

CERTIFICATES OF DEPOSIT DISCLOSURE STATEMENT

The firm or distributor that sent you this Disclosure Statement (the “Firm”) is offering to its customers interest-bearing and discounts (zero coupon) certificates of deposit (in book entry form) representing transferable individual time deposit accounts (the “CDs”) of various federally and state-charted banks, trust companies, savings and loan associations and savings banks and various U.S. branches of foreign banks (each, an “Institution”). Except where federal law or regulation may otherwise govern, the terms and conditions of the CDs are subject to and construed in accordance with the laws of the state of the Institution.

This document does not constitute an offer or solicitation by anyone in any state or jurisdiction in which such offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person for whom it is unlawful to make such offer or solicitation. CD subscriptions are subject to acceptance and confirmation by the Institution.

The CDs are direct financial obligations of the Institution and are not obligations of the Firm.

The CDs will be covered by federal deposit insurance to the extent, and subject to the limits, described under “Deposit Insurance” below.

The CDs are being offered by the Firm when, as and if issued by the Institutions and received and accepted by the Firm, subject to the Firm’s right to reject orders in whole or in part and subject to certain other conditions.

The Disclosure Statement sets forth general information about the CDs and has not been reviewed by any governmental agency.

In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These CDs have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

INFORMATION ON INSTITUTIONS

The Firm will advise you of the names of Institutions whose CD’s are available at any time; the confirmation statement sent to you to confirm a purchase of the CDs will reflect the name and principal place of business of the Institution issuing such CDs. The Firm makes no representations as to the financial condition of any Institution. Copies of such publicly available information as the Firm may have regarding any Institution will be provided to you upon request.

TERMS OF CDs

CDs are offered in interest-bearing and discount forms, in a wide range of maturities and interests rates or yields. The Firm will provide you with information concerning the details of CDs currently available, including rates, maturity dates and withdrawal features.

- Interest-Bearing CDs bear interest at a fixed rate, on a “stepped-rate” basis (in which case rates applicable to each interest period will be specified at the time of issuance.), or at an adjustable rate based on a specified index or indices (in which case information will be provided to you explaining the manner and timing of adjustments to the interest rate). “Stepped-rate” CDs can either “step-up”, in which case the CD will bear interest at a rate that periodically increases according to a predetermined schedule, or “step-down”, in which case the CD will bear interest at a rate that periodically decreases according to a predetermined schedule.
- As a general rule, an Institution will pay interest-bearing CDs at maturity in the case of CDs maturing in one year or less from the date of issue, and semi-annually. Any interest payment due on a date which is not a "Business Day" (as such term is defined below) will be paid on the next succeeding Business Day. Periodic interest is calculated by: (i) multiplying the stated interest rate by the principal amount of the CD, (ii) dividing the result by 365 (or 366 in a leap-year, if specified in the Firm’s pricing information), and (iii) multiplying that result by the actual number of days elapsed in the period covered. **THERE WILL BE NO COMPOUNDING OF INTEREST.** Interest payments will be remitted to the Firm, so long as the Firm acts as your nominee, authorized representative, agent or custodian, and credited to your account with the Firm. **NO INTEREST WILL BE EARNED AFTER MATURITY.** The foregoing describes typical terms of interest-bearing CDs: in certain instances, interest may be paid quarterly or monthly, or calculated in a different manner. The specific details of any particular CD (including the interest rate, payment frequency and yield to maturity) will be provided by the Firm or will be set forth in the applicable confirmation statement.
- Callable CDs are CDs that pay interest (see “Interest-Bearing CDs”, above) but which may be “called” before the maturity date of the CDs. Callable CDs may take the form of either fixed rate CDs or “stepped-rate” CDs. Callable are subject to early redemption or “call” by the Institution issuing the CDs on specified interest payments dates upon notice by the Institution to investors through the investors’ brokers, custodians or nominees. If not called prior to maturity, the CDs will mature normally. The principal of callable stepped-rate CDs is repaid at maturity or at an earlier call date.
- Discount CDs do not bear interest; rather, they are issued at a discount from the principal amount payable at maturity (expressed as a discount per \$1,000 of principal of each CD). Your confirmation statement will reflect the annual percentage yield to maturity on discount CDs; upon request, the Firm will explain how such yield has been calculated. **EARNED DISCOUNT WILL BE PAYABLE ONLY AT MATURITY. NO EARNED DISCOUNT WILL ACCRUE AFTER MATURITY.**

COMPETITIVE RATE

The annual percentage yield on CDs may be higher or lower than the rates available to direct depositors at an Institution. You should compare such rates, as well as the other terms of the CDs, to comparable investments before purchasing CDs.

EVIDENCE OF CDs

No individual certificates of deposit (“Individual CDs”) representing CDs will be issued in a physical form by an Institution directly to any purchase or owner of a CD. Instead, the Institution will issue one or more “master” CDs, evidencing all the CDs of a particular issue, to CEDE & Co., a nominee of The Depository Trust Company (“DTC”), 55 Water Street, New York, N.Y., which will act as custodian for, and maintain records evidencing the aggregate amount of such CDs held for customers of, the Firm and certain other broker-dealers. In turn, the Firm, acting as your nominee, authorized representative, agent or custodian, will maintain records account statements reflecting such purchase, which should be retained for your records. By reason of the foregoing limitations, the CDs may not be an appropriate investment for persons wishing to take possessions of a physical certificate evidencing their deposit.

If you choose to terminate the Firm as your nominee, authorized representative, agent or custodian with regard to the CDs, you will have to transfer your CD to another broker-dealer or another institution which is a direct or indirect participant in DTC.

DEPOSIT INSURANCE

Your CDs will be covered by federal deposit insurance provided by either the Bank Insurance Fund (the “BIF”) or Savings Association Insurance Fund (the “SAIF”), in each case administered by the Federal Deposit Insurance Corporation (the “FDIC”) and backed by the full faith and credit of the United States Government, in the maximum amount permitted by law from time to time (currently \$100,000). This limit applies to the principal of, and accrued interest (or earned discount, if applicable) on, the CDs purchased by you from a particular Institution aggregated with all other accounts maintained by you in the same capacity with the same Institution.

The following are examples of how the \$100,000 insurance limit applies to common situations:

- Accounts Held by Agents or Nominees

Funds owned by an individual and held in an account in the name of an agent or nominee of such individual are not treated as owned by the agent or nominee, but are added to other deposits of such individual and insured up to \$100,000 in the aggregate per Institution.

- Guardians, Custodian or Conservator Accounts

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

- Joint Accounts

The interests of co-owners in funds in an account 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 account (hereinafter referred to as a “Joint Account”).

Effective April 1, 1999, the interests of each co-owner of one Joint Account are insured up to \$100,000. This means that the total coverage limit for any one Joint Account depends on the number of co-owners of that account. For example, the maximum FDIC insurance coverage available for a Joint Account with two co-owners is \$200,000, an account with three co-owners is insured up to \$300,000 and so on.

In the event an individual has an interest in more than one Joint Account his interest in all such Joint Accounts is then added together and insured up to \$100,000 in the aggregate, with the result that no individual's insured interest in the Joint Account category can exceed \$100,000.

- Payable on Death Accounts

Accounts which provide that upon the death of individual owner the funds shall be payable to the owner's spouse, or one or more children or grandchildren of the owner, are insured up to \$100,000 in the aggregate per Institution as to each named beneficiary, separately from any other accounts of the owner or beneficiaries. The FDIC has taken the view that contingencies in a trust can preclude FDIC insurance coverage otherwise applicable to payable on death accounts.

- Entity Accounts

All accounts of a corporation, partnership and unincorporated association operated primarily for some purpose other than to increase deposit insurance are aggregated and insured up to \$100,000 per Institution.

- Irrevocable Trust Accounts

Non-contingent trust interests of a beneficiary in deposit accounts established pursuant to trust agreements created by the settlor are added together and insured up to \$100,000 in the aggregate per Institution, separate from other accounts maintained by the settlor, trustee or beneficiary at the Institution.

- Employee Benefit Plan Accounts

Accounts held by any (i) employee benefit plan (an "ERISA Plan") within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), (ii) pension or profit-sharing plan for owner-employees (an "Owner-Employee Plan") qualifying under Section 401 (d) of the Internal Revenue Code of 1986 (the "Code"), or (iii) eligible deferred compensation plan (a "Section 457 Plan") described in Section 457 of the Code, are generally insured on a so-called "pass-through" basis (provided that the plan complies with FDIC recordkeeping rules), so that amounts representing the non-contingent interests of each participant in or beneficiary of such a plan are separately insured up to \$100,000. However, the non-contingent interests of a participant in or beneficiary of different ERISA Plans, Owner-Employee Plans established by the same employer or employee organization, which are deposited in one or more deposit accounts at the same Institution, are aggregated and insured up to \$100,000. Further, portions of a plan's deposits not attributable to beneficiaries' interests are deemed "overfunded" assets and are separately aggregated and insured up to \$100,000. **See "Regulatory Considerations" below as to an exception to "pass-through" insurance coverage for CDs issued by certain Institutions.**

- IRA and Other “Self-Directed” Plan Accounts

Through December 18, 1993, vested interests (excluding remainder interests) of individuals in deposits in an Institution which qualify as individual retirement accounts (“IRAs”) under Section 408 (a) of the Code, or as Owner-Employee Plans, are insured up to \$100,000, separately from each other and from any other accounts held or owned by the beneficiary, trustee or custodian at the Institution. Thus, an individual may have separate insurance on his interests in individual accounts, joint accounts, employee benefits plan accounts, IRA accounts and Owner-Employee Plan accounts at the same Institution. Effective December 19, 1993, however, deposits at any one Institution in connection with (i) an IRA, (ii) a Section 457 Plan, (iii) an individual account plan defined in Section 3(34) of ERISA (a Section 3(34) Plan”), and (iv) an Owner-Employee Plan (provided, with regard to the participant’s interest in a Section 3(34) Plan or an Owner-Employee Plan, that he has the right to direct the investment of assets held in individual accounts maintained on his behalf by the Plan), will be aggregated and insured on a “pass-through” basis up to \$100,000 per participant. Time deposits made before December 19, 1991 which mature after December 19, 1993 are not subject to the new aggregation rule, and time deposits made after December 19, 1991 but before December 19, 1993 are governed by the insurance rules in effect when made; however, renewals or rollovers of time deposits prior to December 19, 1993 are considered new deposits. **See “Regulatory Considerations” below as to an exception to “pass-through” insurance coverage for CDs issued by certain Institutions.**

Separate Branches

The deposit accounts of a depositor maintained in the same right and capacity at different branches or offices of the same depository institution are not separately insured; rather they are added together and insured in accordance with the FDIC deposit insurance regulations.

The foregoing examples are based on rules issued by the FDIC, which rules are subject to change from time to time, and in certain instances additional terms and conditions may apply which are not described above. Accordingly, such examples are qualified to their entirety by such rules and interpretations issued by the FDIC or its staff, and you are urged to discuss with your attorney the insurance coverage afforded to any CD that you may purchase.

Because the CDs that you purchase may be aggregated with other accounts, if any, held by or for you with the Institution, for purpose of determining deposit insurance coverage available to you, you should monitor the total amount of accounts held by or for you with the Institution in order to determine the extent of insurance coverage available to you on such accounts, including the CDs.

BY YOUR PURCHASE OF A CD YOU ARE DEEMED TO BE REPRESENTING TO EACH OF THE INSTITUTION AND THE FIRM THAT YOUR BENEFICIAL INTEREST (OR, IF YOU ARE AN AGENT, NOMINEE, CUSTODIAN OR OTHER PERSON WHO IS PURCHASING A CD FOR ITS BENEFICIAL OWNERS, THAT EACH BENEFICIAL OWNER’S BENEFICIAL INTEREST) IN OTHER DEPOSITS IN THE INSTITUTION, WHEN AGGREGATED WITH THE BENEFICIAL INTEREST IN THE CDs SO PURCHASED, TO THE EXTENT THAT AGGREGATION IS REQUIRED IN DETERMINING INSURANCE OF ACCOUNTS UNDER FEDERAL DEPOSIT INSURANCE REGULATIONS, DOES NOT EXCEED \$100,000.

If your CDs (or other accounts) at an Institution are assumed by another depository institution pursuant to a merger, consolidation, statutory assumption or contract, the separate insurance of deposits so assumed will continue until the maturity date of CDs and other time deposits, or six months from the effective date of the assumption for other deposits. After such period, any such assumed deposits will be aggregated with existing deposits with the assuming institution.

In the event of a conservatorship or receivership of an Institution resulting in liquidation of the Institution, payment of insurance on CDs may be made either in cash, or by making available to the depositor a deposit account of equal value at another insured institution. In either case, subject to the \$100,000 limitation described above, the amount of federal deposit insurance on a CD at any given time will be: (i) in the case, subject of interest-bearing CDs, the principal amount plus interest, if any, accrued and unpaid to the date the conservator or receiver is appointed (the "Liquidation Date"); and (ii) in the case of discount CDs, the original purchase price plus earned discount (calculated by compounding interest annually at the rate to increase the original purchase price to the maturity value over the life of the CD) to the Liquidation Date.

The conservator or receiver will be under no obligation to pay interest or earned discount on any CD for the period from the Liquidation Date to the date on which payment and settlement of an insurance claim is available, and if payment is made by means of establishing an account at another depository institution, such account may bear interest or accrue earned discount at a lower rate, or have a different maturity date, than the original CD. Further, there is no specific time period during which such insurance payments must be made available. You may be required to provide documentation (e.g., affidavits or indemnity agreements) to the Firm and the FDIC before insurance payments are released to you. Eligibility for insurance payments will be based in part, on the records maintained by the Institution, DTC and the Firm.

Purchasers of CDs who paid a premium (which would generally be the case only with regard to CDs purchased in the secondary market) in excess of (i) the original principal amount plus accrued but unpaid interest to the date of purchase in the case of interest-bearing CDs, or (ii) the original principal amount plus earned discount to the date of purchase in the case of discount CDs, should be aware that such premium is not covered by deposit insurance. The Firm will notify you of the actual amount of this premium at your request.

The Firm will not be obligated to you for amounts not covered by insurance, nor will it be obligated to make any payments to you in satisfaction of any loss you may incur due to: (i) a delay in insurance payouts; (ii) your receipt of a decreased interest or earned discount rate on an account established at another institution in payment of the principal of and accrued interest or earned discount on your CD upon the Institution's insolvency prior to such CD's maturity; or (iii) payment in cash of the principal of and accrued interest or earned discount on your CD prior to maturity as an insurance payout. The delays and types of payouts should be considered before purchasing a CD. In addition, the Firm will not be obligated to credit your account in advance of payments received from the FDIC.

SPECIAL CONSIDERATIONS

It is generally recommended that CDs be held until maturity. If you decide to dispose of your CD prior to maturity, please carefully review "Withdrawals" and "Market for CDs" below.

Certain CDs may not be of investment-grade quality, while certain Institutions may have been placed in conservatorship or receivership, or may otherwise be operating under special supervisory programs. In all such instances, there is a greater risk of the Institution's insolvency, resulting in either the CDs being paid prior to maturity or being transferred to another FDIC-insured institution (in which latter case the interest rate, maturity or both may be affected). See "Deposit Insurance" and "Regulatory Considerations" below.

REGULATORY CONSIDERATIONS

In accordance with the Federal Deposit Insurance Act (the “FDIA”) and a rule promulgated thereunder by the FDIC, the CDs are deemed “brokered deposits.” Pursuant to the FDIA and such rule, brokered deposits may only be issued by either: (a) institution’s that are “well capitalized,” as defined in such rule; or (b) institutions that are “adequately capitalized,” as defined in such rule, and which have obtained a waiver from the FDIC to issue brokered deposits. Further, in the case of Institutions which are “adequately capitalized,” such deposits are also subject to certain interest rate limitations. While each Institution has represented to the Firm that it is qualified to issue brokered deposits under one of the foregoing categories and, in the case of Institutions that are “adequately capitalized,” that the CDs comply with the applicable interest rate limitations, the Firm makes no representations as to whether the Institution has, in fact, complied with the FDIA and such rule, and the FDIC may subsequently determine that the Institution is not in compliance.

If a non-complying Institution issues CDs, the Institution may be subject to sanctions by the FDIC. **However, while deposit insurance for such CDs will generally be unaffected, CDs held by ERISA Plans, Owner-Employee Plans, and Section 457 Plans will not be covered by “pass-through” insurance (as described under “Deposit Insurance-Employee Benefit Plan Accounts” and “IRA and Other ‘Self-Directed’ Plan Accounts” above) unless: (i) as of the date the CD is originally issued, the Institution is qualified to issue ‘brokered deposits;’ or (ii) the Institution is “adequately capitalized” and provides a written statement to the plan that the CDs are covered by “pass-through” insurance. If “pass-through” insurance is available, the plans, and not the participants in or beneficiaries of such plans, will be insured up to \$100,000 for aggregate deposits of each such plan at any one Institution. The Firm makes no representation as to the availability of “pass-through” deposit insurance coverage for any CDs and, accordingly, administrators of such plans desiring to purchase CDs in excess of \$100,000 in reliance on “pass-through” insurance are urged to independently verify the Institution’s capital status before making such purchases. It should be noted, however, that “pass-through” insurance may be unavailable if the Institution fails to satisfy the applicable capital standards, irrespective of any representation by the Institution to the plan, or information obtained by the plan from any government or private agency, to the contrary.**

In the event that an Institution fails to comply with certain regulatory requirements (including those relating to capital adequacy), a receiver or conservator (which would generally be the FDIC) may be appointed for the Institution. Purchasers should be aware that a conservator or receiver for a federally-insured institution, and depository institutions assuming a failed institution’s deposits, may reduce the interest rate (or earned discount) on, or otherwise change the terms of, outstanding deposit accounts. No such action may, however, affect interest accrued or discount earned prior to the date such action is taken. Any such action with regard to the CDs would adversely affect the yield thereon.

AGENT OF CUSTOMER

In connection with the CDs, the Firm acts as nominee, authorized representative, agent or custodian for you, its customer.

FEES

The Firm will receive a placement fee from each Institution in respect original issuance of a CD. You will not be charged a direct commission in connection with purchasers of CDs in original issuances. See “Market for CDs” below as to fees, premiums and commissions in connection with secondary market transactions in CDs.

DEPOSIT OF FUNDS

Funds received by the Firm in connection with an original issuance of CDs will be transferred to the Institution on the date the CDs are established by the Institution. The date of establishment is the issue date shown in your confirmation statement.

DENOMINATIONS

Each interest-bearing CD will be in \$1,000 principal amount, or multiple thereof.

Each discount CD will be in the discounted principal amount shown in your confirmation statement. Such principal amount, together with all earned discount accrued to maturity, will not amount to \$1,000 at the maturity date of the CD.

INITIAL PURCHASE

Initial purchases of CDs may not exceed \$95,000 in the case of interest-bearing CDs, except in the case of monthly pay CDs, which may be purchased in a principal amount of up to \$99,000.

MINIMUM ACCOUNT

A minimum account balance of \$1,000 in an interest-bearing CD is required at all times for that CD. No partial withdrawals will be permitted.

The initial principal amount of a discount CD plus all earned discount accrued on the CD are required to be left on deposit at all times for that CD to accrue earned discount at the yield shown in your confirmation statement.

NO ADDITIONS

No additions may be made to a particular CD.

TERM AND PAYMENT AT MATURITY

Your CDs will mature on the date shown in your confirmation statement. At maturity your CD balances will be remitted to the Firm, so long as the Firm acts as your nominee, authorized representative, agent or custodian, and credited to your account with the Firm. If the maturity date is not a "Business Day" (as defined below), CD balances will be paid on the next succeeding Business Day.

BUSINESS DAY

The term "Business Day" means any day which is not a Saturday or Sunday and which is neither a legal holiday nor a day on which banking or savings institutions are required or authorized by law or regulation to close in New York City or the city and state of the Institution's principal place of business or applicable branch or office, as indicated in the master CD.

WITHDRAWALS

No withdrawals of principal, interest or earned discount, as the case may be, are permitted prior to maturity, except that in the event of the death of any beneficial owner of a CD, or the adjudication of incompetence of any such beneficial owner by a court or other administrative body of competent jurisdiction, the full withdrawal of the principal of, together with interest or earned discount, as the case may be, earned on, the CDs of such beneficial owner will be permitted. In such event: (i) prior written notice must be given to the Firm and the Institution of such proposed withdrawal, together with appropriate documentation to support such request; and (ii) only a full withdrawal of the principal of, and accrued interest or earned discount on, a particular CD will be permitted.

The foregoing early withdrawal provisions may be more or less favorable than those applicable to comparable direct deposits at the Institution. Due to these restrictions, disposition of a CD prior to maturity is effectively limited to secondary market transactions. See “Market for CDs” below.

RENEWAL

Your CDs will not automatically be renewed.

MARKET FOR CDs

The Firm and certain other securities dealers, though not obligated to do so, presently intend to endeavor to maintain a secondary market in the CDs. Neither the Firm nor these other dealers shall be required to maintain such a market, and no liability will arise on the part of the Firm or these other dealers if they do not maintain such a market. The minimum unit of trading in any such secondary market will be one CD (\$1,000 in principal amount in the case of interest-bearing CDs).

Secondary market transaction may be expected to be effected at prices which reflect then-current interest rates, supply and demand, time remaining until maturity, the Institutions creditworthiness, and general market conditions. Thus, secondary market transactions may be effected at prices greater or less than \$1,000 in the case of interest-bearing CDs, or the current balance in the case of discount CDs, and the yield to maturity on a CD purchased in the secondary market may differ from the yield at the time of original issuance. The prices at which discount CDs may trade in secondary markets may fluctuate more than interest-bearing CDs.

The Firm and such other dealers may purchase and sell CDs for their own account, as well as for the accounts of customers. Accordingly, the Firm and such other dealers may realize profits from mark-ups on transactions for their own account, and may charge customers commissions in brokerage transactions, which mark-ups or commissions will affect the yield to maturity of such CDs. Any commission on a brokered secondary market transaction should be reflected in your confirmation statement for that transaction.

The Firm and such other dealers may at time, without notice, discontinue participation in secondary market transactions in CDs. Accordingly, you should not rely on the possible existence of a secondary market for any benefits, including liquidity, achieving trading profits, limiting trading or other losses, or realizing income prior to maturity.

TRANSFER

Each CD will be transferable, but only upon notice to the Firm, which must record such transfer on its books and records. The sale or other transfer of a CD will not be subject to any early withdrawal penalty. The account-holder may be required to pay a sum sufficient to cover taxes or governmental charges, if any, payable in connection with a transfer of a CD.

FEDERAL INCOME TAX CONSEQUENCES

The following is a brief summary of certain federal income tax rules currently applicable to the purchase of the CDs; these rules are subject to change in the future. The discussion below does not purport to deal with all of the federal income tax consequences from purchase of the CDs or to beneficial owners of the CDs who are subject to special rules under the Internal Revenue Code. Beneficial owners must furnish their taxpayer identification numbers and certain other information upon request, under penalties of perjury, to avoid backup withholding tax and income derived from the CDs. Potential purchasers are urged to consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the CDs, and in particular the availability of reduced rates of tax on long-term capital gains and any limitations on your ability to use capital loss on any disposition of a CD. The general rules described below do not apply to IRAs or Keogh Plans, as to which the tax liability on interest paid or market discount accrued on CDs is postponed until actual distribution of the interest or discount, as the case may be, to the beneficiaries of these plans.

- CDs with a Maturity of One Year or Less

In the case of CDs with a maturity of one year or less from the date of original issue (“short-term CDs”), unless you are an accrual method holder or have made the general election described below to include income on short-term debt instruments on a current basis, you generally will be permitted to report interest in an interest-bearing CD and “original issue discount” on a discount CD equal to the amount payable at the maturity over your purchase price (the “Issue Price”) in the taxable year in which such interest or discount is received. In addition, you will be required to treat any gain realized on a taxable disposition of the short-term CD as ordinary income to the extent of the accrued but unpaid interest or original issue discount on the short-term CD (on a ratable basis or, if you elect, on a constant yield basis based on daily compounding). Notwithstanding the foregoing, you may elect, as to all debt obligations you own with maturities of one year or less for the taxable year in which you acquire the short-term CD and thereafter, to treat the difference between the sum of all amounts of interest and principal payable subsequent to your acquisition of the short-term CD and your Issue Price as “acquisition discount,” rather than original issue discount. Individuals that are accrual basis taxpayers and most institutional investors (but not individuals on the cash method of accounting) will be required to accrue such acquisition discount on a straight line basis, unless they elect to use the constant interest method, in a manner similar to original issue discount, as described above. Individuals and other cash method holders that defer reporting the acquisition discount income until receipt of interest or maturity, as applicable, must defer interest deductions on obligations incurred to purchase or carry the CD to the extent of the discount accrued under one of the foregoing methods.

- Discount CDs with a Maturity of More than One Year

Discount CDs with a maturity of more than one year from the issue date will have reportable original issue discount equal to the amount by which \$1,000 exceeds your Issue Price. Owners of discount CDs, whether on the cash or accrual method of accounting, must include in income each year the portion of such original issue discount accrued under the constant interest method, using the effective annual yield to maturity as of the date of original issue and semi-annual compounding, in advance of the receipt of cash attributable to such income. Under the constant interest method, more of the discount is reported as income in later periods than in early periods. To the extent that a discount CD is purchased after the date of original issue for more than the original issue price plus discount accrued to the date of purchase, the amount reportable as original issue discount by the purchaser is reduced. To the extent that a discount CD is purchased after the date of original issue for less than its original issue price plus discount accrued to the date of purchase, such difference will be reportable as market discount income. Such market discount income, if greater than $\frac{1}{4}$ of 1% times the number of complete years to maturity, will be reportable as ordinary income at maturity of the CD, or to the extent of gain upon an earlier disposition, in the amount accrued under a pro-rata method or upon election, the constant interest method. However, interest deductions on obligations incurred to purchase or carry the CD must be deferred in the amount not exceeding the accrued market discount, unless the owner elects to report such market discount income as it accrues on all market discounts obligations acquired in such taxable year and thereafter.

- Interest-Bearing CDs with a Maturity of More than One Year

Interest-bearing CDs with a maturity of more than one year will generally not be issued discount and thus, you will be required to report interest on these CDs according to your method of accounting (cash or accrual, as the case may be). In the case of certain callable “step-down” CDs, however, where the interest rate decreases once or more over the projected life of a CD, the CD will be considered issued with original issue discount if the excess of all amounts of interest to be paid over the projected life of the CD over the amount of interest that would be payable on the CD if the CD had a fixed rate equal to the lowest rate which such interest rate steps down (the “excess interest amount”) is greater than or equal to $\frac{1}{4}$ of 1% times the product of the number of complete years to maturity of the CD and the sum of the excess interest amount of the CD. If such a callable step-down CD is considered issued with original issue discount, then you will be required to include in income according to your method of accounting stated interest on the CD to the extent payable at the lowest rate of interest to which the interest rate steps down. In addition, you will be required to treat the excess interest amount as original issue discount, and interest-bearing CD with a maturity of more than one year that is purchased after the date of original issue for less than its principal amount (or, in the case of a callable stepped-rate CD described in this paragraph that is considered issued with original issue discount, its original issue price plus discount accrued to the date of purchase) will be subject to the market discount rules described above.

- Foreign Persons

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 CD of a trade or business within the United States, as defined under U.S. law. Such interest or discount income will also be exempt from any United States information reporting or backup withholding requirements if the foreign purchaser of a CD provides (either directly or indirectly through a financial institution holding a CD as nominee for the foreign purchaser of a CD) 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 name and address and certifies, under penalties 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 any 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 the conduct by such person of a trade or business within the United States, and (ii) in the case of a foreign purchaser who is a non-resident alien, such person is not present in the United States for 183 days or more in the taxable year of the disposition.

THE ABOVE DISCUSSION IS NOT INTENDED TO CONSTITUTE TAX OR LEGAL ADVICE TO INVESTORS. INVESTORS ARE ENCOURAGED TO CONSULT PROFESSIONAL TAX, ACCOUNTING AND LEGAL EXPERTS.

As of July 14, 1999