

-----BEGIN PRIVACY-ENHANCED MESSAGE-----

Proc-Type: 2001,MIC-CLEAR

Originator-Name: webmaster@www.sec.gov

Originator-Key-Asymmetric:

MFgwCgYEVQgBAQICAf8DSgAwRwJAW2sNKK9AVtBzYZmr6aGjlWyK3XmZv3dTINen

TWSM7vrzLADbmYQaionwg5sDW3P6oaM5D3tdezXMm7z1T+B+twIDAQAB

MIC-Info: RSA-MD5,RSA,

CduUsdPvEGcD8rGcVvYivUPIAU5povTDDhu8RXF4+Fab3DUvpvG7PZ7HgfoVrXYY

ul400OKL7nglfFGBfgIq8A==

<SEC-DOCUMENT>0000950123-03-001043.txt : 20030207

<SEC-HEADER>0000950123-03-001043.hdr.sgml : 20030207

<ACCEPTANCE-DATETIME>20030207160029

ACCESSION NUMBER: 0000950123-03-001043

CONFORMED SUBMISSION TYPE: 8-K

PUBLIC DOCUMENT COUNT: 3

CONFORMED PERIOD OF REPORT: 20030131

ITEM INFORMATION: Financial statements and exhibits

FILED AS OF DATE: 20030207

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME: NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORP /DC/
CENTRAL INDEX KEY: 0000070502
STANDARD INDUSTRIAL CLASSIFICATION: MISCELLANEOUS BUSINESS CREDIT
INSTITUTION [6159]
IRS NUMBER: 520891669
STATE OF INCORPORATION: DC
FISCAL YEAR END: 0531

FILING VALUES:

FORM TYPE: 8-K
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-07102
FILM NUMBER: 03544873

BUSINESS ADDRESS:

STREET 1: WOODLAND PARK
STREET 2: 2201 COOPERATIVE WAY
CITY: HERNDON
STATE: VA
ZIP: 20171-3025
BUSINESS PHONE: 7037096700

MAIL ADDRESS:

STREET 1: WOODLAND PARK
STREET 2: 2201 COOPERATIVE WAY
CITY: HERNDON
STATE: VA
ZIP: 20171-3025

</SEC-HEADER>

<DOCUMENT>

<TYPE>8-K

<SEQUENCE>1

<FILENAME>y83331e8vk.txt

<DESCRIPTION>FORM 8-K
<TEXT>
<PAGE>

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
January 31, 2003

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
(Exact name of registrant as specified in its charter)

District of Columbia ----- (state or other juris- diction of incorporation)	1-7102 ----- (Commission File Number)	52-0891669 ----- (I.R.S. Employee Identification No.)
--	--	--

Woodland Park, 2201 Cooperative Way, Herndon, VA ----- (Address of principal executive offices)	20171-3025 ----- (Zip Code)
---	-----------------------------------

Registrant's telephone number, including area code: (703)709-6700

(Former name or former address, if changed since last report)

<PAGE>

Item 7. Financial Statements, Pro Forma Financial
Information and Exhibits.

(c) Exhibits

The following exhibits are filed herewith:

1. Underwriting Agreement dated January 31, 2003,
between the registrant and J.P. Morgan
Securities Inc., Lehman Brothers Inc., ABN AMRO
Incorporated and Banc of America Securities LLC.
2. Global Certificates for the Floating Rate Collateral
Trust Bonds due 2005.

Global Certificates for the 3.00% Collateral Trust
Bonds due 2006.

Global Certificates for the 3.875% Collateral Trust
Bonds due 2008.

<PAGE>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

/s/ Steven L. Lilly

Steven L. Lilly
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Dated: February 7, 2003

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-1
<SEQUENCE>3
<FILENAME>y83331exv1.txt
<DESCRIPTION>UNDERWRITING AGREEMENT
<TEXT>
<PAGE>

EXHIBIT 99.1

NATIONAL RURAL UTILITIES

COOPERATIVE FINANCE CORPORATION

\$400,000,000 Floating Rate Collateral Trust Bonds due 2005
\$600,000,000 3.00% Collateral Trust Bonds due 2006
\$500,000,000 3.875% Collateral Trust Bonds due 2008

Underwriting Agreement

January 31, 2003

J.P. Morgan Securities Inc.
270 Park Avenue, 8th Floor
New York, New York 10017

Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019

ABN AMRO Incorporated
Park Avenue Plaza
55 East 52nd Street, 6th Floor
New York, New York 10055

Banc of America Securities LLC
9 West 57th Street
New York, New York 10019
As Representatives of the several Underwriters

Ladies and Gentlemen:

National Rural Utilities Cooperative Finance Corporation, a District of Columbia cooperative association (the "Company"), proposes to issue \$400,000,000 principal amount of its Floating Rate Collateral Trust Bonds due 2005 (the "2005 Bonds"), \$600,000,000 principal amount of its 3.00% Collateral Trust Bonds due 2006 (the "2006 Bonds") and \$500,000,000 principal amount of its 3.875% Collateral Trust Bonds due 2008 (the "2008 Bonds" and, together with the 2005 Bonds and the 2006 Bonds, the "Bonds"), to be issued under and secured by an Indenture dated as of February 15, 1994, between the Company and U.S. Bank
<PAGE>

National Association, as successor trustee (the "Trustee"). Such Indenture, as amended by any supplemental indenture, is hereinafter called the "Indenture". The Bonds are more fully described in the Registration Statement and in the Prospectus hereinafter mentioned. The Bonds will be issued in fully registered form only, in denominations of \$1,000 and any integral multiple thereof.

You have advised us (i) that you and any other firms and corporations named in Schedule I attached hereto (you and such firms and corporations being hereinafter called the Underwriters, which term shall also include any underwriter substituted as provided in Section 14 hereof), acting severally and not jointly, are willing to purchase, on the terms and conditions hereinafter set forth, the respective principal amounts of each issue of the Bonds specified in such Schedule I, and (ii) that you are authorized, on behalf of yourselves and the other Underwriters, to enter into this Agreement. Terms used but not otherwise defined herein shall have the meanings assigned to them in the Indenture.

1. Certain Representations and Warranties by the Company. The Company represents and warrants to each Underwriter as follows:

(a) Registration Statement and Prospectus. The Company has filed with the Securities and Exchange Commission (the "Commission") Registration Statement No. 333-62334 and Registration Statement No. 333-72558 for the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the Bonds (including a prospectus relating thereto) and may have filed one or more amendments thereto (including one or more amended or supplemental prospectuses) and such registration statements and any such amendments have become effective. A prospectus supplement relating to the Bonds, including a prospectus (together, the "Prospectus"), has been prepared and will be filed pursuant to Rule 424 under the Securities Act. The Company will not file any other amendment of such registration statements or such prospectus or any supplement to such prospectus on or after the date of this Agreement and prior to the date and time of delivery of and payment for the Bonds referred to in Section 3 hereof (the "Closing Date"), except with your approval. Such registration statements, including financial statements and exhibits, at the time they became effective, are

<PAGE>
hereinafter called the "Registration Statement". Any reference in this Agreement

to the Prospectus as amended or supplemented shall include, without limitation, any prospectus filed with the Commission pursuant to Rule 424 of the Commission under the Securities Act which amends or supplements the Prospectus. Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 which were filed under the Securities Exchange Act of 1934 (the "Exchange Act") on or before the effective date of the Registration Statement or the date of such Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the effective date of the Registration Statement, or the date of any Prospectus, as the case may be, and deemed to be incorporated therein by reference.

(b) Accuracy of Registration Statement. At all times subsequent to the date of this Agreement up to and including the Closing Date, and when any post-effective amendment thereof shall become effective, the Registration Statement (and the Registration Statement as amended if any post-effective amendment thereof shall have become effective) will comply in all material respects with the provisions of the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact and will not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and, at all times subsequent to the date of this Agreement up to and including the Closing Date, the Prospectus (and the Prospectus as amended or supplemented, if the Company shall have filed with the Commission any amendment thereof or supplement thereto) will fully comply with the provisions of the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact and will not omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that none of the representations and warranties in this paragraph (b) shall apply to (i) that part of the Registration Statement which shall constitute the Statement

<PAGE>

of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of 1939 (the "Trust Indenture Act") of the Trustee or (ii) statements in, or omissions from, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by or on behalf of any Underwriter through you for use in connection with the preparation of the Registration Statement or the Prospectus or any such amendment or supplement.

(c) Accountants. The accountants who have certified or shall certify the financial statements filed and to be filed with the Commission as parts of the Registration Statement and the Prospectus are independent with respect to the Company as required by the Securities Act and rules and regulations of the Commission thereunder.

(d) Due Incorporation. The Company has been duly incorporated and is now, and on the Closing Date will be, a validly existing cooperative association in good standing under the laws of the District of Columbia, duly qualified and in good standing in each jurisdiction in which the ownership or leasing of properties or the conduct of its business requires it to be qualified

(or the failure to be so qualified will not have a material adverse effect upon the business or condition of the Company), and the Company has the corporate power and holds all valid permits and other required authorizations from governmental authorities necessary to carry on its business as now conducted and as to be conducted on the Closing Date and as contemplated by the Prospectus.

(e) Material Changes. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as set forth therein, there has not been any material adverse change in the condition, financial or other, or the results of operations of the Company, whether or not arising from transactions in the ordinary course of business.

(f) Litigation. On the date hereof, except as set forth in the Prospectus, the Company does not have any litigation pending of a character which in the opinion of counsel for the Company referred to in Section 13(c) hereof could result in a judgment or decree having a material

4

<PAGE>

adverse effect on the condition, financial or other, or the results of operations of the Company.

(g) Legality. On the Closing Date, the Bonds will be duly and validly authorized, and no further authorization, consent or approval of the members and no further authorization or approval of the Board of Directors of the Company or any committee thereof will be required for the issuance and sale of the Bonds as contemplated herein; and neither such issuance or sale of the Bonds nor the consummation of any other of the transactions herein contemplated will result in a breach by the Company of any terms of, or constitute a default under, any other agreement or undertaking of the Company.

(h) No Stop Order. The Commission has not issued and, to the best knowledge of the Company, is not threatening to issue any order preventing or suspending the use of the Prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment thereof or supplement thereto).

(i) Regulation. The Company is not required to be registered as an investment company under the Investment Company Act of 1940 and is not subject to regulation under the Public Utility Holding Company Act of 1935.

2. Agreement to Purchase. Subject to the terms and conditions and upon the representations and warranties herein set forth, the Company agrees to sell to you and any other Underwriters, severally and not jointly, and you and such other Underwriters, severally and not jointly, agree to purchase from the Company at a purchase price of 99.750% of the principal amount, in the case of the 2005 Bonds, 99.383% of the principal amount, in the case of the 2006 Bonds, and 99.042% of the principal amount, in the case of the 2008 Bonds, the applicable principal amount of each issue of Bonds set forth opposite the names of the Underwriters in Schedule I hereto.

3. Closing. Delivery of and payment for the Bonds shall be made at the office of Milbank Tweed Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005 at 9:30 a.m., New York City time, on February 7, 2003, or such later date (not later than February 14, 2003) as you, as Representatives of the Underwriters, shall designate, which date and time may be postponed by

<PAGE>

agreement between you, as such Representatives, and the Company or as provided in Section 14 hereof. Delivery of the Bonds shall be made to you, for the respective accounts of the several Underwriters, against payment by the several Underwriters through you of the purchase price thereof, to or upon the order of the Company by certified or official bank check or checks payable, or wire transfers, in immediately available funds. The Bonds shall be delivered in definitive global form through the facilities of The Depository Trust Company ("DTC").

4. Prospectuses. The Company has caused to be delivered to you, as Representatives of the Underwriters, copies of the Prospectus and has consented to the use of such copies for the purposes permitted by the Securities Act. The Company agrees to deliver to you, as Representatives of the Underwriters, without charge, from time to time during such period as in the opinion of Cravath, Swaine & Moore, counsel for the Underwriters, the Prospectus as required by law to be delivered in connection with sales by an Underwriter or dealer, as many copies of the Prospectus (and, in the event of any amendment of or supplement to the Prospectus, of such amended or supplemented Prospectus) as you, as Representatives of the Underwriters, may reasonably request. If, at any time during the period in which the Company is required to deliver copies of the Prospectus, as provided in this Section 4, any event known to the Company relating to or affecting the Company shall occur which should be set forth in an amendment of or supplement to the Prospectus in order to make the statements in the Prospectus not misleading in the light of the circumstances at the time it is delivered to the purchaser, or it shall be necessary to amend or supplement the Prospectus to comply with law or with the rules and regulations of the Commission, the Company, at its expense, will forthwith prepare and furnish to you for distribution to the Underwriters and dealers a reasonable number of copies of an amendment or amendments of or a supplement or supplements to the Prospectus which will so amend or supplement the Prospectus that, as amended or supplemented, it will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements in the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, and will comply with law and with such rules and regulations. The Company authorizes the Underwriters and all dealers

<PAGE>

effecting sales of the Bonds to use the Prospectus, as from time to time amended or supplemented, in connection with the sale of the Bonds in accordance with applicable provisions of the Securities Act and the applicable rules and regulations thereunder for the period during which the Company is required to deliver copies of the Prospectus as provided in this Section 4.

5. Commission Proceedings as to Registration Statement. The Company agrees to advise you promptly, as Representatives of the Underwriters, and to confirm such advice in writing (a) when any post-effective amendment of the Registration Statement shall have become effective and when any further amendment of or supplement to the Prospectus shall be filed with the Commission, (b) of any request by the Commission for any amendment of the Registration Statement or the Prospectus or for additional information and (c) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the initiation of any proceedings for that purpose. The Company will use every reasonable effort to prevent the issuance of such a

stop order and, if any such order shall at any time be issued, to obtain the withdrawal thereof at the earliest possible moment.

6. Blue Sky. The Company will diligently endeavor, when and as requested by you, to qualify the Bonds, or such portion thereof as you may request, for offering and sale under the securities or blue sky laws of any jurisdictions which you shall designate.

7. Earnings Statement. The Company agrees to make generally available to its security holders, in accordance with Section 11(a) of the Securities Act and Rule 158 thereunder, an earnings statement of the Company (which need not be audited) in reasonable detail and covering a period of at least twelve months beginning after the effective date of the Registration Statement.

8. [Reserved.]

9. Clearance and Settlement. The Company will cooperate with the Underwriters to permit the Bonds to be eligible for clearance and settlement through DTC, Clearstream Banking and Euroclear Bank S.A./N.V.

7

<PAGE>

10. Expenses. The Company agrees to pay all fees and expenses in connection with (a) the preparation, printing and filing of the Registration Statement (including all exhibits to the Registration Statement), the Prospectus and any amendments thereof and supplements thereto, and the furnishing of copies of each thereof to the Underwriters (including costs of mailing and shipment), (b) the issuance of the Bonds, (c) the rating of the Bonds by rating agencies, (d) the delivery of the Bonds to you in New York City for the respective accounts of the several Underwriters, (e) the qualifying of the Bonds as provided in Section 6 hereof and the determination of the eligibility of the Bonds for investment under the laws of such jurisdictions as you may designate (including fees of not more than \$10,000 and disbursements of counsel for the Underwriters in connection therewith) and (f) any fees of a book-entry depository, listing agent, paying agent or transfer agent.

11. Offering Restrictions. Each of the Underwriters agrees that it will not offer, sell or deliver any of the Bonds being underwritten or sold by it, directly or indirectly, or distribute the Prospectus or any other offering material relating to the Bonds, in or from any jurisdiction except under circumstances that will, to the best of such Underwriter's knowledge and belief, result in compliance with the applicable laws and regulations and which will not impose any obligations on the Company except as set forth herein, and further represents and agrees that it:

(a) has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Bonds, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) has only communicated or caused to be communicated and will

only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of the

8

<PAGE>

Financial Services and Markets Act of 2000 ("FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the issuer; and

- (c) has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

12. Indemnities.

(a) By the Company. The Company agrees to indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or any other statute or common law, and to reimburse the Underwriters and such controlling persons, as incurred, for any legal or other expenses incurred by them in connection with investigating any claims and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment thereof or supplement thereto), if used within the period during which the Underwriters are authorized to use the Prospectus as provided in Section 4 hereof, or the omission or alleged omission to state therein (if so used) a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the indemnity agreement contained in this Section 12(a) shall not apply to any such losses, claims, damages, liabilities or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information

9

<PAGE>

furnished as herein stated in Section 15 or otherwise furnished in writing to the Company by or on behalf of any Underwriter through you for use in connection with the preparation of the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto, or was contained in that part of the Registration Statement constituting the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of the Trustee; provided, further, that, with respect to any untrue statement or alleged untrue statement made in, or omission or alleged omission from, the Prospectus, the indemnity agreement contained in this Section 12(a) with respect to the Prospectus shall not inure to the benefit of any Underwriter (or the benefit of any person controlling such Underwriter) from whom the person asserting any such losses,

claims, damages or liabilities purchased the Bonds which are the subject thereof, if such person did not receive a copy of the Prospectus (or the Prospectus as amended or supplemented if the Company shall have made any amendments thereof or supplements thereto which shall have been furnished to you, as Representatives of the Underwriters, or to such Underwriter prior to the time of the below-written confirmation), excluding the documents incorporated therein by reference, at or prior to the written confirmation of the sale of such Bonds to such person in any case where delivery of the Prospectus is required under the Securities Act and the rules and regulations of the Commission thereunder and any untrue statement or alleged untrue statement or omission or alleged omission was corrected in the Prospectus (or the Prospectus as amended or supplemented).

(b) By the Underwriters. Each Underwriter severally and not jointly agrees, in the manner and to the same extent as set forth in Section 12(a) hereof, to indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, the directors of the Company and those officers of the Company who shall have signed the Registration Statement, with respect to any statement in or omission from the Registration Statement or any post-effective amendment thereof or the Prospectus (as amended or supplemented, if so amended or supplemented), if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated in Section 15 or otherwise furnished in writing to the Company through you on behalf of such Underwriter for use in

10

<PAGE>

connection with the preparation of the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto.

(c) General. Each indemnified party will, within ten days after the receipt of notice of the commencement of any action against such indemnified party in respect of which indemnity may be sought from an indemnifying party on account of an indemnity agreement contained in this Section 12, notify the indemnifying party in writing of the commencement thereof. The omission of any indemnified party so to notify an indemnifying party of any such action shall not relieve the indemnifying party from any liability which it may have to such indemnified party on account of the indemnity agreement contained in this Section 12 or otherwise. Except as provided in the next succeeding sentence, in case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice in writing from such indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party will not be liable to such indemnified party under this Section 12 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. Such indemnified party shall have the right to employ its own counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of such counsel has been authorized in writing by the indemnifying party in connection with the defense of such action, (ii) such indemnified party shall have been advised by such counsel that there are material legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense

of such action on behalf of such indemnified party) or (iii) the indemnifying party shall not have assumed the defense of such action and employed counsel therefor satisfactory to such indemnified party within a reasonable time after notice of commencement of such action, in any of which events such fees and expenses shall

11

<PAGE>

be borne by the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include any statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder without the consent of the indemnifying party (which consent shall not be unreasonably withheld).

(d) Contribution. If the indemnification provided for in this Section 12 shall for any reason be unavailable to an indemnified party under Section 12(a) or 12(b) hereof in respect of any loss, claim, damage or liability or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Bonds or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Bonds (before deducting expenses) received by the Company bear to the total underwriting discounts and

12

<PAGE>

commissions received by the Underwriters with respect to such offering, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company on the one hand and the Underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 12(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such

purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 12(d) shall be deemed to include, for purposes of this Section 12(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 12(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Bonds underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 12(d) are several in proportion to their respective underwriting obligations and not joint.

(e) Survival of Indemnities. The respective indemnity and contribution agreements of the Company and the Underwriters contained in this Section 12, and the representations and warranties of the Company set forth in Section 1 hereof, shall remain operative and in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of

13

<PAGE>

any Underwriter or any such controlling person or the Company or any such controlling person, director or officer, and shall survive the delivery of the Bonds, and any successor of any Underwriter or of any such controlling person or of the Company, and any legal representative of any such controlling person, director or officer, as the case may be, shall be entitled to the benefit of the respective indemnity and contribution agreements.

13. Conditions to Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the accuracy of and compliance with the representations and warranties of the Company contained in Section 1 hereof, as of the date hereof and as of the Closing Date, and to the following further conditions:

(a) Effectiveness of Registration Statement. No stop order suspending the effectiveness of the Registration Statement or qualification of the Indenture shall be in effect on the Closing Date, and no proceedings for the issuance of such an order shall be pending or, to the knowledge of the Company or you, threatened by the Commission on the Closing Date.

(b) Opinion of Counsel for the Underwriters. You, as Representatives of the Underwriters, shall have received from Cravath, Swaine & Moore an opinion and letter, each dated the Closing Date and addressed to the Underwriters, with respect to the issuance and sale of the Bonds, the form of the Registration Statement and of the Prospectus (other than the financial statements and other information of a statistical, accounting or financial nature included therein) and other related matters as you may reasonably require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(c) Opinion of Counsel for the Company. The Company shall have furnished to you, as Representatives of the Underwriters, on the Closing Date, the opinion, addressed to the Underwriters and dated the Closing Date, of Milbank, Tweed, Hadley & McCloy LLP, counsel for the Company, which opinion shall be satisfactory in form and scope to counsel for the Underwriters, to the following effect:

14

<PAGE>

(i) the Company has been duly incorporated and is validly existing as a cooperative association in good standing under the laws of the District of Columbia with corporate power to conduct its business as described in the Registration Statement;

(ii) the issuance and sale of the Bonds by the Company pursuant to this Agreement have been duly and validly authorized by all necessary corporate action; and no authorization, consent, order or approval of, or filing or registration with, or exemption by, any government or public body or authority (including, without limitation, the Rural Utilities Service) of the United States, of the State of New York or any department or subdivision thereof or to the best of such counsel's knowledge any court, other than such as may be required under State securities or blue sky laws and other than registration of the Bonds under the Securities Act and qualification of the Indenture under the Trust Indenture Act, is required for the validity of the Bonds or for the issuance, sale and delivery of the Bonds by the Company pursuant to this Agreement or for the execution and delivery of this Agreement by the Company;

(iii) the Indenture has been duly authorized by the Company, has been duly qualified under the Trust Indenture Act and constitutes an instrument valid and binding on the Company and enforceable in accordance with its terms, and the Indenture Trustee has a valid first perfected security interest in the Mortgage Notes in its possession in New York and, subject to the requirements of Section 9-315 of the New York Uniform Commercial Code, in the proceeds thereof, subject only to the exceptions permitted by the Indenture, pledged pursuant to the Indenture (except that no opinion need be expressed as to the lien on the Mortgages, as defined in the Indenture, so pledged);

(iv) the Bonds are in the forms provided for in the Indenture, and, assuming due execution of the Bonds on behalf of the Company and

15

<PAGE>

authentication thereof by the Trustee, the Bonds constitute valid and binding obligations of the Company enforceable in accordance with their terms and are entitled to the benefits of the Indenture;

(v) this Agreement has been duly authorized, executed and delivered by the Company and the performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach of any terms or provisions of, or constitute a default under, the Articles of Incorporation or By-laws of the Company or any indenture, deed of trust, note, note agreement or other agreement or instrument known to such counsel, after due inquiry, to which the

Company is a party or by which the Company or any of its properties is bound or affected;

(vi) the Bonds and the Indenture conform in all material respects to the descriptions thereof contained in the Registration Statement;

(vii) the Registration Statement (and any post-effective amendment thereof) has become and is effective under the Securities Act and the Bonds have become registered under the Securities Act, and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated, and the Registration Statement (and any post-effective amendment thereof), the Prospectus and each amendment thereof or supplement thereto (except for the financial statements and other financial data included therein, as to which such counsel need express no opinion) when they became effective or were filed with the Commission complied as to form in all material respects with the requirements of the Securities Act, the Exchange Act, the Trust Indenture Act and the rules and regulations issued thereunder;

16

<PAGE>

(viii) based upon such counsel's participation in the preparation of the Registration Statement, the Prospectus and documents incorporated by reference therein, such counsel's discussions with certain officers and employees of the Company, such counsel's conferences with representatives of the Company's independent Certified Public Accountants and such counsel's representation of the Company, and while such counsel does not pass on or assume any responsibility for the accuracy, completeness or fairness thereof, nothing has come to such counsel's attention that causes it to believe that either the Registration Statement (or any post-effective amendment thereof) as of the date it became effective, or the Prospectus and each supplement thereto as of the Closing Date (except in each case for the financial or statistical data included therein, as to which such counsel expresses no view) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and such counsel does not know of any litigation or any governmental proceeding instituted or threatened against the Company required to be disclosed in the Registration Statement or Prospectus and which is not disclosed therein;

(ix) the Company is not required to be registered as an investment company under the Investment Company Act of 1940;

(x) the Company is not subject to regulation under the Public Utility Holding Company Act of 1935; and

(xi) the Company is not a public utility as defined in the Federal Power Act and is not a natural gas company as defined in the Natural Gas Act.

If the certification referred to in clause (ix) of subsection 13(f) below indicates that the Pledged Property includes collateral other than

Mortgage Notes, the opinion referred to in clause (iii) above shall also address the security interest of the Indenture Trustee in

17

<PAGE>

the Pledged Property (and in the proceeds thereof) in form reasonably satisfactory to you.

The foregoing opinion may contain qualifications to the effect that any sale or transfer by the Trustee under the Indenture of any Pledged Property (other than a transfer into the name of the Trustee or a nominee thereof) may be subject to the provisions of the Securities Act and other applicable securities laws and regulations promulgated thereunder, and, insofar as the foregoing opinion relates to the enforceability of the Bonds and the Indenture, the enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights and by general principles of equity (regardless of whether considered in a proceeding in equity or at law), including without limitation (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing. In addition, the Company's obligations and the rights and remedies of the Trustee and the holders of the Bonds may be subject to possible limitations on the exercise of remedial or procedural provisions contained in the Indenture (provided that such limitations do not, in the opinion of such counsel, make inadequate the remedies afforded thereby for the practical realization of the substantive benefits provided for in the Bonds and the Indenture).

In rendering the foregoing opinion, Milbank, Tweed, Hadley & McCloy LLP may rely as to matters of the law of the District of Columbia upon the opinion of John Jay List, Esq., General Counsel of the Company, addressed to the Underwriters and dated the Closing Date, satisfactory in form and scope to counsel for the Underwriters. If Milbank, Tweed, Hadley & McCloy LLP shall so rely upon the opinion of John Jay List, Esq., (i) copies of the opinion so relied upon shall be delivered to you, as Representatives of the Underwriters, and to counsel for the Underwriters and (ii) the opinion required by this Section 13(c) shall also state that Milbank, Tweed, Hadley & McCloy LLP has made an independent investigation of the matters in its opinion covered by the opinion so relied upon and that the Underwriters are justified in relying upon such opinion.

18

<PAGE>

(d) Opinion of Special Tax Counsel for the Company. The Company shall have furnished to you, as Representatives of the Underwriters, on the Closing Date, the opinion, addressed to the Underwriters and dated the Closing Date, of Hunton & Williams, which shall be satisfactory in form and scope to counsel for the Underwriters, with respect to the disclosure contained in the Prospectus under the caption "United States Taxation" insofar as such disclosure describes or summarizes matters of U.S. tax law or constitutes conclusions of U.S. tax law.

(e) Accountants' Letter. Ernst & Young LLP shall have furnished to you, as Representatives of the Underwriters, at or prior to the Closing Date, a letter, addressed to the Underwriters and dated the Closing Date, confirming that they are independent public accountants with respect to the Company within the meaning of the Securities Act and are in compliance with

the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission; and stating, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of such letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by its letter delivered to you, as Representatives of the Underwriters, concurrently with the execution of this Agreement and confirming in all material respects the conclusions and findings set forth in such prior letter or, if no such letter shall have been delivered to you, the conclusions and findings of such firm, in form and substance satisfactory to you, as Representatives of the Underwriters, with respect to such financial information and other matters as you, as Representatives of the Underwriters, shall reasonably request.

(f) Officer's Certificate. You shall have received, on the Closing Date, a certificate of the Company dated the Closing Date, signed on its behalf by the President, the Governor or a Vice President of the Company, to the effect that the signer of such certificate has examined the Registration Statement and the Prospectus and that (i) in such person's opinion, as of the effective date of the Registration Statement, the Registration Statement did not contain an untrue statement of a material fact and

<PAGE>

did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Prospectus did not contain an untrue statement of a material fact and did not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (ii) since the effective date of the Registration Statement no event has occurred which should have been set forth in an amendment or supplement to the Prospectus but which has not been so set forth, (iii) since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any material adverse change in the condition, financial or other, or earnings of the Company, whether or not arising from transactions in the ordinary course of business, other than changes which the Registration Statement and the Prospectus indicate might occur after the effective date of the Registration Statement, (iv) the Company has no material contingent obligations which are required to be disclosed in the Registration Statement and the Prospectus and are not disclosed therein, (v) no stop order suspending the effectiveness of the Registration Statement is in effect on the Closing Date and no proceedings for the issuance of such an order have been taken or to the knowledge of the Company are contemplated by the Commission at or prior to the Closing Date, (vi) there are no material legal proceedings to which the Company is a party or of which property of the Company is the subject which are required to be disclosed and which are not disclosed in the Registration Statement and the Prospectus, (vii) there are no material contracts to which the Company is a party which are required to be disclosed and which are not disclosed in the Registration Statement or the Prospectus, (viii) the representations and warranties of the Company herein are true and correct as of the Closing Date and (ix) the Pledged Property consists solely of Mortgage Notes or, if such is not the case, a description of the other collateral included in the

Pledged Property.

(g) (i) The Company shall not have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, exclusive of any amendment or supplement thereto after the date hereof, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or

20

<PAGE>

court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus or (ii) since such date there shall not have been any change in the members' equity or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, member's equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is, in your judgment, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated in the Prospectus.

(h) On or after the date hereof: (i) no downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) of the Rules and Regulations and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities.

(i) On or after the date hereof, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities of the Company or generally on The New York Stock Exchange, (ii) a banking moratorium on commercial banking activities in New York declared by Federal or state authorities, (iii) any outbreak of hostilities involving the United States, any escalation of hostilities involving the United States, any attack on the United States or any act of terrorism in which the United States is involved, (iv) any major disruption in the settlement of securities in the United States or any other relevant jurisdiction or a declaration of a national emergency or war by the United States or (v) such a material adverse change in general economic, political or financial conditions domestically or internationally (or the effect of international conditions on the financial markets in the United States or the effect of conditions in the United States on international financial markets shall be such) the effect of which, in any such case described in clause (iii) or (iv), is, in your judgment, to make it impracticable or inadvisable to

21

<PAGE>

proceed with the public offering or delivery of the Bonds on the terms and in the manner contemplated in the Prospectus.

(j) Miscellaneous. The Company shall have taken, on or prior to the Closing Date, all other action, if any, which it is stated in the

Registration Statement (or any post-effective amendment thereof) or the Prospectus (as amended or supplemented, if so amended or supplemented) that the Company will take prior to or concurrently with the issuance and delivery of the Bonds, and all agreements herein contained to be performed on the part of the Company on or prior to the Closing Date shall have been so performed.

(k) Other Documents. The Company shall have furnished to you and to Cravath, Swaine & Moore such further certificates and documents as you or they may have reasonably requested prior to the Closing Date.

If any of the conditions specified in this Section 13 shall not have been fulfilled when and as required by this Agreement to be fulfilled, this Agreement and all obligations of the Underwriters hereunder may be canceled on, or at any time prior to, the Closing Date by you, as Representatives of the Underwriters. Notice of such cancellation shall be given to the Company in writing, or by telegraph, telephone or telex confirmed in writing.

14. Substitution of Underwriters. If any one or more of the Underwriters shall fail or refuse on the Closing Date to purchase and pay for the Bonds which it or they have agreed to purchase hereunder, then (a) if the aggregate principal amount of the Bonds which the defaulting Underwriter or Underwriters so agreed to purchase shall not exceed \$150,000,000, the nondefaulting Underwriters shall be obligated to purchase the Bonds from the Company, in proportion to their respective obligations hereunder and upon the terms herein set forth, or (b) if the aggregate principal amount of the Bonds which the defaulting Underwriter or Underwriters so agreed to purchase shall exceed \$150,000,000 either you, as Representatives of the Underwriters, or the Company shall have the right at any time prior to 9:30 a.m., New York City time, on the next business day after the Closing Date to procure one or more of the other Underwriters, or any others, to purchase such Bonds from the Company, in such

22

<PAGE>

amounts as may be agreed upon and upon the terms herein set forth. If within such specified time neither you, as such Representatives, nor the Company shall have procured such other Underwriters or any others to purchase the Bonds agreed to be purchased by the defaulting Underwriter or Underwriters, this Agreement shall terminate without liability on the part of any nondefaulting Underwriter or of the Company. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 14, the Closing Date may be postponed for such period, not exceeding seven days, as you, as such Representatives, shall determine in order that any required changes in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. Any action taken or termination of this Agreement under this Section 14 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

15. Information Furnished by Underwriters. The Company acknowledges that (i) the table of Underwriters and their respective participation in the sale of the Bonds, (ii) the first paragraph under the table of underwriters related to offering price, concessions and reallowances and (iii) the second paragraph under the table of underwriters related to stabilization, syndicate covering transactions and penalty bids under the heading "Underwriting" in the prospectus supplement portion of the Prospectus, and the last two paragraphs under the heading "Plan of Distribution" in the

Prospectus, constitute the only information furnished in writing by you, on behalf of the Underwriters, for inclusion therein, and you, as Representatives of the Underwriters, confirm that such statements are correct.

16. Termination. This Agreement shall be subject to termination by you, by notice given to the Company prior to delivery of and payment for the Bonds, if prior to such time any of the events described in Sections 13(g), 13(h) or 13(i) occurs.

17. Miscellaneous.

(a) Except as otherwise expressly provided in this Agreement, (i) whenever notice is required by all the provisions of this Agreement to be given to the Company, such notice shall be in writing addressed to the Company at

23

<PAGE>

its office, Woodland Park, 2201 Cooperative Way, Herndon, Virginia 20171, attention of the Governor, and (ii) whenever notice is required by the provisions of this Agreement to be given to you, as Representatives of the Underwriters or of any of them, such notice shall be in writing addressed to the offices of J.P. Morgan Securities Inc., 270 Park Avenue, 8th Floor, New York, New York 10017, Attention of the Transaction Execution Group (fax: (212) 834-6702); Lehman Brothers Inc., 745 Seventh Avenue, New York, New York 10019, Attention of the Fixed Income Syndicate (with a copy to the General Counsel); ABN AMRO Incorporated, 55 East 52nd Street, 6th Floor, New York, New York 10055, Attention of Legal Department; and Banc of America Securities LLC, 9 West 57th Street, Floor 2M, New York, New York 10019, Attention of Debt Capital Markets.

(b) The Company agrees to furnish to you and to Cravath, Swaine & Moore, without charge, a signed copy of the Registration Statement and each amendment thereof, including all financial statements and all exhibits thereto (except such financial statements and exhibits as are incorporated therein by reference and which shall have been previously furnished to you), and to furnish to each of the other Underwriters, without charge, a copy of the Registration Statement and each amendment thereof, including all financial statements (except such financial statements as are incorporated therein by reference) but without exhibits.

(c) This Agreement is made solely for the benefit of the several Underwriters and the Company and their respective successors and assigns, and, to the extent provided in Section 12 hereof, any controlling person referred to in such Section 12 and the directors of the Company and those officers of the Company who shall have signed the Registration Statement, and their respective legal representatives, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successor" or the term "successors and assigns" as used in this Agreement shall not include any purchaser, as such purchaser, from any of the Underwriters of the Bonds.

(d) If this Agreement shall be canceled or terminated by the Underwriters on any of the grounds referred to or specified in Section 13 hereof or because of

24

<PAGE>

any failure or refusal on the part of the Company to comply with any of the terms or to fulfill any of the conditions of this Agreement, the Company will reimburse the Underwriters severally for all their out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by them in connection with the subject matter of this Agreement.

(e) The term "business day" as used in this Agreement shall mean any day on which the New York Stock Exchange, Inc., is open for trading.

(f) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS.

(g) Section headings have been inserted in this Agreement as a matter of convenience of reference only and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provision of this Agreement.

25

<PAGE>

Please confirm that you are acting on behalf of yourself and the other several Underwriters and that the foregoing correctly sets forth the agreement between the Company and the several Underwriters.

Very truly yours,

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE
CORPORATION,

by

Name: Steven L. Lilly
Title: Sr. Vice President
& Chief Financial Officer

26

<PAGE>

Acting on behalf of ourselves and the other several Underwriters named in Schedule I attached hereto, we hereby confirm as of the date hereof that this letter correctly sets forth the agreement between the Company and the several Underwriters:

J.P. Morgan SECURITIES INC.,

by

Name:
Title:

LEHMAN BROTHERS INC.,

by

Name:
Title:

ABN AMRO INCORPORATED,

by

Name:
Title:

BANC OF AMERICA SECURITIES LLC,

by

Name:
Title:

<PAGE>

SCHEDULE I

Underwriting Agreement dated January 31, 2003

NATIONAL RURAL UTILITIES

COOPERATIVE FINANCE CORPORATION

<TABLE>
<CAPTION>

Amount	Principal Amount	Principal Amount of Floating Rate Collateral Trust Bonds due 2005	Principal of Bonds due
3.00%	of 3.875%	Collateral Trust Bonds due 2005	
Collateral Trust	Collateral	Trust	
2006	Bonds due 2008		
Purchased	Underwriter to be Purchased	to be Purchased	to be
-----	-----	-----	-----
<S>		<C>	<C>
<C>			
ABN AMRO Incorporated		\$80,000,000	
\$120,000,000	\$100,000,000		
Banc of America Securities LLC		80,000,000	
120,000,000	100,000,000		
J.P. Morgan Securities Inc.		80,000,000	
120,000,000	100,000,000		
Lehman Brothers Inc.		80,000,000	
120,000,000	100,000,000		
Credit Lyonnais Securities (USA) Inc.		15,000,000	
22,500,000	18,750,000		
Scotia Capital (USA) Inc.		15,000,000	
22,500,000	18,750,000		
UBS Warburg LLC		15,000,000	
22,500,000	18,750,000		

and to pay interest thereon as set forth below, until the principal hereof is paid or made available for payment. Interest for the Bonds is payable on the 7th day of February, May, August and November (each, an "Interest Payment Date"), in each year, commencing May 7, 2003, for the period commencing on and including the immediately preceding Interest Payment Date and ending on and including the day next preceding the Interest Payment Date (an "Interest Period"), with the exception that the first Interest Period shall commence on the date of original issuance. Interest will be paid to registered holders of Bonds at the close of business on the fifteenth day (the "Regular Record Date") preceding the Interest Payment Date.

<PAGE>

The Bonds will bear interest at an interest rate per annum for each Interest Period that will be reset quarterly as described herein based on LIBOR for three-month United States dollar deposits prevailing two London Business Days before the beginning of each Interest Period, plus 0.400%, payable quarterly in arrears as more fully described on the reverse of this Bond. Interest on the Bonds will be computed on the basis of the actual number of days in the applicable Interest Period divided by 360.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Bondholders not less than 10 days prior to such Special Record Date, all as more fully provided in such Indenture. Payment of the principal of and interest on this Bond will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of U.S. Bank National Association, the successor Trustee under such Indenture, or its successor thereunder, by manual signature, this Bond shall not be entitled to any benefit under such Indenture, or be valid or obligatory for any purpose.

<PAGE>

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

By: _____
Steven L. Lilly
Chief Financial Officer

(Seal)

Dated: February 7, 2003

Attest:

By: _____
Assistant Secretary-Treasurer

Trustee's Certificate of
Authentication

This is one of the Bonds,
of the series designated therein,
described in the within-
mentioned Indenture.

By: U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Officer

<PAGE>

REVERSE OF BOND

This Bond is one of an authorized issue of Bonds of the Company known as its "Collateral Trust Bonds", issued and to be issued in one or more series under, and all equally and ratably secured (except as any sinking or other fund may afford additional special security for the Bonds of any particular series) by, an Indenture dated as of February 15, 1994 (as amended, supplemented and modified and in effect from time to time, the "Indenture"), executed by the Company to U.S. Bank National Association, as Trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a description of the nature and extent of the securities and other property assigned, pledged, transferred and mortgaged thereunder, the rights of the Holders of said Bonds and of the Trustee and of the Company in respect of such security, and the terms upon which said Bonds are and are to be authenticated and delivered.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Bonds under the Indenture at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Indenture. The Indenture also permits, with certain exceptions as therein provided, the amendment of the terms of Mortgage Notes pledged under the Indenture, and Mortgages and Loan Agreements pursuant to which they were issued, at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all Bonds, to waive compliance by the Company

<PAGE>

with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, said Bonds are issuable in series which may vary as in said Indenture provided or permitted. This Bond is one of a series entitled Floating Rate Collateral Trust Bonds due 2005.

U.S. Bank National Association will be the "Calculation Agent"

with respect to the Bonds. The Calculation Agent will notify the Company and the Trustee of each determination of the interest rate applicable to the Bonds promptly after the determination is made, as set forth below. The Calculation Agent will, upon the request of the holder of any Bond, provide the interest rate then in effect and if different, the interest rate which will become effective as a result of a determination made with respect to the most recent Interest Determination Date with respect to such Bond.

"Designated LIBOR Page" means the display on Moneyline Telerate (or any successor service) on Telerate 3750 (or any other page as may replace the page on the service) for the purpose of displaying the London interbank rates of major banks for United States dollars.

The "Interest Determination Date" pertaining to the beginning of an Interest Period will be the second London Business Day preceding the LIBOR Reset Date.

"LIBOR Reset Date" means the first date of any Interest Period.
<PAGE>

"London Business Day" means a day on which deposits in United States dollars are transacted in the London interbank market.

The per annum rate of interest for each Interest Period shall be 0.400% above LIBOR determined by the Calculation Agent in accordance with the following provisions:

(a) The Calculation Agent will determine the offered rate for deposits in United States dollars for the three-month period commencing on the applicable LIBOR Reset Date, that appears on the Designated LIBOR Page as of 11:00 A.M., London Time, on the Interest Determination Date. If fewer than two offered rates appear or no rate appears, LIBOR on the Interest Determination Date will be determined in accordance with the provisions described in paragraph (b) set forth below.

(b) With respect to an Interest Determination Date on which fewer than two offered rates appear or no rate appears on the Designated LIBOR Page as specified in (a) above, LIBOR will be determined according to the procedures described below.

(i) The Calculation Agent will request the principal London offices of each of four major reference banks (which may include affiliates of the underwriters) in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in United States dollars for the three-month period commencing on the first day of the relevant Interest Period, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on the Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in the market at the time.
<PAGE>

(ii) If at least two quotations are so provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the quotations.

(iii) If fewer than two quotations are so provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., London time, in the applicable principal financial center, on the Interest Determination Date by three major banks (which

may include affiliates of the underwriters) in the principal financial center selected by the Calculation Agent for loans in United States dollars to leading European banks for the three-month period and in a principal amount that is representative for a single transaction in United States dollars in the market at the time.

(iv) If the banks so selected by the Calculation Agent are not quoting as provided above, LIBOR determined as of the Interest Determination Date will be LIBOR in effect on that Interest Determination Date.

The Company may not redeem Bonds of this series prior to maturity.

If an Event of Default, as defined in the Indenture, shall occur, the principal of this Bond may become or be declared due and payable, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof in person or by attorney authorized in writing, at the office or agency of the Company referred to on the face hereof and at such other offices or agencies as may be maintained for such purpose, upon surrender of this Bond, and upon any such transfer a new Bond of the same series, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

<PAGE>

The Bonds of this series are issuable only as registered Bonds without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in, and subject to the provisions of, the Indenture, Bonds of this series are exchangeable for other Bonds of this series of a different authorized denomination or denominations, as requested by the Holder surrendering the same.

No service charge will be made for any such transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for transfer at any office or agency of the Company designated for such purpose, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Bond be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

<PAGE>

ASSIGNMENT

For value received the undersigned sells, assigns and transfers unto (name, address including zip code and taxpayer I.D. or Social Security number of assignee) _____

_____ the within Certificate and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Certificate on the

books kept for registration thereof with full power of substitution on the premises.

Dated: _____

Signature by or on behalf of
Assignor

<PAGE>

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Certificate No.: 1

CUSIP No.: 637432CX1

ISIN No.: US637432CX14

COMMON CODE No.: 016271225

PRINCIPAL AMOUNT: \$500,000,000

MATURITY DATE: February 15, 2006

CERTIFICATE INTEREST RATE: 3.000%

ISSUE DATE: February 7, 2003

FRACTIONAL SHARE: 100%

3.000% COLLATERAL TRUST BOND DUE 2006

National Rural Utilities Cooperative Finance Corporation, a District of Columbia cooperative association (hereinafter called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of \$500,000,000 on February 15, 2006, and to pay interest thereon as set forth below, until the principal hereof is paid or made available for payment. Interest for the Bonds is payable on the 15th day of February and August (each, an "Interest Payment Date"), in each year, commencing August 15, 2003, for the period commencing on and including the immediately preceding Interest Payment Date and ending on and including the day next preceding the Interest Payment Date (an "Interest Period"), with the exception that the first Interest Period shall commence on the date of original
<PAGE>

issuance. Interest will be paid to registered holders of Bonds at the close of business on the fifteenth day (the "Regular Record Date") preceding the Interest Payment Date.

The Bonds will bear interest at an interest rate per annum of 3.000%. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such Regular

Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Bondholders not less than 10 days prior to such Special Record Date, all as more duly provided in such Indenture. Payment of the principal of and interest on this Bond will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of U.S. Bank National Association, the successor Trustee under such Indenture, or its successor thereunder, by manual signature, this Bond shall not be entitled to any benefit under such Indenture, or be valid or obligatory for any purpose.

<PAGE>

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

By: _____
Steven L. Lilly
Chief Financial Officer

(Seal)

Dated: February 7, 2003

Attest:

By: _____
Assistant Secretary-Treasurer

Trustee's Certificate of
Authentication

This is one of the Bonds,
of the series designated therein,
described in the within-
mentioned Indenture.

By: U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Officer

<PAGE>

REVERSE OF BOND

This Bond is one of an authorized issue of Bonds of the Company known as its "Collateral Trust Bonds", issued and to be issued in one or more series under, and all equally and ratably secured (except as any sinking or other fund may afford additional special security for the Bonds of any particular series) by, an Indenture dated as of February 15, 1994 (as amended,

supplemented and modified and in effect from time to time, the "Indenture"), executed by the Company to U.S. Bank National Association, as Trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a description of the nature and extent of the securities and other property assigned, pledged, transferred and mortgaged thereunder, the rights of the Holders of said Bonds and of the Trustee and of the Company in respect of such security, and the terms upon which said Bonds are and are to be authenticated and delivered.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Bonds under the Indenture at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Indenture. The Indenture also permits, with certain exceptions as therein provided, the amendment of the terms of Mortgage Notes pledged under the Indenture, and Mortgages and Loan Agreements pursuant to which they were issued, at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all Bonds, to waive compliance by the Company

<PAGE>

with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, said Bonds are issuable in series which may vary as in said Indenture provided or permitted. This Bond is one of a series entitled 3.000% Collateral Trust Bond due 2006.

The Company may redeem Bonds of this series at any time, in whole or in part, at a redemption price equal to the greater of (1) the principal amount being redeemed or (2) the sum of the present values of the remaining scheduled payments of the principal and interest (other than accrued interest) on the Bonds being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points, plus in each case accrued interest to the redemption date.

"Treasury Rate" means, for any redemption date, the rate per annum equal to the semi annual equivalent yield to maturity 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 the redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Bonds being 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 of such Bonds.

<PAGE>

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Comparable Treasury Price" means, for any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if that release (or any successor release) is not published or does not contain those prices on that business day, (A) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations for that redemption date, of (B) if fewer than four Reference Treasury Dealer Quotations are obtained, the average of all the Reference Treasury Dealer Quotations obtained.

"Reference Treasury Dealer Quotations" means, for each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, 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 Trustee by the Reference Treasury Dealer at 5:00 p.m. New York City time on the third business day preceding the redemption date.

"Reference Treasury Dealer" means (1) each of ABN AMRO Incorporated, Banc of America Securities LLC, J.P. Morgan Securities Inc. and Lehman Brothers Inc., and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in New York City, the Company will appoint another primary U.S. Government securities dealer as a substitute and (2) any other U.S. Government securities dealers selected by the Company.

<PAGE>

If the Company elects to redeem less than all of the Bonds of this series, and such Bonds are at the time represented by a global security, then the depository will select by lot the particular interest to be redeemed. If the Company elects to redeem less than all of the Bonds of this series, and such Bonds are not represented by a global security, then the Trustee will select the particular Bonds to be redeemed in the manner it deems appropriate and fair.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the date of redemption to each holder of the Bonds to be redeemed. Unless the Company defaults in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on such Bonds or the portions called for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of this Bond may become or be declared due and payable, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof in person or by attorney authorized in writing, at the office or agency of the Company referred to on the face hereof and at such other offices or agencies as may be maintained for such purpose, upon surrender of this Bond, and upon any such transfer a new Bond of the same series, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Bonds of this series are issuable only as registered Bonds without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in, and subject to the provisions of, the Indenture, Bonds of this series are exchangeable for other Bonds of this series of a different authorized denomination or denominations, as requested by the Holder surrendering the same.
<PAGE>

No service charge will be made for any such transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for transfer at any office or agency of the Company designated for such purpose, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Bond be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.
<PAGE>

ASSIGNMENT

For value received the undersigned sells, assigns and transfers unto (name, address including zip code and taxpayer I.D. or Social Security number of assignee) _____

_____ the within Certificate and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Certificate on the books kept for registration thereof with full power of substitution on the premises.

Dated: _____

Signature by or on behalf of
Assignor

<PAGE>

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Certificate No.: 2

CUSIP No.: 637432CX1

ISIN No.: US637432CX14

COMMON CODE No.: 016271225

PRINCIPAL AMOUNT: \$100,000,000

MATURITY DATE: February 15, 2006

CERTIFICATE INTEREST RATE: 3.000%

ISSUE DATE: February 7, 2003

FRACTIONAL SHARE: 100%

3.000% COLLATERAL TRUST BOND DUE 2006

National Rural Utilities Cooperative Finance Corporation, a District of Columbia cooperative association (hereinafter called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of \$100,000,000 on February 15, 2006, and to pay interest thereon as set forth below, until the principal hereof is paid or made available for payment. Interest for the Bonds is payable on the 15th day of February and August (each, an "Interest Payment Date"), in each year, commencing August 15, 2003, for the period commencing on and including the immediately preceding Interest Payment Date and ending on and including the day next preceding the Interest Payment Date (an "Interest Period"), with the exception that the first Interest Period shall commence on the date of original issuance. Interest will be paid to registered holders of Bonds at the close of business on the fifteenth day (the "Regular Record Date") preceding the Interest Payment Date.

<PAGE>

The Bonds will bear interest at an interest rate per annum of 3.000%. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Bondholders not less than 10 days prior to such Special Record Date, all as more duly provided in such Indenture. Payment of the principal of and interest on this Bond will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of U.S. Bank National Association, the successor Trustee under such Indenture, or its successor thereunder, by manual signature, this Bond shall not be entitled to any benefit under such Indenture, or be valid or obligatory for any purpose.

<PAGE>

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

By: _____
Steven L. Lilly
Chief Financial Officer

(Seal)

Dated: February 7, 2003

Attest:

By: _____
Assistant Secretary-Treasurer

Trustee's Certificate of
Authentication
This is one of the Bonds,
of the series designated therein,
described in the within-
mentioned Indenture.

By: U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Officer

<PAGE>

REVERSE OF BOND

This Bond is one of an authorized issue of Bonds of the Company known as its "Collateral Trust Bonds", issued and to be issued in one or more series under, and all equally and ratably secured (except as any sinking or other fund may afford additional special security for the Bonds of any particular series) by, an Indenture dated as of February 15, 1994 (as amended, supplemented and modified and in effect from time to time, the "Indenture"), executed by the Company to U.S. Bank National Association, as Trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a description of the nature and extent of the securities and other property assigned, pledged, transferred and mortgaged thereunder, the rights of the Holders of said Bonds and of the Trustee and of the Company in respect of such security, and the terms upon which said Bonds are and are to be authenticated and delivered.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Bonds under the Indenture at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Indenture. The Indenture also permits, with certain exceptions as therein provided, the amendment of the terms of Mortgage Notes pledged under the Indenture, and Mortgages and Loan Agreements pursuant to which they were issued, at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all Bonds, to waive compliance by the Company

<PAGE>

with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or

waiver is made upon this Bond.

As provided in the Indenture, said Bonds are issuable in series which may vary as in said Indenture provided or permitted. This Bond is one of a series entitled 3.000% Collateral Trust Bond due 2006.

The Company may redeem Bonds of this series at any time, in whole or in part, at a redemption price equal to the greater of (1) the principal amount being redeemed or (2) the sum of the present values of the remaining scheduled payments of the principal and interest (other than accrued interest) on the Bonds being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points, plus in each case accrued interest to the redemption date.

"Treasury Rate" means, for any redemption date, the rate per annum equal to the semi annual equivalent yield to maturity 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 the redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Bonds being 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 of such Bonds.

<PAGE>

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Comparable Treasury Price" means, for any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if that release (or any successor release) is not published or does not contain those prices on that business day, (A) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations for that redemption date, of (B) if fewer than four Reference Treasury Dealer Quotations are obtained, the average of all the Reference Treasury Dealer Quotations obtained.

"Reference Treasury Dealer Quotations" means, for each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, 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 Trustee by the Reference Treasury Dealer at 5:00 p.m. New York City time on the third business day preceding the redemption date.

"Reference Treasury Dealer" means (1) each of ABN AMRO Incorporated, Banc of America Securities LLC, J.P. Morgan Securities Inc. and Lehman Brothers Inc., and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in New York City, the Company will appoint another primary U.S. Government securities

dealer as a substitute and (2) any other U.S. Government securities dealers selected by the Company.

<PAGE>

If the Company elects to redeem less than all of the Bonds of this series, and such Bonds are at the time represented by a global security, then the depository will select by lot the particular interest to be redeemed. If the Company elects to redeem less than all of the Bonds of this series, and such Bonds are not represented by a global security, then the Trustee will select the particular Bonds to be redeemed in the manner it deems appropriate and fair.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the date of redemption to each holder of the Bonds to be redeemed. Unless the Company defaults in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on such Bonds or the portions called for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of this Bond may become or be declared due and payable, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof in person or by attorney authorized in writing, at the office or agency of the Company referred to on the face hereof and at such other offices or agencies as may be maintained for such purpose, upon surrender of this Bond, and upon any such transfer a new Bond of the same series, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Bonds of this series are issuable only as registered Bonds without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in, and subject to the provisions of, the Indenture, Bonds of this series are exchangeable for other Bonds of this series of a different authorized denomination or denominations, as requested by the Holder surrendering the same.

<PAGE>

No service charge will be made for any such transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for transfer at any office or agency of the Company designated for such purpose, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Bond be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

<PAGE>

ASSIGNMENT

For value received the undersigned sells, assigns and transfers unto (name, address including zip code and taxpayer I.D. or Social Security number of assignee) _____

_____ the within Certificate and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Certificate on the books kept for registration thereof with full power of substitution on the premises.

Dated: _____

Signature by or on behalf of
Assignor

<PAGE>

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Certificate No.: 1

CUSIP No.: 637432CY9

ISIN No.: US637432CY96

COMMON CODE No.: 016271195

PRINCIPAL AMOUNT: \$500,000,000

MATURITY DATE: February 15, 2008

CERTIFICATE INTEREST RATE: 3.875%

ISSUE DATE: February 7, 2003

FRACTIONAL SHARE: 100%

3.875% COLLATERAL TRUST BOND DUE 2008

National Rural Utilities Cooperative Finance Corporation, a District of Columbia cooperative association (hereinafter called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of \$500,000,000 on February 15, 2008, and to pay interest thereon as set forth below, until the principal hereof is paid or made available for payment. Interest for the Bonds is payable on the 15th day of February and August (each, an "Interest Payment Date"), in each year, commencing August 15, 2003, for the period commencing on and including the immediately preceding Interest Payment Date and ending on and including the day next preceding the Interest Payment Date (an "Interest Period"), with the exception that the first Interest Period shall commence on the date of original
<PAGE>

issuance. Interest will be paid to registered holders of Bonds at the close of business on the fifteenth day (the "Regular Record Date") preceding the Interest Payment Date.

The Bonds will bear interest at an interest rate per annum of 3.875%. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Bondholders not less than 10 days prior to such Special Record Date, all as more duly provided in such Indenture. Payment of the principal of and interest on this Bond will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of U.S. Bank National Association, the successor Trustee under such Indenture, or its successor thereunder, by manual signature, this Bond shall not be entitled to any benefit under such Indenture, or be valid or obligatory for any purpose.

<PAGE>

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

By: _____
Steven L. Lilly
Chief Financial Officer

(Seal)

Dated: February 7, 2003

Attest:

By: _____
Assistant Secretary-Treasurer

Trustee's Certificate of
Authentication
This is one of the Bonds,
of the series designated therein,
described in the within-
mentioned Indenture.

By: U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Officer

<PAGE>

REVERSE OF BOND

This Bond is one of an authorized issue of Bonds of the Company known as its "Collateral Trust Bonds", issued and to be issued in one or

more series under, and all equally and ratably secured (except as any sinking or other fund may afford additional special security for the Bonds of any particular series) by, an Indenture dated as of February 15, 1994 (as amended, supplemented and modified and in effect from time to time, the "Indenture"), executed by the Company to U.S. Bank National Association, as Trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a description of the nature and extent of the securities and other property assigned, pledged, transferred and mortgaged thereunder, the rights of the Holders of said Bonds and of the Trustee and of the Company in respect of such security, and the terms upon which said Bonds are and are to be authenticated and delivered.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Bonds under the Indenture at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Indenture. The Indenture also permits, with certain exceptions as therein provided, the amendment of the terms of Mortgage Notes pledged under the Indenture, and Mortgages and Loan Agreements pursuant to which they were issued, at any time by the Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all Bonds, to waive compliance by the Company

<PAGE>

with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, said Bonds are issuable in series which may vary as in said Indenture provided or permitted. This Bond is one of a series entitled 3.875% Collateral Trust Bond due 2008.

The Company may redeem Bonds of this series at any time, in whole or in part, at a redemption price equal to the greater of (1) the principal amount being redeemed or (2) the sum of the present values of the remaining scheduled payments of the principal and interest (other than accrued interest) on the Bonds being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, plus in each case accrued interest to the redemption date.

"Treasury Rate" means, for any redemption date, the rate per annum equal to the semi annual equivalent yield to maturity 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 the redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Bonds being 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 of such Bonds.

<PAGE>

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Comparable Treasury Price" means, for any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if that release (or any successor release) is not published or does not contain those prices on that business day, (A) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations for that redemption date, of (B) if fewer than four Reference Treasury Dealer Quotations are obtained, the average of all the Reference Treasury Dealer Quotations obtained.

"Reference Treasury Dealer Quotations" means, for each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, 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 Trustee by the Reference Treasury Dealer at 5:00 p.m. New York City time on the third business day preceding the redemption date.

"Reference Treasury Dealer" means (1) each of ABN AMRO Incorporated, Banc of America Securities LLC, J.P. Morgan Securities Inc. and Lehman Brothers Inc., and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in New York City, the Company will appoint another primary U.S. Government securities dealer as a substitute and (2) any other U.S. Government securities dealers selected by the Company.

<PAGE>

If the Company elects to redeem less than all of the Bonds of this series, and such Bonds are at the time represented by a global security, then the depository will select by lot the particular interest to be redeemed. If the Company elects to redeem less than all of the Bonds of any series, and such Bonds are not represented by a global security, then the Trustee will select the particular Bonds to be redeemed in the manner it deems appropriate and fair.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the date of redemption to each holder of the Bonds to be redeemed. Unless the Company defaults in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on such Bonds or the portions called for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of this Bond may become or be declared due and payable, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof in person or by attorney authorized in writing, at the office or agency of the Company referred to on the face hereof and at such other offices or agencies as may be maintained for such purpose, upon surrender of this Bond, and upon any

such transfer a new Bond of the same series, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Bonds of this series are issuable only as registered Bonds without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in, and subject to the provisions of, the Indenture, Bonds of this series are exchangeable for other Bonds of this series of a different authorized denomination or denominations, as requested by the Holder surrendering the same.
<PAGE>

No service charge will be made for any such transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for transfer at any office or agency of the Company designated for such purpose, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Bond be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

<PAGE>

ASSIGNMENT

For value received the undersigned sells, assigns and transfers unto (name, address including zip code and taxpayer I.D. or Social Security number of assignee) _____

_____ the within Certificate and does hereby irrevocably constitute and appoint _____

_____ attorney to transfer the said Certificate on the books kept for registration thereof with full power of substitution on the premises.

Dated: _____

Signature by or on behalf of
Assignor

</TEXT>

</DOCUMENT>

</SEC-DOCUMENT>

-----END PRIVACY-ENHANCED MESSAGE-----