CENTEX CORP
Form 424B5
March 31, 2005

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Registration No. 333-117470

**Prospectus Supplement**
(To Prospectus dated August 3, 2004)

**$500,000,000**
**Centex Corporation**
**Senior Medium-Term Notes, Series F**
**Subordinated Medium-Term Notes, Series F**
**Due Nine Months or More From Date of Issue**

**The Issuer:** Centex Corporation is a Nevada corporation.

**Terms:** We plan to offer and sell senior and/or subordinated notes as a part of a medium-term note program. The terms of the notes offered in the program may include the following:

Ranking as senior or subordinated indebtedness of Centex

Stated maturities of nine months or more

Redemption and/or repayment provisions, if applicable, whether mandatory or at the option of Centex or noteholders

Minimum denominations of $1,000, except remarketed notes, that will be issued in minimum denominations of $100,000

Interest payments on fixed rate notes on a semiannual basis

Interest payments on floating rate notes on a monthly, quarterly, semiannual or annual basis

Issuance at discounts to par. Discount notes may not bear any interest.

Interest at fixed or floating rates. The floating interest rate may be based on one or more of the following indices plus or minus a spread or spread multiplier:

CD rate

CMT rate

Commercial Paper rate

Eleventh District Cost of Funds rate

Federal Funds rate

LIBOR

Prime rate

Treasury rate

Interest on remarketed notes at the initial interest rate for the initial interest rate period specified in the pricing supplement and thereafter at rates established as described herein

Book-entry or certificated form

The final terms for each note, which may be different from the terms described in this prospectus supplement, will be specified in a pricing supplement.

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

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

We may sell notes to the agents referred to below as principal for resale at varying or fixed offering prices or through the agents as agent using their reasonable efforts on our behalf. If we sell all the notes, we expect to receive proceeds of between $496,250,000 and $499,500,000, after paying the agent s discounts and commissions of between $500,000 and $3,750,000. We may also sell notes without the assistance of the agents (whether acting as principal or as agent).

**Banc of America Securities LLC**

**Calyon Securities (USA)**

**Citigroup**

**Credit Suisse First Boston**

**JPMorgan**

**UBS Investment Bank**

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted. References in this prospectus supplement to we, us and our mean Centex Corporation and include its consolidated subsidiaries, unless otherwise expressly stated or the context clearly requires otherwise.

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## CENTEX

Through our various subsidiaries, we are one of the nation s largest home builders and general building contractors. We also provide retail mortgage lending services through various financial services subsidiaries. We currently operate in three principal business segments:

Home Building

Financial Services

Construction Services

**Home Building**

The Home Building business segment includes domestic and international homebuilding operations.

Our domestic homebuilding operations currently involve the purchase and development of land or lots and the construction and sale of single-family homes, town homes and low-rise condominiums. Our international homebuilding operations currently involve the purchase and development of land or lots and the construction and sale of a range of products from small single-family units to executive houses and apartments throughout the United Kingdom.

**Financial Services**

Our financial services operations are primarily engaged in the residential mortgage banking business, as well as other financial services that are in large part related to the residential mortgage market. These operations include mortgage origination, servicing and other related services for purchasers of homes sold by our home building operations, other homebuilders and other real estate professionals, as well as sub-prime home equity lending and the sale of title insurance and various other insurance coverages.

**Construction Services**

Our construction services operations involve the construction of buildings for both private and government interests, including (among others) educational institutions, hospitals, military housing, correctional institutions, airport facilities, office buildings, hotels and resorts and sports facilities.

**Other**

We include the financial results of our investment real estate operations and home services operations, as well as corporate general and administrative expense and interest expense in our Other business segment.

**Discontinued Operations and Organizational Changes**

We spun off to our stockholders substantially all of our manufactured housing operations and our entire equity interest in Centex Construction Products (through which we previously engaged in the construction products business), in June 2003 and January 2004, respectively. We now report the historical financial results of these operations as discontinued operations. In February 2004, we acquired 3333 Holding Corporation and Centex Development Company, L.P., the latter of which we refer to as CDC, through merger transactions. The international homebuilding operations of CDC are now included in our Home Building business segment, and CDC s domestic real estate operations are now included in our Other business segment. For more information regarding the above mentioned transactions, see Centex Discontinued Operations and Organizational Changes in the accompanying prospectus.

Our principal executive office is located at 2728 N. Harwood Street, Dallas, Texas 75201, and our telephone number is (214) 981-5000.

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## RISK FACTORS

Your investment in the notes will be subject to certain risks. In consultation with your own financial and legal advisers, you should carefully consider the following risks, together with the other risks and uncertainties discussed in the reports we file with the SEC, before deciding whether an investment in the notes is suitable for you. Notes are not an appropriate investment for you if you are unsophisticated with respect to the significant components of the notes.

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

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

**If you invest in redeemable notes, we may redeem your notes when interest rates are relatively low.**

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

**A trading market for your notes may not develop or be maintained.**

We cannot assure you that a trading market for your notes will ever develop or be maintained. Many factors independent of our creditworthiness affect the trading market. These factors include:

- complexity and volatility of the index or formula applicable to the notes;
- method of calculating the principal, premium and interest on the notes;
- time remaining to the maturity of the notes;
- outstanding amount of the notes;
- redemption features of the notes;
- amount of other debt securities linked to the index or formula applicable to the notes; and
- level, direction and volatility of market interest rates generally.

In addition, some notes may have a more limited trading market and may experience more price volatility because they were designed for specific investment objectives or strategies. There may be a limited number of buyers when you decide to sell these notes. This may affect the price you receive for your notes or your ability to sell your notes at all. You should not purchase notes unless you understand and know you can bear these investment risks.

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

Some of the notes may be issued at a discount from their aggregate principal amount at maturity. If you purchase those notes, you generally will be required to include amounts in gross income for federal income tax purposes before you receive cash payments on the notes equal to that income. If notes are issued at a discount, the applicable pricing supplement will discuss the special federal income tax considerations associated with the purchase, ownership and disposition of discount notes.

**The credit ratings assigned to the medium-term notes may not reflect the possible impact of all risks on your notes and the market value of your notes may fluctuate because of changes in the ratings.**

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

## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the periods indicated:

| | Nine Months Ended December 31,(1) | | Fiscal Years Ended March 31,(1) | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Total enterprise | 3.68x | 3.54x | 3.87x | 3.16x | 2.94x | 2.96x | 3.21x |
| Total enterprise (with financial services reflected on the equity method) | 6.23x | 5.58x | 6.46x | 4.88x | 4.61x | 4.63x | 4.83x |

(1) The ratios presented in this table have been adjusted to reflect our former manufactured housing operations (spun off in June 2003) and our former construction products operations (spun off in January 2004) as discontinued operations.

These computations include Centex Corporation and, except as otherwise noted, our subsidiaries and 50% or less owned companies. For these ratios, fixed charges include:

- interest expense and amortization of debt discount;
- interest capitalized during the period; and
- an interest factor attributable to rentals.

Earnings include the following components:

- earnings from continuing operations before income taxes, cumulative effect of a change in accounting principle and minority interests in the income of consolidated subsidiaries, and adjusted for undistributed income and loss from equity investments;
- fixed charges as defined above, but excluding interest capitalized; and
- amortization of capitalized interest.

To calculate the ratio of earnings to fixed charges, with financial services reflected on the equity method, the applicable interest expense, including an interest factor attributable to rentals, was deducted from the fixed charges and the applicable earnings were deducted from the earnings amount. The amount of interest expense, including an interest factor attributable to rentals, deducted in each period was approximately $204.6 million and $168.6 million for the nine months ended December 31, 2004 and December 31, 2003, respectively, and approximately $226.8 million, $187.1 million, $161.8 million, $97.9 million and $67.2 million for the years ended March 31, 2004, 2003, 2002, 2001 and 2000. The amount of earnings deducted in each period was approximately $158.7 million and $188.8 million for the nine months ended December 31, 2004 and December 31, 2003, respectively, and approximately $234.0 million, $161.8 million, $114.7 million, $19.7 million and $32.7 million for the years ended March 31, 2004, 2003, 2002, 2001 and 2000.

The ratios in the table above with financial services reflected on the equity method are presented only to provide investors an alternative method of measuring our ability to utilize earnings from our other business segments to cover our fixed charges related to these business segments. The principal reasons why we present these computations are as follows:

- the financial services subsidiaries operate in a distinctly different financial environment that generally requires significantly less equity to support their higher debt levels compared to the operations of our other subsidiaries;

- the financial services subsidiaries have structured their financing programs substantially on a stand-alone basis; and

- we have limited obligations with respect to the indebtedness of the financial services subsidiaries.

Management uses this information in its financial and strategic planning. We also use this presentation to allow investors to compare us to home builders that do not have financial services operations.

## DESCRIPTION OF NOTES

The senior notes will be issued under an indenture, dated as of October 1, 1998, as amended or modified from time to time, between Centex Corporation and JPMorgan Chase Bank, N.A. (successor to Chase Manhattan Bank of Texas, National Association), as trustee. The subordinated notes will be issued under an indenture, dated as of March 12, 1987, as amended or modified from time to time, between Centex Corporation and JPMorgan Chase Bank, N.A. (successor to Texas Commerce Bank, National Association), as trustee. The indentures are subject to, and governed by, the Trust Indenture Act of 1939.

The following description is a summary of the terms that apply to the notes, including the terms of the fixed rate notes and floating rate notes, the senior indenture, the subordinated indenture and other agreements. The description does not restate those documents. Please read these documents because they, and not this description, define your rights as holders of the notes. We have filed those agreements as exhibits to the registration statement of which this prospectus supplement and the attached prospectus are a part.

In the discussion that follows, whenever we talk about paying principal on the notes, we mean at maturity, redemption or repurchase. Also, in discussing the time for notices and how the different interest rates are calculated, all times, unless we say otherwise, are New York City time.

### Pricing and Other Supplements/ Addendums

The pricing supplement for each offering of notes will contain the specific information and terms for that offering. The pricing supplement will specify the interest rate or interest rate basis or bases, in addition to other relevant terms.

The pricing or other supplements or addendums we may issue may add, update or change information contained in this supplement or the prospectus. For example, we might issue an addendum or supplement that explains the terms of multi-currency, indexed or remarketed notes. The terms of any supplement or addendum, including the pricing supplement, will supersede the information in this prospectus supplement and the attached prospectus.

It is important that you consider the information contained in the prospectus, this prospectus supplement, the pricing supplement and any other supplements or addendums applicable to the notes in making your investment decision.

References in this prospectus supplement to the pricing supplement refer to the pricing supplement for those notes that are the subject of your investment decision and not other pricing supplements. The pricing supplement will also indicate whether any other supplements or addendums are part of that offering.

**General**

All senior debt securities, including the senior notes, will be our unsecured general obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness.

All subordinated debt securities, including the subordinated notes, will be unsecured and will have a junior position to all of our senior debt as set forth under Description of Debt Securities Specific Characteristics of Our Debt Securities Subordinated Debt Securities in the attached prospectus. As of December 31, 2004, we had approximately $2.8 billion principal amount of senior debt outstanding, and approximately $199.8 million principal amount of subordinated debt outstanding, including in each case indebtedness of our subsidiaries that we have guaranteed, but excluding all other indebtedness of our subsidiaries.

Because we are a holding company and all operations are conducted by our subsidiaries, holders of our debt securities will generally have a junior position to claims of creditors and certain security holders of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any preferred stockholders. Certain of our operating subsidiaries, principally our financial services operations, have ongoing corporate debt programs used to finance their business activities. As of December 31, 2004, our subsidiaries had approximately $9.7 billion of outstanding debt (including certain asset securitizations accounted for as borrowings), a portion of which Centex Corporation has guaranteed. Moreover, our ability to pay principal and interest on our debt securities is, to a large extent, dependent upon our receiving dividends, interest or other amounts from our subsidiaries. The indentures under which the debt securities are to be issued do not contain any limitation on our ability to incur additional debt or on our subsidiaries ability to incur additional debt to us or to unaffiliated third parties. In addition, we borrow funds from and lend funds to our subsidiaries from time to time to manage our working capital needs. Our indebtedness to our subsidiaries will rank equally in right of payment to our senior debt securities and senior in right of payment to our subordinated debt securities.

The indentures do not limit the amount of debt securities that we may issue, and we may issue debt securities in one or more series up to the aggregate initial offering price authorized by us for each series. We may, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the indentures in addition to the $500,000,000 of notes authorized as of the date of this prospectus supplement.

Our senior indenture includes restrictive covenants with respect to liens and the sale or lease of our assets. See Certain Covenants. Our subordinated indenture does not include similar covenants.

The notes are currently limited to up to $500,000,000 aggregate initial offering price, or the equivalent thereof in one or more foreign or composite currencies. Each note will have a stated maturity on a day nine months or more from the date the notes are issued. The principal may become due and payable prior to the maturity date stated in the applicable pricing supplement by the declaration of acceleration of maturity, notice of redemption at our option, notice of the holder s option to elect repayment or otherwise. Interest-bearing notes will either be fixed rate notes or floating rate notes, as specified in the pricing supplement related to the notes. We may also issue discount notes, indexed notes and amortizing notes.

The notes may initially bear interest at a fixed rate or floating rate through the date set forth in the pricing supplement and for each interest rate period thereafter. Remarketed notes will bear interest at a fixed or floating rate and will have the terms as described in the applicable pricing supplement.

Except as specified in a pricing supplement, the notes will be denominated in, and principal and interest payments will be made in United States dollars.

Interest rates offered by us with respect to the notes may differ depending on, among other factors, the aggregate principal amount of notes purchased in any single transaction. We may also offer notes with different variable terms other than interest rates concurrently to different investors. We may change interest rates or formulas and other terms of the notes from time to time, but no change will affect any note previously issued or as to which we have accepted an offer to purchase.

Except for remarketed notes, each note will be issued as a book-entry note represented by one or more fully registered global securities or as a fully registered certificated note. The minimum denominations of each note, other than a remarketed note, will be $1,000 and integral multiples of $1,000. Remarketed notes will be issued only as book-entry notes in minimum denominations of $100,000 and integral multiples of $1,000 in excess thereof.

We will pay principal of, and premium and interest on, book-entry notes through the trustee to the depositary. See Book-Entry Notes. In the case of certificated notes, we will pay principal and premium due on the maturity date in immediately available funds when you present and surrender your note, and, in the case of any repayment on an optional repayment date, when you submit a duly completed election form in accordance with the provisions described below, at the office or agency maintained by us for that purpose in Dallas, Texas, currently the corporate trust office of the trustee located at Chase Global Trust, 2001 Bryan Street, Floor 11, Dallas, Texas, 75201. We will pay any interest due on the maturity date of a certificated note to the person to whom payment of the principal and premium is made. We will pay interest by check mailed to the address of the holder in our security register. Notwithstanding the foregoing, a holder of $10,000,000 or more in aggregate principal amount of certificated notes, whether having identical or different terms and provisions, may receive interest payments on any interest payment date other than the maturity date by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the trustee not less than 15 days prior to that interest payment date. Wire transfer instructions received by the trustee shall remain in effect until revoked by the holder.

As used in this prospectus supplement, business day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to close in The City of New York or the City of Dallas. However, with respect to notes on which interest is calculated using the LIBOR rate, that day must also be a London business day. London business day means a day on which dealings in the designated LIBOR currency are transacted in the London interbank market.

Principal financial center means the capital city of the country to which the designated LIBOR currency relates, except that with respect to United States dollars, Australian dollars, Canadian dollars, euros, South African rand and Swiss francs, the principal financial center shall be The City of New York, Sydney, Toronto, Frankfurt, Johannesburg and Zurich, respectively.

Book-entry notes may be transferred or exchanged only through the depositary. See Book-Entry Notes. Holders of certificated notes can register the transfer or exchange of those notes at the office or agency maintained by us for that purpose in Dallas, Texas, currently the corporate trust office of the trustee located at Chase Global Trust, 2001 Bryan Street, Floor 11, Dallas, Texas, 75201. No service charge will be made by us or the trustee for the registration of transfer or exchange of the notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with that registration.

**Redemption or Repurchases**

If we will have the right to redeem the notes, those provisions will be set forth in the pricing supplement. If so specified, we may redeem the notes on any date on and after the first date specified in the applicable pricing supplement in whole or from time to time in part. If the supplement does not provide for those terms, then the notes will not be redeemable.

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If you will have the right to cause us to repurchase the notes, those provisions will be set forth in a pricing supplement. If so specified, you may cause us to repurchase the notes on any date on and after the first date specified in the applicable pricing supplement in whole or from time to time in part. If you exercise the repayment option, you may not revoke the exercise. If the supplement does not provide for those terms, then you will not be able to cause us to repurchase the notes.

Only the depositary may exercise the repayment option in respect of global securities representing book-entry notes. Accordingly, beneficial owners of global securities that desire to have all or any portion of the book-entry notes represented by those global securities repaid must instruct the participant through which they own their interest to direct the depositary to exercise the repayment option on their behalf. In order to ensure that the global security and election form are received by the trustee on a particular day, the beneficial owner must instruct the participant before the participant s deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners should consult the participants through which they own their interest. All instructions given to participants from beneficial owners of global securities relating to the option to elect repayment will be irrevocable. In addition, at the time the instructions are given, each beneficial owner will cause the participant through which it owns its interest to transfer such beneficial owner s interest in the global security or securities representing the related book-entry notes, on the depositary s records, to the trustee. See Book-Entry Notes.

We may at any time purchase notes at any price or prices in the open market. Notes that we purchase may, in our discretion, be held, resold or surrendered to the trustee for cancellation.

**Certain Covenants**

The following covenants apply only to the senior notes.

*Limitation on Liens.* We will not and will not permit any of our subsidiaries, other than Centex Financial Services, Inc. and its subsidiaries, to issue, assume or guarantee any indebtedness for borrowed money if that borrowed money is secured by a mortgage, pledge, security interest, lien or other encumbrance (a lien ) on or with respect to any of our properties or assets or the assets or properties of our subsidiaries or on any shares of capital stock or other equity interests of any subsidiary that owns property or assets, other than Centex Financial Services, Inc. and its subsidiaries, whether, in each case, owned at the date of the senior indenture or thereafter acquired, unless:

(a) we make effective a provision under which the senior notes of that series are secured equally and ratably with any and all borrowed money that we secure; or

(b) the aggregate amount of all of our and our subsidiaries secured borrowings, together with all attributable debt (as defined in the senior indenture) in respect of sale and lease-back transactions existing at that time, with the exception of transactions that are not subject to the limitation described in Limitation on Sale and Lease-Back Transactions below, would not exceed 20% of our and our subsidiaries consolidated net tangible assets (as defined in the senior indenture), as shown on the audited consolidated balance sheet contained in the latest annual report to our stockholders.

The limitation described above will not apply to:

(a) any lien existing on our properties or assets or shares of capital stock or other equity interests at the date of the senior indenture;

(b) any lien created by a subsidiary in our favor or in favor of one of our wholly-owned subsidiaries;

(c) any lien existing on any property or asset of any corporation or other entity, or on any accession or improvement to that asset or any proceeds from that asset or improvement, at the time that corporation or other entity becomes a subsidiary or is merged or consolidated with or into us or one of our subsidiaries;

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(d) any lien on any property or asset existing at the time that asset is acquired, or on any accession or improvement to that property or asset or any proceeds from that asset or improvement;

(e) any lien on any property or asset, or on any accession or improvement to that property or asset or any proceeds from that asset or improvement, securing indebtedness we incur or assume for the purpose of financing all or any part of the cost of acquiring or improving that property or asset, if that lien attaches to that property or asset concurrently with or within 180 days after the acquisition or improvement of that property or asset;

(f) any lien incurred in connection with pollution control, industrial revenue or any similar financing;

(g) any refinancing, extension, renewal or replacement of any of the liens described above if the principal amount of the indebtedness secured by the lien being refinanced, extended, renewed or replaced is not increased and is not secured by any additional properties or assets; or

(h) any lien imposed by law.

*Limitation on Sale and Lease-Back Transactions.* Neither we nor any of our subsidiaries may enter into any arrangement with any person, other than with us, under which we or any of our subsidiaries lease any of our properties or assets, except for temporary leases for a term of not more than three years and except for sales and leases of model homes, if that property has been or is to be sold or transferred by us or any of our subsidiaries to that person (referred to in this prospectus supplement as a sale and lease-back transaction ).

The limitation described above does not apply to any sale and lease-back transaction if:

(a) our net proceeds or the net proceeds of our subsidiaries from the sale or transfer are equal to or exceed the fair value, as determined by our Board of Directors, Chairman of the Board, Vice Chairman, President or principal financial officer, of the property so leased;

(b) we or any of our subsidiaries would be entitled to incur indebtedness secured by a lien on the property to be leased as described in Limitation on Liens above;

(c) we, within 180 days of the effective date of any sale and lease-back transaction, apply an amount equal to the fair value of the property so leased to the retirement of our funded indebtedness (as defined in our senior indenture);

(d) the sale and lease-back transaction relates to a sale which occurs within 180 days from the date of acquisition of that property by us or any of our subsidiaries or the date of the completion of construction or commencement of full operations on that property, whichever is later; or

(e) the transaction was consummated prior to the date of the senior indenture.

**Legal Defeasance**

We will be discharged from our obligations on the notes of any series at any time if:

(a) we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the note of the series; and

(b) we deliver to the trustee an opinion of counsel stating that the federal income tax obligations of the holders of the notes of that series will not change as a result of our performing the action described above.

If this happens, the holders of the notes of the series will not be entitled to the benefits of the indenture except for the registration of transfer and exchange of notes and the replacement of lost, stolen or mutilated notes.

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### Covenant Defeasance

We will be discharged from our obligations under any restrictive covenant applicable to the notes of a particular series if we perform both actions described above under the heading Legal Defeasance. However, if we cause an event of default apart from breaching a restrictive covenant, there may not be sufficient money or government obligations on deposit with the trustee to pay all amounts due on the notes of that series. In that instance, we would remain liable for these amounts.

### Interest

#### *General*

Each note will bear interest from the date it is issued at the rate per year, in the case of a fixed rate note, or according to the interest rate formula set forth in the applicable pricing supplement, in the case of a floating rate note, until the principal is paid or the note is redeemed or repurchased. The interest rate paid will be the lower of the rate of the note or the highest lawful rate. Interest is either fixed or floating, or a combination of the two. Floating rate notes may be:

- regular floating rate notes;
- inverse floating rate notes; or
- floating rate/fixed rate notes.

Regular floating rate notes are described below. If the notes will be either of the other two types, we will describe those attributes in a pricing supplement.

Payment of interest on the notes will include interest accrued from the date of issue to, but excluding, the maturity, repurchase or redemption date. Interest is generally payable to the person in whose name the note is registered at the close of business on the record date before the interest payment date. Interest payable at maturity, redemption or repurchase will be payable to the person to whom the principal is payable.

Interest on each note is generally payable on each interest payment date and on the date the note matures. The first payment of interest on any note originally issued between a record date and the related interest payment date will be made on the interest payment date after the next record date to the person in whose name the note is registered on the next record date.

The record dates for fixed rate notes and floating rate notes will be 15 calendar days prior to each day interest is paid, whether or not that day is a business day.

#### *Fixed Rate Notes*

Interest on fixed rate notes will be designated in the pricing supplement. We will pay interest semiannually and when the note matures or we redeem or repurchase the note. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

If any interest payment date or the maturity date falls on a day that is not a business day, we will pay the interest you are owed on the next business day and no additional interest will be paid for that delay.

#### *Floating Rate Notes*

Each floating rate note will have an interest rate formula, which may be based on the:

- CD rate;
- CMT rate;
- Commercial Paper rate;
- Eleventh District Cost of Funds rate;

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- Federal Funds rate;
- LIBOR;
- Prime rate;
- Treasury rate;
- Another rate noted in a pricing supplement; or
- Any combination of rates if noted in a pricing supplement.

The pricing supplement applicable to floating rate notes will specify any other terms of each floating rate note being delivered. Such pricing supplement also will discuss the special federal income tax considerations applicable to floating rates notes.

*Calculation Date.* Floating interest rates will be calculated not later than the calculation date by the calculation agent. The calculation date for any interest determination date, described below, will be the earlier of:

(a) 10 days after that interest determination date or the next business day if that tenth day is not a business day; or

(b) the business day before the interest payment date or maturity, as applicable.

*Trustee and Calculation Agent.* JPMorgan Chase Bank, N.A. will be the trustee and, unless otherwise specified in the pricing supplement, the calculation agent. The calculation agent will provide the current, and when known the next, interest rate effective for that period. Interest will be calculated on the earlier of:

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

(b) the business day immediately preceding the interest payment date or the maturity date.

*Initial Interest Rate.* The initial interest rate or interest rate formula on each note until the first interest reset date, described below, will be indicated in the pricing supplement. Thereafter, the interest rate will be the rate determined as of the next interest determination date. Each time a new interest rate is determined, it will become effective on the next interest reset date.

*Date of Interest Rate Changes (The Interest Reset Date).* The interest rate on each floating rate note may be reset daily, weekly, monthly, quarterly, semi-annually, or annually. The interest reset date will be specified in the note and pricing supplement.

If any interest reset date is not a business day, then the interest reset date will be postponed to the next business day. For LIBOR notes, however, if the next business day is in the next calendar month, the interest reset date will be the immediately preceding business day. If, in the case of a Treasury rate note, an interest reset date falls on a day on which the Treasury auctions Treasury Bills, then the interest reset date will instead be the first business day immediately following the auction.

*When Interest Is Determined (The Interest Determination Date).* The interest determination date for CD, CMT, Commercial Paper, Federal Funds and Prime rate notes is the second business day before the interest reset date.

The interest determination date for LIBOR notes is the second London business day before the interest reset date. However, if the designated LIBOR currency is British pounds sterling, the interest determination date shall be the interest reset date.

The interest determination date for Treasury rate notes will be the day of the week in which the interest reset date falls on which treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on Tuesday. The auction, however, may be held on the preceding Friday. If so, that Friday will be

the interest determination date for the interest reset date occurring in the next week. If an auction date falls on any interest reset date then the interest reset date will instead be the first business day following the auction date.

The interest determination date for Eleventh District rate notes is the last working day of the month just before the interest reset date in which the Federal Home Loan Bank of San Francisco publishes the relevant index noted below under Interest Rate Formulas Eleventh District Cost of Funds Rate.

A floating rate note may also have either or both a maximum or minimum interest rate that may accrue during any period in which interest is earned. The interest rate on floating rate notes will never be higher than the maximum rate permitted by Texas law, as the same may be modified by United States law of general application.

*When Interest Is Paid (The Interest Payment Date).* We will pay interest on the dates specified in the note and pricing supplement. If interest is payable on a day that is not a business day, payment will be postponed to the next business day and will include interest through that date. For LIBOR notes, however, if the next business day is in the next calendar month, interest will be paid on the preceding business day. If the maturity, repayment or redemption date is not a business day, interest will be paid on the next business day for all types of notes, and no interest will accrue after the maturity, repayment or redemption date.

*Rounding.* All percentages resulting from any calculation on floating rate notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)). All amounts used in or resulting from that calculation will be rounded, in the case of United States dollars, to the nearest cent or, in the case of a foreign or composite currency, to the nearest unit (with one-half cent or unit being rounded upwards).

*Determining the Amount of Interest.* The interest payable will be the amount of interest accrued from and including the date of issue or the most recent date on which interest has been paid to, but excluding, the interest payment date or the date the note matures, as applicable. If the interest payment date is also a day that principal is due, the interest payable will include interest accrued to, but will exclude, the date of maturity, redemption or repurchase.

The accrued interest for any period is calculated by multiplying the principal amount of the note by an accrued interest factor. The accrued interest factor is computed by adding the interest factors calculated for each day in the period to the date for which accrued interest is being calculated. The interest factor, expressed as a decimal rounded upwards if necessary, as described below, is computed by dividing the interest rate, expressed as a decimal rounded upwards if necessary, applicable to that date by 360, unless the notes are Treasury rate notes or CMT rate notes, in which case it will be divided by the actual number of days in the year.

### *Interest Rate Formulas*

*CD Rate.* Each CD rate note will bear interest at the rate, calculated with reference to the CD rate and the spread and/or spread multiplier, if any, specified in the note and pricing supplement. The CD rate means for the interest determination date the rate for negotiable United States dollar certificates of deposit having the index maturity specified in the pricing supplement as published in H.15(519) under the heading CDs (secondary market) , or if the CD rate is not published by 3:00 P.M., New York City time, on the date on which interest is to be calculated, the rate on such interest determination date for negotiable United States dollar certificates of deposit of the index maturity specified in the applicable pricing supplement as published in H.15 Daily Update, or any other recognized electronic source used for the purpose of displaying the rate, under the caption CDs (secondary market).

If that rate is not published in H.15 Daily Update or any other recognized electronic source as provided above by 3:00 P.M., New York City time, on the related calculation date, then the CD rate on such interest determination date will be calculated by the calculation agent and will be the average of the

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secondary market offered rates as of 10:00 A.M., New York City time, on such interest determination date of three leading nonbank dealers in negotiable United States dollar certificates of deposit in The City of New York selected by the calculation agent for negotiable United States dollar certificates of deposit of major United States money center banks for negotiable certificates of deposit with a remaining maturity closest to the index maturity specified in the pricing supplement in an amount that is representative for a single transaction in that market at that time. However, if the dealers selected by the calculation agent are not quoting as provided above, the CD rate will be the CD rate in effect on the immediately prior interest reset period.

H.15(519) means the weekly statistical release or any successor publication published by the Board of Governors of the Federal Reserve System.

H.15 Daily Update means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at *http://www.federalreserve.gov/releases/h15/update,* or any successor site or publication.

*CMT Rate.* Each CMT rate note will bear interest at the rate, calculated with reference to the CMT rate and the spread and/or spread multiplier, if any, specified in the note and pricing supplement. The CMT rate means, for an interest determination date, the rate displayed on the Designated CMT Moneyline Telerate page under the caption . . . Treasury Constant Maturities . . . Federal Reserve Board Release H.15 . . . Mondays Approximately 3:45 P.M., under the column for the designated CMT maturity index for:

if the Designated CMT Moneyline Telerate page is 7051, the rate on that interest determination date; and

if the Designated CMT Moneyline Telerate page is 7052, the weekly or monthly average, as specified in the pricing supplement, for the week or the month, as applicable, ended just before the week or the month, as applicable, containing the interest determination date.

If the CMT rate cannot be set as described above, the calculation agent will use one of the following methods:

If that rate is no longer displayed on the relevant page, or if it is not displayed by 3:00 P.M., New York City time, on the related calculation date, then the CMT rate for that interest determination date will be the treasury constant maturity rate for the designated index maturity as published in the relevant H.15(519).

If that rate is no longer published or is not published by 3:00 P.M., New York City time, on the related calculation date, then the CMT rate for that interest determination date will be the treasury constant maturity rate (or other United States Treasury rate) for the designated index maturity for that interest determination date then published by either the Federal Reserve Board or the United States Department of the Treasury that the calculation agent determines is comparable to the rate formerly displayed on the Designated CMT Moneyline Telerate page and published in the relevant H.15(519).

If that information is not provided by 3:00 P.M., New York City time, on the related calculation date, then the CMT rate for that interest determination date will be calculated as a yield to maturity, based on the average of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on that interest determination date reported, according to their written records, by three leading primary United States government securities dealers (each, a reference dealer&#