



Number: 2006-08
Date: June 6, 2006

FEDERAL HOUSING FINANCE BOARD

Resolution and Order Regarding the Issuance of Subordinated Notes
By The Federal Home Loan Bank of Chicago

WHEREAS, on April 18, 2006, the Federal Housing Finance Board (Finance Board) adopted Resolution Number 2006-06, which approved the issuance of \$1 billion of subordinated notes (Notes) by the Federal Home Loan Bank of Chicago (Bank) and addressed other related matters;

WHEREAS, the Finance Board approved the issuance on the condition that payments on the Notes would be subordinate to payments due on any consolidated obligations for which the Bank may become liable, but did not otherwise address the relative priorities of payments due on the Notes and payments due in connection with the redemption of the Bank's capital stock;

WHEREAS, the terms of the Notes require that the Bank defer the payment of interest if the Bank does not satisfy any Minimum Regulatory Leverage Ratio, as defined in the Notes, and the statute under which the Bank operates separately prohibits the Bank from redeeming stock if the Bank fails to satisfy any minimum capital requirement or would fail such requirement after making such redemptions, 12 U.S.C. § 1426(f);

WHEREAS, the Finance Board has determined that it is appropriate to take certain additional actions with respect to the Notes to clarify the relative priority for payments due on the Notes and payments due on the redemption of Bank stock, and to address certain other matters; and

WHEREAS, the Finance Board included in Resolution Number 2006-06 certain provisions authorizing the Director of the Office of Supervision and the General Counsel to determine whether and how to apply certain of the Finance Board's regulations to the issuance of the Notes, and authorized the Office of Finance to act as agent for the Bank in issuing and servicing the Notes, which authorizations have proven not to be necessary for the issuance of the Notes.

NOW, THEREFORE, IT IS RESOLVED that pursuant to the authority conferred by sections 2A, 2B, and 11(a) of the Federal Home Loan Bank Act (Bank Act), 12 U.S.C. §§ 1422a, 1422b, and 1431(a), in the event that the Bank, on a particular date, is obligated to make payments of principal or interest on the Notes and also is obligated to redeem any shares of its capital stock, the Bank shall ensure that the timely payment of such principal and interest shall be given priority over, and shall be paid in full in advance of, any payment to or redemption of shares from any holder of such capital stock, including shares that are subject to mandatory redemption;

Resolution Number 2006-08

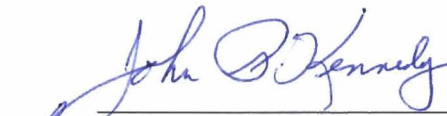
Page 2 of 2

IT IS FURTHER RESOLVED that pursuant to the authority conferred by sections 2A, 2B, 11(a), and 26 of the Bank Act, 12 U.S.C. §§ 1422a, 1422b, 1431(a), and 1446, in the event that the Finance Board determines to liquidate or reorganize the Bank pursuant to section 26 of the Bank Act, the Finance Board shall cause the Bank, its receiver, conservator, or other successor, as applicable, to pay or make provision for the payment of all liabilities of the Bank, including those evidenced by the Notes, before making any payment to, or redeeming any shares of, capital stock issued by the Bank, including shares of stock for which a claim for mandatory redemption has arisen, in accordance with the provisions of section 26;

IT IS FURTHER RESOLVED that in accordance with 12 U.S.C. § 1443, the Finance Board hereby authorizes the Bank to issue the Notes in any one or more of, or all of, uncertificated form, utilizing a book entry system, or in certificated form, on such terms and in accordance with such practices as may be advisable to the Bank in its discretion; and

IT IS FURTHER RESOLVED that the Finance Board has determined that the concepts and procedures embodied in 12 C.F.R. §§ 966.5, 966.6, and 966.7 and in 12 C.F.R. part 987 that apply to consolidated obligations issued by the Federal Home Loan Banks shall not be applied to the Notes, and acknowledges that the Office of Finance will not act as agent for the Chicago Bank in connection with the issuance and servicing of the Notes.

By the Board of Directors
of the Federal Housing Finance Board



Ronald A. Rosenfeld
Chairman