes	S-6
United States Federal Income Tax Considerations	S-41
Supplemental Plan of Distribution	S-53
Legal Matters	S-55
Experts	S-55
Prospectus	
M.D.C. Holdings, Inc.	1
Risk Factors	2
Use of Proceeds	4
Ratios of Earnings to Fixed Charges	5
Description of Common Stock	5
Description of Preferred Stock	7
Description of Debt Securities	8
Book-Entry Issuance	11
Plan of Distribution	12
Legal Matters	14
Experts	14
Where You Can Find More Information	14
Incorporation of Certain Documents by Reference	14

The information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference concerning the homebuilding industry, our market share, our size relative to other homebuilders and other matters is derived principally from publicly available information and from industry sources. Although we believe the publicly available information and the information from industry sources are reliable, we have not independently verified any of this information and we cannot assure you of its accuracy.

This prospectus supplement sets forth certain terms of the notes that we may offer. It supplements the section entitled Description of Debt Securities in the accompanying prospectus. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information that is different from the information in the accompanying prospectus.

Table of Contents

Each time we offer notes, we will attach a pricing supplement to this prospectus supplement. The pricing supplement will contain the specific description of the notes we are offering and the terms of the offering. The pricing supplement will supersede this prospectus supplement and the accompanying prospectus to the extent it contains information that is different from the information contained in this prospectus supplement and the accompanying prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used by us in our homebuilding operations; (6) the availability and cost of performance bonds and insurance covering risks associated with our business; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives; (10) building moratoria; (11) governmental regulation, including the interpretation of tax, labor and environmental laws; (12) changes in consumer confidence and preferences; (13) required accounting changes; (14) terrorist acts and other acts of war; and (15) other factors over which we have little or no control. See the section entitled Risk Factors.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This is only a summary of the offering. To fully understand the investment you are contemplating you must consider this prospectus supplement, the accompanying prospectus, any applicable pricing supplement and the detailed information incorporated into them by reference, including our financial statements and their accompanying notes. Unless the context otherwise requires, the terms M.D.C. Holdings, Inc., the Company, we and our refer to M.D.C. Holdings, Inc., a Delaware corporation, and its subsidiaries.

M.D.C. Holdings, Inc.

We are a leading homebuilder, selling homes primarily to the first-time and first-time move-up buyer under the name Richmond American Homes. We are one of the largest builders of single-family detached homes in the United States. We also provide mortgage financing, primarily for our home buyers, through our wholly owned subsidiary HomeAmerican Mortgage Corporation, or HomeAmerican. Our homebuilding subsidiaries are the largest homebuilder in Colorado; among the top five homebuilders in Northern Virginia, suburban Maryland, Jacksonville, Phoenix, Tucson, Las Vegas and Salt Lake City; and among the top ten homebuilders in Northern California and Southern California, each according to an independent, third-party survey provider. We also have established operating divisions in Dallas/ Fort Worth, Houston, West Florida, Philadelphia/ Delaware Valley and Chicago.

Table of Contents

RISK FACTORS

Before purchasing these notes, you should consider all of the information set forth in this prospectus supplement, the accompanying prospectus and the information incorporated herein by reference, and, in particular, you should evaluate the risk factors set forth below and in the accompanying prospectus.

The level of our indebtedness could prevent us from fulfilling our obligations on the notes.

We have, and after consummation of this offering will continue to have, significant debt service obligations. At March 31, 2005, excluding $250.0 million principal amount of senior notes issued on July 7, 2005, we had total consolidated indebtedness of approximately $821.2 million, including approximately $136.3 million of obligations of our subsidiaries that are not guarantors to which the senior notes offered hereby would be structurally subordinated. The degree to which we are leveraged could have important consequences to you, including:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or other purposes may be limited;

- a portion of our cash flows from operations must be used to pay principal and interest on the notes and other indebtedness, which will reduce the funds available to us for other purposes;

- our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business; and

- our indebtedness could make us more vulnerable in the event of a downturn in our business or in general economic conditions.

Our ability to meet our debt service and other obligations will depend upon our future performance and we may not be able to meet such obligations. We are engaged in businesses that are substantially affected by changes in economic cycles, and our revenues and earnings vary with the level of general economic activity in the markets in which we build homes, many of which are beyond our control. Our ability to meet our debt service obligations may also be affected by changes in prevailing interest rates, as borrowings under certain of our existing credit facilities bear interest at floating rates. See Capitalization.

In the event that internally generated funds and amounts available under our existing credit facilities are not sufficient to fund our capital expenditures and our debt service obligations, including the notes, we would be required to raise additional funds through the sale of equity securities, the refinancing of all or part of our indebtedness or the sale of assets. These alternatives are dependent upon financial, business and other general economic factors affecting us, many of which are beyond our control, and any or all of the alternatives may not be available to us. While we believe that cash flow generated by operations, along with borrowing availability under existing credit facilities, will provide adequate sources of long-term liquidity, a significant drop in operating cash flows resulting from economic conditions, competition or other uncertainties beyond our control could increase the need for refinancing, new capital or both.

Senior notes will be unsecured and effectively subordinated to our secured indebtedness and structurally subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes, and subordinated notes will be subordinated to all of the existing and future unsubordinated indebtedness of us and our subsidiaries.

Senior notes will be our general senior unsecured obligations, ranking equal in right of payment with our existing and any future unsubordinated indebtedness. However, because they are unsecured, the senior notes will be effectively junior to any of our secured indebtedness as to claims against the assets securing such indebtedness. Senior notes will be effectively subordinated to all of the liabilities of our subsidiaries that do not guarantee the senior notes, including HomeAmerican. In the event of bankruptcy, liquidation or reorganization of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment on their claims from assets of those subsidiaries before any assets are made available for distribution to us. At March 31, 2005, our non-guarantor subsidiaries had

Table of Contents

approximately $136.3 million of indebtedness reflected on our consolidated balance sheet to which the senior notes would be structurally subordinated. The indenture governing the senior notes will permit our subsidiaries that are not guarantors to incur significant amounts of additional indebtedness, including secured indebtedness.

Subordinated notes will be our unsecured and subordinated obligations, ranking junior to our existing and future senior indebtedness and ranking equally and ratably with our existing and future unsecured and subordinated indebtedness. In the event of bankruptcy, liquidation or reorganization of us or any of our subsidiaries, holders of our or their unsubordinated indebtedness will generally be entitled to payment on their claims before any payments can be made to holders of subordinated notes. At March 31, 2005, excluding $250.0 million principal amount of senior notes issued on July 7, 2005, we and our subsidiaries had approximately $821.2 million of indebtedness reflected on our consolidated balance sheet to which the subordinated notes would be subordinated.

Our company structure may affect our ability to service our indebtedness under the notes.

Substantially all of our operations are conducted through our homebuilding subsidiaries and HomeAmerican. As a result, we are dependent upon our subsidiaries results of operations and rely on dividends, advances and transfers of funds from our subsidiaries to generate the funds necessary to meet our ongoing payment obligations under the notes. Our subsidiaries ability to pay such dividends or make such advances and transfers will be subject to, among other things, applicable state law and contractual restrictions imposed by existing and future agreements and debt instruments that we or our subsidiaries have or may enter into.

The interests of certain control persons may be adverse to the holders of the notes.

Larry A. Mizel, David D. Mandarich and other of our affiliates own, directly or indirectly, in the aggregate, almost 30% of our outstanding common stock. Such persons may effectively be able to elect our entire board of directors and control our management, operations and affairs. Circumstances may occur in which the interest of the controlling shareholders could be in conflict with your interests. In addition, such persons may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment in us, even though such transactions may involve risks to you.

Federal and state laws allow courts, under specific circumstances, to void guarantees and to require you to return payments received from guarantors of the senior notes.

The senior notes will be guaranteed by certain of our existing and future domestic subsidiaries. The guarantees of senior notes may be subject to review under U.S. federal bankruptcy law and comparable provisions of state fraudulent conveyance laws if a bankruptcy or reorganization case or lawsuit is commenced by or on behalf of our or one of a guarantor s unpaid creditors. Under these laws, if a court were to find in a bankruptcy or reorganization case or lawsuit that, at the time any guarantor issued its guarantee of the senior notes:

- it issued the guarantee to delay, hinder or defraud present or future creditors; or
- it received less than reasonably equivalent value or fair consideration for issuing the guarantee at the time it issued the guarantee and
  - it was insolvent or rendered insolvent by reason of issuing the guarantee, and the application of the proceeds of the notes of the guarantee; or
  - it was engaged, or about to engage, in a business or transaction for which its remaining unencumbered assets constituted unreasonably small capital to carry on its business; or
  - it intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature; or

it was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment, the judgment is unsatisfied;

then the court could void the obligations under such guarantee, subordinate the guarantee to that of the guarantor s other debt or take other action detrimental to you and the guarantees of the senior notes.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the law of the jurisdiction that is being applied in any proceeding to determine whether a fraudulent transfer had occurred. Generally, however, a person would be considered insolvent if, at the time it incurred the debt:

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

We cannot be sure as to the standard that a court would use to determine whether or not the guarantors were solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of the guarantees would not be voided or the guarantees would not be subordinated to the guarantors other debt. If such case were to occur, the guarantee could also be subject to the claim that, because the guarantee was incurred for the benefit of M.D.C. Holdings, Inc., and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration.

Indexed notes present risks not present in conventional fixed or floating rate notes.

If you invest in notes indexed to one or more interest rates or other indices or formulas, there will be significant risks not associated with a conventional fixed rate or floating rate debt security. These risks include fluctuation of the indices or formulas and the possibility that you will receive a lower, or no, amount of premium or interest. We have no control over a number of matters, including economic, financial and political events, that are important in determining the existence, magnitude and longevity of these risks and their results. In addition, if an index or formula used to determine any amounts payable in respect of the notes contains a multiplier or leverage factor, the effect of any change in that index or formula will be magnified. In recent years, values of certain indices and formulas have been volatile and volatility in those and other indices and formulas may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future.

There may not be any trading market for the notes; many factors affect the trading market and value of the notes.

A trading market for the notes may never develop or be maintained. Many factors independent of our creditworthiness will affect the trading market for and value of the notes. These factors include:

the complexity and volatility of any index or formula applicable to the notes;

the method of calculating the principal, premium (if any) and interest (if any) in respect of the notes;

the time remaining to the maturity of the notes;

the outstanding amount of the notes;

the redemption features of the notes;

the amount of other debt securities linked to any index or formula applicable to the notes; and

the level, direction and volatility of market interest rates generally.

In addition, some notes could have a more limited trading market and experience more price volatility because they were designed for specific investment objectives or strategies. There may be a limited number

Table of Contents

of buyers when you decide to sell these notes. This may affect the price you receive for these notes or your ability to sell these notes at all. You should not purchase notes unless you understand and know you can bear these investment risks.

The delivery of the notes is not contingent on their admission to listing on any exchange and we do not intend to apply for a listing of any of the notes on any securities exchange or to apply to have the notes designated as eligible for trading on any quotation system. Therefore, we cannot give you any assurance as to the existence or liquidity of any trading market for the notes. If an active market is not developed or maintained, the market price and the liquidity of the notes may be reduced.

Redemption may lower your return on the notes.

If your notes are redeemable at our option or are otherwise subject to mandatory redemption, we may have the option to, or be required to, redeem your notes at times when prevailing interest rates may be relatively low. In that circumstance, you generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

If you purchase notes at a discount to their aggregate principal amount at maturity, you generally will be required to include amounts in gross income for federal income tax purposes before you receive cash payments for that income.

Some of the notes may be issued at a discount from their aggregate principal amount at maturity. If you purchase those notes, you generally will be required to include amounts in gross income for federal income tax purposes before you receive cash payments on the notes equal to that income. See United States Federal Income Tax Considerations for a more detailed discussion of the federal income tax consequences to the holders of discount notes of the purchase, ownership, and disposition of discount notes.

Our credit ratings may not reflect all risks of an investment in the notes.

The credit ratings on the notes may not reflect the potential impact of all risks related to structure and other factors on the value of the notes. In addition, actual or anticipated changes in our credit ratings will generally affect the market value of the notes.

Table of Contents

DESCRIPTION OF NOTES

The following description of the particular terms of the medium term senior notes (the *Senior Notes*) and the medium term subordinated notes (the *Subordinated Notes* and together with the Senior Notes, the *Notes*) offered by this prospectus supplement augments, and to the extent inconsistent replaces, the description of the terms and provisions of the debt securities under Description of Debt Securities in the accompanying prospectus.

We have summarized selected provisions of the Indentures below. The following summary of certain provisions of the Indentures is not necessarily complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the applicable Indenture, including the definitions of certain terms therein, and those terms made a part of the Indenture by the Trust Indenture Act of 1939, as amended (the *TIA*). Copies of the Indentures are available to prospective purchasers of the Notes upon request made to us at the address under Where You Can Find More Information. You should read the applicable Indenture for provisions that may be important to you. For purposes of this Description of Notes, references to *we* , *our* , *us* or the *Company* mean M.D.C. Holdings, Inc. and do not include any of its subsidiaries. Definitions of certain terms are set forth under Certain Definitions and throughout this description. Capitalized terms that are used but not otherwise defined herein have the meanings assigned to them in the applicable Indenture.

The pricing supplement for each offering of Notes will contain the specific information and terms for that offering. The pricing supplement will supersede this prospectus supplement to the extent it contains information that is different from the information contained or incorporated by reference in this prospectus supplement. The pricing supplement may also add, update or change information contained in the accompanying prospectus and this prospectus supplement. It is important for you to consider the information contained in the accompanying prospectus, this prospectus supplement and the pricing supplement in making your investment decision.

General

The Senior Notes will be issued under an indenture dated as of December 3, 2002, as supplemented by the Supplemental Indenture dated as of October 6, 2004, as amended by Amendment No. 1 dated as of July 20, 2005 (as amended and supplemented, the *Senior Indenture*), among the Company, the Guarantors and U.S. Bank National Association, as trustee (the *Trustee*). The Subordinated Notes will be issued under an indenture dated as of October 6, 2004 as supplemented by the Supplemental Indenture dated as of October 6, 2004, as amended by Amendment No. 1 dated as of July 20, 2005 (as amended and supplemented, the *Subordinated Indenture* and together with the Senior Indenture, the *Indentures*).

The Senior Notes will constitute a single series of debt securities for purposes of the Senior Indenture and the Subordinated Notes will constitute a single series of debt securities for purposes of the Subordinated Indenture. The Notes will be limited to $750,000,000 aggregate public offering price, subject to reduction if we sell other securities under the prospectus to which this prospectus supplement relates. In addition, the amount of Notes sold of either series will reduce the amount of Notes of the other series that may be sold. We may from time to time authorize an increase in the aggregate public offering price of the Notes to be sold, which Notes will constitute a part of the same series as the Notes offered by this prospectus supplement. We may from time to time sell additional series of debt securities, including additional series of medium-term Notes.

The Senior Notes will be unsecured and unsubordinated obligations of the Company and will rank equally and ratably with our existing and future unsecured and unsubordinated indebtedness. The Subordinated Notes will be unsecured and subordinated obligations of the Company and will rank junior to our existing and future senior indebtedness and rank equally and ratably with our existing and future unsecured and subordinated indebtedness. We conduct our operations through our subsidiaries and, therefore, we are primarily dependent on the earnings and cash flows of our subsidiaries to meet our debt service obligations. Any right that we have or that our creditors have to participate in the assets of any of our subsidiaries upon any liquidation or reorganization of any such subsidiary will be subject to the prior claims of that subsidiary s creditors, including trade creditors. Accordingly, the Notes will also be effectively subordinated to the creditors of our subsidiaries. The Senior Notes will, however, have the benefit of the Guarantees from the Guarantors, which consist of certain of our homebuilding subsidiaries. The Guarantees of the Senior Notes from the Guarantors, however, are unsecured and, accordingly, will be effectively subordinated to the secured debt of the Guarantors. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Senior Notes or to make any funds available therefor, whether by dividends, loans or other payments, other than as expressly provided in such Guarantees. The payment of dividends or the making of loans and advances to us by our subsidiaries are subject to contractual, statutory or regulatory restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business considerations.

We are offering the Notes on a continuing basis, and each Note will have a maturity of nine months or more from its date of issue, referred to as the *stated maturity,* unless the principal or any installment of principal becomes due prior to the stated maturity whether by declaration of acceleration of maturity, notice of redemption at our option, notice of the option of the holders to elect repayment or otherwise. *Maturity* means the date on which the principal of a Note or an installment of principal becomes due and payable by declaration of acceleration, notice of redemption at our option, notice of the option of the holders to elect repayment or otherwise.

Each Note will be denominated in U.S. dollars. References in this prospectus supplement, the accompanying prospectus and any pricing supplement to *U.S. dollars,* *$*, *dollars* or *cents* are to lawful currency of the United States of America.

You will be required to pay for your Notes in U.S. dollars.

Each Note will be either:

- a fixed rate Note, which may bear interest at a rate of zero in the case of a Note issued at an issue price representing a discount from the principal amount payable at the stated maturity (referred to in this prospectus supplement as a *Zero-Coupon Note*); or

- a floating rate Note, which will bear interest at a rate determined by reference to the interest rate basis or a combination of interest rate bases specified in the applicable pricing supplement, which may be adjusted by a spread and/or spread multiplier (each as described below).

Unless otherwise specified in the applicable pricing supplement, each Note will be issued in fully registered form and will be represented by a global certificate registered in the name of a nominee of The Depository Trust Company (the *Depositary*). For purposes of this prospectus supplement, a global certificate is referred to as a *global security* and each Note represented by a global security is referred to as a *Book-Entry Note.* If specified in the applicable pricing supplement, Notes may be represented by a certificate issued in definitive form, referred to herein as a *certificated Note.* Interests in Book-Entry Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary (with respect to beneficial interests of participants) and its participants. Owners of beneficial interests in Book-Entry Notes will be entitled to physical delivery of certificated Notes only in the limited circumstances described under Book-Entry System.

Unless otherwise specified in the applicable pricing supplement, Notes will be issuable in denominations of $1,000 and integral multiples of $1,000 in excess thereof.

The pricing supplement relating to each Note will describe the following terms, as applicable:

- the price at which the Note will be issued (expressed as a percentage of the aggregate principal amount thereof), which we refer to as the *issue price* ;

- the date on which the Note will be issued, which we refer to as the *original issue date* ;

- the stated maturity;

whether we may extend the stated maturity and, if so, the extension periods and the final maturity date;

whether the Note is a fixed rate Note or a floating rate Note;

whether the Note is an Amortizing Note (as defined under Amortizing Notes) and, if so, the basis or formula for the amortization of principal and/or interest and the payment dates for the periodic principal payments;

in the case of a fixed rate Note, the interest rate, if any, the interest payment date or dates and, if so specified in the applicable pricing supplement, that we may change the rate prior to the stated maturity and, if so, the basis or formula for the change, if any;

in the case of a floating rate Note:

the base rate;

the initial interest rate, if available;

the interest reset date or dates;

the calculation date or dates;

the maximum interest rate, if any;

the minimum interest rate, if any;

the spread, if any;

the spread multiplier, if any;

the interest payment date or dates;

the index maturity; and

any other terms relating to the particular method of calculating the interest rate for the Note and, if so specified in the applicable pricing supplement, that we may change the spread and/or spread multiplier prior to the stated maturity and, if so, the basis or formula for the change, if any;

whether the Note is an Original Issue Discount Note (as defined under Payment of Principal and Interest) and, if so, the yield to maturity;

whether the Note is an Indexed Note and, if so, the specific terms thereof;

the regular record date or dates if other than as set forth below;

whether the Note may be redeemed at our option, or repaid at the option of the holder, prior to the stated maturity and, if so, the provisions relating to the redemption or repayment;

any sinking fund or mandatory redemption provisions;

whether the Note is a Renewable Note (as defined under Renewable Notes) and, if so, the specific terms thereof;

whether the Note will be initially issued as a Book-Entry Note or a certificated Note;

certain special United States federal income tax consequences of the purchase, ownership and disposition of the Note (to the extent not discussed below under United States Federal Income Tax Considerations); and

any other term of the Note not inconsistent with the provisions of the applicable Indenture.

Certificated Notes may be presented to the trustee for registration of transfer or exchange at U.S. Bank National Association, 100 Wall Street, 16th Floor, New York, New York 10005, referred to as the *Corporate Trust Office.*

Payment of Principal and Interest

We will make payments of principal of, and premium, if any, and interest, if any, on, Book-Entry Notes through the Trustee to the Depository. See Book-Entry System.

In the case of certificated Notes, we will make payments of principal of, and premium, if any, on, the Notes at maturity in immediately available funds upon presentation and surrender thereof (and, in the case of any repayment on an optional repayment date, upon submission of a duly completed election form if and as required by the provisions described below) at the office or agency maintained by us for this purpose in the Borough of Manhattan, the City of New York, currently the corporate trust office of the trustee located at 100 Wall Street, 16th Floor, New York, New York 10005. We will make payments of interest, if any, on the Notes at maturity to the person to whom payment of the principal thereof and premium, if any, thereon shall be made. We will make payments of interest, if any, on a certificated Note on any interest payment date other than at maturity by check mailed to the address of the registered holder entitled thereto appearing in the security register. Notwithstanding the foregoing, we will make payments of interest, if any, on any interest payment date other than the maturity date to each registered holder of $10,000,000 or more in aggregate principal amount of certificated Notes (whether having identical or different terms and provisions) by wire transfer of immediately available funds if the applicable registered holder has delivered appropriate wire transfer instructions in writing to the trustee not less than 15 days prior to the particular interest payment date. Any wire transfer instructions received by the trustee shall remain in effect until revoked by the applicable registered holder.

Unless otherwise specified in the applicable pricing supplement, if the principal of any Original Issue Discount Note is declared to be due and payable immediately as described in the prospectus under Description of Debt Securities Events of Default or in the event of redemption or repayment prior to the stated maturity, the amount of principal due and payable with respect to that Note will be the Amortized Face Amount (as defined below) of the Note as of the date of the declaration, redemption or repayment, as the case may be. As used in this prospectus supplement, the Amortized Face Amount of an Original Issue Discount Note means an amount equal to the sum of:

- the aggregate principal amount of the Note multiplied by the issue price set forth in the applicable pricing supplement; plus

- the portion of the difference between the issue price and the principal amount of the Note that has accrued at the yield to maturity set forth in the pricing supplement (computed in accordance with generally accepted United States bond yield computation principles) to the date of declaration, redemption or repayment, as the case may be,

but in no event will the Amortized Face Amount of an Original Issue Discount Note exceed its principal amount.

Original Issue Discount Note means:

- a Note, including any Zero-Coupon Note, that has a stated redemption price at maturity that exceeds its issue price by at least 0.25% of its principal amount multiplied by the number of full years from the original issue date to the stated maturity for the Note; and

- any other Note designated by us as issued with original issue discount for United States federal income tax purposes.

As used in this prospectus supplement, *Business Day* means, unless otherwise specified in the applicable pricing supplement, any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions in Denver, Colorado and New York, New York are not required to be open; *provided, further,* that with respect to floating rate Notes as to which LIBOR (as defined under Floating Rate

Table of Contents

Notes LIBOR) is the applicable interest rate basis, a Business Day is also a London Business Day. As used in this prospectus supplement, a *London Business Day* means a day on which dealings in deposits in the Designated LIBOR Currency (as defined under Floating Rate Notes Interest Payments LIBOR) are transacted in the London interbank market.

Interest and Interest Rates

Each interest-bearing Note other than a Zero-Coupon Note will bear interest from and including its original issue date or from and including the most recent interest payment date to which interest on the Note has been paid or duly provided for at a fixed or floating rate as specified on the face of the Note until the principal of the Note is paid or made available for payment. Unless otherwise specified in the applicable pricing supplement, interest will be payable on each interest payment date and at maturity. Unless otherwise specified in the applicable pricing supplement, payments of interest with respect to any interest payment date or at maturity will include interest accrued to, but not including, the interest payment date or maturity. Interest, other than defaulted interest which may be paid to the holder on a special record date, will be payable to the holder at the close of business on the regular record date next preceding the applicable interest payment date; *provided, however,* that interest payable at maturity will be payable to the person to whom principal shall be payable. The first payment of interest on any Note originally issued between a regular record date for the Note and the succeeding interest payment date will be made on the interest payment date following the next succeeding regular record date for the Note to the holder on the next such date.

We may change the interest rates, base rates, spreads and spread multipliers from time to time, but no change will affect any Note previously issued or as to which an offer to purchase has been accepted by us. The interest payment dates and the regular record dates for each fixed rate Note will be as described below under Fixed Rate Notes. The interest payment dates for each floating rate Note will be as described below under Floating Rate Notes and in the applicable pricing supplement. The regular record dates for a floating rate Note will be the fifteenth day (whether or not a Business Day) next preceding each interest payment date.

All percentages resulting from any calculation with respect to any Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with five one-millionths of one percentage point being rounded upward (e.g., 9.876545% or .09876545, being rounded to 9.87655% or .0987655, respectively), and all amounts used in or resulting from any such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

Fixed Rate Notes

Fixed rate Notes may bear one or more annual rates of interest during the periods or under the circumstances specified in the Notes and in the applicable pricing supplement. Unless otherwise specified in the applicable pricing supplement, interest on a fixed rate Note will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Unless otherwise specified in an applicable pricing supplement, the interest payment dates for the fixed rate Notes will be March 15 and September 15 of each year, and the regular record dates will be March 1 and September 1 of each year (whether or not a Business Day). Unless otherwise specified in the applicable pricing supplement, payments of principal and interest on fixed rate Amortizing Notes will be made either quarterly on each March 15, June 15, September 15 and December 15, and the regular record dates will be March 1, June 1, September 1 and December 1 of each year (whether or not a Business Day), or semi-annually on each March 15 and September 15, and the regular record date will be March 1 and September 1 of each year (whether or not a Business Day), in each case as set forth in the applicable pricing supplement, and at maturity. If the interest payment date or maturity for any fixed rate Note is not a Business Day, all payments to be made on that day with respect to the Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable as a result of the delayed payment.

Table of Contents

Floating Rate Notes

Unless otherwise specified in the applicable pricing supplement, each floating rate Note will bear interest at a rate determined by reference to an interest rate basis, referred to in this prospectus supplement as the *base rate,* which may be adjusted by adding to or subtracting from the base rate a fixed percentage per annum, referred to as the *spread,* and/or by multiplying the base rate by a fixed interest factor, referred to as the *spread multiplier.* The applicable pricing supplement will designate one or more of the following base rates as applicable to each floating rate Note:

- the CD Rate, in which case we will refer to the Note as a *CD Rate Note* ;
- the CMT Rate, in which case we will refer to the Note as a *CMT Rate Note* ;
- the Commercial Paper Rate, in which case we will refer to the Note as a *Commercial Paper Rate Note* ;
- the Eleventh District Cost of Funds Rate, in which case we will refer to the Note as an *Eleventh District Cost of Funds Rate Note* ;
- the Federal Funds Rate, in which case we will refer to the Note as a *Federal Funds Rate Note* ;
- LIBOR, in which case we will refer to the Note as a *LIBOR Note* ;
- the Prime Rate, in which case we will refer to the Note as a *Prime Rate Note* ;
- the Treasury Rate, in which case we will refer to the Note as a *Treasury Rate Note* ; or
- any other base rate or interest rate formula as is set forth in that pricing supplement and in the floating rate Note.

The applicable pricing supplement will specify certain terms of the floating rate Notes being offered thereby, including:

- whether the floating rate Note is:
  - a *Regular Floating Rate Note* ;
  - a *Floating Rate/ Fixed Rate Note* ; or
  - an *Inverse Floating Rate Note* ;
- the fixed rate commencement date, if applicable;
- the fixed interest rate, if applicable;
- the interest rate basis or bases;
- the initial interest rate, if any;
- the interest reset dates;
- the interest payment dates;
- the index maturity;
- the maximum interest rate and/or minimum interest rate, if any;

the spread and/or spread multiplier; and

if one or more of the applicable interest rate bases is LIBOR, the LIBOR currency and LIBOR page.

Table of Contents

The rate derived from the applicable interest rate basis will be determined in accordance with the related provisions below. The interest rate in effect on each day will be based on:

- if that day is an interest reset date, the rate determined as of the interest determination date (as defined below) immediately preceding that interest reset date; or
- if that day is not an interest reset date, the rate determined as of the interest determination date immediately preceding the most recent interest reset date.

The *spread* is the number of basis points to be added to or subtracted from the related interest rate basis or bases applicable to a floating rate Note. The *spread multiplier* is the percentage of the related interest rate basis or bases applicable to a floating rate Note by which the interest rate basis or bases will be multiplied to determine the applicable interest rate. The *index maturity* is the period to maturity of the instrument or obligation with respect to which the related interest rate basis or bases will be calculated.

Regular Floating Rate Notes. Unless a floating rate Note is designated as a Floating Rate/ Fixed Rate Note or an Inverse Floating Rate Note, or as having an addendum attached or having other/additional provisions apply, in each case relating to a different interest rate formula, the particular floating rate Note will be a Regular Floating Rate Note and will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable spread, if any; and/or
- multiplied by the applicable spread multiplier, if any.

Commencing on the first interest reset date, the rate at which interest on a Regular Floating Rate Note is payable will be reset as of each interest reset date; *provided, however,* that the interest rate in effect for the period, if any, from the date of issue to the first interest reset date will be the initial interest rate.

Floating Rate/ Fixed Rate Notes. If a floating rate Note is designated as a Floating Rate/ Fixed Rate Note, the particular floating rate Note will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable spread, if any; and/or
- multiplied by the applicable spread multiplier, if any.

Commencing on the first interest reset date, the rate at which interest on a Floating Rate/ Fixed Rate Note is payable will be reset as of each interest reset date; *provided, however,* that:

- the interest rate in effect for the period, if any, from the date of issue to the first interest reset date will be the initial interest rate; and
- the interest rate in effect commencing on the fixed rate commencement date will be the fixed interest rate, if specified in the applicable pricing supplement, or, if not so specified, the interest rate in effect on the day immediately preceding the fixed rate commencement date.

Inverse Floating Rate Notes. If a floating rate Note is designated as an *Inverse Floating Rate Note,* the particular floating rate Note will bear interest at the fixed interest rate minus the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable spread, if any; and/or
- multiplied by the applicable spread multiplier, if any;

provided, however, that interest on an Inverse Floating Rate Note will not be less than zero. Commencing on the first interest reset date, the rate at which interest on an Inverse Floating Rate Note is payable will be reset as of each interest reset date; *provided, however,* that the interest rate in effect for the period, if any, from the date of issue to the first interest reset date will be the initial interest rate.

Table of Contents

Calculation Dates. We will appoint, and enter into an agreement with, a calculation agent to calculate interest rates on floating rate Notes. Unless otherwise specified in the applicable pricing supplement, the calculation agent for each floating rate Note will be U.S. Bank National Association. All determinations to be made by the calculation agent will be at its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on the holders of the Notes.

The interest rate applicable to each interest reset period will be determined by the calculation agent on the calculation date (as defined below), except with respect to LIBOR and the Eleventh District Cost of Funds Rate, which will be determined on the particular interest determination date. Upon request of the registered holder of a floating rate Note, the calculation agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding interest reset date with respect to the particular floating rate Note. The *calculation date,* if applicable, pertaining to any interest determination date will be the earlier of:

- the tenth calendar day after the particular interest determination date or, if such day is not a Business Day, the next succeeding Business Day; and

- the Business Day immediately preceding the applicable interest payment date or the maturity, as the case may be.

Maximum and Minimum Interest Rates. Any floating rate Note may also have either or both of the following:

- a maximum numerical interest rate limitation, or ceiling, on the rate of interest that may accrue during any reset period, referred to as the *maximum interest rate* ; and

- a minimum numerical interest rate limitation, or floor, on the rate of interest that may accrue during any reset period, referred to as the *minimum interest rate.*

The interest rate on any Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Interest Reset Dates. Each floating rate Note will bear interest from its original issue date to, but not including, the first interest reset date (as described below) for the Note at the initial interest rate set forth on the face of the Note and in the applicable pricing supplement. Thereafter, the interest rate on each floating rate Note for each reset period will be equal to the interest rate calculated by reference to the base rate specified on the face of the Note and in the applicable pricing supplement plus or minus the spread, if any, and/or times the spread multiplier, if any. The spread and/or spread multiplier for a floating rate Note may be subject to adjustment during a reset period (as described below) under circumstances specified in the Note and in the applicable pricing supplement.

The interest rate on each floating rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified on the face of the Note and in the applicable pricing supplement, and such period is referred to in this prospectus supplement as the *reset period.* The first day of each reset period is referred to in this prospectus supplement as an *interest reset date.* Unless otherwise specified in the applicable pricing supplement, the interest reset dates will be:

- in the case of floating rate Notes that reset daily, each Business Day;

- in the case of floating rate Notes (other than Treasury Rate Notes) that reset weekly, Wednesday of each week;

- in the case of Treasury Rate Notes that reset weekly, Tuesday of each week;

- in the case of floating rate Notes that reset monthly (other than Eleventh District Cost of Funds Rate Notes, which will reset on the first calendar day of the month), the third Wednesday of each month;

- in the case of floating rate Notes that reset quarterly, the third Wednesday of each March, June, September and December;

Table of Contents

in the case of floating rate Notes that reset semi-annually, the third Wednesday of each of two months of each year specified on the face of the Note and in the applicable pricing supplement; and

in the case of floating rate Notes that reset annually, the third Wednesday of one month of each year specified on the face of the Note and in the applicable pricing supplement;

provided, however, that, with respect to floating rate/fixed rate Notes, the rate of interest thereon will not reset after the particular fixed rate commencement date.

If an interest reset date for a floating rate Note would otherwise be a day that is not a Business Day, the interest reset date for that floating rate Note will be postponed to the next day that is a Business Day, except that, in the case of a LIBOR Note, if that Business Day is a day in the next succeeding calendar month, the interest reset date will be the immediately preceding London Business Day. Each adjusted rate will be applicable on and after the interest reset date to which it relates to, but not including, the next succeeding interest reset date or to maturity.

Interest Determination Date. The interest rate for each reset period will be the rate determined by the calculation agent on the calculation date pertaining to the interest determination date pertaining to the interest reset date for such reset period. Unless otherwise specified in the applicable pricing supplement, the *interest determination date* pertaining to a reset period for:

a Commercial Paper Rate Note (the *Commercial Paper Interest Determination Date*), a Federal Funds Rate Note (the *Federal Funds Interest Determination Date*) or a Prime Rate Note (the *Prime Interest Determination Date*) will be the Business Day immediately preceding the interest reset date that commences such reset period;

a CD Rate Note (the *CD Interest Determination Date*) and a CMT Rate Note (the *CMT Interest Determination Date*) will be the second Business Day immediately preceding the interest reset date that commences such reset period;

the Eleventh District Cost of Funds Rate Note (the *Eleventh District Interest Determination Date*) will be the last Business Day of the month immediately preceding the interest reset date on which the Federal Home Loan Bank of San Francisco (the *FHLB of San Francisco*) publishes the FHLB Index (as defined under Eleventh District Cost of Funds Rate);

a LIBOR Note (the *LIBOR Interest Determination Date*) will be the second London Business Day immediately preceding the interest reset date that commences the reset period; and

a Treasury Rate Note (the *Treasury Interest Determination Date*) will be the day of the week in which the interest reset date that commences the reset period falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the reset period commencing in the next succeeding week.

The interest determination date relating to a floating rate Note with an interest rate that is determined by reference to two or more interest rate bases will be the most recent Business Day that is at least two Business Days preceding the applicable interest reset date for each interest rate for the applicable floating rate Note on which each interest rate basis is determinable.

Interest Payments. Except as provided below or in the applicable pricing supplement, interest on floating rate Notes will be payable:

in the case of floating rate Notes that reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified on the face of the Note and in the applicable pricing supplement;

Table of Contents

in the case of floating rate Notes that reset quarterly, on the third Wednesday of March, June, September and December of each year, as specified on the face of the Note and in the applicable pricing supplement;

in the case of floating rate Notes that reset semi-annually, on the third Wednesday of each of two months of each year, as specified on the face of the Note and in the applicable pricing supplement; and

in the case of floating rate Notes that reset annually, on the third Wednesday of one month of each year, as specified on the face of the Note and in the applicable pricing supplement;

and in each case at maturity. If any interest payment date, other than maturity for any floating rate Note, is not a Business Day for the floating rate Note, the interest payment date will be postponed to the next day that is a Business Day for the floating rate Note, except that in the case of a LIBOR Note, if the Business Day for the floating rate Note is in the next succeeding calendar month, the interest payment date will be the immediately preceding London Business Day in each case, with the same force and effect as if made on the interest payment date. If the maturity for any floating rate Note falls on a day that is not a Business Day, all payments to be made on the day with respect to the Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of the delayed payment.

Accrued interest is calculated by multiplying the face amount of a Note by an accrued interest factor. Unless otherwise specified in the applicable pricing supplement, the accrued interest factor will be computed by adding the interest factors calculated for each day from the original issue date, or from the last date to which interest has been paid or duly provided for, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the pricing supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to that date by 360, in the case of Commercial Paper Rate Notes, Federal Funds Rate Notes, CD Rate Notes, Eleventh District Cost of Funds Rate Notes, Prime Rate Notes and LIBOR Notes, or by the actual number of days in the year, in the case of CMT Rate Notes and Treasury Rate Notes. The interest factor for floating rate Notes as to which the interest rate is calculated with reference to two or more interest rate bases will be calculated in each period in the same manner as if only the applicable interest rate basis specified in the applicable pricing supplement applied.

The calculation agent will, upon the request of the holder of any floating rate Note, provide the interest rate then in effect and, if different, the interest rate that will become effective as a result of a determination made on the most recent interest determination date with respect to the Note.

CD Rate

Each CD Rate Note will bear interest at the interest rate (calculated with reference to the CD Rate and the spread and/or spread multiplier, if any), specified in such CD Rate Note and in the applicable pricing supplement.

Unless otherwise indicated in the applicable pricing supplement, *CD Rate* means, with respect to any CD Interest Determination Date, the rate on that date for negotiable certificates of deposit having the index maturity specified in the applicable pricing supplement as published by the Board of Governors of the Federal Reserve System in Statistical Release H.15(519), Selected Interest Rates, or any successor publication of the Board of Governors (*H.15(519)*) under the heading CDs (secondary market).

If the rate is not published by 3:00 P.M., New York City time, on the calculation date pertaining to that CD Interest Determination Date, the CD Rate will be the rate on the CD Interest Determination Date for negotiable certificates of deposit having the index maturity specified in the applicable pricing supplement as published by the Board of Governors of the Federal Reserve Bank of New York in its daily update of H.15(519), available through the website of the Board of Governors at

Table of Contents

www.federalreserve.gov/releases/h15/update, or any successor publication (*H.15 Daily Update*) under the heading CDs (secondary market).

If the rate is not published in either H.15(519) or H.15 Daily Update by 3:00 P.M., New York City time, on the calculation date pertaining to that CD Interest Determination Date, then the CD Rate for that CD Interest Determination Date will be calculated by the calculation agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on that CD Interest Determination Date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the calculation agent for negotiable certificates of deposit of major United States money market banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the index maturity designated in the applicable pricing supplement in a denomination of $5,000,000; *provided, however,* that if the dealers selected by the calculation agent are not quoting as mentioned in this sentence, the CD Rate with respect to that CD Interest Determination Date will be the CD Rate in effect on that CD Interest Determination Date.

CMT Rate

Each CMT Rate Note will bear interest at the interest rate (calculated with reference to the CMT Rate Note and the spread and/or spread multiplier, if any) specified in the CMT Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement. *CMT Rate* means, with respect to any CMT Interest Determination Date, the rate displayed on the Designated CMT Moneyline Telerate page (as defined below) under the caption . . . Treasury Constant Maturities . . . Federal Reserve Board Release H.15 . . . Mondays Approximately 3:45 P.M., under the column for the Designated CMT maturity index (as defined below) in the following manner.

If the Designated CMT Moneyline Telerate page is 7051, the CMT Rate will be the rate on the CMT Interest Determination Date.

If the Designated CMT Moneyline Telerate page is 7052, the CMT Rate will be the average for the week or for the month, as specified in the applicable pricing supplement, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date occurs.

If no rate appears on the Designated CMT Moneyline Telerate page as indicated above, the following procedures will be followed in the order set forth below:

(1) If the rate is no longer displayed on the relevant page or is not displayed by 3:00 P.M., New York City time on the related calculation date, then the CMT Rate for the CMT Interest Determination Date will be the treasury constant maturity rate for the Designated CMT maturity index as published in the relevant H.15(519).

(2) If this rate is no longer published or is not published by 3:00 P.M., New York City time, on the related calculation date, then the CMT Rate on the CMT Interest Determination Date will be the treasury constant maturity rate for the Designated CMT maturity index, or other United States treasury rate for the Designated CMT maturity index, for the CMT Interest Determination Date for the interest reset date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury. The calculation agent will make the determination as to which of such rates is comparable to the rate formerly displayed on the Designated CMT Moneyline Telerate page and published in the relevant H.15(519).

(3) If this information is not provided by 3:00 P.M., New York City time, on the related calculation date, then the calculation agent will calculate the CMT Rate on the CMT Interest Determination Date as follows.

The CMT Rate will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Interest Determination Date reported, according to their written records, by three leading U.S. government securities dealers in New York City, for Treasury Securities. The Treasury Securities will be the most recently issued direct non-callable fixed rate obligations of the United States, with an original maturity of approximately the Designated CMT maturity index and a remaining term to maturity of not less than the Designated CMT maturity index minus one year.

The three government securities dealers referenced above will be identified from five such dealers who are selected by the calculation agent, one of which may be an agent, by eliminating the dealers with the highest and lowest quotations, or in the event of equality, one of the highest and/or lowest quotation, as the case may require.

If three or four, but not five, of such dealers provide quotations as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated.

(4) If the calculation agent is unable to obtain three Treasury Security quotations as described in (3) above, the CMT Rate on the CMT Interest Determination Date will be calculated by the calculation agent as follows:

The rate will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Interest Determination Date reported, according to their written records, by three leading U.S. government securities dealers in New York City, for Treasury Securities with an original maturity of the number of years that is the next highest to the Designated CMT maturity index and a remaining maturity closest to the index maturity specified in the applicable pricing supplement, and in an amount that is representative for a single transaction in that market at that time.

If two Treasury Securities with an original maturity, as described above, have remaining terms to maturity equally close to the Designated CMT maturity index, the calculation agent will obtain quotations for the Treasury Security with the shorter remaining term to maturity and will use those quotations to calculate the CMT Rate as set forth above.

The three government securities dealers referenced above will be identified from five such dealers who are selected by the calculation agent, one of which may be an agent, by eliminating the dealers with the highest and lowest quotations, or in the event of equality, one of the highest and/or lowest quotations, as the case may require.