LPL Financial

Brokered CD Disclosure Statement

SUMMARY OF MATERIAL RISKS

1. Loss of Principal

If you choose to sell the CD prior to the maturity date, the pre-maturity sales price of the brokered CD may be less than its original purchase price. This will be particularly true if interest rates have risen since the time of the original sale.

2. Secondary Market

A secondary market for brokered CDs may be limited.

3. Call Features

Brokered CDs may include a provision that allows the issuing bank or other depository institution to "call" or redeem the CD prior to maturity at a given price. Call features typically are exercised when a brokered CD is trading at a premium to its call price in the secondary market. The call option is solely at the discretion of the issuer.

If a brokered CD is "called," investors seeking to reinvest their redeemed funds will be subject to reinvestment risk because interest rates may have fallen since the time they first purchased the brokered CD.

4. "Step Rate" CDs

Brokered CDs may also have "step-up" or "step-down" features. A "step-down" CD will pay an above-market interest rate for a defined period of time but will then "step-down" to a lower, predetermined rate that will be paid until maturity. Similarly, a "step-up" CD will generally pay a below market interest rate for a defined period of time but will "step-up" to a higher, predetermined rate that will be paid until maturity. The "step rate" on a brokered CD may be below or above prevailing market rates. "Step-up" and "step-down" brokered CDs are also subject to secondary market risk and often will include a call provision by the issuing depository institution that would likewise subject them to reinvestment risk. The initial rate on a "step rate" brokered CD cannot be used to calculate the yield to maturity.

5. Pricing

It may not be possible for LPL Financial to determine an accurate market value for a brokered CD. The actual value of a brokered CD may be different from its purchase price and the price estimate displayed on the client statement.

6. FDIC Insurance

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 and any amounts you may have invested in LPL Financial's Insured Cash Account Program with the same depository institution. LPL Financial is not responsible for any insured or uninsured portion of the CDs or any other deposits.

7. Brokered CD Offerings

LPL Financial will provide you with the names of Issuers currently making CDs available, but LPL Financial does not guarantee in any way the financial condition of any Issuer or the information an Issuer may provide. LPL Financial does not endorse, approve or research the Certificate of Deposit or the issuing financial institution.

LPL Financial

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 CD.

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. Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of the Firm. The Firm will provide you with the names of Issuers currently making CDs available, but the Firm does not guarantee in any way the financial condition of any Issuer or the information an Issuer may provide. CDs may be purchased both upon issuance (the "primary market") and in the secondary market.

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 insurance limit applicable to each insurable capacity (e.g., individual, joint, Individual Retirement Account, etc.) will be referred to as the "Maximum Applicable Deposit Insurance Amount." For purposes of the Maximum Applicable Deposit Insurance Amount, you must aggregate all deposits that you maintain with the Issuer in the same insurable capacity, including deposits you hold directly with an Issuer and deposits you hold through the Firm and other intermediaries. The extent of, and limitations on, federal deposit insurance are discussed below in the section headed "Deposit Insurance."

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 Firm 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. Some interest-bearing CDs may be subject to redemption on a specified date or dates at the discretion of the Issuer (a "call"). If the CD is called, you will be paid all principal and interest accrued up to, but not including, the call date. The dates on which the CD may be called will be specified in the trade confirmation.

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 accrued 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 accrued interest rate calculation on a secondary market CD.

Zero-Coupon CDs. Zero-coupon CDs do not bear interest, but rather are issued at a 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. You should also review the section below headed "Federal Income Tax Consequences."

Your Relationship with the Firm and the Issuer

You will not receive 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, a sub-custodian that is in the business of performing such custodial services. The Firm, 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 that will reflect your CD ownership. You should retain the trade confirmation and any account statements for your records. The purchase of a CD is not recommended for persons who want to take actual possession of a certificate

Your account statement from the Firm will provide an estimate of the price you might receive on your CDs if you were able to sell them prior to maturity. Prices on your statement are estimates and are not based on actual market prices. The Firm's pricing policies are set forth in your statement. Your deposit insurance coverage and, if your CD is callable, the amount you would receive if your CD were 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 below headed "Deposit Insurance" and "Secondary Market" for more information.

Each CD is 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 you agent with respect to your CD, you may (i) transfer your CD to another agent, provided that the agent is a member of the Deposit Trust Company (most major brokerage firms are members; many banks and savings institutions 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, you will have the ability to enforce your rights in a CD against the Issuer.

Important Investment Considerations

CDs are most suitable for purchasing and holding to maturity. Long-term CDs may not be appropriate for all investors. 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."

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.

Variable rate CDs present different investment considerations than fixed rate CDs and may not he 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.

You should also consider whether the CD is subject to call by the Issuer. The Issuer decides, in its sole discretion, when to call a callable CD. You should only invest callable CDs if you understand that the timing of the return of your principal may be uncertain and that you may not receive the benefits of any anticipated increase in rates paid on a variable rate CD.

In the event the Issuer approaches insolvency or becomes insolvent, the Issuer may be placed in regulatory conservatorship with the FDIC typically appointed as the conservator. As with any deposits of a depository institution placed in conservatorship, the CDs of Issuers for which a conservator has been appointed may be paid off prior to maturity or transferred to another depository institution. If the CDs are transferred to another institution, the new institution may offer you a choice of retaining the CD at a lower interest rate or having the CD paid off. See the sections headed "Deposit Insurance" and "Payments Under Adverse Circumstances."

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 decreased interest rate on an investment replacing your CD.

As explained below in the section headed "Federal Income Tax Consequences," you should also consider the tax consequences before investing in a particular CD.

The Securities and Exchange Commission periodically publishes tips for investors in various financial products, including CDs, on its website. You can access these investor tips at www.sec.gov.

Deposit Insurance

Your CDs are insured by the FDIC, an independent agency of the U.S. Government, to the Maximum Applicable Deposit Insurance Amount (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 Maximum Applicable Deposit Insurance Amount. In the event an Issuer fails, interest-bearing CDs are insured, up to the Maximum Applicable Deposit Insurance Amount, 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 Maximum Applicable Deposit Insurance Amount 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 your deposits with the Issuer (or if you are acting as a custodian, the deposits of the beneficiaries), including the CD, when aggregated in accordance with FDIC regulations, are within the Maximum Applicable Deposit Insurance Amount.

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 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), that premium is not insured. Therefore, if deposit insurance payments become necessary for the Issuer, the CD holder can lose the premium paid for the CD. See the section headed "Secondary Market."

Applying the Maximum Applicable Deposit Insurance Amount

The application of the Maximum Applicable Deposit Insurance Amount is illustrated by several common factual situations discussed below. Please note that the Maximum Applicable Deposit Insurance Amount can change. The examples below use the Maximum Applicable Deposit Insurance Amounts in effect after October 3, 2008, when they were temporarily increased. You can find additional examples and verify the currently applicable Maximum Applicable Deposit Insurance Amount in one of the FDIC's Deposit Insurance Guides, which can be accessed through www.fdic.gov/deposit/deposits/index.html.

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 $250,000 in the aggregate.

Custodial Accounts

Funds in accounts held by a custodian (for example, under the Uniform Gifts 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 $250,000 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 $250,000 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 $250,000 in the aggregate, separately and in addition to the

$250,000 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 $500,000 ($250,000 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, has signed an account agreement with the Firm and has a right of withdrawal on the same basis as the other co-owners.

Revocable Trust Accounts

General Rule

Funds in a "Totten trust" account, "payable upon death" account or other types of revocable trust accounts (as determined under applicable state law) will be aggregated with other funds of the grantor of the trust held in an individual capacity at the Issuer and insured up to a maximum of $250,000.

Special Rule

Revocable trust accounts will be insured as to each named beneficiary, separately from another account of the grantor or the beneficiary, provided that: (i) the trust document and the Firm's account records evidence an intention that upon the death of the grantor the funds will belong to the grantor's parents, siblings, spouse, or to one or more 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 for an irrevocable trust (as determined under applicable state law) will be insured for up to $250,000 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 $250,000.

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, including 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 Federal Deposit Insurance Corporation Reform Act of 2005 and regulations adopted by the FDIC to implement this law have made changes to the deposit insurance coverage of deposits held in retirement plans and accounts. 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 ("IRAs"

The CDs of one Issuer held in traditional, Roth, SEP and SIMPLE IRAs are insured up to $250,000 in the aggregate.

Pass-Through Deposit Insurance for Employee Benefit Plan Deposits.

Subject to the limitations discussed below, under FDIC regulations an individual's non-contingent interests in the deposits of any one Issuer held by many types of plans are eligible for insurance up to the

Maximum Applicable Deposit Insurance Amount on a "pass-through" basis. This means that instead of an employee benefit plan's deposits at one Issuer being entitled to only the Maximum Applicable Deposit Insurance Amount 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 up to the Maximum Applicable Deposit Insurance Amount 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 Maximum Applicable Deposit Insurance Amount 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 $250,000. For example, an employee benefit plan owns $400,000 in CDs at one Issuer. The employee benefit plan has two participants, one with a vested non-contingent interest of $300,000 and one with a vested non-contingent interest of $100,000. In this case, the employee benefit plan's deposit would be insured up to only $350,000; the individual with the $300,000 interest would be insured up to the $250,000 limit, and the individual with the $100,000 interest would be insured up to the full value of such interest.

The contingent interests of employees in an employee benefit plan and over-funded 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 Maximum Applicable Deposit Insurance Amount per Issuer. Similarly, over-funded amounts are insured, in the aggregate for all participants, up to Maximum Applicable Deposit Insurance Amount separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

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.

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 $250,000 in the aggregate.

Questions About FDIC Coverage

FDIC regulations treat various types of accounts and investor capacities differently. If you have questions about basic FDIC insurance coverage and coverage limits, 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 or type of account. You may also obtain information by contacting the FDIC, Division of Supervision and Consumer Protection, by letter (550 17th Street, NW, Washington, D.C. 20429), by phone (877) 275-3342) or by e-mail (consumer@fdic.gov) or by visiting the FDIC website (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. Instead of a direct insurance payment, the FDIC may elect to transfer your CD from an insolvent Issuer to a healthy institution, which can choose to assume the CD under the same terms or give you the option to pay off the CD or maintain the deposit at a different rate.

The Maximum Applicable Deposit Insurance Amount 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 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.

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 Maximum Applicable Deposit Insurance Amount. No interest or accreted value is earned on deposits from the time an Issuer is closed until insurance payments are received.

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.

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.

Pursuant to the Internal Revenue Code, the beneficiary of a traditional 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. The Firm cannot provide assurance that you will be able to sell your CDs prior to their maturity. In addition, the 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.

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, since the selling price for a CD in such circumstances will likely be based on a number of factors such as the denomination of the CD, interest rate movements, time remaining until maturity, and other market conditions. Also, the price you may pay for any CD purchased in the secondary market may include a mark-up established by the Firm. Similarly, the price at which a CD may be sold if a secondary market is available may reflect a markdown retained 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.

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 Maximum Applicable Deposit Insurance Amount.

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.

Under the arrangements established by the Firm with the Issuer, the Firm will receive a placement fee from the Issuer in connection with your purchase of a CD. Except for the mark-up or markdown 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 federal income tax consequences of owning the CDs will vary depending upon the terms of your CD and the type of account in which you hold your CD. In addition, there may be tax consequences upon the sale, early withdrawal or other disposition of your CD. These tax consequences may differ for non-US persons. 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 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 below, 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 the United States federal income taxation regardless of its sources, (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 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 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 unless the holder elects to do so. If such an election is not made, 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. In the case of individuals, the applicable tax rate imposed on long-term capital gain differs depending on whether the CD was held at the time of the disposition for more than eighteen months, or for more than one year but not more than eighteen months.

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.

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 of 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 beneficially 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 trade or business within the United States. Such interest or discount income 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-8 (or a substitute statement in a form substantially similar to the form W-8), 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 Untied 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 Untied States for 183 days or more in the taxable year of the disposition. Treasury regulations may modify certain of the rules discussed above, so prospective purchasers of CDs should consult their own tax advisors concerning the effect of the regulations on their particular situations.