

Special Risks for Market Rate Certificates of Deposit

THIS PRODUCT DIFFERS SIGNIFICANTLY FROM A TRADITIONAL BANK CD. THIS PRODUCT MAY NOT BE SUITABLE FOR ALL INVESTORS. WHILE YOUR PRINCIPAL WILL BE PROTECTED AT MATURITY PURSUANT TO FDIC REGULATIONS, INTEREST PAYMENTS AND VALUE OF THE MCD AT ANY GIVEN TIME CAN VARY AND COULD BE SUBSTANTIALLY REDUCED OR ELIMINATED DEPENDING ON THE PERFORMANCE OF THE UNDERLYING INDEX. YOU ARE NOT INVESTING DIRECTLY INTO A STOCK MARKET INDEX. PAST PERFORMANCE OF INDEXES AND CORRESPONDING VARIABLE INTEREST RATES IS NO INDICATION OF FUTURE PERFORMANCE.

Market Risk

Market Rate Certificates of Deposits (MCDs) are subject to market risk if they are sold prior to maturity. The average maturity on most MCDs is 5-7 years. Similar to negotiable fixed rate CDs, if an MCD is liquidated prior to maturity, it may be less than the face value or purchase amount. This risk exists because the value of an MCD is dependent on fluctuations in the interest rate due to the performance of the corresponding index. THIS RISK DIFFERS FROM TRADITIONAL BANK CDS. AN INVESTMENT COULD BE SUBSTANTIALLY LESS IF SOLD PRIOR TO MATURITY DUE TO THE INHERENT RISK OF MARKET FLUCTUATIONS.

Liquidity Risk

If you wish to redeem the MCD prior to maturity date, there may be limited opportunities to do so. There is no guarantee of a secondary market to sell the security and it may not exist at all times during the duration of the investment. Furthermore, MCDs usually have specified redemption dates prior to maturity. YOU MAY NOT BE ABLE TO LIQUIDATE THE ASSET. THIS CAN INCLUDE INABILITY TO LIQUIDATE ON A DESIRED DATE AND THE POSSIBILITY THAT YOU MAY HAVE TO HOLD THE ASSET UNTIL MATURITY IN ORDER TO RECEIVE PAYMENT.

Call Risk

Some MCDs carry call features. This feature allows an issuing organization to call an MCD, with prior written notification, to you. An MCD will be redeemed at the call price and you may not be able to reinvest the proceeds in a similar investment as interest rates and market levels may have fluctuated since the initial purchase. IF AN MCD IS CALLED, PROCEEDS MAY BE SIGNIFICANTLY LESS THAN IF CALLED AT A LATER DATE OR HELD UNTIL MATURITY. CALL FEATURES ALLOW THE ISSUING ORGANIZATION TO CALL THE ASSET TO YOU. YOU DO NOT HOLD THE RIGHT TO PUT THE MCD TO THE ISSUING INSTITUTION.

Tax Information

You should consult your tax consultant for specific information regarding how an investment in a specific MCD will affect your overall tax liability. Interest will be taxed at an ordinary income tax rate and will not get the lower capital-gains rate for long term investments as with mutual funds and stocks.

There are significant tax consequences if this product is not held in a qualified tax-deferred account (i.e. IRA, Roth IRA, Coverdell Education Savings Account). You are required to report an 'original issue discount' each year even though interest payments will not be made until maturity. Thus, the reported interest payments will be taxed per year however the funds from said interest will not be available until maturity. TAX LIABILITIES DIFFER FROM TRADITIONAL BANK CDS AS THE INTEREST PAYMENTS WILL NOT BE AVAILABLE IN A GIVEN TAX YEAR. IT IS IMPORTANT TO ENSURE THAT YOU HAVE OTHER ASSETS TO COVER ANY TAX LIABILITY ON THE ASSET BEFORE MATURITY.

Valuation

MCDs are typically priced based on an average of the value of the linked index on pre-specified valuation dates less the value of the linked index on the initial purchase date. The value of an MCD may not correspond directly or indirectly to increases or decreases in the underlying index. For example, a 15% increase in the underlying index may not correspond to a 15% increase in the MCD. Furthermore, some MCDs cap the potential return on an underlying index (i.e. 6%) and you should understand any limitations on the specific MCD you are purchasing. YOU SHOULD THOROUGHLY UNDERSTAND HOW THE PARTICULAR ISSUE YOU PURCHASED IS VALUED. Contact your account representative if any questions arise.

Index Changes

Changes in the calculation or valuation of the corresponding index may also affect how interest is calculated for the MCD. If the index is calculated by a successor publisher and is similar to the original calculation, that successive index will generally be used to determine the interest rate for the security. Ask your representative for details on the issue.

Federal Deposit Insurance Corporation (FDIC)

FDIC coverage is limited to the principal amount on an MCD and there is no guarantee of interest payments. The FDIC provides a limited amount of coverage to an individual at *each* bank or savings institution. Make sure you know which bank is issuing the underlying MCD as investments purchased through StockCross but provided by another corporation are subject to the insurance limitations at the issuing corporation.