

# Certificate of Deposit disclosure statement

The information contained in this Disclosure Statement may not be modified by any oral representation made prior or subsequent to the purchase of your Certificate of Deposit.

Hewitt Financial Services, the broker-dealer distributing this Disclosure Statement (the "Firm"), is making certificates of deposit ("CDs") available to its customers. Each CD is a deposit obligation of a depository institution domiciled in the U.S. or one of its territories (an "Issuer"), the deposits and accounts of which are insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits described below. The CDs are made available pursuant to an arrangement between the Firm and another broker-dealer or bank that has entered into an agreement with the Issuer to offer the CDs. Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of the Firm. CDs may be purchased both upon issuance (the "primary market") and in the secondary market. If purchased in the primary market, the Firm will advise you of the date on which your CD will be established with the Issuer (the "Settlement Date").

Some CDs may be subject to redemption on a specific date or dates at the sole discretion of the Issuer (a "Call"). These CDs are described in the section headed "Terms of the CDs." This Disclosure Statement is intended for use with callable and non-callable CDs. It is not intended to be used exclusively, or relied upon, for index-linked CDs offered through the Firm. The Firm will provide separate or supplemental disclosure for index-linked CDs.

The Firm will advise you of the names of Issuers currently making CDs available. Upon request, you will be provided with financial information concerning the Issuer of a CD that you would receive upon request if you established a deposit account directly with the Issuer. The financial condition of each Issuer or depository institution may differ. The Firm, however, is not obligated to monitor or advise you with regard to the financial condition of the issuing depository institution while your CD is outstanding. The Firm does not guarantee in any way the financial condition of any Issuer or the accuracy of any financial information provided by the Issuer.

The Issuer may use proceeds from the sale of the CDs for any purpose permitted by law and its charter, including making loans to eligible borrowers and investing in permissible financial products. The Firm or one of its affiliates may from time to time act as a broker or dealer in the sale of permissible financial products to the Issuer.

**The extent of, and limitations on, federal deposit insurance are discussed below in the sections headed "Deposit Insurance" and "Deposit Insurance for CDs Purchased by Retirement Plans and Accounts."**

## Terms of CDs

The maturities, rates of interest and interest payment terms of CDs available through the Firm will vary. Both interest-bearing and zero-coupon CDs may be available. You should review carefully the trade confirmation and any supplement to this Disclosure Statement for a description of the terms of the CD. You should also review the investment considerations discussed below in "Important Investment Considerations."

The CDs will mature on the date indicated on the trade confirmation. The CDs will not be automatically renewed or rolled over and interest on the CDs will not continue to accrue or (in the case of zero-coupon CDs) accrete after maturity. At maturity the CD balances will be remitted by the Issuer to the Firm and credited to your account with the Firm. If the maturity date is not a business day, the CD balances will be paid on the next succeeding business day. A "business day" shall be a day on which the New York Stock Exchange and the banks in both the Issuer's domicile and New York are open for business.

## Interest-Bearing CDs

Interest-bearing CDs pay interest at either a fixed rate or at a variable rate. A fixed rate CD will pay the same interest rate throughout the life of the CD. The interest rate on variable rate CDs may increase or decrease from the initial rate at pre-determined time periods ("step-rates") or may be re-set at specified times based upon the change in a specific index or indices ("floating rates"). The dates on which the rates on step-rate CDs will change or the rates on floating rate CDs will re-set, as well as a description of the basis on which the rate will be re-set, will be set forth on the trade confirmation and/or a supplement to this Disclosure Statement.

Unless otherwise specified in the trade confirmation or any supplement to this Disclosure Statement, interest earned on interest-bearing CDs with original maturities of one year or less will be paid at the maturity of such CDs and interest earned on interest-bearing CDs with original maturities of more than one year will be paid monthly, quarterly, semiannually or annually and at maturity. Interest on variable rate CDs will be re-set periodically and interest will be paid monthly, quarterly, semiannually or annually and at maturity as specified on the trade confirmation or any supplement to this Disclosure Statement.

Interest payments on interest-bearing CDs are automatically credited to your account with the Firm. Interest will accrue up to, but not including, the interest payment date, the maturity date or any call date. If an interest payment date falls on a day that is not a business day, interest will be paid on the first business day following the interest payment date. For specific rate information for any interest period, please contact the Firm.

Interest on CDs is not compounded. Interest on CDs in the primary market is calculated on the basis of the actual number of days elapsed over a 365 day year. However, the amount of interest on CDs that are purchased in the secondary market may be based on other interest rate calculations. Please contact the Firm with questions concerning the interest rate calculation on a secondary market CD.

## Zero-Coupon CDs

Zero-coupon CDs do not bear interest, but rather are issued at a substantial discount from the face or par amount, the minimum amount of which is \$1,000. Interest on the CD will "accrete" at an established rate and the holder will be paid the par amount at maturity.

## Call Feature

Callable CDs are subject to redemption on a specified date or dates **at the sole discretion of the Issuer.** If the CD is called, you will be paid the outstanding principal amount and interest accrued or accreted up to, but not including, the call date. The dates on which the CD may be called will be specified in the trade confirmation or a supplement to this Disclosure Statement. See the "Important Investment Considerations" section below for important information about callable CDs.

## Your Relationship with the Firm and the Issuer

You will not receive a passbook, certificate or other evidence of ownership of the CD from the Issuer. The CDs are evidenced by one or more master certificates issued by the Issuer, each representing a number of individual CDs. These master certificates are held by The Depository Trust Company ("DTC"), a sub-custodian which is in the business of performing such custodial services. The Firm or its clearing agent, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation of your purchase. You will also be provided with a periodic account statement from the Firm or its clearing agent which will reflect your CD ownership. You should retain the trade confirmation and the account statement(s) for your records. The purchase of a CD from the Firm is not recommended for persons who wish to take actual possession of a certificate.

Your account statement from the Firm or its clearing agent may provide an estimate of the price you might receive on some or all of your CDs if you were able to sell them prior to maturity. Any prices on your statement are estimates and are not based on actual market prices. You should ask the Firm to explain its statement pricing policies. Your deposit insurance coverage and, if your CD is callable, the amount you would receive if your CD is called, will be determined based on the outstanding principal amount of your CD, or the accreted value in the case of a zero-coupon CD, not the estimated price. See the sections headed "Deposit Insurance" and "Secondary Market."

Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of the Firm. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by the Issuer.

If you choose to remove the Firm as your agent with respect to your CD, you may (i) transfer your CD to another agent, provided that the agent is a member of DTC (most major brokerage firms are members; many banks and savings associations are not); or (ii) request that your ownership of the CD be evidenced directly on the books of the Issuer, subject to applicable law and the Issuer's terms and conditions, including those related to the manner of evidencing CD ownership. If you choose to remove the Firm as your agent, the Firm will have no further responsibility for payments made with respect to your CD. If you establish your CD on the books of the Issuer, the CD may lose its secondary market negotiability, but you will have the ability to enforce your rights in the CD directly against the Issuer.

## Important Investment Considerations

### Buy and Hold

**CDs are most suitable for purchasing and holding to maturity and you should be prepared to hold your CD to maturity. If your CD is callable by the Issuer, you should be prepared to hold it to its maturity or call dates, and you should not rely on a call feature in any CD for gaining access to your funds prior to maturity. If you believe that you may need access to, or may need to dispose of, your CD prior to maturity, your only alternative is to sell the CD in the secondary market, if one exists. Though not obligated to do so, the Firm may maintain a secondary market in CDs after their Settlement Date.** If you are able to sell your CD, the price you receive will reflect prevailing market conditions and your sales proceeds may be less than the amount you paid for your CD. If you wish to dispose of your CD prior to maturity, you should read with special care the sections headed "Additions or Withdrawals" and "Secondary Market." Because secondary market sales are the only alternative for gaining access to the funds invested in a CD prior to maturity and you may lose a portion of your initial investment if you sell in the secondary market, you should consider carefully whether an investment in a CD with a maturity greater than one year after the date of original issuance, or purchase in the secondary market, is appropriate for you. Secondary market risks for callable and stepped rate CDs may be greater than for other CDs as noted below.

### Compare Features

You should compare the rates of return and other features of the CDs to other available investments before deciding to purchase a CD. The rates paid with respect to the CDs may be higher or lower than the rates on deposits or other instruments available directly from the Issuer or through the Firm.

### Information About Callable CDs

- **Callable CDs present different investment considerations than CDs not subject to call by the Issuer and may not be appropriate for every investor. You should carefully review the trade confirmation and/or any supplement to this Disclosure Statement for the terms of the CD including the time periods when the Issuer may call the CD.**
- **The Issuer decides in its sole discretion whether to call a CD before maturity in accordance with the CD's terms. The Issuer is not obligated to call the CDs. The Firm does not control or influence whether or when an Issuer decides to**

exercise a call. You should be aware that the Issuer will call the CDs, if at all, when it is most advantageous for the Issuer to do so without reference to your investment needs. The Issuer is most likely to call the CDs when interest rates on comparable deposit obligations are lower than the interest rate paid on the CDs.

- Depending on the terms of the CDs, you may face the risk that:
  - (i) the CD may be paid off prior to maturity as a result of a call by the Issuer and your return would be less than the yield which the CD would have earned had it been held to maturity;
  - (ii) if the CD is called by the Issuer, you may be unable to reinvest your funds at the same rate as the original CD; or
  - (iii) the CD may not be called and you may be required to hold the CD until maturity.
- The Firm is not responsible to you for any losses you may incur as a result of an Issuer's decision to exercise or not exercise a call. You do not have the right to redeem the CDs (except for the limited early withdrawal rights described in this Disclosure Statement).
- Callable CDs may be called at a price that is less than the price you paid for the CD if you purchased the CD in the secondary market at a premium over the par amount (or accreted value).

## Information About Variable Rate CDs

### Variable Rate CDs

Variable rate CDs present different investment considerations than fixed rate CDs and may not be appropriate for every investor. Depending upon the type of variable rate CD (step-rate or floating rate) and the interest rate environment, the CD may pay substantially more or substantially less interest over the term of the CD than would be paid on a fixed rate CD of the same maturity. Furthermore, if the CD is subject to call by the Issuer, (i) you may not receive the benefits of any anticipated increase in rates paid on a variable rate CD if the CD is called or (ii) you may be required to hold the CD at a lower rate than prevailing market interest rates if the CD is not called. The schedule of stepped interest rates and calls will affect the secondary market value of the CD. You should carefully review your trade confirmation and/or any supplement to this Disclosure Statement that describes the step-rate or the basis for re-setting a floating rate and, if the CD is subject to call by the Issuer, the time periods at which the Issuer may call the CD.

### Insolvency of the Issuer

In the event the Issuer approaches insolvency or becomes insolvent, the Issuer may be placed in regulatory conservatorship or receivership with the FDIC typically appointed the conservator or receiver. The FDIC may thereafter pay off the CDs prior to maturity or transfer the CDs to another depository institution. If the CDs are transferred to another institution, you may be offered a choice of retaining the CDs at a lower interest rate or having the CDs paid off. See the sections headed "Deposit Insurance" and "Payments Under Adverse Circumstances."

### Reinvestment Risk

If your CD is paid off prior to maturity as a result of the Issuer's insolvency, exercise by the Issuer of any right to call the CD or a voluntary early withdrawal (see "Additions or Withdrawals"), you may be unable to reinvest your funds at the same rate as the original CD. The Firm is not responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

## SEC Investor Tips

The Securities and Exchange Commission periodically publishes tips for investors in various financial products, including CDs, on its Web site. You may access these investor tips at [www.sec.gov/investor/learn/investop.htm](http://www.sec.gov/investor/learn/investop.htm).

## Deposit Insurance

Except as provided below, your CDs are insured by the FDIC, an independent agency of the U.S. Government, to a maximum amount of \$100,000 (including principal and interest) for all deposits held in the same capacity per Issuer. Any accounts or deposits that you may maintain directly with a particular Issuer, or through any other intermediary in the same capacity in which the CDs are maintained, would be aggregated with the CDs for purposes of the \$100,000 limit. In the event an Issuer fails, interest-bearing CDs are insured, up to the \$100,000 limit, for principal and interest accrued to the date the Issuer is closed. Zero-coupon CDs are insured to the extent of the original offering price plus interest at the rate quoted to the depositor on the original offering, accreted to the date of the closing of the Issuer. Interest is determined for insurance purposes in accordance with federal law and regulations. The original offering price of a zero-coupon CD plus accreted interest is hereafter called the "accreted value".

Under certain circumstances, if you become the owner of CDs or other deposits at an Issuer because another depositor dies, beginning six months after the death of the depositor the FDIC will aggregate those deposits for purposes of the \$100,000 limit with any other CDs or deposits that you own in the same capacity at the Issuer. Examples of accounts that may be subject to this FDIC policy include joint accounts, "payable on death" accounts and certain trust accounts. The FDIC provides the six month "grace period" to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible.

You are responsible for monitoring the total amount of deposits that you hold with one Issuer in order for you to determine the extent of deposit insurance coverage available to you on your deposits, including the CDs. The Firm is not responsible for any insured or uninsured portion of the CDs or any other deposits.

**BY YOUR PURCHASE OF A CD YOU ARE DEEMED TO REPRESENT TO THE ISSUER AND THE FIRM THAT TO THE BEST OF YOUR KNOWLEDGE YOUR DEPOSITS WITH THE ISSUER (OR IF YOU ARE ACTING AS A CUS-**

**TODIAN, THE DEPOSITS OF THE BENEFICIARIES), INCLUDING THE CD, WHEN AGGREGATED IN ACCORDANCE WITH FDIC REGULATIONS, ARE WITHIN THE APPLICABLE DEPOSIT INSURANCE LIMITS.**

If your CDs or other deposits at the Issuer are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that you might have established with the acquirer until (i) the maturity date of the CDs or other time deposits which were assumed, or (ii) with respect to deposits which are not time deposits, the expiration of a six month period from the date of the acquisition. Thereafter, any assumed deposits will be aggregated with your existing deposits with the acquirer held in the same capacity for purposes of federal deposit insurance. Any deposit opened at the Issuer after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

**In the event that you purchase a CD in the secondary market at a premium over the par amount (or accreted value in the case of a zero-coupon CD), that premium, or any subsequent market appreciation, is not insured. Similarly, you are not insured for any premium reflected in the estimated market value of your CD on your account statement. If deposit insurance payments become necessary for the Issuer, you can lose the premium paid for your CD and will not receive any premium shown on your account statement. See the section headed "Secondary Market."**

The application of the \$100,000 federal deposit insurance limitation is illustrated by several common factual situations discussed below.

### Individual Customer Accounts

Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the CDs held in a Firm account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same capacity (including funds held in a sole proprietorship) and are insured up to \$100,000 in the aggregate.

### Custodial Accounts

Funds in accounts held by a custodian (for example, under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same capacity and are insured up to \$100,000 in the aggregate.

### Corporate, Partnership and Unincorporated Association Accounts

Funds in accounts owned by corporations (including Subchapter S corporations), partnerships and unincorporated associations, operated for a purpose other than to increase deposit insurance, are added together with other deposits owned by such corporation, partnership and unincorporated association, respectively, and are insured up to \$100,000 in the aggregate.

### Joint Accounts

An individual's interest in funds in all accounts held under any form of joint ownership valid under applicable state law may be insured up to \$100,000 in the aggregate, separately and in addition to the \$100,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by two persons would be eligible for insurance coverage of up to \$200,000 (\$100,000 for each person), subject to aggregation with each owner's interests in other Joint Accounts at the same depository institution. Joint Accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners.

### Revocable Trust Accounts

**General Rule.** Funds held in an account in which the owner evidences an intent that at his or her death the funds shall belong to one or more individuals (frequently referred to as a "Totten trust" account, "payable upon death" account or other type of revocable trust account (as determined under applicable state law)) will be aggregated with other funds of the owner held in an individual capacity at the Issuer and insured up to a maximum of \$100,000.

**Special Rule.** Revocable trust accounts will be insured as to each named beneficiary, separately from another account of the owner or the beneficiary, provided that: (i) the Firm's account records evidence an intention that upon the death of the owner the funds will belong to the owner's spouse, or to one or more parents, siblings, children or grandchildren and (ii) the beneficiaries of the revocable trust are specifically named in the Firm's account records. However, a revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account, and will be aggregated with other joint accounts subject to the rules described above under "Joint Accounts."

### Irrevocable Trust Accounts

Funds in an account established pursuant to one or more irrevocable trust agreements created by the same grantor (as determined under applicable state law) will be insured for up to \$100,000 for the interest of each beneficiary provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). The deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts at an Issuer created by the same grantor will be aggregated and insured up to \$100,000.

## Deposit Insurance for CDs Purchased by Retirement Plans and Accounts

### Retirement Plans and Accounts - Generally

You may have interests in various retirement plans and accounts that are holding the CDs of one Issuer. The amount of deposit insurance you will be entitled to, includ-

ing whether CDs held by the plan or account will be considered separately or aggregated with the CDs of the same Issuer held by other plans or accounts, will vary depending on the type of plan or account. It is therefore important to understand the type of plan or account holding the CD. The following sections entitled "Individual Retirement Accounts," "Pass-Through Deposit Insurance for Employee Benefit Plan Deposits" and "Aggregation of Retirement Plan and Account Deposits" generally discuss the rules that apply to deposits of retirement plans and accounts.

### Individual Retirement Accounts

The CDs of one Issuer held in an individual retirement account (an "IRA") are insured up to \$100,000 in the aggregate. However, the CDs of one Issuer acquired by an IRA will be aggregated with the CDs of the same Issuer held by certain employee benefit plans in which the owner of the IRA has an interest. (See "Aggregation of Retirement Plan and Account Deposits.") Thus, the owner of an IRA will only be entitled to insurance of \$100,000 for CDs of the same Issuer held in plans and accounts that are subject to aggregation.

### Pass-Through Deposit Insurance for Employee Benefit Plan Deposits

Subject to the limitations discussed below, under FDIC regulations an individual's non-contingent interests of up to \$100,000 in the deposits of one Issuer held by many types of plans are eligible for insurance on a "pass-through" basis. This means that instead of an employee benefit plan's deposits at one Issuer being entitled to only \$100,000 of insurance in total per Issuer, each participant in the employee benefit plan is entitled to insurance of his or her interest in the employee benefit plan's deposits of up to \$100,000 per Issuer (subject to the aggregation of the participant's interests in different plans, as discussed below). The pass-through insurance provided to an individual as an employee benefit plan participant is in addition to the \$100,000 deposit insurance allowed on other deposits held by an individual with the Issuer.

A deposit held by an employee benefit plan that is eligible for pass-through insurance is *not* insured for an amount equal to the number of plan participants multiplied by \$100,000. For example, an employee benefit plan owns \$200,000 in CDs at one Issuer. The employee benefit plan has two participants, one with a vested non-contingent interest of \$170,000 and one with a vested non-contingent interest of \$30,000. In this case, the employee benefit plan's deposit would be insured up to only \$130,000; the individual with the \$170,000 interest would be insured up to the \$100,000 limit and the individual with the \$30,000 interest would be insured up to the full value of such interest.

The contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee benefit plan are not insured on a pass-through basis. Contingent interests of an employee in an employee benefit plan deposit are interests that are not capable of evaluation in accordance with FDIC rules, and are aggregated and insured up to \$100,000. Similarly, overfunded amounts are insured, in the aggregate for all participants, up to \$100,000 separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

Under federal law, whether an employee benefit plan deposit is entitled to pass-through deposit insurance coverage is based, in part, on (i) the type of employee benefit plan involved and (ii) the capital status of the Issuer at the time each deposit is made. These factors are discussed in detail below.

### Types of Employee Benefit Plans

The types of plans for which deposits may receive "pass-through" treatment are employee benefit plans, as defined in section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (including "Keogh Plans" of owner-employees described in section 401(d) of the Internal Revenue Code of 1986, as amended, whether or not they are technically "employee benefit plans" under ERISA ("ERISA Plans") and deferred compensation plans for certain employees of state or local governments or tax-exempt organizations ("Section 457 Plans"). (Collectively, ERISA Plans and Section 457 Plans are referred to herein as "Plans.") Plans eligible for pass-through treatment include a tax-qualified pension, profit-sharing or stock bonus plan, a governmental plan or a church plan.

### Capital Status of the Issuing Depository Institution

Pass-through coverage is not provided if, at the time a Plan deposit is accepted by an Issuer, the Issuer may not accept brokered deposits (i.e. deposits such as the CDs that are placed by an intermediary) under the applicable provisions of FDIC regulations. In general, whether an Issuer may accept brokered deposits depends upon the Issuer's capital level. The federal banking regulators have established categories to reflect an Issuer's capital level. If an Issuer's capital category is either "well capitalized," or is "adequately capitalized" and the Issuer has received the necessary brokered deposit waiver from the FDIC, then the Issuer may accept brokered deposits. If an Issuer is either "adequately capitalized" without a waiver from the FDIC or is in a capital category below "adequately capitalized," then the Issuer may not accept brokered deposits.

FDIC regulations provide an exception from this general rule on the availability of pass-through insurance coverage for employee benefit plan deposits when, although an Issuer is not permitted to accept brokered deposits, the Issuer is "adequately capitalized" and the depositor receives a written statement from the Issuer indicating that such deposits are eligible for insurance coverage on a pass-through basis.

### Written Statement

In order to assist Plans in determining the availability of pass-through deposit insurance, FDIC regulations require an Issuer to provide a written statement to persons administering or managing a Plan that includes both the Issuer's capital category and a representation regarding the availability of pass-through deposit insurance. The broker-dealer or bank that has entered into an agreement with the Issuer to offer the CDs will obtain the written statement from each Issuer at the time the deposit is made.

**In the event that an Issuer fails, the FDIC could elect to deny pass-through**

**deposit insurance for Plan deposits if the representations of an Issuer were false at the time the Plan deposit was made. If the requirements for pass-through deposit insurance are not met, coverage will be limited to \$100,000 per Plan, rather than per Plan participant. If a denial of pass-through treatment would be significant for a Plan, the Plan may wish to limit its deposits in one depository institution to \$100,000.**

### Aggregation of Plan and Account Deposits

Under FDIC regulations, an individual's interests in Plans maintained by the same employer or employee organization (

e.g., a union) which are holding deposits of the same Issuer will be insured for \$100,000 in the aggregate. In addition, under FDIC regulations an individual's interest in the CDs of one Issuer held by (i) IRAs, (ii) Section 457 Plans, (iii) self-directed Keogh Plans and (iv) self-directed defined contribution plans that are acquired by these plans and accounts will be insured for \$100,000 in the aggregate whether or not maintained by the same employer or employee organization.

### Questions About FDIC Deposit Insurance Coverage

If you have questions about basic FDIC insurance coverage, please contact the Firm. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity. You may also obtain information by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100) or by e-mail (dcaineternet@fdic.gov) or visiting the FDIC Web site at www.fdic.gov.

### Payments under Adverse Circumstances

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

As explained above, the maximum \$100,000 deposit insurance coverage applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you at the Issuer in the same capacity. The records maintained by the Issuer and the Firm or its clearing agent regarding ownership of CDs would be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to the Firm before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

Federal deposit insurance coverage for any CDs of a depository institution may be denied for, among other reasons, inaccurate or imprecise recordkeeping with respect to the beneficial ownership interests in the master certificates and the CDs. Issuing depository institutions will have no records of the beneficial owners of the CDs, and are only obligated to maintain records with respect to ownership of the master certificates, not the CDs evidenced thereby. Accordingly, each beneficial owner of a CD must rely on the Firm or its clearing agent, if any, and the beneficial owner's custodian, agent, trustee or nominee, if any, to maintain such records based upon information supplied by the beneficial owner. Failure by such person to maintain accurate, complete and precise records could result in the loss of federal deposit insurance for the CDs with respect to which the records are deficient.

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original par amount plus accrued interest (or the accreted value in the case of zero-coupon CDs) to the date of the closing of the relevant Issuer, as prescribed by law, and subject to the \$100,000 limitation. No interest or accreted value is earned on deposits from the time an Issuer is closed until insurance payments are received.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between paying the CD off and maintaining the deposit at a different rate. The Firm will advise you of your options in the event of a deposit transfer.

The Firm will not be obligated to you for amounts not covered by deposit insurance nor will the Firm be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, or (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal and accrued interest or the accreted value of a CD prior to its scheduled maturity or (iii) payment in cash of the principal and accrued interest or the accreted value of your CDs prior to maturity in connection with the liquidation of an Issuer or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD which had been purchased at a premium in the secondary market is based on the original par amount (or, in the case of a zero-coupon CD, its accreted value) and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, the Firm will not be obligated to credit your account with funds in advance of payments received from the FDIC.

### Additions or Withdrawals

No additions are permitted to be made to any CD. When you purchase a CD, you agree with the Issuer to keep your funds on deposit for the term of the CD. Accordingly, except as set forth below, no early withdrawals of interest-bearing CDs will be available. The early withdrawal provisions, if any, applicable to your CD may be more or less advantageous than the provisions applicable to other deposits available from the Issuer. Except for the limited exception below, once you invest in a CD, you may gain access to your invested funds prior to maturity only by selling the CD in the secondary market, where you may lose a portion of your original investment.

In the event of death or the adjudication of incompetence of the owner of a CD, early withdrawal of the entire CD will generally be permitted without penalty. Withdrawal of a portion of the owner's interest will not be permitted. Written verification acceptable to the Issuer will generally be required to permit early withdrawal under these circumstances. Therefore, you should not rely on an early withdrawal for gaining access to your funds prior to maturity or call.

Pursuant to the Internal Revenue Code, the beneficiary of an IRA (but not a Roth IRA) must begin making withdrawals from the IRA after age 70-1/2. CDs held in an IRA are not eligible for early withdrawal simply because the beneficiary must begin making mandatory withdrawals from the IRA. IRA beneficiaries should purchase CDs with maturities that correspond to the mandatory withdrawal requirements or look to the secondary market for liquidity. See the Section headed "Secondary Market."

In the event that a customer wishes to make an early withdrawal, and such withdrawal is permitted, the Firm endeavors to obtain funds for the customer as soon as possible. However, the Firm will not advance funds in connection with early withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date.

## Secondary Market

The Firm, though not obligated to do so, may maintain a secondary market in the CDs after their Settlement Date. If you wish to sell your CD prior to maturity and the Firm does not maintain a secondary market, the Firm may attempt to sell your CD in a secondary market maintained by another broker-dealer. The Firm cannot provide assurance that you will be able to sell your CDs prior to their maturity. In addition, a secondary market for the CDs may be discontinued at any time without notice. Therefore, you should not rely on any such ability to sell your CDs for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to maturity, or having access to proceeds prior to maturity. The Firm shall have no liability if it does not make a market in any CD or if it is not able to resell a CD.

In the event that a buyer is available at a time you attempt to sell your CD prior to its maturity, the price at which your CD is sold may result in a return to you which may differ from the yield which the CD would have earned had it been held to maturity or call, since the selling price for a CD in such circumstances will likely be based on a number of factors such as interest rate movements, time remaining until maturity or call, the Issuer's creditworthiness and other market conditions. Also, the price at which a CD may be sold if a secondary market is available will reflect a mark-down retained by the Firm. Similarly, the price you may pay for any CD purchased in the secondary market will include a mark-up established by the Firm. In the event you choose to sell a CD in the secondary market, you may receive less in sale proceeds than the original principal (par) amount of the CD or the estimated price on your account statement.

In the event that a CD is purchased in the secondary market at a premium over the par amount (or accreted value in the case of a zero-coupon CD), the premium is not insured. Therefore, if deposit insurance payments become necessary for the Issuer, the owner of a CD purchased in the secondary market can incur a loss of up to the amount of the premium paid for the CD. (Also see the section headed "Deposit Insurance.")

The uninsured premium being paid for an interest bearing CD can be determined from the price set forth on your trade confirmation. Price on CDs is expressed in relation to par (100.00). Any amount over 100.00 represents the premium. For example, if your trade confirmation states that the price for a CD purchased in the secondary market is 100.25, there is a premium that will not be insured by the FDIC. A price of 99.75 would not include a premium. The trade confirmation will also inform you if the CD has accrued interest, which will be insured as long as the par amount of CDs held by you in one capacity at the Issuer plus the accrued interest does not exceed \$100,000.

In the case of a zero-coupon CD purchased in the secondary market, the uninsured premium can initially be calculated by subtracting the accreted value from the "Gross Amount" paid. This uninsured premium does, however, decline over time. The accreted value of a zero-coupon CD, which is based upon the original issue yield and price, can be obtained at the time of purchase from the Firm.

If you purchase a callable CD in the secondary market at a premium, you will receive only the par amount if the CD is called.

## Fees

The Firm and the broker-dealer or bank arranging for the CDs to be offered will receive a placement fee from the Issuer in connection with your purchase of a CD. Except for the mark-up or mark-down discussed above in connection with secondary market transactions and a handling fee, if any, disclosed on your trade confirmation, you will not be charged any commissions in connection with your purchase of a CD.

## Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences of the ownership of the CDs. The discussion below does not purport to deal with all of the federal income tax consequences applicable to all potential CD owners and does not deal with owners of CDs other than original purchasers. Persons considering the purchase of the CDs should consult their own tax advisors and federal, state, local and any other income and estate tax laws relevant to their particular situations as well as any other taxing jurisdiction. The Firm or its clearing agent will, if applicable, provide you with an annual statement containing certain information relevant to the determination of the amount of interest or discount income with respect to your CDs upon which you will be taxed for the preceding year.

As used herein, the term "United States Holder" means a beneficial owner of a CD that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the

trust and (B) one or more United States persons have the authority to control all substantial decisions of the trust, or (v) a person otherwise subject to United States federal income taxation on a net basis in respect of such holder's ownership of a CD.

## United States Holders

**Zero-Coupon CDs.** Zero-coupon CDs will be treated as having been issued with original issue discount ("OID"). A portion of the discount from face value of a zero-coupon CD may be taxable to the holder of the CD each year as ordinary interest income, even though the cash attributable to this discount is not received by the holder until the maturity of the CD.

**Zero-Coupon CDs with a Maturity of One Year or Less.** In general, an individual or other holder that uses the cash method of accounting is not required to accrue OID on a zero-coupon CD with a maturity of one year or less. Any gain realized upon the sale, maturity, or other disposition of the zero-coupon CD will be treated as ordinary income to the extent of the holder's share of the OID inherent in such CD, calculated on a straight-line basis (or, if elected, under a constant yield method based on daily compounding). Holders that use the accrual method of accounting are required to accrue OID on a straight-line basis unless an election is made to accrue the OID under a constant yield method based on daily compounding.

**Zero-Coupon CDs with a Maturity of More Than One Year.** A holder of a zero-coupon CD with a maturity of more than one year will be required to include OID on the CD as interest income during each taxable year that the holder owns the CD, regardless of whether the holder uses the cash or accrual method of accounting. A holder will realize gain or loss on the sale, early withdrawal, maturity or other disposition of such CD equal to the difference between (i) the amount received by the holder on the disposition of the CD and (ii) the amount the holder paid to acquire the CD with such amount paid being increased by the amount of OID previously taxed to the holder with respect to the CD.

**Fixed Rate Interest-Bearing CDs.** Interest paid on a fixed rate interest-bearing CD is generally taxable each year as ordinary income to the holder in accordance with the holder's method of accounting. A holder will realize gain or loss on the sale, early withdrawal, maturity or other disposition of a CD equal to the difference between (i) the amount received by the holder on the disposition of the CD and (ii) the amount the holder paid to acquire the CD. For this purpose, the amount received does not include any amount attributable to accrued and unpaid interest on the CD, which amount is treated as interest income. Gain or loss generally will be long-term capital gain or loss if the CD were held for more than one year.

**Variable Rate CDs.** Variable rate CDs may be treated as issued with OID. Accordingly, a holder of a variable rate CD may be required to include OID on the CD as interest income during each taxable year that the holder owns the CD, regardless of whether the holder uses the cash or accrual method of accounting and whether the current receipt of cash from the CD equals the OID included in income for such year. Prospective holders of variable rate CDs will be provided with a supplemental disclosure statement describing the tax rules that apply to such CDs.

**IRAs and Keogh Plans.** Notwithstanding the general rules set forth above, the tax liability on interest paid or OID accrued, as the case may be, on CDs held by traditional IRAs and Keogh Plans generally is postponed until actual distribution of the interest or OID accrued, as the case may be, to the beneficiaries of these plans. Interest income generally accumulates in a Roth IRA tax-free, and if certain criteria are met, distributions from the Roth IRA will not be taxed.

**Backup Withholding.** Certain non-corporate holders of the CDs may be subject to backup withholding at a rate of 31% or information reporting requirements on payments of principal and interest on, and the proceeds of disposition of, the CDs. Backup withholding will apply only if (i) under certain circumstances, the holder fails to certify (on an Internal Revenue Service Form W-9 or substantially similar form), under penalty of perjury, that it has furnished a correct Taxpayer Identification Number ("TIN") and has not been notified by the Internal Revenue Service that it is subject to backup withholding for failure to report dividend or interest payments, (ii) the holder has been notified by the Internal Revenue Service that it has failed to properly report payments of dividends and interest, (iii) the holder fails to furnish its TIN, or (iv) the holder furnishes an incorrect TIN. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against such holder's United States federal income tax liability and may entitle such holder to a refund.

## Non-United States Holders

Interest or discount income, as the case may be, paid on CDs owned by a non-resident alien or foreign corporation is not subject to any United States federal income or withholding tax, provided that this income is not effectively connected with the conduct by such foreign purchaser of a CD of a trade or business within the United States. Such interest or discount income and payment of the proceeds on the disposition of a CD generally will also be exempt from any United States information reporting or backup withholding requirements if the foreign purchaser provides the Firm (either directly or indirectly through a financial institution holding a CD as nominee for the foreign purchaser) with a Form W-8BEN (or a substitute statement in a form substantially similar to the Form W-8BEN) in which the foreign purchaser states his or its name and address and certifies, under penalty of perjury, that he or it is the beneficial owner of the CD and is not an individual citizen or resident of the United States or an entity formed in the United States, as the case may be. Any gain or income realized by a non-resident alien or foreign corporation upon the sale, early withdrawal, maturity or other disposition of a CD will not be subject to U.S. federal income or withholding tax, if (i) such gain or income is not effectively connected with a trade or business of the foreign purchaser in the United States, and (ii) in the case of a foreign purchaser who is a non-resident alien, the non-resident alien is not present in the United States for 183 days or more in the taxable year of the disposition. Special rules apply to CDs owned by foreign partnerships or foreign trusts. Prospective purchasers of the CDs should consult their own tax advisors concerning the tax consequences of ownership of a CD in their particular situations.