

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP /DC/

Form 424B5

April 14, 2016

**Filed Pursuant to Rule 424(b)(5)**

**Registration No. 333-199914**

## **CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price <sup>(1)</sup>	Amount of Registration Fee <sup>(2)</sup>
5.25% Fixed-to-Floating Rate Subordinated Notes due 2046 (Subordinated Deferrable Interest Notes)	\$ 350,000,000	\$ 35,245

<sup>(1)</sup> The filing fee of \$35,245 is calculated in accordance with Rule 457(r) of the Securities Act of 1933. No additional registration fee has been paid with respect to this offering.

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**Prospectus Supplement  
(To prospectus dated November 6, 2014)**

**National Rural Utilities  
Cooperative Finance Corporation**

**\$350,000,000**

**5.25% Fixed-to-Floating Rate Subordinated Notes due  
2046  
(Subordinated Deferrable Interest Notes)**

This is an offering by National Rural Utilities Cooperative Finance Corporation of \$350,000,000 aggregate principal amount of its 5.25% Fixed-to-Floating Rate Subordinated Notes due 2046 (Subordinated Deferrable Interest Notes) (the Notes). The Notes are our unsecured, subordinated debt instruments and will bear interest from the date they are issued to, but excluding, April 20, 2026, at an annual rate of 5.25%, payable semi-annually in arrears on April 20 and October 20 of each year, beginning on October 20, 2016 and ending on April 20, 2026. From and including April 20, 2026, but excluding the maturity date or any earlier redemption date, the Notes will bear interest at an annual rate equal to Three-month LIBOR plus 3.63%, payable quarterly in arrears on January 20, April 20, July 20 and October 20 of each year, beginning on July 20, 2026. So long as no event of default with respect to the Notes has occurred and is continuing, we have the right, on one or more occasions, to extend the payment of interest on the Notes as described in this prospectus supplement for one or more consecutive interest periods not exceeding five (5) consecutive years. Extended interest will accrue additional interest at an annual rate equal to the annual interest rate then applicable to the Notes.

The Notes are being offered in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

We may redeem the Notes at our option, at any time, in whole or in part, on or after April 20, 2026, at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest. In addition, we may redeem the Notes at any time, in whole or in part, prior to April 20, 2026, at a make-whole redemption price equal to the price described in this prospectus supplement under the section Description of the Notes Optional Redemption.

The Notes will be unsecured and will rank subordinate in right of payment to all of our current and future senior indebtedness. The Notes will be senior to our members subordinated certificates. The Notes will rank equal in right of payment and upon liquidation to our outstanding subordinated notes and any other equally-ranked subordinated notes we may issue.

We do not intend to apply for listing of the Notes on any securities exchange.

The Notes are not insured or guaranteed by any governmental agency.

*Investing in the Notes involves certain risks. You should consider the information under the heading **Risk Factors** on page S-6 of this prospectus supplement before investing in the Notes.*

**None of the United States Securities and Exchange Commission, any state securities commission or any foreign governmental agency has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per Note	Total
Public offering price <sup>(1)</sup>	100.00 %	\$ 350,000,000
Underwriting discount	1.00 %	\$ 3,500,000
Proceeds, before expenses, to us	99.00 %	\$ 346,500,000

(1) Plus accrued interest, if any from April 20, 2016 if settlement occurs after that date.

The underwriters expect to deliver the Notes in book-entry form only through the facilities of The Depository Trust Company and its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V., on or about April 20, 2016.

J.P. Morgan Securities LLC and RBC Capital Markets, LLC acted as joint structuring advisors for this transaction.

***Joint Book-Running Managers***

**J.P. Morgan**

**RBC Capital Markets**

***Senior Co-Managers***

**Mizuho Securities**

**MUFG**

The date of this prospectus supplement is April 13, 2016

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any written communication from us or the underwriters specifying the final terms of the offering. We have not, and the underwriters have not, authorized anyone to provide you with different information. You should not assume that the information incorporated by reference or contained in this prospectus supplement, the accompanying prospectus and any written communication from us or the underwriters specifying final terms of the offering is accurate as of any date other than its respective date. We are not, and the underwriters are not, making an offer of these Notes in any state or other jurisdiction where such an offer is not permitted.**

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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## **ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the offering. Generally, the term prospectus refers to both parts combined.

It is important for you to read and consider all information contained in or incorporated by reference in this prospectus supplement and accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents to which we have referred you in *Where You Can Find More Information* in this prospectus supplement and accompanying prospectus.

All references in this prospectus supplement to CFC, the Company, we, us, our or similar references mean National Rural Utilities Cooperative Finance Corporation and its successors, and include our consolidated subsidiaries where the context so requires. References in this prospectus supplement to \$ and dollars are to currency of the United States.

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## SUMMARY

*This summary highlights selected information from this prospectus supplement and is therefore qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. It may not contain all the information that is important to you. We urge you to read carefully this entire prospectus supplement and the other documents to which it refers to understand fully the terms of the Notes and the offering. Investing in the Notes involves risk. See Risk Factors in this prospectus supplement for more information.*

### **National Rural Utilities Cooperative Finance Corporation**

CFC is a member-owned cooperative association incorporated under the laws of the District of Columbia in April 1969. CFC's principal purpose is to provide its members with financing to supplement the loan programs of the Rural Utilities Service of the United States Department of Agriculture. CFC makes loans to its rural electric members so they can acquire, construct and operate electric distribution, generation, transmission and related facilities. CFC also provides its members with credit enhancements in the form of letters of credit and guarantees of debt obligations. As a cooperative, CFC is owned by and exclusively serves its membership, which consists of not-for-profit entities or subsidiaries or affiliates of not-for-profit entities. CFC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. As a member owned cooperative, CFC's objective is not to maximize profit, but rather to offer its members cost-based financial products and services consistent with sound financial management. CFC annually allocates its net earnings, which consists of net income excluding the effect of certain non-cash accounting entries, to (i) a cooperative education fund; (ii) a general reserve, if necessary; (iii) members based on each member's patronage of CFC's loan programs during the year; and (iv) a members' capital reserve. As a member-owned cooperative, CFC has no publicly held equity securities outstanding. CFC funds its activities primarily through a combination of publicly and privately held debt securities and member investments. The Company's headquarters are located at 20701 Cooperative Way, Dulles, VA 20166 and its telephone number is (703) 467-1800.

Our financial statements include the consolidated accounts of CFC, Rural Telephone Finance Cooperative ( RTFC ) and National Cooperative Services Corporation ( NCSC ) and certain entities created and controlled by CFC to hold foreclosed assets resulting from defaulted loans or bankruptcy.

RTFC is a taxable Subchapter T cooperative association originally incorporated in South Dakota in 1987 and reincorporated as a member-owned cooperative association in the District of Columbia in 2005. RTFC's principal purpose is to provide financing for its rural telecommunications members and their affiliates. RTFC's membership consists of a combination of not-for-profit entities and for-profit entities. CFC is the sole lender to and manages the business operations of RTFC through a management agreement in effect until December 1, 2016, which is automatically renewed for one-year terms thereafter unless terminated by either party. Under a guarantee agreement, RTFC pays CFC a fee and, in exchange, CFC reimburses RTFC for loan losses. As permitted under Subchapter T of the Internal Revenue Code, RTFC pays income tax based on its net income, excluding patronage-sourced earnings allocated to its patrons. RTFC is headquartered with CFC in Dulles, Virginia.

NCSC is a taxable cooperative incorporated in 1981 in the District of Columbia as a member-owned cooperative association. The principal purpose of NCSC is to provide financing to its members, government or quasi-government entities which own electric utility systems that meet the Rural Electrification Act definition of rural, and the for-profit and nonprofit entities that are owned, operated or controlled by, or provide significant benefits to certain members of CFC. As of February 29, 2016, NCSC's membership consisted primarily of distribution systems, power supply systems

and statewide and regional associations that were members of CFC. CFC, which is the primary source of funding for NCSC, manages NCSC's business operations under a management agreement that is automatically renewable on an annual basis unless terminated by either party. NCSC pays CFC a fee and, in exchange, CFC reimburses NCSC for loan losses under a guarantee agreement. As a taxable cooperative, NCSC pays income tax based on its reported taxable income and deductions. NCSC is headquartered with CFC in Dulles, Virginia.

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At February 29, 2016, after taking into consideration systems that are members of both CFC and NCSC and eliminating memberships between CFC, RTFC and NCSC, our consolidated membership totaled 1,463 members and 230 associates. Our consolidated members include 838 electric distribution systems, 72 power supply systems, 487 telecommunication members, 65 statewide and regional associations, and one national association of cooperatives. The service territories of our electric distribution systems, power supply systems and telecommunication members are located in 49 states, the District of Columbia and two U.S. territories.

The foregoing information about us is only a general summary and is not intended to be comprehensive. For additional information, you should refer to the information under the headings **Where You Can Find More Information** and **Incorporation by Reference**.

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## The Notes

The following is a summary of the terms of the Notes. The Notes will be governed by that certain indenture dated as of October 15, 1996 (the Indenture ), between us and U.S. Bank National Association, as successor trustee (the Trustee ). Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the Notes, see the section of this prospectus entitled Description of the Notes.

### Issuer

National Rural Utilities Cooperative Finance Corporation

### Securities Offered

We are offering \$350,000,000 aggregate principal amount of our 5.25% Fixed-to-Floating Rate Subordinated Notes due 2046 (Subordinated Deferrable Interest Notes). The Notes will be issued in registered form and in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

### Maturity Date

April 20, 2046.

### Interest Rate; Interest Payment Dates

The Notes will bear interest from the date they are issued to, but excluding, April 20, 2026 or any early redemption date, at an annual rate of 5.25%, payable semi-annually in arrears on April 20 and October 20 of each year, beginning on October 20, 2016 and ending on April 20, 2026. From and including April 20, 2026, to but excluding the maturity date or any earlier redemption date, the Notes will bear interest at an annual rate equal to Three-month LIBOR plus 3.63%, payable quarterly in arrears on January 20, April 20, July 20 and October 20 of each year, beginning on July 20, 2026.

### Option to Extend Interest Payment Period

So long as there is no event of default under the Indenture with respect to the Notes that is continuing, we may at any time and from time to time during the term of the Notes extend the interest payment period (such a period being referred to as an extension period ) for a period not exceeding five (5) consecutive years, except that we may not extend the interest payment period beyond the maturity date, any earlier accelerated maturity date arising from an event of default or any other earlier redemption of the Notes. During an extension period, interest will continue to accrue on the Notes at the then-applicable rate described above and accrued interest on the Notes will bear additional interest at the then-applicable interest rate, compounded on each interest payment date, subject to applicable law. At the end of an extension period, unless further extended in accordance with the requirements below, we must pay all accrued and unpaid interest (and interest thereon). Before the termination of any extension period, we may further extend the interest payment period, so long as the extension period, together with all previous and further extensions, would not exceed five (5) consecutive years or extend beyond the maturity of the Notes. Upon the termination of an extension period and the payment of all amounts then due (including interest on unpaid interest), we may select a new extension period, subject to the above requirements. No interest during an extension period, except at the end thereof, shall be due and payable.

### Subordination and Ranking

The Notes will be unsecured and will rank subordinate in right of payment to all of our current and future senior indebtedness. The Notes will be senior to our members' subordinated certificates.

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The Notes will rank equal in right of payment and upon liquidation to our outstanding subordinated deferrable debt and any other equally-ranked subordinated debt we may issue.

### Optional Redemption

At any time on or after April 20, 2026, we will have the right to redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the Notes being redeemed to, but excluding, the date of redemption.

At any time before April 20, 2026, we will have the right to redeem the Notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (exclusive of interest accrued to the redemption date) from the redemption date to April 20, 2026 (assuming, solely for the purposes of this calculation, that the principal amount of the Notes to be redeemed was payable on April 20, 2026), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points, plus, in either case, accrued and unpaid interest on the Notes being redeemed to, but excluding, such redemption date.

### Events of Default

The following events of default are applicable to the Notes instead of the events of default described in the accompanying prospectus:

failure to pay interest on the Notes within 60 days after such interest is due (provided, however, that a failure to pay interest during a valid optional extension period will not constitute an event of default, as described below under Description of the Notes Option to Extend Interest Payment Period );

failure to pay principal of or any premium on the Notes when due; and

certain bankruptcy, insolvency or reorganization events with respect to CFC.

No event of default with respect to one series of subordinated debt securities necessarily constitutes an event of default with respect to another series of subordinated debt securities.

### Use of Proceeds

We expect to receive proceeds, after deducting the underwriting discounts and other offering expenses payable by us, of approximately \$346.3 million. The proceeds will be used by us for general corporate purposes, including the repayment of short-term debt, primarily commercial paper.

### Listing

We do not intend to list the Notes on any securities exchange.

### Risk Factors

Investing in the Notes involves certain risks. You should consider carefully the risk factors discussed under the heading Risk Factors beginning on page\_S-6 of this prospectus supplement and the other information included or incorporated by reference in this

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prospectus supplement and the accompanying prospectus, including the information under the heading Risk Factors in our Annual Report on Form 10-K for the year ended May 31, 2015, as such risk factors may be updated from time to time in our Quarterly Reports on Form 10-Q, before investing in the Notes.

Governing Law

The Notes and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York, without regards to its principles of conflicts of laws.

Book-Entry Depository

The Depository Trust Company

Trustee

U.S. Bank National Association

Additional Issues

We may, without the consent of the existing holders of the Notes, issue additional Notes and thereby increase the principal amount in the future, on the same terms and conditions and with the same CUSIP number as the Notes we offer by this prospectus supplement. Any such additional Notes will, together with the Notes we offer by this prospectus supplement, constitute a single series of Notes under the Indenture. We will not issue any further securities intended to form a single series with the Notes unless such further securities will be fungible with all Notes of the same series for U.S. Federal income tax purposes.

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## **RISK FACTORS**

*Your investment in the Notes will involve certain risks. You should consider carefully the following risks relating to the Notes, together with the risks and uncertainties discussed under Forward-Looking Information and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information under the heading Risk Factors in our Annual Report on Form 10-K for the year ended May 31, 2015, as such risk factors may be updated from time to time in our Quarterly Reports on Form 10-Q, before investing in the Notes. Additional risks and uncertainties not presently known to us may also impair our business operations, financial condition or results and the value of the Notes. We cannot assure you that any of the events discussed in or incorporated by reference into this prospectus supplement will not occur. If they do, our business, financial condition or results of operations could be materially and adversely affected.*

### **Our obligations under the Notes will be unsecured and will be subordinated.**

Our obligations under the Notes are unsecured and will rank subordinate in right of payment to our senior indebtedness (as defined in the Indenture). This means that we may not make any payments of principal or interest on the Notes:

if there shall have occurred a default in the payment of principal or mandatory prepayments of or premium, if any, sinking funds or interest on any senior indebtedness, or  
if any event of default (other than a default in the payment of principal, premium, if any, mandatory prepayments, sinking funds or interest) with respect to any senior indebtedness that permits the holders thereof to accelerate the maturity of such senior indebtedness, and such event of default has not been cured or waived and not ceased to exist. The Notes will rank equal in right of payment and upon liquidation to our outstanding subordinated indebtedness. For more information on the subordination provisions and the definition of senior indebtedness, see Description of the Notes Ranking in this prospectus supplement.

At February 29, 2016, CFC had approximately \$21.9 billion of indebtedness that will rank senior in priority with respect to the Notes, including contingent guarantees of \$0.9 billion, and had \$0.4 billion of subordinated indebtedness that will rank equal in right of payment and upon liquidation with the Notes. The Notes will be senior to CFC's members' subordinated certificates. The Indenture contains no restrictions on the amount of additional senior or subordinated indebtedness that we may issue under it.

Due to the subordination provisions described in Description of the Notes Ranking, in the event of our insolvency, funds which we would otherwise use to pay to the holders of the Notes will be used to pay the holders of senior indebtedness to the extent necessary to pay the senior indebtedness in full.

### **We can extend interest payments on the Notes for one or more periods of up to five (5) consecutive years.**

We will have the right at any time and from time to time during the term of the Notes to extend the interest payment period to a period not exceeding five (5) consecutive years. At the end of an extension period, unless further extended in accordance with the requirements below, CFC must pay all interest then accrued and unpaid (together with interest thereon at the same rate as specified for the Notes to the extent permitted by applicable law). During any extension period, CFC may not declare or pay any dividend or interest on, or principal of, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its members' subordinated certificates. Prior to the termination of any

extension period, CFC may further extend the interest payment period, provided that extension period, together with all previous and further extensions thereof, may not exceed five (5) consecutive years or extend beyond the maturity of the Notes. Upon the termination of an extension period and the payment of all amounts then due, CFC may select a new extension period, subject to the above requirements. See Description of the Notes Option to Extend Interest Payment Period.

Should an extension period occur, a holder of the Notes will be required to accrue income (as original issue discount) for U.S. Federal income tax purposes even though interest is not being paid on a current basis. As a result, a holder would be required to include such interest in gross income for U.S. Federal income tax

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purposes in advance of the receipt of cash, and would not receive from CFC the cash related to such income if the holder disposes of his or her Notes prior to the record date for payment of interest. See Material U.S. Federal Tax Considerations.

### **We may elect to cause the redemption of the Notes when prevailing interest rates are relatively low.**

We may redeem the Notes:

in whole at any time or in part from time to time on or after April 20, 2026 at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest to, but excluding, the date of redemption; or in whole or in part, from time to time, prior to April 20, 2026 at 100% of the principal amount being redeemed plus accrued and unpaid interest, plus any applicable make-whole premium, as discussed under Description of the Notes Optional Redemption.

We may choose to redeem the Notes for a variety of reasons, including, but not limited to, when prevailing interest rates are lower than the then applicable interest rate on the Notes. In the event we choose to redeem the Notes, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes.

### **Extension of interest payments and other characteristics of the Notes could adversely affect the market price of the Notes.**

To the extent a secondary market develops for the Notes, the market price of the Notes is likely to be adversely affected if we extend payments of interest on the Notes. As a result of our extension right or if investors perceive that there is a likelihood that we will exercise our extension right, the market for the Notes may become less active or be discontinued during such an extension period, and the market price of the Notes may be more volatile than the market prices of other securities that are not subject to extension. If we do extend interest on the Notes and you sell your Notes during the period of that extension, you may not receive the same return on your investment as a holder that continues to hold its Notes until we pay the accrued and unpaid interest at the end of the applicable extension period.

### **The Trustee has only limited rights of acceleration.**

The Trustee may accelerate payment of the principal and accrued and unpaid interest on the Notes only upon the occurrence and continuation of an event of default under the Notes. An event of default is generally limited to payment defaults after giving effect to our extension rights and specific events of bankruptcy, insolvency and reorganization relating to us. There is no right to acceleration upon breaches by us of other covenants under the Indenture.

### **Interest rate fluctuations may adversely affect the value of the Notes.**

From and including April 20, 2026, to but excluding the maturity date or any earlier redemption date, the Notes will bear interest at interest rates based on LIBOR. The floating rate may be volatile over time and could be substantially less than the fixed rate. In addition to experiencing a decline in interest income, holders of the Notes could also encounter a reduction in the value of their Notes.

**The secondary market for the Notes may be illiquid.**

The Notes are a new issue of securities with no established trading market and will not be listed on any national securities exchange. The underwriters have advised us that they intend to make a market for the Notes, but they have no obligation to do so and may discontinue market making at any time and for any reason without providing any notice. We cannot give any assurance as to the liquidity of any trading market for the Notes. The lack of a trading market could adversely affect your ability to sell the Notes and the price at which you may be able to sell the Notes.

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### **Changes in our credit ratings or the debt markets could adversely affect the market price of the Notes.**

The market price for the Notes depends on many factors, including, among other things:

our credit ratings with major credit rating agencies, including with respect to the Notes;  
the prevailing interest rates being paid by other companies similar to us;  
our operating results, financial condition and future prospects;  
our election to extend interest payments on the Notes (see Description of the Notes Option to Extend Interest Payment Period ); and  
economic, financial, geopolitical, regulatory and judicial events that affect us, the industries and markets in which we are doing business and the financial markets generally, including continuing uncertainty about the strength and speed of recovery in the United States and other key economies, the impact of governmental stimulus and austerity initiatives, and sovereign credit concerns in Europe and other key economies.

The price of the Notes may be adversely affected by unfavorable changes in these factors. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the Notes.

In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. A negative change in our rating could have an adverse effect on the price of the Notes.

## **WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the SEC ). You may read and copy any document we file at the SEC s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. Our SEC filings are also available to the public at the SEC s website at <http://www.sec.gov>.

This prospectus supplement and the accompanying prospectus is part of a registration statement that we have filed with the SEC in connection with this offering. As permitted by SEC rules, this prospectus supplement may not contain all of the information we have included in the registration statement and its accompanying exhibits and schedules. You may refer to the registration statement, exhibits and schedules for more information about us and the Notes. The registration statement, exhibits and schedules are available through the SEC s Public Reference Room or website.

## **INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus supplement information we have filed with the SEC, which means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is an important part of this prospectus supplement, and the information we subsequently file with the SEC will automatically update and supersede the information in this prospectus supplement.

Absent unusual circumstances, we will have no obligation to amend this prospectus supplement, other than filing subsequent information with the SEC. The historical and future information that is incorporated by reference in this prospectus supplement is considered to be a part of this prospectus supplement. The information elsewhere in this prospectus supplement and the accompanying prospectus, and the following information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus:

Annual Report on Form 10-K for the year ended May 31, 2015 (filed August 26, 2015);  
Quarterly Reports on Form 10-Q for the quarters ended August 31, 2015 (filed October 14, 2015), November 30,  
2015 (filed January 13, 2016) and February 29, 2016 (filed April 4, 2016); and  
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Current Reports on Form 8-K, dated June 26, 2015 (filed July 1, 2015), June 29, 2015 (filed June 29, 2015), August 17, 2015 (filed August 19, 2015), August 31, 2015 (filed September 2, 2015), September 30, 2015 (filed October 1, 2015), October 16, 2015 (filed October 16, 2015), October 20, 2015 (filed October 26, 2015), November 19, 2015 (filed November 25, 2015), January 14, 2016 (filed January 14, 2016), February 3, 2016 (filed February 8, 2016) and February 15, 2016 (filed February 19, 2016).

We also incorporate by reference all future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), between the date of this prospectus supplement and the termination of the offering of the Notes. However, we are not incorporating by reference any document or information that is deemed to be furnished and not filed in accordance with SEC rules.

You may request a copy of these filings from the SEC as described under Where You Can Find More Information. You may also request, at no cost (other than an exhibit to these filings, or an exhibit to any other filings incorporated by reference into this registration statement, unless we have incorporated that exhibit by reference into this registration statement), a copy of these filings by writing to or telephoning us at the following address:

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, VA 20166-6691  
(703) 467-1800  
Attn: J. Andrew Don, Senior Vice President and Chief Financial Officer

These filings are also available through the Financial Reporting subsection of the Investor Relations section of our website: [www.nrucfc.coop](http://www.nrucfc.coop). Information on our website does not constitute a part of this prospectus supplement or the accompanying prospectus.

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## **FORWARD LOOKING INFORMATION**

This prospectus supplement and the accompanying prospectus, including the information incorporated by reference herein, contains certain statements that are considered forward-looking statements within the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identified by our use of words such as intend, plan, may, should, will, project, estimate, anticipate, believe, expect, opportunity and similar expressions, whether in the negative or affirmative. All statements about future expectations or projections, including statements about loan volume, the appropriateness of the allowance for loan losses, operating income and expenses, leverage and debt to equity ratios, borrower financial performance, impaired loans, and sources and uses of liquidity, are forward-looking statements. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, actual results and performance may differ materially from our forward-looking statements due to several factors. Factors that could cause future results to vary from our forward-looking statements include, but are not limited to, general economic conditions, legislative changes including those that could affect our tax status, governmental monetary and fiscal policies, demand for our loan products, lending competition, changes in the quality or composition of our loan portfolio, changes in our ability to access external financing, changes in the credit ratings on our debt, valuation of collateral supporting impaired loans, charges associated with our operation or disposition of foreclosed assets, regulatory and economic conditions in the rural electric industry, non-performance of counterparties to our derivative agreements, the costs and effects of legal or governmental proceedings involving CFC or its members, and other factors discussed in our annual and quarterly reports previously filed with the SEC. Except as required by law, we undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date on which the statement is made.

## **RATIO OF EARNINGS TO FIXED CHARGES**

The ratio of earnings to fixed charges for CFC for the five years ended May 31, 2015 are included in Exhibit 12 to the Annual Report on Form 10-K for the fiscal year ended May 31, 2015 and are incorporated by reference into this prospectus. The ratio of earnings to fixed charges for CFC for the nine months ended February 29, 2016 is included in the Quarterly Report on Form 10-Q for the quarter ended February 29, 2016, and is incorporated by reference into this prospectus.

## **USE OF PROCEEDS**

We expect to receive proceeds, after deducting the underwriting discounts and other offering expenses payable by us, of approximately \$346.3 million. The proceeds will be used by us for general corporate purposes, including the repayment of short-term debt, primarily commercial paper.

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## **DESCRIPTION OF THE NOTES**

The following description of specific terms of the Notes should be read in conjunction with the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus under the caption Description of Subordinated Debt Securities.

The Notes will be issued as a series of subordinated debt securities under the Indenture. We are initially offering the Notes in the principal amount of \$350,000,000. There is no limit on the amount of additional securities similar to the Notes that may be issued under the Indenture. We may, without the consent of the existing holders of the Notes, issue additional Notes and thereby increase that principal amount in the future, on the same terms and conditions and with the same CUSIP number as the Notes we offer by this prospectus supplement. Any such additional Notes will, together with the Notes we offer by this prospectus supplement, constitute a single series of Notes under the Indenture. We will not issue any further securities intended to form a single series with the Notes unless such further securities will be fungible with all Notes of the same series for U.S. Federal income tax purposes.

### **Maturity**

The Notes will mature on April 20, 2046. If that day is not a business day, payment of principal and interest will be postponed to the next business day and no interest will accrue as a result of that postponement.

### **Interest Rate and Interest Payment Dates**

#### **Fixed-Rate Period**

From and including April 20, 2016 to but excluding April 20, 2026 or any earlier redemption date, the Notes will bear interest at the annual rate of 5.25%, and we will pay accrued interest semi-annually in arrears on April 20 and October 20 of each year, beginning on October 20, 2016 and ending on April 20, 2026 subject to our rights and obligations under Option to Extend Interest Payment Period. These dates are referred to as fixed-rate interest payment dates, and the period from and including April 20, 2016 to but excluding the first fixed-rate interest payment date and each successive period from and including a fixed-rate interest payment date to but excluding the next fixed-rate interest payment date is referred to as a fixed-rate interest period.

Interest payments will be made to the persons or entities in whose names the Notes are registered at the close of business on April 5 or October 5 (whether or not a business day), as the case may be, immediately preceding the relevant fixed-rate interest payment date. The amount of interest payable for any fixed-rate interest period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any fixed-rate interest payment date falls on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day, and no additional interest will accrue as a result of that postponement.

Business day means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed, (iii) a day on which the corporate trust office of the Trustee is closed for business or (iv) on or after April 20, 2026, a day that is not a London banking day.

## Floating-Rate Period

From and including April 20, 2026 to but excluding the maturity date or any earlier redemption date, the Notes will bear interest at an annual rate equal to Three-month LIBOR, as defined below, plus 3.63%, and we will pay accrued interest quarterly in arrears on January 20, April 20, July 20 and October 20 of each year (or if any of these days is not a business day, on the next business day, except that, if such business day is in the next succeeding calendar month, interest will be payable on the immediately preceding business day), beginning on July 20, 2026, subject to our rights and obligations under Option to Extend Interest Payment Period. These dates are referred to as floating-rate interest payment dates, and together with the fixed-rate interest payment dates, as interest payment dates, and the period from and including April 20, 2026 to but excluding the first floating-rate interest payment date and each successive period from and

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including a floating-rate interest payment date to but excluding the next floating-rate interest payment date is referred to as a floating-rate interest period and together with the fixed-rate interest period, as interest payment periods.

We will pay such accrued interest to the persons or entities in whose names the Notes are registered at the close of business on January 5, April 5, July 5 and October 5 of each year (whether or not a business day), as the case may be, immediately preceding the relevant floating-rate interest payment date. The amount of interest payable for any floating-rate interest period will be computed on the basis of a 360-day year and the actual number of days elapsed.

For the purposes of calculating interest due on the Notes during any floating rate interest period:

Three-month LIBOR means, with respect to any floating-rate interest period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that floating-rate interest period that appears on Reuters Page LIBOR01 as of 11:00 a.m., London time, on the LIBOR determination date (as defined below) for that floating-rate interest period. If such rate does not appear on Reuters Page LIBOR01, Three-month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that floating-rate interest period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (as defined below) after consultation with us, at approximately 11:00 a.m., London time, on the LIBOR determination date for that floating-rate interest period. 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 such quotations are provided, Three-month LIBOR with respect to that floating-rate interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of such quotations. If fewer than two quotations are provided, Three-month LIBOR with respect to that floating-rate interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of the rates quoted by three major banks in New York City selected by the calculation agent after consultation with us, at approximately 11:00 a.m., New York City time, on the first day of that floating-rate interest period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that floating-rate interest period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the calculation agent to provide quotations are quoting as described above, Three-month LIBOR for that floating-rate interest period will be the same as Three-month LIBOR as determined for the previous floating-rate interest period or, in the case of the interest period beginning on April 20, 2026, 0.628%. The establishment of Three-month LIBOR for each floating-rate interest period by the calculation agent will (in the absence of manifest error) be final and binding.

Calculation agent means U.S. Bank National Association, or any other firm appointed by us, acting as calculation agent.

Reuters Page LIBOR01 means the display so designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service, or such other service as may be nominated by us as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

LIBOR determination date means the second London banking day (as defined below) immediately preceding the first day of the relevant floating-rate interest period.

London banking day means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

## **Option to Extend Interest Payment Period**

So long as there is no event of default under the Indenture with respect to the Notes that is continuing, we may at any time and from time to time during the term of the Notes extend the interest payment period (such a period being referred to as an extension period ) for a period not exceeding five (5) consecutive years, except that we may not extend the interest payment period beyond the maturity date, any earlier accelerated maturity date arising from an event of default or any other earlier redemption of the Notes. During an extension period, interest will continue to accrue on the Notes at the then-applicable rate described above

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and accrued interest on the Notes will bear additional interest at the then-applicable interest rate, compounded on each interest payment date, subject to applicable law. At the end of an extension period, unless further extended in accordance with the requirements below, we must pay all accrued and unpaid interest (and interest thereon).

During any extension period we may not declare or pay any dividend or interest on, or principal of, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our members' subordinated certificates. Before the termination of any extension period, we may further extend the interest payment period, so long as the extension period, together with all previous and further extensions, would not exceed five (5) consecutive years or extend beyond the maturity of the Notes. No extension period (including as extended) may end on a day other than the last day of an interest payment period.

Upon the termination of an extension period and the payment of all amounts then due (including interest on unpaid interest), we may select a new extension period, subject to the above requirements. No interest during an extension period, except at the end thereof, shall be due and payable. We shall give the holders of the Notes and the Trustee notice of our election of extension of an extension period at least ten business days prior to the earlier of (i) the next interest payment date and (ii) the date upon which we are required to give notice to any applicable self-regulatory organization or to holders of the Notes of such next succeeding record or payment date for such interest payment.

## **Redemption**

### **Optional Redemption**

At any time on or after April 20, 2026, we will have the right to redeem the Notes, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the Notes being redeemed to, but excluding, the date of redemption.

At any time before April 20, 2026, we will have the right to redeem the Notes, in whole or in part and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (exclusive of interest accrued to the redemption date) from the redemption date to April 20, 2026 (assuming, solely for the purposes of this calculation, that the principal amount of the Notes to be redeemed was payable on April 20, 2026), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points, plus, in either case, accrued and unpaid interest on the Notes being redeemed to, but excluding, such redemption date.

For purposes of these redemption provisions, the following terms have the following meanings:

**Comparable Treasury Issue** means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term to April 20, 2026 of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to April 20, 2026 of such Notes.

**Comparable Treasury Price** means with respect to any redemption date for the Notes, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such Reference Treasury Dealer Quotations.

Quotation Agent means one of the Reference Treasury Dealers appointed by us.

Reference Treasury Dealer means each of J.P. Morgan Securities LLC and RBC Capital Markets, LLC plus one other financial institution appointed by us at the time of any redemption, or their respective affiliates which are primary U.S.

Government securities dealers in the United States (a Primary Treasury Dealer ), and their respective successors; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer.

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Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

## **Redemption Procedures**

We will provide not less than 30 nor more than 60 days notice mailed to each registered holder of the Notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue from and after the redemption date on the Notes or portions of such Notes called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

## **Ranking**

The Notes will be unsecured subordinated debt securities and will be subordinated, to the extent and in the manner set forth in the Indenture, and as described further in the accompanying prospectus under Description of Subordinated Debt Securities Subordination, in right of payment and upon liquidation to the prior payment in full of all of our senior indebtedness.

The term senior indebtedness is defined in the Indenture to mean:

all indebtedness heretofore or hereafter incurred by us for money borrowed unless by its terms it is provided that such indebtedness is not senior indebtedness;  
all other indebtedness hereafter incurred by us which by its terms provides that such indebtedness is senior indebtedness;  
all guarantees, endorsements and other contingent obligations in respect of, or obligations to purchase or otherwise acquire or service, indebtedness or obligations of others; and  
any amendments, modifications, deferrals, renewals or extensions of any such senior indebtedness, or debentures, notes or evidences of indebtedness heretofore or hereafter issued in evidence of or exchange of such senior indebtedness.

As of February 29, 2016, outstanding senior indebtedness aggregated approximately \$21.9 billion, including contingent guarantees of \$0.9 billion. As of February 29, 2016, outstanding indebtedness ranking equal in right of payment and upon liquidation to the Notes aggregated approximately \$0.4 billion.

The Notes will rank equal in right of payment and upon liquidation to our outstanding subordinated debt.

The Notes will be senior to our members subordinated certificates.

## Events of Default

The following events of default are applicable to the Notes instead of the events of default described in the accompanying prospectus:

failure to pay interest on the Notes within 60 days after such interest is due (provided, however, that a failure to pay interest during a valid optional extension period will not constitute an event of default, as described above under Option to Extend Interest Payment Period );

failure to pay principal of or any premium on the Notes when due; and  
certain bankruptcy, insolvency or reorganization events with respect to CFC.

No event of default with respect to one series of subordinated debt securities necessarily constitutes an event of default with respect to another series of subordinated debt securities.

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With respect to the Notes, a failure to comply with the other covenants under the Indenture does not constitute an event of default. See "Description of Subordinated Debt Securities—Events of Default, Notice and Waiver" in the accompanying prospectus for a description of the rights and remedies relating to events of default.

### **Agreement by Holders of Certain Tax Treatment**

Each holder of the Notes will, by accepting the Notes or a beneficial interest therein, be deemed to have agreed that the holder intends that the Notes constitute indebtedness and will treat the Notes as indebtedness for all United States federal, state and local tax purposes.

### **Denomination**

The Notes are being offered in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

### **Governing Law**

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to its principles of conflicts of laws.

### **Paying Agent and Registrar**

Initially, U.S. Bank National Association will act as paying agent and registrar for the Notes.

### **Notices**

Except as otherwise provided in the Indenture, notices to holders of the Notes will be sent by mail to the registered holders.

### **Replacement Securities**

In case of mutilation, destruction, loss or theft of any definitive Note, application for replacement is to be made at the office of the Trustee. Any such definitive Note will be replaced by the Trustee in compliance with such procedures, and on such terms as to evidence and indemnity, as the issuer and the Trustee may require. All costs incurred in connection with the replacement of any definitive Note will be borne by the holder of the Note. Mutilated or defaced definitive Notes must be surrendered before new ones will be issued.

### **Book-Entry, Delivery and Form**

The Depository Trust Company ( "DTC" ), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered global securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered certificates will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that DTC's participants ( Direct Participants ) deposit with

DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ( DTCC ). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Indirect access to the DTC system is also available to others such as banks, brokers and dealers, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly ( Indirect Participants ). The rules applicable to DTC participants are on file with the SEC.

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Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to CFC as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from CFC, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC or CFC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of CFC, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to CFC. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

CFC may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC. Certificates may also be printed and delivered in the event of an event of default under the Indenture and the subsequent surrender by DTC of the global notes.

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The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that CFC believes to be reliable, but neither CFC nor the underwriters take any responsibility for the accuracy thereof.

Payments on any definitive Notes would be made by the trustee directly to holders of the definitive Notes in accordance with the procedures set forth herein and in the Indenture. Interest payments and any principal payments on the definitive Notes on each interest payment date would be made to holders in whose names the definitive Notes were registered at the close of business on the related record date as set forth under Interest Rate and Interest Payment Dates beginning on page S-11. Such payments would be made by check mailed to the address of such holders as they appear on the Note register and, in addition, under the circumstances provided by the Indenture, by wire transfer to a bank or depository institution located in the United States and appropriate facilities thereof. The final payment of principal and interest on any definitive Notes, however, would be made only upon presentation and surrender of such definitive Notes at the office of the paying agent for such Notes.

A definitive Note may be transferred free of charge in whole or in part upon the surrender of the definitive Note to be transferred, together with the completed and executed assignment which appears on the reverse of the definitive Note, at the specified office of any transfer agent. In the case of a permitted transfer of any part of a definitive Note, a new definitive Note in respect of the balance not transferred will be issued to the transferor. Each new definitive Note to be issued upon the transfer of a definitive Note will, upon the effective receipt of such completed assignment by a transfer agent at its respective specified office, be available for delivery at such specified office, or at the request of the holder requesting such transfer, will be mailed at the risk of the transferee entitled to the new definitive Note to such address as may be specified in such completed assignment. Neither the registrar nor any transfer agent shall be required to register the transfer of or exchange of any definitive Notes within 15 days before the maturity date.

## **Global Clearance and Settlement Procedures**

Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's same-day funds settlement system.

Because of time-zone differences, credits of Notes received in Clearstream Banking, société anonyme ( Clearstream ) or Euroclear Bank, S.A./N.V. ( Euroclear ), as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Notes among its participants, DTC, Clearstream and Euroclear are under no obligation to perform or continue to perform such procedures and such procedures may be changed or discontinued at any time.

Neither CFC, the trustee nor the underwriters will have any responsibility or obligation to participants, or the persons for whom they act as nominees, with respect to the accuracy of the records of DTC, DTC's nominee or any DTC participant with respect to any ownership interest in the Notes, or payments to, or the providing of notice for, DTC participants or beneficial owners.



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# MATERIAL U.S. FEDERAL TAX CONSIDERATIONS

## General

This section summarizes the material U.S. federal tax consequences to holders of the Notes. However, the discussion is limited in the following ways:

The discussion only covers you if you buy your Notes in the initial offering of the Notes at the initial offering price. The discussion only covers you if you hold your Notes as a capital asset (generally, for investment purposes), your functional currency is the U.S. dollar (if you are a U.S. holder) and you do not have a special tax status.

The discussion does not cover tax consequences that depend upon your particular tax situation in addition to your ownership of the Notes, such as your holding the Notes in connection with a hedging, straddle or conversion transaction. We suggest that you consult your tax advisor about the consequences of holding the Notes in your particular situation.

The discussion does not cover you if you are a partner in a partnership (or an entity treated as a partnership for U.S. federal tax purposes). If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding the Notes, we suggest that you consult your tax advisor.

The discussion is based on current law. Changes in the law may change the tax treatment of the Notes. The discussion does not cover state, local or foreign law, and, except for the U.S. federal estate tax consequences discussed below with respect to Non-U.S. holders, does not cover any U.S. federal tax consequences other than income tax consequences.

This discussion does not cover the Medicare tax that may be imposed on the net investment income of U.S. holders that are individuals, estates or trusts.

We have not requested a ruling from the Internal Revenue Service ( IRS ) on the tax consequences of owning the Notes. As a result, the IRS could disagree with portions of this discussion.

**If you are considering buying Notes, we suggest that you consult your tax advisors about the tax consequences of holding the Notes in your particular situation.**

## Classification of the Notes

The determination of whether a security, such as a Note, should be classified as indebtedness or equity for United States federal income tax purposes requires a judgment based on all relevant facts and circumstances. There is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the Notes, and, as noted above, no rulings have been sought or are expected to be sought from the

IRS. In connection with the issuance of the Notes, Hogan Lovells US LLP, special tax counsel to CFC, is of the opinion that, under current law and assuming full compliance with the terms of the Indenture and other relevant documents, and based on the facts and assumptions contained in its opinion, as well as representations relied upon in rendering the opinion, the Notes will be classified as indebtedness for United States federal income tax purposes (although there is no controlling authority directly on point). We agree, and by acquiring an interest in a Note each beneficial owner of a Note will be deemed to agree, to treat the Notes as indebtedness for United States federal income tax purposes, and the remainder of this discussion assumes this treatment. You should consult your own tax advisors regarding the tax consequences that will arise if the Notes are not treated as indebtedness for United States federal income tax purposes.



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## **Tax Consequences to U.S. Holders**

This section applies to you if you are a U.S. holder. A U.S. holder is a beneficial owner of the Notes that is, for U.S. federal income tax purposes:

an individual U.S. citizen or resident alien;  
a corporation or entity taxable as a corporation for U.S. federal income tax purposes that was created under U.S. law (federal or state);

an estate whose worldwide income is subject to U.S. federal income tax; or  
a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and if one or more U.S. persons have the authority to control all substantial decisions of the trust, or if it has validly elected to be treated as a U.S. person.

### **Interest Income and Original Issue Discount**

Under applicable Treasury regulations, a remote contingency that stated interest will not be timely paid will be ignored in determining whether a debt instrument is issued with original issue discount (OID). We believe that the likelihood of our exercising our option to extend payments on the Notes is remote within the meaning of the applicable Treasury regulations because during any extension period we may not declare or pay any dividend or interest on, or principal payment of, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our members' subordinated certificates. Based on the foregoing, we intend to take the position that the Notes are debt instruments for U.S. federal income tax purposes that will not be considered to be issued with OID at the time of their original issuance. Under this treatment, each U.S. holder of Notes will include in gross income the stated interest on the Notes in accordance with that U.S. holder's method of tax accounting.

Under the applicable Treasury regulations, if the option to extend any payment of interest was determined not to be remote, or if we exercised that option, the Notes would be treated as issued with OID at the time of issuance or at the time of that exercise, as the case may be, then, all stated interest on the Notes would thereafter be treated as OID as long as the Notes remained outstanding. In that event, all of a U.S. holder's taxable interest income relating to the Notes would constitute OID that would have to be included in income on an economic accrual basis before the receipt of the cash attributable to the interest, regardless of that U.S. holder's method of tax accounting, and actual distributions of stated interest would not be reported as taxable income. Consequently, a holder of Notes would be required to include in gross income OID even though we do not make actual payments on the Notes during an extension period.

Our determination that these contingencies are remote is binding on you unless you disclose your contrary position in the manner required under applicable Treasury Regulations. Our determination is not, however, binding on the IRS. The IRS has not defined the meaning of the term remote as used in the applicable Treasury regulations in any binding ruling or interpretation, and it is possible that the IRS could take a position contrary to the interpretation in this prospectus.

We believe that the Notes are a variable rate debt instrument within the meaning of the relevant OID regulations. Further, we intend to set the rate for the fixed-rate period and the floating-rate period under the Notes in a manner that will satisfy the tests under those regulations to avoid the existence of OID under the Notes upon issuance.

**Sale or Retirement of the Notes**

On your sale or retirement of your Notes:

You will have taxable gain or loss equal to the difference between the amount received by you and your tax basis in the Notes.

Assuming that we do not exercise our option to extend payments of interest on the Notes and that the Notes are not deemed to be issued with OID, your tax basis in the Notes generally is your cost. If the Notes are deemed to be issued with OID, a U.S. holder's tax basis in the Notes generally will

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be its initial purchase price, increased by OID previously includible in that U.S. holder's gross income to the date of disposition and decreased by payments received on the Notes since and including the date that the Notes were deemed to be issued with OID.

Your gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if you held the Notes for more than one year. For non-corporate U.S. holders, net long-term capital gains are generally taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

If you sell the Notes between interest payment dates, a portion of the amount you receive reflects interest that has accrued on the Notes but has not yet been paid by the sale date. That amount is treated as ordinary interest income and not as sale proceeds.

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

Under the tax rules concerning information reporting to the IRS:

Assuming you hold your Notes through a broker or other intermediary, the intermediary must provide information to the IRS concerning interest (including OID, if any) and proceeds from the retirement or sale proceeds on your Notes, unless an exemption applies.

Similarly, unless an exemption applies, you must provide the intermediary with your taxpayer identification number for its use in reporting information to the IRS. If you are an individual, this is your social security number. You are also required to comply with other IRS requirements concerning information reporting.

If you are subject to these requirements but do not comply, the intermediary must apply backup withholding on all amounts payable to you on the Notes (including principal payments). If the intermediary withholds, you may claim the withheld amount as a credit against your federal income tax liability if you provide the required information to the IRS.

All individuals are subject to these requirements. Some holders, including all corporations, tax-exempt organizations and individual retirement accounts, are exempt from these requirements.

## **Tax Consequences to Non-U.S. Holders**

This section applies to you if you are a Non-U.S. holder. A Non-U.S. holder is a beneficial owner of the Notes, other than a partnership or other entity treated as a partnership for U.S. federal income tax purposes, that is not a U.S. holder.

### **Withholding Taxes**

Generally, subject to backup withholding and FATCA withholding discussed below, payments of principal and interest (including OID, if any) on the Notes will not be subject to U.S. withholding taxes.

However, for the exemption from withholding taxes to apply to you, you must meet one of the following requirements:

You provide a completed Form W-8BEN or W-8BEN-E, as applicable, (or substitute form) to the bank, broker or other intermediary through which you hold your Notes. The Form W-8BEN or W-8BEN-E, as applicable, contains your name, address and a statement that you are the beneficial owner of the Notes and that you are a Non-U.S. holder. You hold your Notes directly through a qualified intermediary, and the qualified intermediary has sufficient information in its files indicating that you are not a U.S. holder. A qualified intermediary is a bank, broker or other intermediary that (1) is either a U.S. or non-U.S. entity, (2) is acting out of a non-U.S. branch or office and (3) has signed an agreement with the IRS providing that it will administer all or part of the U.S. withholding tax rules under specified procedures.

You are entitled to an exemption from withholding tax on interest under a tax treaty between the U.S. and your country of residence. To claim this exemption, you must generally complete S-20

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Form W-8BEN or W-8BEN-E, as applicable, and claim this exemption on the form. In some cases, you may instead be permitted to provide documentary evidence of your claim to the intermediary, or a qualified intermediary may already have some or all of the necessary evidence in its files.

The interest income on the Notes is effectively connected with the conduct of your trade or business in the U.S., and is not exempt from U.S. tax under a tax treaty. To claim this exemption, you must complete Form W-8ECI and be subject to U.S. federal income tax as described below under U.S. Trade or Business.

Even if you meet one of the above requirements, interest (including OID, if any) paid to you will be subject to withholding tax under any of the following circumstances:

The withholding agent or an intermediary knows or has reason to know that you are not entitled to an exemption from withholding tax. Specific rules apply for this test.

The IRS notifies the withholding agent that information that you or an intermediary provided concerning your status is false.

An intermediary through which you hold the Notes fails to comply with the procedures necessary to avoid withholding taxes on the Notes. In particular, an intermediary is generally required to forward a copy of your Form W-8BEN or W-8BEN-E, as applicable, (or other documentary information concerning your status) to the withholding agent for the Notes. However, if you hold your Notes through a qualified intermediary or if there is a qualified intermediary in the chain of title between you and the withholding agent for the Notes the qualified intermediary is not generally required to forward this information to the withholding agent in order to avoid withholding taxes on the Notes.

You are a bank making a loan in the ordinary course of business. In this case, you will be exempt from withholding taxes only if you are eligible for a treaty exemption or if the interest income is effectively connected with your conduct of a trade or business in the U.S., as discussed above.

Payments of interest (including OID, if any) made to you will generally be reported to the IRS and to you on Form 1042-S. However, this reporting does not apply to you if you hold your Notes directly through a qualified intermediary and the applicable procedures are complied with.

The rules regarding withholding are complex and vary depending on your individual situation. They are also subject to change. In addition, special rules apply to certain types of Non-U.S. holders of the Notes, including partnerships, trusts and other entities treated as pass-through entities for U.S. federal income tax purposes. We suggest that you consult with your tax advisor regarding the specific methods for satisfying these requirements.

### **Sale or Retirement of Notes**

If you sell the Notes or the Notes are redeemed, you will not be subject to federal income tax on any gain unless one of the following applies:

The gain is connected with a trade or business that you conduct in the U.S.

You are an individual, you were present in the U.S. for at least 183 days during the year in which you disposed of the Notes, and certain other conditions are satisfied.

The gain represents accrued interest, in which case the rules for interest would apply.

### **U.S. Trade or Business**

If you hold your Notes in connection with a trade or business that you are conducting in the U.S. and, if required by an applicable income tax treaty, you maintain a U.S. permanent establishment to which the holding of the Notes is attributable:

Any interest (including OID, if any) on the Notes, and any gain from disposing of the Notes, generally will be subject to U.S. federal income tax as if you were a U.S. holder.

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If you are a corporation, you may also be subject to the branch profits tax on your earnings that are connected with your U.S. trade or business (subject to certain adjustments), including earnings from the Notes. This tax generally is imposed at a rate of 30%, but may be reduced or eliminated by an applicable income tax treaty.

### **Estate Taxes**

If you are an individual, your Notes will not be subject to U.S. estate tax when you die. However, this rule only applies if, at your death, payments on the Notes were not connected to a trade or business that you were conducting in the U.S.

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

U.S. rules concerning information reporting and backup withholding are described above. These rules apply to Non-U.S. holders as follows:

Payments of principal and interest (including OID, if any) you receive will be automatically exempt from the usual rules if you are a Non-U.S. holder exempt from withholding tax on interest, as described above. The exemption does not apply if the withholding agent or an intermediary knows or has reason to know that you should be subject to the usual information reporting or backup withholding rules. In addition, as described above, interest payments made to you may be reported to the IRS on Form 1042-S.

Sale proceeds you receive on a sale of your Notes through a broker may be subject to information reporting and/or backup withholding if you are not eligible for an exemption. In particular, information reporting and backup withholding may apply if you use the U.S. office of a broker, and information reporting (but not backup withholding) may apply if you use the foreign office of a broker that has certain connections to the U.S. In general, you may provide one of the forms described under Withholding Taxes to claim an exemption from information reporting and backup withholding on a sale. We suggest that you consult your tax advisor concerning information reporting and backup withholding on a sale.

### **Withholdable Payments to Foreign Financial Entities and Other Foreign Entities**

The Foreign Account Tax Compliance Act ( FATCA ) imposes a U.S. federal withholding tax of 30% on certain payments (including certain interest and principal payments) to foreign financial institutions and other non-U.S. persons that fail to comply with information reporting requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders. FATCA withholding currently applies to payments of interest on the Notes and beginning January 1, 2019, to payments of gross proceeds from the sale or other disposition of the Notes. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implication of these withholding provisions on their investment in the Notes.

TABLE OF CONTENTS**UNDERWRITING**

The underwriters named below have severally agreed to purchase, and CFC has agreed to sell to them, severally, the principal amounts of the Notes indicated below. CFC has entered into an underwriting agreement with the underwriters for whom J.P. Morgan Securities LLC and RBC Capital Markets, LLC are acting as representatives. The underwriting agreement, dated the date hereof, provides that the several obligations of the underwriters are subject to certain conditions as therein set forth. The underwriters will be obligated to purchase all the Notes being underwritten or sold by them if any of the Notes are purchased.

Underwriter	Principal Amount of the Notes
J.P. Morgan Securities LLC	\$ 135,000,000
RBC Capital Markets, LLC	135,000,000
Mitsubishi UFJ Securities (USA), Inc.	40,000,000
Mizuho Securities USA Inc.	40,000,000
Total	\$ 350,000,000

CFC has been advised by the underwriters that the underwriters propose to offer the Notes to the public initially at the offering price set forth on the cover of this prospectus supplement and may offer the Notes to certain dealers at such price less a selling concession of 0.60% of the principal amount of the Notes. The underwriters may allow and each such dealer may reallow to other dealers a concession not exceeding 0.40% of the principal amount of the Notes. After the initial public offering, such public offering price and such concessions and reallowances may be changed.

The following table shows the underwriting discounts and commissions to be paid to the underwriters by CFC in connection with the offering:

	Per Note	Total
Underwriting discounts and commissions payable by us	1.00 %	\$ 3,500,000
Expenses associated with this offering, to be paid by CFC, are estimated to be		\$225,000.

In connection with the offering made hereby, the underwriters may purchase and sell such Notes in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the underwriters in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Notes, and short positions created by the underwriters involve the sale by the underwriters of a greater aggregate principal amount of the Notes than they are required to purchase from CFC. The underwriters also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the Notes sold in the offering may be reclaimed by the underwriters if such Notes are repurchased by the underwriters in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Notes, which may be higher than the price that might otherwise prevail in the open market. These activities, if commenced, may be discontinued at any time. These transactions may be effected in the over-the-counter market or otherwise.

The Notes are a new issue of securities with no established trading market. CFC has been advised by the representatives that they intend to make a market in the Notes, but are not obligated to do so, and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the

Notes.

CFC has agreed to indemnify the underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

In the ordinary course of their respective businesses, the underwriters and their affiliates have engaged, and may in the future engage, in commercial banking and/or investment banking transactions (including acting as underwriters, initial purchasers or dealers with respect to other securities offerings) with CFC and its affiliates, for which they have received, and in the future expect to receive, customary compensation.

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In addition, affiliates of the underwriters from time to time have acted or in the future may continue to act as lenders to CFC and its affiliates, for which they have received or expect to receive customary compensation.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of CFC or its affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

It is expected that delivery of the Notes will be made against payment therefor on or about \_\_\_\_\_ which is the fifth trading day following the date hereof (such settlement cycle being referred to as T+5). Purchasers of Notes should note that the ability to settle secondary market trades of the Notes effected on the date of pricing and the next succeeding business day may be affected by the T+5 settlement. Accordingly, purchasers who wish to trade the Notes on the date of this prospectus supplement or the following day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own legal advisors.

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

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in the Relevant Member State:

at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;  
at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by us for any such offer; or  
at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,  
provided that no such offer of the Notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State. For the purposes of this provision, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto including that Directive as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State in question), and includes any relevant implementing measure in the Relevant Member State in question; and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

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

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underwriters, is authorized to make any further offer of the Notes on behalf of the seller or the underwriters.

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

Each underwriter has advised us that in the United Kingdom it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets

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Act 2000 ( FSMA )) received by it in connection with the issue or sale of any Notes included in this offering to persons who are qualified investors (as defined in Section 86(7) of FSMA) and who are also:

persons having professional experience in matters relating to investments falling within the definition investment professionals in Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ( Order );

high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order; or

persons to whom an invitation or inducement to engage in investment activity may be communicated without contravening section 21 of FSMA,

and each underwriter has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes included in this offering in, from or otherwise involving the United Kingdom.

## **LEGAL MATTERS**

The validity of the Notes offered hereby and certain United States tax matters relating to the Notes will be passed upon for CFC by Hogan Lovells US LLP, Columbia Square, 555 Thirteenth Street, NW, Washington, DC. The underwriters will be represented by Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166. Hunton & Williams from time to time has performed and may perform legal services for CFC.

## **EXPERTS**

The consolidated financial statements of National Rural Utilities Cooperative Finance Corporation as of May 31, 2015, and for each of the two years in the period ended May 31, 2015, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein.

The consolidated financial statements for the year ended May 31, 2013, incorporated by reference in this prospectus supplement from our Annual Report on Form 10-K for the year ended May 31, 2015, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference.

Such consolidated financial statements have been so incorporated in reliance upon the reports of such firms given upon their authority as experts in accounting and auditing.

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PROSPECTUS

# National Rural Utilities Cooperative Finance Corporation

Senior Debt Securities  
Subordinated Debt Securities

We plan to offer from time to time senior debt securities and subordinated debt securities. We will provide the specific terms of these senior debt securities and subordinated debt securities and the offering in one or more supplements to this prospectus. A prospectus supplement or pricing supplement may also add, change or update information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

We may sell these securities on a continuous or delayed basis directly, through agents, dealers or underwriters as designated from time to time, or through a combination of these methods. We reserve the sole right to accept, and together with any agents, dealers and underwriters, reserve the right to reject, in whole or in part, any proposed purchase of securities. For additional information on the method of sale, refer to the section entitled **Plan of Distribution** below. The names of any underwriters, dealers or agents involved in the sale of any securities, the specific manner in which they may be offered and any applicable commissions or discounts will be set forth in the prospectus supplement covering the sales of those securities.

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

**Investing in the senior debt securities and subordinated debt securities involves risks. See **Risk Factors** on page **1**.**

This prospectus may not be used to consummate sales of senior debt securities or subordinated debt securities unless accompanied by a prospectus supplement.

The date of this prospectus is November 6, 2014.

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## **ABOUT THIS PROSPECTUS**

To understand the terms of the senior debt securities and subordinated debt securities (the securities) offered by this prospectus, you should carefully read this prospectus, any prospectus supplement or pricing supplement. You should also read the documents referred to under the heading Where You Can Find More Information and Incorporation By Reference for information on National Rural Utilities Cooperative Finance Corporation (CFC or the Company), also referred to as we, us and our), including its financial statements. Certain capitalized terms used in this prospectus are defined elsewhere in this prospectus.

This prospectus is part of a registration statement that we have filed with the U.S. Securities and Exchange Commission (the SEC or the Commission), using a shelf registration procedure. Under this procedure, we may offer and sell the securities from time to time. Each time we offer the securities, we will provide you with a prospectus supplement or pricing supplement that will describe the specific amounts, prices and terms of the securities being offered, including the names of any underwriters, dealers or agents, the compensation of any underwriters, dealers or agents and the net proceeds to us. The prospectus supplement may contain information about any material U.S. federal income tax considerations relating to the securities covered by the prospectus supplement. The prospectus supplement or pricing supplement may also add, update or change information contained in this prospectus.

We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

## **RISK FACTORS**

Investing in the securities involves significant risks. Before you invest in the securities, in addition to the other information contained in this prospectus and in any prospectus supplement or pricing supplement, you should carefully consider the risks and uncertainties discussed under Forward-Looking Statements and the other information included or incorporated by reference in this prospectus including the information under the heading Risk Factors in our Annual Report on Form 10-K for the fiscal year ended May 31, 2014, as our risk factors may be updated from time to time in our Quarterly Report on Form 10-Q and in other filings we may make from time to time with the SEC after the date of the registration statement of which this prospectus is a part. Any of these risk factors, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

## **WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. Our SEC filings are also available to the public at the SEC's website at <http://www.sec.gov>.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended (the Securities Act) relating to the securities covered by this prospectus. As permitted by SEC rules, this prospectus may not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, exhibits and schedules for more information about us and the securities. The registration statement, exhibits and schedules are available through the SEC's Public Reference Room or website.



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## INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus information we have filed with the SEC, which means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is an important part of this prospectus, and the information we subsequently file with the SEC will automatically update and supersede the information in this prospectus. Absent unusual circumstances, we will have no obligation to amend this prospectus, other than filing subsequent information with the SEC. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) until this offering is completed:

Annual Report on Form 10-K for the year ended May 31, 2014 (filed August 28, 2014);  
Quarterly Report on Form 10-Q for the quarter ended August 31, 2014 (filed October 14, 2014);  
Current Report on Form 8-K, dated October 6, 2014 (filed October 10, 2014);  
Current Report on Form 8-K, dated October 28, 2014 (filed October 31, 2014); and  
Current Report on Form 8-K, dated October 31, 2014 (filed October 31, 2014).

We are not incorporating by reference any document or information that is deemed to be furnished and not filed in accordance with SEC rules.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of these filings from the SEC as described under Where You Can Find More Information. You may also request, at no cost (other than an exhibit to these filings unless we have incorporated that exhibit by reference into this registration statement), a copy of these filings by writing to or telephoning us at the following address:

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, VA 20166-6691  
(703) 467-1800  
Attn: J. Andrew Don  
Senior Vice President and Chief Financial Officer

These filings are also available through the Financial Reporting subsection of the Investor Relations section of our website: [www.nrucfc.coop](http://www.nrucfc.coop). Information on our website does not constitute a part of this prospectus.

**You should rely only on the information contained or incorporated by reference in this prospectus, any prospectus supplement or pricing supplement. We have not authorized anyone, including any salesman or broker, to provide you with different information. You should not assume that the information contained or incorporated by reference in this prospectus, any prospectus supplement or any pricing supplement is accurate**

**as of any date other than the date on the front cover of the document in question.**

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## **FORWARD-LOOKING STATEMENTS**

This prospectus, including the information incorporated by reference herein, contains forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identified by our use of words such as intend, plan, may, should, will, project, anticipate, believe, expect, continue, potential, opportunity and similar expressions, whether in the negative or affirmative. All statements about future expectations or projections, including statements about loan volume, the appropriateness of the allowance for loan losses, operating income and expenses, leverage and debt-to-equity ratios, borrower financial performance, impaired loans, and sources and uses of liquidity, are forward-looking statements. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, actual results and performance could materially differ. Factors that could cause future results to vary from current expectations include, but are not limited to, general economic conditions, legislative changes including those that could affect our tax status, governmental monetary and fiscal policies, demand for our loan products, lending competition, changes in the quality or composition of our loan portfolio, changes in our ability to access external financing, changes in the credit ratings on our debt, valuation of collateral supporting impaired loans, charges associated with our operation or disposition of foreclosed assets, regulatory and economic conditions in the rural electric industry, non-performance of counterparties to our derivative agreements and the costs and effects of legal or governmental proceedings involving CFC or its members. Some of these and other factors are discussed in our annual and quarterly reports previously filed with the SEC. Except as required by law, we undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect new information, events, circumstances or changes in expectations after the date on which the statement is made.

## **THE COMPANY**

CFC is a member-owned cooperative association incorporated under the laws of the District of Columbia in April 1969. CFC's principal purpose is to provide its members with financing to supplement the loan programs of the Rural Utilities Service of the United States Department of Agriculture. CFC makes loans to its rural electric members so they can acquire, construct and operate electric distribution, generation, transmission and related facilities. CFC also provides its members with credit enhancements in the form of letters of credit and guarantees of debt obligations. As a cooperative, CFC is owned by and exclusively serves its membership, which consists solely of not-for-profit entities or subsidiaries or affiliates of not-for-profit entities. CFC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. As a member-owned cooperative, CFC has no publicly held equity securities outstanding. CFC funds its activities primarily through a combination of publicly and privately held debt securities and member investments. As a member owned cooperative, CFC's objective is not to maximize profit, but rather to offer its members cost-based financial products and services consistent with sound financial management. CFC annually allocates its net earnings, which consists of net income excluding the effect of certain non-cash accounting entries, to a cooperative education fund, a members' capital reserve, a general reserve, if necessary, and to members based on each member's patronage of CFC's loan programs during the year. The Company's headquarters are located at 20701 Cooperative Way, Dulles, VA 20166-6691 and its telephone number is (703) 467-1800.

For financial statement purposes, CFC's results of operations and financial condition are consolidated with and include Rural Telephone Finance Cooperative ( RTFC ) and National Cooperative Services Corporation ( NCSC ). CFC also consolidates the financial results of certain entities created and controlled by CFC to hold foreclosed assets and to accommodate loan securitization transactions.

RTFC is a cooperative association originally incorporated in South Dakota in 1987 and reincorporated as a member-owned cooperative association in the District of Columbia in 2005. RTFC's principal purpose is to provide financing for its rural telecommunications members and their affiliates. RTFC's membership consists of a combination of not-for-profit entities and for-profit entities. CFC is the sole lender to and manages the business operations of RTFC through a management agreement in effect until December 1, 2016, which is automatically renewed for one-year terms thereafter unless terminated by either party. Under a guarantee agreement, RTFC pays CFC a fee and, in exchange, CFC reimburses RTFC for loan losses. RTFC is



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headquartered with CFC in Dulles, Virginia. RTFC is a taxable cooperative that pays income tax based on its net income, excluding patronage-sourced net earnings allocated to its patrons, as permitted under Subchapter T of the Internal Revenue Code.

NCSC was incorporated in 1981 in the District of Columbia as a member-owned cooperative association. The principal purpose of NCSC is to provide financing to members of CFC, entities eligible to be members of CFC and the for-profit and non-profit entities that are owned, operated or controlled by, or provide significant benefit to Class A, B and C members of CFC. As of August 31, 2014, NCSC's membership consisted primarily of distribution systems, power supply systems and statewide and regional associations that were members of CFC. CFC is the primary source of funding to and manages the business operations of NCSC through a management agreement that is automatically renewable on an annual basis unless terminated by either party. Under a guarantee agreement, NCSC pays CFC a fee and, in exchange, CFC reimburses NCSC for loan losses. NCSC is headquartered with CFC in Dulles, Virginia. NCSC is a taxable cooperative. Thus, NCSC pays income tax based on its reportable taxable income and deductions.

At August 31, 2014, after taking into consideration systems that are members of both CFC and NCSC and eliminating memberships between CFC, RTFC and NCSC, our consolidated membership totaled 1,460 members and 228 associates. Our consolidated members include 838 electric distribution systems, 71 power supply systems, 486 telecommunication members, 64 statewide and regional associations, and one national association of cooperatives. The service territories of our electric distribution systems, power supply systems and telecommunication members are located in 49 states, the District of Columbia and two U.S. territories.

## **RATIO OF EARNINGS TO FIXED CHARGES**

The ratios of earnings to fixed charges for the Company for each of the five years ended May 31, 2014, 2013, 2012, 2011 and 2010 are included in Exhibit 12 to our Annual Report on Form 10-K for the year ended May 31, 2014, and are incorporated by reference into this prospectus. The ratio of earnings to fixed charges for the Company for the three months ended August 31, 2014 is included in Exhibit 12 to our Quarterly Report on Form 10-Q for the quarter ended August 31, 2014 Form 10-Q, and is also incorporated by reference into this prospectus.

## **USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement or pricing supplement, the net proceeds from the sale of the securities will be added to the general funds of CFC and will be available for loans and for use in connection with the retirement of debt.

## **DESCRIPTION OF SENIOR DEBT SECURITIES**

The following description summarizes the general terms and provisions that may apply to the senior debt securities. Each prospectus supplement or pricing supplement will state the particular terms of the senior debt securities and the extent, if any, to which the general terms and provisions described herein may apply to the senior debt securities included in the prospectus supplement or pricing supplement.

The senior debt securities will be issued under a senior indenture dated as of December 15, 1987, as supplemented by a First Supplemental senior indenture dated as of October 1, 1990, between CFC and U.S. Bank National Association, as successor trustee (as so supplemented, the "senior indenture"). The senior indenture does limit the aggregate principal

amount of senior indebtedness which may be issued under it, as described below under Restriction on Indebtedness .

Additionally, CFC may, without the consent of the holders of the senior debt securities of any series, re-open a previous series of senior debt securities and issue additional senior debt securities of the same series, which additional senior debt securities will have the same terms as the original series except for the issue price, issue date and, in some cases, the first interest payment date. CFC will not issue any additional senior debt securities of the same series unless the additional senior debt securities will be fungible with all senior debt securities of the same series for U.S. federal income tax purposes.

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The statements in this prospectus concerning the senior indenture, one or more supplemental senior indentures and the senior debt securities do not purport to be complete and are qualified in their entirety by reference to the senior indenture and any supplemental senior indenture, each of which is or will be incorporated by reference into this prospectus.

### **General**

The senior debt securities will be issued in fully registered form without coupons unless the applicable prospectus supplement provides for an issuance to be in a form registered as to principal only with or without coupons or in bearer form with or without coupons or any combination thereof. Senior debt securities may also be issued in temporary or definitive global bearer form. Unless specified otherwise in the prospectus supplement or pricing supplement, all senior debt securities will be denominated in U.S. dollars, registered senior debt securities will be issued in denominations of \$1,000 and multiples of \$1,000 and bearer senior debt securities will be issued in denominations of \$5,000 and multiples of \$5,000. (Sections 201 and 302)

The senior debt securities will be direct, unsecured obligations of CFC. CFC also issues secured senior debt in the form of collateral trust bonds and privately placed senior secured notes, secured by a pledge of member loans. At August 31, 2014, CFC had \$6,258 million in aggregate principal amount of collateral trust bonds and \$1,474 million of senior secured notes outstanding.

If any of the senior debt securities are offered in a foreign currency or currency unit or if principal of, any premium or any interest on any of the senior debt securities is payable in any foreign currency or currency unit, the applicable prospectus supplement will describe the restrictions, elections, specific terms and other information relative to those senior debt securities.

CFC may issue senior debt securities in one or more series with the same or various maturities at or above par or with an original issue discount. Original issue discount securities bearing no interest or interest at a rate which at the time of issuance is below market rates will be sold at a discount (which may be substantial) below their stated principal amount. See disclosure regarding taxation contained in the relevant prospectus supplement for a discussion of certain federal income tax considerations with respect to any original issue discount securities.

The prospectus supplement or pricing supplement relating to the particular series of senior debt securities being offered will specify the amounts, prices and terms of such securities. These terms may include:

- the title of and the limit on the aggregate principal amount of senior debt securities to be issued;
- the percentage of their principal amount at which the senior debt securities will be sold;
- the date or dates on which the senior debt securities will mature;
- the annual rate or rates (which may be fixed or variable) or the method of determining any rate or rates at which the senior debt securities will bear interest;
- the date or dates from which such interest shall accrue and the date or dates at which interest will be payable;
- the place where payments may be made on the senior debt securities;
- any redemption or sinking fund terms;
- the denominations in which the senior debt securities will be issuable, if other than \$1,000 and any integral multiple thereof (if registered) or \$5,000 and any integral multiple thereof (if bearer);
- the principal amount of original issue discount senior debt securities payable upon acceleration;
- the means of satisfaction and discharge of the senior indenture with respect to the senior debt securities;

if the amount payable in respect of principal of or any premium or interest on any of such senior debt securities may be determined with reference to an index or other fact or event ascertainable outside the senior indenture, the manner in which the amounts will be determined;

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