

POPULAR INC
Form S-3
December 08, 2003

As filed with the Securities and Exchange Commission on December 8, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

POPULAR, INC.

(Exact name of Registrant as specified in its charter)

Puerto Rico

(State or other jurisdiction of
incorporation or organization)

**209 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918**

(Address of principal executive offices)

66-0416582

(I.R.S. Employer
Identification No.)

(787) 765-9800

(Registrant's telephone number, including area code)

POPULAR INTERNATIONAL BANK, INC.

(Exact name of Registrant as specified in its charter)

Puerto Rico

(State or other jurisdiction of
incorporation or organization)

**209 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918**

(Address of principal executive offices)

66-0489108

(I.R.S. Employer
Identification No.)

(787) 765-9800

(Registrant's telephone number, including area code)

POPULAR NORTH AMERICA, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

66-0476353

(I.R.S. Employer Identification No.)

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209 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918
 (Address of principal executive office)

(787) 765-9800
 (Registrant's telephone number, including area code)

Richard Barrios

209 Muñoz Rivera Avenue

San Juan, Puerto Rico 00918

(787) 765-9800

(Name, address, and telephone number, including area code, of agent for service)

Copies to:

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 New York, New York 10004

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this Registration Statement as determined by the Registrants on the basis of market conditions and other factors.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)(2)(3)(4)	Proposed maximum offering price per unit (5)	Proposed maximum aggregate offering price (6)	Amount of registration fee (3)
Debt Securities and Preferred Stock	\$ 1,930,027,000	100%	\$ 1,930,027,000	\$ 156,139
Guarantees	(7)	(7)	(7)	(7)

(1)

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This registration statement also covers an undeterminable amount of the securities that may be reoffered and resold on an ongoing basis after their initial sale in market-making transactions by affiliates of the registrants.

- (2) The amount to be registered equals the aggregate principal or liquidation amount (or initial offering price) of the securities. If any debt securities are issued at an original issue discount or with a principal amount that cannot be determined at issuance or is denominated in a foreign currency or composite currency, the aggregate principal amount of the securities will be an amount that results in an aggregate initial offering price for the securities equivalent to U.S. \$1,930,027,000.
- (3) Pursuant to Rule 429 under the Securities Act of 1933, the prospectus filed as part of this registration statement also relates to (a) \$569,973,000 aggregate principal or liquidation amount (or initial offering price) of the registrants' debt securities and preferred stock and the related guarantees that were previously registered pursuant to Registration Statement Nos. 333-73242, 333-73242-01 and 333-73242-02 and have not yet been issued and sold and (b) an undeterminable amount of the registrants' debt securities and preferred stock and the related guarantees that were previously registered and may be reoffered or resold on an ongoing basis after their initial sale in market-making transactions by affiliates of the registrants. The securities described in (b) include those described in (a). A filing fee of \$497,500 was paid with respect to the \$1,990,000,000 aggregate principal or liquidation amount (or initial public offering price) of securities registered pursuant to Registration Statement Nos. 333-73242, 333-73242-01 and 333-73242-02.
- (4) Includes such indeterminate amounts of debt securities and preferred stock of each registrant as may be issued upon conversion or exchange of any preferred stock of such registrant that provide for such issuance.
- (5) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.
- (6) Separate consideration may not be received for registered securities of each registrant that are issuable on conversion or exchange of other securities.
- (7) No additional consideration will be received for the guarantees.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This registration statement contains:

a prospectus, consisting of a cover page and numbered pages 2 through 27 relating to debt securities and preferred stock of Popular, Inc., Popular International Bank, Inc. or Popular North America, Inc. having an aggregate initial public offering price or purchase price of up to U.S. \$2,500,000,000 or the equivalent thereof in one or more foreign currencies or composite currencies;

a form of prospectus supplement, consisting of a cover page, numbered pages S-2 through S-32 and a back cover page, relating to the possible offering by Popular, Inc., after the effectiveness of this registration statement, of such debt securities as medium-term notes having an aggregate initial public offering price or purchase price of up to U.S. \$2,500,000,000 or the equivalent thereof in one or more foreign currencies or composite currencies; and

a form of prospectus supplement, consisting of a cover page, numbered pages S-2 through S-33 and a back cover page, relating to the possible offering by Popular North America, Inc., after the effectiveness of this registration statement, of such debt securities as medium-term notes having an aggregate initial public offering price or purchase price of up to U.S. \$2,500,000,000 or the equivalent thereof in one or more foreign currencies or composite currencies.

The prospectus contained in this registration statement relates to both of the following:

the offering of newly issued medium-term notes of Popular, Inc. or Popular North America, Inc. on an ongoing basis at an aggregate initial public offering price of up to \$2,500,000,000; and

market-making transactions that may occur on an ongoing basis in notes that have been previously issued in the offering described above.

When the prospectus is delivered to an investor in the initial public offering described above, the investor will be informed of that fact in the confirmation of sale. When the prospectus is delivered to an investor who is not so informed, it is delivered in a market-making transaction.

Popular, Inc., Popular International Bank, Inc. or Popular North America, Inc. may also offer additional debt securities of another series or preferred stock pursuant to the prospectus contained in this registration statement. Upon any public offering and sale of any such other series of debt securities or preferred stock covered by the prospectus, a prospectus supplement or prospectus supplements describing such series of debt securities or preferred stock and the particular terms of such offers or sales will be filed in accordance with the rules and regulations of the Securities and Exchange Commission.

Subject to completion
Preliminary Prospectus Supplement dated December 8, 2003)

PROSPECTUS SUPPLEMENT
(To Prospectus Dated , 2003

\$2,500,000,000

POPULAR, INC.
MEDIUM-TERM NOTES, SERIES 5
DUE NINE MONTHS OR MORE FROM DATE OF ISSUE

THE COMPANY: Popular, Inc. Our principal executive office is located at Popular Center, 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and our telephone number is (787) 765-9800.

TERMS: We plan to offer and sell notes with various terms, including the following:

Ranking as senior or subordinated indebtedness of Popular

Stated maturities of 9 months or more from date of issue

Redemption and/or repayment provisions, if applicable, whether mandatory or at the option of Popular or holders of the notes

Payments in U.S. dollars or one or more foreign currencies

Minimum denomination of \$1,000, increasing in integral multiples of \$1,000 or other specified denominations for foreign currencies

Book-entry (through The Depository Trust Company) or certificated form

Interest at fixed or floating rates, or no interest at all. The floating interest rate may be based on one or more of the following indices plus or minus a spread and/or multiplied by a spread multiplier:

commercial paper rate

prime rate

LIBOR

treasury rate

CMT rate

CD rate

federal funds rate

11th district cost of funds rate

any other base rate or interest rate formula as may be specified in your pricing supplement

Interest payments on fixed rate notes on each June 15 and December 15

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Interest payments on floating rate notes on a monthly, quarterly, semiannual or annual basis
We will specify the final terms for each note, which may be different from the terms described in this prospectus supplement, in the applicable pricing supplement.

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

The notes will be unsecured obligations of Popular and will not be savings accounts, deposits or other obligations of any bank or nonbank subsidiary of Popular and are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other government agency.

	Public Offering Price	Agents Discounts and Commissions	Proceeds to Popular
Per note	100%	.125% - .750%	99.250% - 99.875%
Total (1)	\$2,500,000,000	\$ 3,125,000 - \$18,750,000	\$ 2,481,250,000 - \$2,496,875,000

(1) Or the equivalent of this amount in one or more foreign or composite currencies.

We may sell notes to the agents referred to below as principal for resale at varying or fixed offering prices or through the agents as agent using their reasonable efforts on our behalf. We may also sell notes without the assistance of the agents, whether acting as principal or as agent.

If we or Popular International Bank, Inc. or Popular North America, Inc. sells securities referred to in the accompanying prospectus other than pursuant to this prospectus supplement, the aggregate initial offering price of notes that we may offer and sell under this prospectus supplement will be reduced.

Bank One Capital Markets, Inc.
JPMorgan
Merrill Lynch & Co.
UBS Investment Bank

Credit Suisse First Boston
Keefe, Bruyette & Woods, Inc.
Popular Securities, Inc.

The date of this Prospectus Supplement is _____, 2003

THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS SUPPLEMENT IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

DESCRIPTION OF NOTES WE MAY OFFER

This description of the terms of the notes supplements the description of the general terms and provisions of the notes and replaces any inconsistent terms and provisions contained in "Description of Debt Securities We May Offer" in the accompanying prospectus. Each pricing supplement will describe the particular terms of the notes it offers. Unless the pricing supplement applicable to a note provides otherwise, however, each note will have the following terms. In this prospectus supplement, *we* means Popular.

Popular will issue the notes under the Popular senior indenture, which is described in the accompanying prospectus. The Popular senior indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended. The following description of some provisions of the Popular senior indenture and the notes is only a summary and is qualified by reference to the provisions of the Popular senior indenture and the notes. The terms and conditions below will apply to each note unless the applicable pricing supplement or foreign currency, multi-currency and indexed note supplement to the applicable pricing supplement specifies otherwise.

Under the Popular senior indenture, Popular may issue any amount of debt securities in one or more series. From time to time, Popular may, without the consent of the holders, issue debt securities (including medium-term notes) under the Popular senior indenture in addition to the \$2,500,000,000 principal amount of notes to which this prospectus supplement relates. The notes will be denominated in and payable in United States dollars unless the applicable pricing supplement provides otherwise.

The applicable pricing supplement will specify the interest rate or interest rate formula and other variable terms of each note. Popular may change interest rates and interest rate formulae, but no change will affect any note already issued or for which Popular has accepted an offer to purchase. Unless the applicable pricing supplement indicates otherwise, *fixed rate notes* will bear interest at fixed rates and *floating rate notes* will bear interest at floating rates determined by reference to one or more *base rates* adjusted by any *spread* and/or *spread multiplier* applicable to these notes. These terms are defined below in "Interest Rates - Floating Rate Notes". Original issue discount notes may be issued at significant discounts from their principal amount payable at maturity, and some original issue discount notes may not bear interest.

Popular may offer interest rates on notes that differ depending upon, among other factors, the principal amount of notes purchased in any single transaction. Popular may also offer notes with variable terms other than interest rates concurrently to different investors. Popular may change the terms of notes from time to time, but no change will affect any note that has been issued or as to which Popular has accepted an offer to purchase.

Each interest payment will equal the amount of interest that accrues from and includes the next preceding interest payment date on which interest has been paid (or from and including the date the note was issued, if no interest has been paid since then) up to and excluding the applicable interest payment date or at maturity.

Unless otherwise indicated in a pricing supplement, the notes will be issued in book-entry, *i.e.*, global, form or fully registered certificated form. Book-entry notes may be transferred or exchanged through the depositary. "Description of Debt Securities We May Offer - Legal Ownership of Securities" and "Special Considerations for Global Debt Securities" in the accompanying prospectus describe the procedures for transferring or exchanging book-entry notes. No service charge will be made for the registration of transfer or exchange of notes issued in certificated form, but Popular may require the holder to pay any tax or other governmental charge in connection with a transfer or exchange.

INFORMATION IN THE PRICING SUPPLEMENT

Your pricing supplement will describe one or more of the following terms of your note:

the stated maturity;

the specified currency or currencies for principal and interest, if not U.S. dollars;

the price at which we originally issue your note, expressed as a percentage of the principal amount, and the original issue date;

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whether your note is a fixed rate note, a floating rate note or an indexed note and also whether it is an original issue discount note;

if your note is a fixed rate note, the yearly rate at which your note will bear interest, if any, and the interest payment dates, if different from those stated below under Interest Rates Fixed Rate Notes ;

if your note is a floating rate note, the interest rate basis, which may be one or more of the base rates described in Interest Rates Floating Rate Notes below; any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate, if any; the interest reset, determination, calculation and payment dates; and the calculation agent, all of which we describe under Interest Rates Floating Rate Notes below;

if your note is an original issue discount note, the yield to maturity;

if your note is an indexed note, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and whether your note will be exchangeable for or payable in stock of an issuer other than us or other property;

whether your note may be redeemed at our option or repaid at your option before the stated maturity and, if so, other relevant terms such as the redemption or repayment commencement date, specific redemption or repayment date(s), redemption or repayment period(s) and redemption or repayment price(s), all of which we describe under Redemption and Repayment below;

whether we will issue or make available your note in non-book-entry form; and

any other terms of your note that are consistent with the provisions of the indenture, which other terms could be different from those described in this prospectus supplement.

Your pricing supplement will summarize specific financial and other terms of your note, while this prospectus supplement describes terms that apply generally to the notes as a series. Consequently, the terms described in your pricing supplement will supplement those described in this prospectus supplement and, if the terms described there are inconsistent with those described here, the terms described there will be controlling. The terms used in your pricing supplement have the meaning described in this prospectus supplement, unless otherwise specified.

PAYMENT MECHANICS

Who Receives Payment?

If interest is due on a note on an interest payment date, we will pay the interest to the person or entity in whose name the note is registered at the close of business on the regular record date relating to the interest payment date. See Regular Record Dates for Interest below for more information about the regular record dates. If interest is due at the maturity, we will pay the interest to the person or entity entitled to receive the principal of the note. If principal or another amount is payable on a note at the maturity, we will pay the amount to the holder of the note against surrender of the note at the *designated agency office* of the paying agent in the Borough of Manhattan, New York City, which is located at J.P. Morgan Chase Bank, 4 New York Plaza/1st Floor, New York, NY 10004, Attention: Institutional Trust Services, or, in the case of a global note, in accordance with the applicable policies of the depositary.

Regular Record Dates for Interest

Unless we specify otherwise in the applicable pricing supplement, the regular record date relating to an interest payment date for any fixed rate note will be the June 1 or December 1 next preceding that interest payment date, and for any floating rate note will be the 15th calendar day before that interest payment date, in each case whether or not the record date is a business day. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

How We Will Make Payments Due in U.S. Dollars

We will follow the practice described in this subsection when paying amounts payable in U.S. dollars. Payments of amounts payable in other currencies will be made as described in the next subsection.

Payments on Global Notes

We will make payments on a global note in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will pay directly to the depositary, or its nominee, and not to any indirect owners who own beneficial interests in the global note. An indirect owner's right to receive those payments will be governed by the rules and practices of the depositary and its participants, as described in the accompanying prospectus under "Description of Debt Securities We May Offer - What Is a Global Debt Security?" .

Payments on Non-Global Notes

We will make payments on a note in non-global form as follows.

We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date.

We will make all other payments by check at the paying agent described below, against surrender of the note. All payments by check will be made in "next-day" funds *i.e.*, funds that become available on the day after the check is cashed.

A holder of notes in certificated form with a principal amount of \$10,000,000 or more may ask the paying agent in writing before a regular record date to pay interest due on the next interest payment date by transferring immediately available funds to an account at any bank in New York City or, with Popular's approval, to another bank. The holder must file this request with J.P. Morgan Trust Company, National Association, the paying agent, at its designated agency office. Unless the paying agent receives written notice that the holder is revoking these wire transfer instructions on or before the regular record date immediately preceding an interest payment date or the fifteenth day before maturity, these instructions will apply to any further payment to the holder.

How We Will Make Payments Due in Other Currencies

We will follow the practice described in this subsection when paying amounts that are payable in a specified currency other than U.S. dollars.

Payments on Global Notes

We will make payments on global notes in accordance with the applicable policies of the depositary as in effect from time to time. We understand that these policies, as currently in effect at DTC, are as follows.

Unless otherwise indicated in your pricing supplement, if you are an indirect owner of global notes denominated in a specified currency other than U.S. dollars and if you elect to receive payments in a specified currency other than U.S. dollars, you must notify the participant through which your interest in the global note is held of your election:

on or before the applicable regular record date, in the case of a payment of interest; or

on or before the 16th day before the stated maturity, or any redemption or repayment date, in the case of a payment of principal or any premium.

You may elect to receive all or only a portion of any interest, principal or premium payment in a specified currency other than U.S. dollars.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th business day before the stated maturity, or on the redemption or repayment date if your note is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the specified currency or in another jurisdiction outside the United States acceptable to us and the paying agent.

If the steps described above are not properly completed, you will receive payments in U.S. dollars.

Indirect owners of a global note denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.

Payments on Non-Global Notes

Except as described in the last paragraph under this heading, we will make payments on notes in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account requested by the holder, *provided* the account is at a bank located in the country issuing the specified currency or is in another jurisdiction outside the United States acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the notes are surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a note in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person or entity who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Book-entry and other indirect owners of a note with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.

Conversion to U.S. Dollars

When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global note or a non-global note as described above, we will determine the U.S. dollar amount the holder receives as follows. The exchange rate agent described below will request currency bid quotations expressed in U.S. dollars from three or, if three are not available, then two, recognized foreign exchange dealers in New York City, any of which may be the exchange rate agent, as of 11:00 A.M., New York City time, on the second business day before the payment date. Currency bid quotations will be requested on an aggregate basis, for all holders of notes and other debt securities, if any, requesting U.S. dollar payments of amounts due on the same date in the same specified currency. The U.S. dollar amount the holder receives will be based on the highest acceptable currency bid quotation received by the exchange rate agent. If the exchange rate agent determines that at least two acceptable currency bid quotations are not available on that second business day, the payment will be made in the specified currency.

To be acceptable, a quotation must be given as of 11:00 A.M., New York City time, on the second business day before the due date and the quoting dealer must commit to execute a contract at the quotation. If some but not all of the relevant notes are LIBOR notes, the second preceding business day will be determined for this purpose as if none of those notes were LIBOR notes.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency Is Not Available

If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us due to circumstances beyond our control such as the imposition of exchange controls or a disruption in the currency markets we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis of the exchange rate, computed by the exchange rate agent, on the second business day before the particular payment or, if that rate is not then available, on the basis of the most recently available market exchange rate.

For a specified currency other than U.S. dollars, the exchange rate will be the noon buying rate for cable transfers of the specified currency in The City of New York as certified for customs purposes (or, if not certified, as otherwise determined) by the Federal Reserve Bank of New York.

The procedures described above will apply to any note, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any note or the indenture.

Exchange Rate Agent

If we issue a note in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the note is originally issued in the applicable pricing supplement. We may select one of our affiliates or one of the agents or their affiliates to perform this role. We may change the exchange rate agent from time to time after the original issue date of the note without your consent and without notifying you of this change.

All determinations made by the exchange rate agent will be at its sole discretion unless we state in the applicable pricing supplement that any determination requires our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

DENOMINATION OF NOTES

Unless we specify differently in the pricing supplement relating to your note, the denomination of your note will be \$1,000 or integral multiples of \$1,000 above that. If your note is denominated in a specified currency other than U.S. dollars, the denomination of the note will be in an amount of the specified currency for the note equivalent to \$1,000 and integral multiples of \$1,000 above that, using an exchange rate equal to the noon buying rate in New York City for cable transfers for the specified currency on the first business day immediately before the date on which we accept the offer to buy the note.

INTEREST RATES

Fixed Rate Notes

Each fixed rate note, except any zero coupon note, will bear interest from its original issue date or from the most recent date to which interest on the note has been paid or made available for payment. Interest will accrue on the principal of a fixed rate note at the fixed yearly rate stated in the applicable pricing supplement, until the principal is paid or made available for payment. Unless otherwise specified in the applicable pricing supplement, interest on a fixed rate note will be payable semiannually each June 15 and December 15, which will be the interest payment dates for a fixed rate note, and at maturity. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. If, however, an interest payment date or the maturity date of a fixed rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and/or interest on the next succeeding business

day, and no additional interest will accrue with respect to the payment made on that next succeeding business day. We will compute interest on fixed rate notes on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described above under **Payment Mechanics** . If the original issue date of a note is between a regular record date and the corresponding interest payment date, the initial interest payment will be made to the holder of record on the next interest payment date after the next regular record date.

Floating Rate Notes

*In this subsection, we use several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in **bold, italicized** type the first time they appear, and we define these terms in **Special Rate Calculation Terms** at the end of this subsection.*

Also, please remember that the specific terms of your note as described in your pricing supplement will supplement and may modify or replace the general terms regarding the floating rates of interest described in this subsection. The statements we make in this subsection may not apply to your note.

Each floating rate note will bear interest from its original issue date or from the most recent date to which interest on the note has been paid or made available for payment. Interest will accrue on the principal of a floating rate note at the yearly rate determined according to the interest rate formula stated in the applicable pricing supplement, until the principal is paid or made available for payment. We will pay interest on each interest payment date and at maturity as described above under **Payment Mechanics** .

Base Rates

We currently expect to issue floating rate notes that bear interest at rates based on one or more of the following base rates:

commercial paper rate;

prime rate;

LIBOR;

treasury rate;

CMT rate;

CD rate;

federal funds rate;

11th district rate; and/or

any other base rate or interest rate formula as may be specified in your pricing supplement.

If you purchase a floating rate note, your pricing supplement will specify the type or types of base rates applicable to your note.

Initial Base Rate

For any floating rate note, the base rate in effect from the original issue date to the first interest reset date will be the initial base rate. We will specify the initial base rate in the applicable pricing supplement.

Spread or Spread Multiplier

In some cases, the base rate for a floating rate note may be adjusted:

by adding or subtracting a specified number of basis points, called the spread, with one basis point being 0.01%; or

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by multiplying the base rate by a specified percentage, called the spread multiplier.

If you purchase a floating rate note, your pricing supplement will specify whether a spread or spread multiplier will apply to your note and, if so, the amount of the spread or spread multiplier. We may change the spread, spread multiplier, *index maturity* and other variable terms of the floating rate notes from time to time, but no change will affect any floating rate note previously issued or as to which we have accepted an offer.

Your pricing supplement will also specify whether the floating rate note is a regular floating rate note, a floating rate/fixed rate note or an inverse floating rate note. Unless you purchase a floating rate note that is designated a floating rate/fixed rate note or an inverse floating rate note, your particular floating rate note will be a regular floating rate note. A regular floating rate note will bear interest at a rate determined by reference to the applicable rate as specified in your pricing supplement and as adjusted by the spread and/or spread multiplier, if applicable. 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. 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.

A floating rate/fixed rate note will bear interest at a rate determined by reference to the applicable rate as specified in your pricing supplement and as adjusted by the spread and/or spread multiplier, if applicable. 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. 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 your pricing supplement, or, if not so specified, the interest rate in effect on the day immediately preceding the fixed rate commencement date.

An inverse floating rate note will bear interest at a fixed rate minus the applicable interest rate as specified in your pricing supplement and as adjusted by the spread and/or spread multiplier, if applicable, *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. 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.

Your pricing supplement will also specify, if applicable, the fixed rate commencement date and the fixed interest rate, as those rates may apply to some floating rate notes.

Maximum and Minimum Rates

The actual interest rate, after being adjusted by the spread or spread multiplier, may also be subject to either or both of the following limits:

a maximum rate *i.e.*, a specified upper limit, or ceiling, that the actual interest rate in effect at any time may not exceed; and/or

a minimum rate *i.e.*, a specified lower limit, or floor, that the actual interest rate in effect at any time may not fall below.

If you purchase a floating rate note, your pricing supplement will specify whether a maximum rate and/or minimum rate will apply to your note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a floating rate note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. law of general application. Under current New York law, the maximum rate of interest, with some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a floating rate note.

Interest Reset Dates

The rate of interest on a floating rate note will be reset, by the calculation agent described below, daily, weekly, monthly, quarterly, semi-annually or annually. The date on which the interest rate resets and the reset rate becomes effective is called the interest reset date. Except as otherwise specified in the applicable pricing supplement, the interest reset date will be as follows:

for floating rate notes that reset daily, each ***business day***;

for floating rate notes that reset weekly and are not treasury rate notes, the Wednesday of each week;

for treasury rate notes that reset weekly, the Tuesday of each week, except as otherwise described in the next to last paragraph under Interest Determination Dates below;

for floating rate notes that reset monthly and are not 11th district rate notes, the third Wednesday of each month;

for 11th district rate notes that reset monthly, the first calendar day of the month;

for floating rate notes that reset quarterly, the third Wednesday of March, June, September and December of each year;

for floating rate notes that reset semi-annually, the third Wednesday of each of two months of each year as specified in the applicable pricing supplement; and

for floating rate notes that reset annually, the third Wednesday of one month of each year as specified in the applicable pricing supplement.

For a floating rate note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest interest reset date that occurs on or before that day. If an interest reset date falls on a day that is not a business day, that interest reset date will be postponed to the next succeeding business day, except where LIBOR is applicable, and that business day falls in the next succeeding calendar month, the particular interest reset date will be the immediately preceding business day. Also, where a treasury rate is applicable, if the interest determination date would otherwise fall on an interest reset date, that interest reset date will be postponed to the next succeeding business day.

There are several exceptions, however, to the reset provisions described above. The base rate in effect from the original issue date to the first interest reset date will be the initial base rate. For floating rate notes that reset daily or weekly, the base rate in effect for each day following the second business day before an interest payment date to, but excluding, the interest payment date, and for each day following the second business day before the maturity to, but excluding, the maturity, will be the base rate in effect on that second business day.

Interest Determination Dates

The interest rate that takes effect on an interest reset date will be determined by the calculation agent by reference to a particular date called an interest determination date. Except as otherwise specified in the applicable pricing supplement:

for CD rate notes, CMT rate notes, commercial paper rate notes, federal funds rate notes and prime rate notes, the interest determination date relating to a particular interest reset date will be the second business day preceding that interest reset date;

for LIBOR notes, the interest determination date relating to a particular interest reset date will be the second ***London banking day*** preceding the interest reset date unless the index currency is British Pounds Sterling, in which case the interest determination date will be the applicable interest reset date. We refer to an interest determination date for a LIBOR note as a LIBOR interest determination date;

for treasury rate notes, the interest determination date relating to a particular interest reset date, which we refer to as a treasury interest determination date, will be the day of the week in which the interest reset date falls on which treasury bills *i.e.*, direct obligations of the U.S. government would normally be auctioned. Treasury bills are usually sold at

auction on the 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 the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the preceding Friday, that Friday will be the treasury interest determination date relating to the interest reset date occurring in the next succeeding week. If no auction is held for the week in which such interest reset date falls, then the interest reset date with respect to such week shall be the first business day of such week. If the auction is held on a day that would otherwise be an interest reset date, then the interest reset date will instead be the first business day following the auction date;

for 11th district rate notes, the interest determination date relating to a particular interest reset date will be the last working day in San Francisco, in the first calendar month before that interest reset date, on which the Federal Home Loan Bank of San Francisco publishes the monthly average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District for the second calendar month before that interest reset date. We refer to an interest determination date for an 11th district rate note as an 11th district interest determination date; and

for notes with interest rates based on two or more rates, the interest determination date will be the most recent business day which is at least two business days prior to the applicable interest reset date for such note on which each interest rate basis is determinable.

Interest Calculation Dates

As described above, the interest rate that takes effect on a particular interest reset date will be determined by reference to the corresponding interest determination date. Except for LIBOR notes and 11th district rate notes, however, the determination of the rate will actually be made by a calculation agent on the corresponding interest calculation date. The interest calculation date will be the earlier of the following:

the tenth calendar day after the interest determination date or, if that tenth calendar day is not a business day, the next succeeding business day; or

the business day immediately preceding the interest payment date or the maturity, whichever is the day on which the next payment of interest will be due.

Interest Payment Dates

The interest payment dates for a floating rate note will depend on when the interest rate is reset and, unless we specify otherwise in the applicable pricing supplement, will be as follows:

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

for floating rate notes that reset quarterly, the third Wednesday of March, June, September and December of each year;

for floating rate notes that reset semi-annually, the third Wednesday of the two months of each year specified in the applicable pricing supplement;

for floating rate notes that reset annually, the third Wednesday of the month specified in the applicable pricing supplement; and

for all floating rate notes, at maturity.

Regardless of these rules, if a note is originally issued after the regular record date and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

If the interest payment date would otherwise fall on a day that is not a business day, then the interest payment date will be the next day that is a business day. However, if the floating rate note is a LIBOR note and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day.

Calculation of Interest

Calculations relating to floating rate notes will be made by the calculation agent, an institution that we appoint as our agent for this purpose. Unless the applicable pricing supplement provides otherwise, J.P. Morgan Trust Company, National Association will be the calculation agent for the floating rate notes. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of a note without your consent and without notifying you of the change.

For each floating rate note, the calculation agent will determine, on the corresponding interest calculation or determination date, as applicable, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period *i.e.*, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face amount of the floating rate note by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate (also expressed as a decimal) applicable to that day:

by 360, in the case of commercial paper rate notes, prime rate notes, LIBOR notes, CD rate notes, federal funds rate notes and 11th district rate notes; or

by the actual number of days in the year, in the case of treasury rate notes and CMT rate notes.

The interest factor for notes as to which the interest rate is based on two or more rates will be calculated in each interest period as if only the applicable rate specified in your pricing supplement applied.

Upon the request of the holder of any floating rate note, the calculation agent will provide for that note the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a note will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-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)). All amounts used in or resulting from any calculation relating to a floating rate note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate note during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the following subsections. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any agent and its affiliates, and they may include our affiliates.

Commercial Paper Rate Notes

If you purchase a commercial paper rate note, your note will bear interest at a base rate equal to the commercial paper rate and adjusted by the spread or spread multiplier, if any, specified in your pricing supplement.

The commercial paper rate will be the *money market yield* of the rate, for the relevant interest determination date, for commercial paper having the *index maturity* specified in your pricing supplement, as published in **H.15 (519)** under the heading "Commercial Paper - Non-financial" :

If the rate described above is not published in H.15 (519) by 3:00 P.M., New York City time, on the relevant interest calculation date, then the commercial paper rate will be the rate, for the relevant interest determination date, for commercial paper having the index maturity specified in your pricing supplement, as published in **H.15 Daily Update** or any other recognized electronic source used for displaying that rate, under the heading "Commercial Paper - Non-financial" ; or

If the rate described in the prior paragraph is not published in H.15 (519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the commercial paper rate will be the money market yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant index maturity and is placed for an industrial issuer whose bond rating is Aa , or the equivalent, from a nationally recognized rating agency: the rates offered as of 11:00 A.M., New York City time, on the relevant interest determination date, by three leading U.S. dollar commercial paper dealers in The City of New York (which may include the agents or their affiliates) selected by the calculation agent; or

If fewer than three dealers selected by the calculation agent are quoting as described above, the commercial paper rate for the new interest period will be the commercial paper rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Prime Rate Notes

If you purchase a prime rate note, your note will bear interest at a base rate equal to the prime rate and adjusted by the spread or spread multiplier, if any, specified in your pricing supplement.

The prime rate will be the rate, for the relevant interest determination date, published in H.15 (519) under the heading Bank Prime Loan .

If the rate described above is not published in H.15 (519) by 3:00 P.M., New York City time, on the relevant interest calculation date, then the prime rate will be the rate, for the relevant interest determination date, as published in H.15 Daily Update or another recognized electronic source used for the purpose of displaying that rate, under the heading Bank Prime Loan ; or

If the rate described in the prior paragraph is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the prime rate will be the arithmetic mean of the following rates as they appear on the **Reuters screen US PRIME 1 page**: the rate of interest publicly announced by each bank appearing on that page as that bank's prime rate or base lending rate, as of 11:00 A.M., New York City time, on the relevant interest determination date; or

If fewer than four of these rates appear on the Reuters screen US PRIME 1 page, the prime rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant interest determination date, of three major banks in The City of New York (which may include the agents or their affiliates) selected by the calculation agent. For this purpose, the calculation agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year; or

If fewer than three banks selected by the calculation agent are quoting as described above, the prime rate for the new interest period will be the prime rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

LIBOR Notes

If you purchase a LIBOR note, your note will bear interest at a base rate equal to LIBOR, which means the London interbank offered rate for deposits in U.S. dollars or any other index currency, as specified in your pricing supplement. In addition, the applicable LIBOR base rate will be adjusted by the spread or spread multiplier, if any, specified in your pricing supplement. LIBOR will be determined in the following manner:

LIBOR will be either:

the offered rate appearing on the **Moneyline Telerate LIBOR page**; or

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the arithmetic mean of the offered rates appearing on the *Reuters screen LIBOR page* unless that page by its terms cites only one rate, in which case that rate; in either case, as of 11:00 A.M., London time, on the relevant LIBOR interest determination date, for deposits of the relevant index currency having the relevant index maturity beginning on the relevant interest reset date. Your pricing supplement will indicate the index currency, the index maturity and the reference page that apply to your LIBOR note. If no reference page is specified in your pricing supplement, the Moneyline Telerate LIBOR page will apply to your LIBOR note.

If the Moneyline Telerate LIBOR page applies and the rate described above does not appear on that page, or if the Reuters screen LIBOR page applies and fewer than two of the rates described above appear on that page or no rate appears on any page on which only one rate normally appears, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant LIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks (which may include the agents or their affiliates) in that market selected by the calculation agent: deposits of the index currency having the relevant index maturity beginning on the relevant interest reset date, and in a *representative amount*. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the quotations; or

If fewer than two quotations are provided as described above, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the principal financial center for the country of the index currency, on that LIBOR interest determination date, by three major banks (which may include the agents or their affiliates) in that financial center selected by the calculation agent: loans of the index currency having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount; or

If fewer than three banks selected by the calculation agent are quoting as described above, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Treasury Rate Notes

If you purchase a treasury rate note, your note will bear interest at a base rate equal to the treasury rate and adjusted by the spread or spread multiplier, if any, specified in your pricing supplement.

The treasury rate will be the rate for the auction, on the relevant treasury interest determination date, of treasury bills having the index maturity specified in your pricing supplement, as that rate appears on *Moneyline Telerate page* 56 or 57 under the heading *Investment Rate*. If the treasury rate cannot be determined in this manner, the following procedures will apply.

If the rate described above does not appear on either page at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), the treasury rate will be the *bond equivalent yield* of the rate, for the relevant interest determination date, for the type of treasury bill described above, as published in H.15 Daily Update, or another recognized electronic source used for displaying that rate, under the heading *U.S. Government Securities/Treasury Bills/Auction High*; or

If the rate described in the prior paragraph does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the treasury rate will be the bond equivalent yield of the auction rate, for the relevant treasury interest determination date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury; or

If the auction rate described in the prior paragraph is not so announced by 3:00 P.M., New York City time, on the relevant interest calculation date, or if no such auction is held for the relevant week, then the treasury rate will be the bond

equivalent yield of the rate, for the relevant treasury interest determination date and for treasury bills of the kind described above, as published in H.15 (519) under the heading U.S. Government Securities/Treasury Bills/Secondary Market ; or

If the rate described in the prior paragraph is not published in H.15 (519) by 3:00 P.M., New York City time, on the relevant interest calculation date, then the treasury rate will be the rate, for the relevant treasury interest determination date and for treasury bills of the kind described above, as published in H.15 Daily Update, or another recognized electronic source used for displaying that rate, under the heading U.S. Government Securities/Treasury Bills/Secondary Market ; or

If the rate described in the prior paragraph is not published in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the treasury rate will be the bond equivalent yield of the arithmetic mean of the following secondary market bid rates for the issue of treasury bills with a remaining maturity closest to the specified index maturity: the rates bid as of approximately 3:30 P.M., New York City time, on the relevant treasury interest determination date, by three primary U.S. government securities dealers in The City of New York (which may include the agents or their affiliates) selected by the calculation agent; or

If fewer than three dealers selected by the calculation agent are quoting as described in the prior paragraph, the treasury rate in effect for the new interest period will be the treasury rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CMT Rate Notes

If you purchase a CMT rate note, your note will bear interest at a base rate equal to the CMT rate and adjusted by the spread or spread multiplier, if any, specified in your pricing supplement.

The CMT rate will be the following rate displayed on the *designated CMT Moneyline Telerate page* under the heading Treasury Constant Maturities , under the column for the *designated CMT index maturity*:

if the designated CMT Moneyline Telerate page is Moneyline Telerate page 7051, the rate for the relevant interest determination date; or

if the designated CMT Moneyline Telerate page is Moneyline Telerate page 7052, the weekly or monthly average, as specified in your pricing supplement, for the week that ends immediately before the week in which the relevant interest determination date falls, or for the month that ends immediately before the month in which the relevant interest determination date falls, as applicable; or

if the applicable rate described above is not displayed on the relevant designated CMT Moneyline Telerate page at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT rate will be the applicable treasury constant maturity rate described above *i.e.*, for the designated CMT index maturity and for either the relevant interest determination date or the weekly or monthly average, as applicable as published in H.15 (519); or

if the applicable rate described in the prior paragraph is not published in H.15 (519) by 3:00 P.M., New York City time, on the relevant interest calculation date, then the CMT rate will be the treasury constant maturity rate, or other U.S. treasury rate, for the designated CMT index maturity and with reference to the relevant interest determination date, that:

is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; *and*

is determined by the calculation agent to be comparable to the applicable rate formerly displayed on the designated CMT Moneyline Telerate page and published in H.15 (519); or

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if the rate described in the prior paragraph is not published by 3:00 P.M., New York City time, on the relevant interest calculation date, then the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for the most recently issued treasury notes having an original maturity of approximately the designated CMT index maturity and a remaining term to maturity of not less than the designated CMT index maturity *minus* one year and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three primary U.S. government securities dealers in The City of New York (which may include the agents or their affiliates) selected by the calculation agent. In selecting these offered rates, the calculation agent will request quotations from five of these primary dealers and will disregard the highest quotation or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest. Treasury notes are direct, non-callable, fixed rate obligations of the U.S. government; or

if fewer than five but more than two of these primary dealers are quoting as described in the prior paragraph, then the CMT rate for the relevant interest determination date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded; or

if fewer than three of these primary dealers are quoting as described in the paragraph preceding the prior paragraph, the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for treasury notes with an original maturity longer than the designated CMT index maturity, with a remaining term to maturity closest to the designated CMT index maturity and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three primary U.S. government securities dealers in The City of New York (which may include the agents or their affiliates) selected by the calculation agent. In selecting these offered rates, the calculation agent will request quotations from five of these primary dealers and will disregard the highest quotation or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest. If two treasury notes with an original maturity longer than the designated CMT index maturity have remaining terms to maturity that are equally close to the designated CMT index maturity, the calculation agent will obtain quotations for the treasury note with the shorter remaining term to maturity; or

if fewer than five but more than two of these primary dealers are quoting as described in the prior paragraph, then the CMT rate for the relevant interest date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded; or

if fewer than three primary dealers selected by the calculation agent are quoting as described in the paragraph preceding the prior paragraph, the CMT rate in effect for the new interest period will be the CMT rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CD Rate Notes

If you purchase a CD rate note, your note will bear interest at a base rate equal to the CD rate and adjusted by the spread or spread multiplier, if any, specified in your pricing supplement.

The CD rate will be the rate, on the relevant interest determination date, for negotiable U.S. dollar certificates of deposit having the index maturity specified in your pricing supplement, as published in H.15 (519) under the heading *CDs (secondary market)* .

If the rate described above is not published in H.15 (519) by 3:00 P.M., New York City time, on the relevant interest calculation date, then the CD rate will be the rate, for the relevant interest determination date, described above as published in H.15 Daily Update, or another recognized electronic source used for displaying that rate, under the heading *CDs (secondary market)* ; or