

Market Update – May 26, 2010

Financial Focus 1903 Wright Pl., #150 Carlsbad, CA 92008 (760) 431-3040

Up, down....up, down....We don't know about you but a lot of us are feeling a bit seasick while watching the recent stock market gyrations. So let's cut to the chase and talk about what's going on right now. There are a number of forces at play, not the least of which might be referred to as *My Big Fat Greek Meltdown*, along with disappointing unemployment rates. On the other hand, there's been good news in the areas of retail sales, the all important consumer sentiment temperature and, once again, soaring gold prices. Even though May is the month that is often viewed as having the best returns for the S&P 500 since 1990 (marketwatch.com), many still adhere to the old adage "Sell in May and go away."

As of today, Thursday, May 20, 2010, the Dow Industrials ended the day down almost 380 points at 10,068, well below the December 31st close of 10,428, putting the index once again in negative territory for the year. On the flip side, we are still up over 20% from one year ago. Other scorecards are also volatile.....oil is now below \$68 per barrel, gold continues to bounce around and the Euro, which has slid all year, surged again today.

All eyes these days are on Europe and on whether the EU can adequately solve the debt crisis plaguing three nations. The story in Greece is one of overspending and under collecting taxes. Historically, a nation's debt has averaged about 3% of GDP (Vanguard.com podcast). Greece's debt was an astounding 13% of GDP. Without intervention by the other European nations, Greece would likely have defaulted on its debt. Will Spain need a bailout? How about Portugal? And as long as we're musing, is China's real estate market overheated?

Suffice it to say that there's plenty of speculation going around right now and while speculation makes for juicy economic headlines, the reality is that the manufacturing and service sectors and consumer spending are quite healthy here in the US as well as in other parts of our globe. Some things don't change: the markets nervously watch while the media nervously reports –as usual. Investment icon Warren Buffett has some rational words to live by in times such as these: "Look at market fluctuations as your friend rather than your enemy."

Another interesting and positive headline from today's *Wall Street Journal* cried *Inflation at 44-Year Low*. Inflation has surged in many developing economies however our prices have for the most part remained steady. Though deflation is still a possibility, we're inclined to believe that inflation is a certainty in the future - due in large part to heavy government spending. Our feeling is we're still a few years off from any significant inflation, however.

So what's an investor to do? First, the basics: the daily swings in the various markets once again reaffirm the importance of having a diversified portfolio. What we see and what we hear these days is that many are looking for safer havens in the investment world. One interesting option is Structured Certificates of Deposits - you may have heard them referred to as Principal Protected Notes. These are FDIC insured CDs that provide a return that is linked to stock market performance rather than the fixed interest rate CD's traditionally offer. Here's one example:

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HSBC Annual Income Opportunity CD with Auto Cap Feature - 6 year Structured CD – This is a six-year FDIC insured investment offering a guarantee of return of principal. (Your principal is protected only if you hold your CD to maturity. If it is sold prior to its maturity date, the value may be returned at a discount or at a premium. There is a death put option that guarantees original principle at death. Guarantees are based on the issuers ability to pay. For more detailed information see the information attached at the end of this document.

The account pays an annual coupon rate based on the return of a "basket" of stocks of 10 to 12 or more major company stocks. For example, if the stocks in the CD basket average a 5% return the first year, you would get a 5% interest payment.

There is a cap on the annual return of 9 - 13% to be declared at the time of issue. (Last month's cap was 9%). Any stock with a positive return will automatically be credited the cap amount. Any stock with a negative return will have a maximum -30% floor credited. The return is measured from the beginning date of your investment. There is no sales charge or investment management fee for this investment and no guaranteed secondary market either should you need to sell the CD before maturity. If the stocks go down the first year and never return to their original value, you would still get all of your principal back at maturity. On the other hand, if the market goes up, you would be able to participate in the upside but have an insured base. (There are no sales charges to purchase - just a \$4 ticket charge.) We have attached more details for your further information.

If your focus is income, tax free bonds may continue to offer a good value. Bond quality and length of time to maturity are important factors to consider when making this investment decision, of course, as bonds are affected by interest rate movements – the share price generally moving in the opposite direction of interest rates. Double tax free returns are becoming more desirable than ever as former tax breaks are expiring at the end of this year.

In spite of some of the current nay sayers' opinions, according to municipal debt analyst Jeffrey Cleveland at Payden & Rygel. "Just look at the ratio of debt to state gross domestic product. It's 10 percent for California and somewhere between 104 percent and 150 percent for Greece." (Reuters 5/12/10) As always, every investment decision should be viewed in light of all of your existing investments and with your end game in mind.

We acknowledge that we can't know the future – which stocks will rise and when, how interest rates will vary, whether real estate will boom or bust. We do know, however, that letting emotions or time constraints or indecision stand in the way of setting your financial goals and pursuing them is to deny life. Don't procrastinate and don't let excessive and conflicting information keep you from putting your financial house in order. Focus on your goals.

We'd like your input on something we've been observing for a long time. Having been in this profession for more than two-and-a-half-decades, we find ourselves more than ever interested

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in how individuals developed their attitudes about money. We've seen the spender, the saver, the hoarder, the philanthropist and even those who are flat-out in denial. So much of our attitudes were developed as children and the ways in which our families dealt with money and the surrounding issues. We would love to hear your story. Would you be willing to share your first memory of money and how it shaped your financial profile? We would like to share some of those stories over time....anonymously of course.

Now that tax season is just another painful memory and we're well into 2010's second quarter, it may be a good time for a review. As always, please feel free to call our offices with any questions or to set an appointment.

Barbara and Gloria

**Structured Products are not suitable for all investors. Each Structured Product can exhibit an entirely different set of characteristics, risks, and rewards. Investors must understand the characteristics, risks, and rewards of each structured product as well as those of the referenced asset before making a decision to invest in the security.*

Diversification cannot ensure a profit or protect against a loss.

Securities offered through National Planning Corporation (NPC) Member FINRA/SIPC. Advisory services offered through Financial Focus, a Registered Investment Advisory Firm. Financial Focus and NPC are separate and unrelated companies.

HSBC Bank USA, N.A.

Annual Income Opportunity Certificates of Deposit™

“U.S. Industry Titans” – Series 8

INDICATIVE TERMS

| | |
|---------------------------------|---|
| Issuer | HSBC Bank USA, N.A. |
| Issue | 6 Year Annual Income Opportunity CD Series 8 |
| Issuer Rating | AA (S&P), Aa3 (Moody's) |
| Denomination | US Dollars (USD) |
| Trade Date | May 25, 2010 |
| Settlement Date | May 28, 2010 |
| Maturity Date | May 31, 2016 |
| Issue Price | 100.00% |
| Redemption Proceeds At Maturity | Principal Amount plus any Coupon due on the Maturity Date |
| Coupon Rate | The Coupon Rate on each Coupon Payment Date will be variable and will equal the greater of (A) the arithmetic average of the Reference Security Returns related to that Coupon Payment Date, and (B) zero |
| Reference Security Return | For each Reference Security and with respect to each Coupon Valuation Date: If the Valuation Share Price is greater than or equal to the Initial Share Price, an amount equal to the Auto Cap Rate; or If the Valuation Share Price is less than the Initial Share Price, an amount equal to the greater of A) the quotient of 1) the Valuation Share Price minus the Initial Share Price, divided by 2) the Initial Share Price., and B) the Floor Rate. |
| Floor Rate | -30.00% (per Reference Security) |
| Auto Cap Rate | [8%-12%], per Reference Security as determined on the Initial Fixing Date, which will, in effect, make the maximum Coupon Rate for the Basket [8%-12%]. |
| Coupon Payment Date | Annually, as described herein |
| Early Redemption | As described more fully herein, when early redemption is available, depositors redeeming prior to maturity will receive the current market value of their CDs minus any early redemption fees. |
| Minimum Denomination | \$1,000 and increments of \$1,000 thereafter subject to a minimum issuance amount of \$1 million |
| CUSIP | 40431A6V9 |

CD DESCRIPTION

The Annual Income Opportunity CDs provide exposure to potential price appreciation in a basket of twelve publicly traded securities and if held to maturity 100% principal protection. The CDs offer an opportunity to receive an annual coupon based upon the arithmetic average of the Reference Securities Returns.

HIGHLIGHTS

- ▶ Annual Income Potential: Depositors may receive a coupon annually based upon the Reference Securities' average performance, always vs. their initial levels, subject to the Auto Cap Rate and Floor Rate on each individual stock within the basket.
- ▶ FDIC Insurance: This deposit qualifies for FDIC coverage generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000 and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs.
- ▶ Large-Cap Companies: As of April 28, 2010, each of the Reference Securities were components of the S&P 500® and had a market capitalization greater than \$9 billion.
- ▶ Diversification by Industry: The Reference Securities represent several different industry groups. Please see the table on the following page for more information.
- ▶ “Auto Cap” Feature: If on any Valuation Date, the share price of any Reference Security is greater than or equal to the Initial Share Price, the Reference Security Return will be equal to the Auto Cap Rate. If not, the Reference Security Return will be equal to the share price on that Valuation Date divided by the Initial Share Price, subject to the Floor Rate.
- ▶ IRA-eligible



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THE REFERENCE SECURITIES

| Reference Issuer | Ticker Symbol | Industry | Market Capitalization ¹ (in billions) | 6 Year Stock Price Return |
|----------------------------------|---------------|-------------------------------|---|---------------------------|
| AT&T Inc. | T | Telephone - Integrated | \$152.92 | 2.78% |
| Boeing Co. | BA | Aerospace / Defense | \$54.93 | 64.37% |
| Campbell Soup Co. | CPB | Food – Misc / Diversified | \$12.04 | 28.33% |
| Celgene Corp. | CELG | Medical - Biomedical | \$27.41 | 359.93% |
| Chubb Corp. | CB | Property / Casualty Insurance | \$17.35 | 53.25% |
| Cigna Corp. | CI | Medical - HMO | \$9.10 | 133.81% |
| Du Pont (E.I.) De Nemours | DD | Chemicals / Diversified | \$35.75 | -9.10% |
| Freeport – Mcmoran Copper & Gold | FCX | Metal - Copper | \$32.93 | 187.76% |
| Microsoft Corp. | MSFT | Applications Software | \$270.89 | 29.32% |
| Peabody Energy Corp. | BTU | Coal | \$12.98 | 323.21% |
| Qualcomm Inc. | QCOM | Wireless Equipment | \$63.68 | 19.35% |
| Southern Co. | SO | Electric - Integrated | \$27.20 | 21.17% |

Past performance does not necessarily indicate future performance

¹Market capitalization as of 4/28/2010. 6 year stock price return from 4/28/2004 to 4/28/2010. Excludes dividends. Source: Bloomberg LP

POTENTIAL PURCHASERS

Potential purchasers may include:

- ▶ Those who desire principal protection (at maturity), but also seek equity market return potential
- ▶ Those demanding FDIC-insured instruments
- ▶ Those seeking broad based equity sector diversification
- ▶ Long-term investors who desire to participate in the potential growth of various industry groups
- ▶ Those seeking the potential to earn an annual contingent and variable coupon
- ▶ Those willing to accept that the CDs may pay no coupon in some or all periods, in exchange for the potential for above market coupons

CERTAIN RISKS AND CONSIDERATIONS

Purchasing the CDs involves a number of risks. It is suggested that prospective depositors reach a purchase decision only after careful consideration with their financial, legal, accounting, tax and other advisors regarding the suitability of the CDs in light of their particular circumstances. See "Risk Factors" on page 11 herein for a discussion of risks, which include:

- ▶ The principal amount is not guaranteed if the CDs are not held to maturity
- ▶ Payment of the principal amount, and any annual coupons is the obligation of the issuer and subject to the issuers ability to pay from its assets and earnings
- ▶ There may not be an active secondary trading market in the CDs and CDs should be viewed as long term investments
- ▶ Return on the CDs does not necessarily reflect the full performance of the Reference Securities and movements in the level of the Reference Securities may affect whether or not depositors receive a return
- ▶ Depositors' yield may be less than that of a standard debt security of comparable maturity
- ▶ Market conditions and events affecting the Reference Securities may negatively impact the coupons received by depositors. Upon the occurrence of a delisting or similar event, a depositor will likely receive no Coupon in the year of the event and for the remainder of the CD term

In the event one or more of the Reference Securities is subject to an adjustment event (as described herein), the Calculation Agent may adjust the terms of the CDs to reflect the economic impact of such event, as more fully described on page 13 herein.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit dated January 1, 2010 which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsb.com/structuredcd or can be obtained from the Agent offering the CDs.



HSBC Bank USA, N.A.

6 Year Annual Income Opportunity CD™ With “Auto Cap” Feature “US Industry Titans” Series 8

Indicative Terms and Conditions Deposit Highlights May 31, 2016

General

- Certificates of Deposit (the “CDs”) issued by HSBC Bank USA, National Association (the “Issuer”)
- Full principal protection payable by the Issuer if the CDs are held to maturity
- CDs are obligations of the Issuer and not its affiliates or agents
- CDs are FDIC insured within the limits and to the extent described herein and in the Base Disclosure Statement dated January 1, 2010 under the section entitled “FDIC Insurance”
- As described more fully herein, early withdrawals are permitted at par in the event of death of the beneficial owner of the CDs

Key Terms

Basket: An equally weighted basket comprised of the common stock (each a “Reference Security” and together, the “Reference Securities”) of the following 12 public companies (each, a “Reference Issuer” and together, the “Reference Issuers”):

| REFERENCE ISSUER | TICKER SYMBOL | RELEVANT EXCHANGE | INITIAL SHARE PRICE | REFERENCE ISSUER | TICKER SYMBOL | RELEVANT EXCHANGE | INITIAL SHARE PRICE |
|-------------------|---------------|-------------------|---------------------|---------------------------|---------------|-------------------|---------------------|
| AT&T Inc | T | NYSE | TBD | Du Pont (E.I.) De Nemours | DD | NYSE | TBD |
| Boeing Co. | BA | NYSE | TBD | Freeport – Mcmoran Copper | FCX | NYSE | TBD |
| Campbell Soup Co. | CPB | NYSE | TBD | Microsoft Corp | MSFT | Nasdaq | TBD |
| Celgene Corp | CELG | Nasdaq | TBD | Peabody Energy Corp | BTU | NYSE | TBD |
| Chubb Corp. | CB | NYSE | TBD | Qualcomm Inc. | QCOM | Nasdaq | TBD |
| Cigna Corp. | CI | NYSE | TBD | Southern Co. | SO | NYSE | TBD |

- Principal Amount: \$1,000 for each CD. Minimum deposit amount of \$1,000 per depositor (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and then in additional increments of \$1,000. CDs will be issued in denominations of \$1,000.
- Initial Fixing Date: May 25, 2010
- Trade Date: May 25, 2010
- Settlement Date: May 28, 2010
- Maturity Date: May 31, 2016, subject to adjustment as described herein
- Coupon Payment Amount: The Principal Amount multiplied by the Coupon Rate.
- Coupon Rate: The Coupon Rate on each Coupon Payment Date will be variable and will be equal to the greater of A) the arithmetic average of the Reference Security Returns for the Reference Securities, and B) zero.
- Reference Security Return: For each Reference Security and with respect to each Coupon Valuation Date:
 - If the Valuation Share Price is greater than or equal to the Initial Share Price, an amount equal to the Auto Cap Rate; or
 - If the Valuation Share Price is less than the Initial Share Price, an amount equal to the greater of A) the Reference Security Performance, and B) the Floor Rate.
- Reference Security Performance: For each Reference Security as of each Coupon Valuation Date, the quotient of A) the Valuation Share Price minus the Initial Share Price, divided by B) the Initial Share Price.
- Auto Cap Rate: [8%-12%], per Reference Security as determined on the Initial Fixing Date, which will, in effect, make the maximum Coupon Rate for the Basket [8%-12%].
- Floor Rate: -30.00%, per Reference Security.
- Valuation Share Price: With respect to a Reference Security and as of each Coupon Payment Date, the Closing Price of that Reference Security on the related Coupon Valuation Date.
- Initial Share Price: With respect to each Reference Security, the Closing Price of that Reference Security on the Initial Fixing Date, as listed in the table above.
- Payment at Maturity: For each CD, the Maturity Redemption Amount.
- Maturity Redemption Amount: the Principal Amount plus any Coupon Payment Amount due on the Maturity Date.

- Closing Price: For any Scheduled Trading Day with respect to each Reference Security, the official closing price of that Reference Security on the Relevant Exchange as of the close of the regular trading session on the Relevant Exchange and as reported in the official price determination mechanism for the Relevant Exchange.
- Early Redemption Dates: June 30, 2011, June 29, 2012, June 28, 2013, June 30, 2014, and June 30, 2015 subject to adjustment as described herein
- Early Redemption Charge: A depositor electing to redeem his or her CDs prior to maturity will be subject to an Early Redemption Charge as described herein.
- Form of CD: Book-entry
- Listing: The CDs will not be listed on any U.S. securities exchange or quotation system
- CUSIP: 40431A6V9
- OID Tax Rate: [3.30]%

Purchasing the CDs involves a number of risks. See “Risk Factors” beginning on page 11.

The CDs offered hereby are time deposit obligations of HSBC Bank USA, National Association, a national banking association organized under the laws of the United States, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”) within the limits and to the extent described in the section entitled “FDIC Insurance” herein and in the Base Disclosure Statement. Since December 20, 2008, the Issuer’s designated main office is located in McLean, VA.

Our affiliate, HSBC Securities (USA) Inc. and other unaffiliated distributors of the CDs may use these terms and conditions and the accompanying Base Disclosure Statement in connection with offers and sales of the CDs after the date hereof. HSBC Securities (USA) Inc. may act as principal or agent in those transactions. As used herein, references to the “Issuer”, “we”, “us” and “our” are to HSBC Bank USA, National Association.



HSBC BANK USA, NATIONAL ASSOCIATION

Member FDIC

These Terms and Conditions were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. These Terms and Conditions were written and provided by the Issuer in connection with the promotion or marketing by the Issuer and/or distributors of the CDs. Each depositor should seek advice based on its particular circumstances from an independent tax advisor.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsbc.com/structuredcd or can be obtained from the Agent offering the CDs.

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SUMMARY OF TERMS

Set forth in these Terms and Conditions is a summary of certain terms and conditions of the 6 Year Annual Income Opportunity CD Series 8 With "Auto Cap" Feature maturing May 31, 2016. The following summary of certain terms of the CDs is subject to the more detailed terms of the CDs included elsewhere in these Terms and Conditions and should be read in conjunction with the Base Disclosure Statement.

| | |
|------------------------------------|---|
| Issuer: | HSBC BANK USA, NATIONAL ASSOCIATION, acting through its New York Branch |
| Issuer Rating: | The Issuer is currently rated Aa3 by Moody's Investors Service, Inc. and AA by Standard & Poor's Financial Services LLC, a subsidiary of the McGraw-Hill Companies, Inc. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs. |
| CDs: | 6 Year Annual Income Opportunity CD Series 8 With "Auto Cap" Feature maturing May 31, 2016 |
| Book-Entry Form: | The CDs will be represented by one or more master CDs held by and registered in the name of Depository Trust Company ("DTC"). Beneficial interests in the CDs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. |
| Aggregate Principal Amount: | \$ TBD |
| Minimum Deposit Amount: | \$1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and multiples of \$1,000 Principal Amount thereafter. |
| Principal Amount: | \$1,000 for each CD |
| Pricing Date: | May 25, 2010 |
| Pricing Date: | May 25, 2010 |
| Settlement Date: | May 28, 2010 |
| Maturity Date: | May 31, 2016, subject to adjustment as described herein |
| Issue Price: | 100% of Principal Amount. |

Basket: An equally weighted basket constituted of the common stock (each a “Reference Security” and together, the “Reference Securities”) of the following 12 public companies (each, a “Reference Issuer” and together, the “Reference Issuers”).

| REFERENCE ISSUER | BLOOMBERG TICKER SYMBOL | RELEVANT EXCHANGE |
|---------------------------|-------------------------|-------------------|
| AT&T Inc. | T | NYSE |
| Boeing Co. | BA | NYSE |
| Campbell Soup Co. | CPB | NYSE |
| Celgene Corp. | CELG | Nasdaq |
| Chubb Corp. | CB | NYSE |
| Cigna Corp. | CI | NYSE |
| Du Pont (E.I.) De Nemours | DD | NYSE |
| Freeport – Mcmoran Copper | FCX | NYSE |
| Microsoft Corp. | MSFT | Nasdaq |
| Peabody Energy Corp. | BTU | NYSE |
| Qualcomm Inc. | QCOM | Nasdaq |
| Southern Co. | SO | NYSE |

For summary descriptions of the Reference Securities, please refer to the Questions and Answers hereto.

Maturity Redemption Amount: The Maturity Redemption Amount is the total amount due and payable on each CD on the Maturity Date. On the Maturity Date, the depositor of each CD will receive an amount equal to the Principal Amount plus any additional Coupon Payment Amount due on the Maturity Date.

Coupon Payment Amount: The Principal Amount multiplied by the Coupon Rate.

Coupon Rate: The Coupon Rate on each Coupon Payment Date will be variable and will be equal to the greater of A) the arithmetic average of the Reference Security Returns for the Reference Securities, and B) zero.

Reference Security Return: For each Reference Security and with respect to each Coupon Valuation Date:
 If the Valuation Share Price is greater than or equal to the Initial Share Price, an amount equal to the Auto Cap Rate; or
 If the Valuation Share Price is less than the Initial Share Price, an amount equal to the greater of A) the Reference Security Performance, and B) the Floor Rate.

Reference Security Performance: For each Reference Security as of each Coupon Valuation Date, the quotient of A) the Valuation Share Price minus the Initial Share Price, divided by B) the Initial Share Price.

Valuation Share Price: With respect to a Reference Security and as of each Coupon Payment Date, the Closing Price of that Reference Security on the related Coupon Valuation Date.

Initial Share Price: With respect to each Reference Security, the Closing Price of that Reference Security on the Initial Fixing Date, as listed on the cover page.

Auto Cap Rate: [8-12]% per Reference Security as determined on the Initial Fixing Date, which will, in effect, make the maximum Coupon Rate for the Basket [8-12]%

Floor Rate: -30.00%, per Reference Security.

**Coupon Payment Dates and
Coupon Valuation Dates:**

| Coupon Valuation Date (subject to adjustment as described herein) | Coupon Payment Date (subject to adjustment as described herein) |
|--|--|
| May 25, 2011 | May 31, 2011 |
| May 25, 2012 | May 31, 2012 |
| May 28, 2013 | May 31, 2013 |
| May 27, 2014 | May 30, 2014 |
| May 26, 2015 | May 29, 2015 |
| May 25, 2016 | May 31, 2016 |

On each Coupon Payment Date, the Issuer will pay a Coupon Payment Amount equal to the Principal Amount multiplied by the applicable Coupon Rate determined on the Coupon Valuation Date related to that Coupon Payment Date.

Closing Price:

For any Scheduled Trading Day with respect to each Reference Security, the official closing price of that Reference Security on the Relevant Exchange as of the close of the regular trading session on the Relevant Exchange and as reported in the official price determination mechanism for the Relevant Exchange.

Scheduled Trading Day:

Any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for each Reference Security.

Relevant Exchange:

The primary exchange for each Reference Security, as set forth in the table above.

Related Exchange:

The exchanges or quotation systems, if any, on which options or futures contracts on the Reference Securities are traded or quoted, and as may be selected from time to time by the Calculation Agent.

**Early Redemption at Current
Market Value:**

Each depositor will be entitled to redeem his or her CDs in whole, but not in part, on any Early Redemption Date (as defined on the front cover), subject to an Early Redemption Charge. No fewer than ten Business Days prior to an Early Redemption Date, a depositor, through the Agent from whom he or she bought the CDs, may obtain from the Calculation Agent an estimate of the Early Redemption Amount (as defined below) applicable to that Early Redemption Date. This estimate is provided for informational purposes only, and neither the Bank nor the Calculation Agent will be bound by the estimate. If a depositor redeems his or her CDs on any Early Redemption Date, he or she will be entitled solely to the actual Early Redemption Amount calculated by the Calculation Agent and will not be entitled to an amount in respect of any further Coupon Payment Amount or any other return on his or her CDs. Further, the Early Redemption Amount will be subject to an Early Redemption Charge and may be less (and may be substantially less) than the Principal Amount paid for the CDs. A depositor may request early redemption of the CDs in whole, but not in part, on an Early Redemption Date by notifying the Agent from whom he or she bought the CDs (who must then notify the Bank) no later than 3:00 p.m. EST/EDT on the fifth Business Day before the Early Redemption Date. All early redemption requests (whether written or oral) are irrevocable. The Calculation Agent will determine the Early Redemption Amount on the third Business Day prior to the related Early Redemption Date (the "Early Redemption Valuation Date"), and the depositor will receive the Early Redemption Amount for each CD so redeemed on the related Early Redemption Date.

Early Redemption Amount: For any Early Redemption Date, the Current Market Value, where “Current Market Value” means the bid price for the CDs as of the related Early Redemption Valuation Date as determined by the Calculation Agent based on its financial models and objective market factors less an Early Redemption Charge. If the Early Redemption Valuation Date is not a Scheduled Trading Day for any Reference Security, then the Early Redemption Valuation Date will be the next Exchange Business Day that is a Scheduled Trading Day for each of the Reference Securities. If a Market Disruption Event exists on the Early Redemption Valuation Date, then the Early Redemption Valuation Date will be postponed for up to five Scheduled Trading Days. If the Early Redemption Valuation Date is so postponed, then the related Early Redemption Date will also be postponed until the third Business Day following the date to which the Early Redemption Valuation Date is postponed and no interest will be payable in respect of any such postponement. **A depositor will not be entitled to any return on his or her CD if that depositor elects to redeem his or her CD on any Early Redemption Date. Further, the Early Redemption Amount may be less (and may be substantially less) than the Principal Amount of the CD.**

Early Redemption Charge: For each CD redeemed on an Early Redemption Date, an amount equal to the Principal Amount multiplied by the applicable Early Redemption Charge as set forth in the table below:

| Year | 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| Early Redemption Charge | 4.00% | 3.00% | 2.00% | 1.00% | 0.00% | 0.00% |

For purposes of the Early Redemption Charges:

- Year 1 is defined as: from and including the Trade Date to (but excluding) the first anniversary of the Trade Date;
- Year 2 is defined as: from and including the first anniversary of the Trade Date to (but excluding) the second anniversary of the Trade Date;
- Year 3 is defined as: from and including the second anniversary of the Trade Date to (but excluding) the third anniversary of the Trade Date;
- Year 4 is defined as: from and including the third anniversary of the Trade Date to (but excluding) the fourth anniversary of the Trade Date;
- Year 5 is defined as the date from and including the fourth anniversary of the Trade Date to (but excluding) the fifth anniversary of the Trade Date; and
- Year 6 is defined as the date from and including the fifth anniversary of the Trade Date to (but excluding) the sixth anniversary of the Trade Date.

Early Redemption upon the Death of a Depositor: In the event of the death of any depositor of CDs, the full withdrawal of the Principal Amount of the CDs of that depositor will be permitted. In that event, the successor of that depositor shall give prior written notice of the proposed withdrawal to the Issuer, together with appropriate documentation to support the request, within 180 days of the death of such depositor. In that event, only a full withdrawal of the Principal Amount of the CDs will be permitted. CDs so redeemed will not be entitled to any return on the Principal Amount in respect of interest or the Coupon Payment Amount.

Market Disruption Event: As described in the Base Disclosure Statement.

Calculation Agent: HSBC Bank USA, National Association

All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the depositors of the CDs.

Listing: None. See “Risk Factors” herein.

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|------------------------|--|
| FDIC Insurance: | See "FDIC Insurance" herein and in the Base Disclosure Statement for details. |
| ERISA Plans: | See "Certain ERISA Considerations" in the Base Disclosure Statement for details. |
| Risk Factors: | The purchase of the CDs involves certain risks. See "Risk Factors" herein for a discussion of some of the factors which should be considered by prospective purchasers of the CDs. |
| Tax: | See "Certain U.S. Federal Income Tax Considerations" herein for a description of the tax treatment applicable to this instrument. |
| Governing Law: | New York |

QUESTIONS AND ANSWERS

What Are the CDs?

The CDs are certificates of deposit issued by the Issuer. The CDs mature on the Maturity Date. Depositors of the CDs also have the right to cause the Issuer to redeem their CDs in whole, but not in part, as described below. Redemptions may occur optionally upon the death of a depositor. See “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Each CD represents an initial deposit by a depositor to the Issuer of \$1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers), and the CDs will be issued in integral multiples of \$1,000 Principal Amount in excess thereof. Depositors will not have the right to receive physical certificates evidencing their ownership of the CDs except under limited circumstances; instead the Issuer will issue the CDs in book-entry form. Persons acquiring beneficial ownership interests in the CDs will hold the CDs through DTC in the United States, if they are participants of DTC, or indirectly through organizations which are participants in DTC.

What Amount Will Depositors Receive at Maturity in Respect of the CDs?

At the scheduled maturity (and not upon an Early Redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) any Coupon Payment Amount due on the Maturity Date, as described in the Summary of Terms above and the “Payment at Maturity” section in the Base Disclosure Statement. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and the Coupon Payment Amounts, if any, will not include dividends paid on the Reference Securities. Apart from the Coupon Payment Amounts, if any, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see “Summary of Terms” above, together with the Base Disclosure Statement.

What Coupon Payment Amount will be paid on the CDs?

On each Coupon Payment Date, the Coupon Payment Amount will equal the Principal Amount multiplied by the Coupon Rate. The Coupon Rate on each such Coupon Payment Date will be variable and will be equal to the greater of the A) the arithmetic average of the Reference Security Returns for the Reference Securities, and B) zero. With respect to any Reference Security, the Reference Security Return as of any Coupon Valuation Date will be:

If the Valuation Share Price is greater than or equal to the Initial Share Price, an amount equal to the Auto Cap Rate; or

If the Valuation Share Price is less than the Initial Share Price, an amount equal to the greater of A) the Reference Security Performance, and (B) the Floor Rate.

What Amount Will Depositors Receive if They Exercise Their Early Redemption Right?

The redemption proceeds paid by the Issuer upon an Early Redemption will be the Early Redemption Amount, which will equal the Current Market Value of the CD as determined by the Calculation Agent in good faith based on its financial models and objective market factors less an Early Redemption Charge. There is no guarantee that a depositor who redeems a CD on any Early Redemption Date will receive his or her full Principal Amount or any return on his or her CD. See “Early Redemptions” above in the Summary of Terms.

Are the CDs FDIC Insured?

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see “FDIC Insurance” in the Base Disclosure Statement for more details.

What Are the U.S. Federal Income Tax Consequences of Purchasing the CDs?

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates. As a result, U.S. Holders may be required to include OID with respect to their CDs in income in the first year in excess of actual payments received on their CDs. However, based on the projected payment tables included in the “Certain U.S. Federal Income Tax Considerations” section below, for subsequent years prior to the maturity date of the instrument, your taxable income will likely equal that of any actual coupon payments received as a result of the performance of the CD. Please review the section below entitled “Adjustments for Differences between Projected Coupon Payment Amount and Actual Coupon Payment Amount” for more information.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” that produces the comparable yield. If the actual Coupon Payment Amount on any Coupon Payment Date or the Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxes as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

What about Liquidity?

There is currently no established secondary trading market for the CDs. There is no assurance that a secondary market for the CDs will develop, or if it develops, that it will continue. In the event that a depositor could find a buyer of his or her CD, it is likely that the price a buyer would be willing to pay would be net of the commissions paid or discount allowed to the Agents on the initial placement of the CDs. Prospective depositors should carefully consider all of the information set forth in these Terms and Conditions and the Base Disclosure Statement and, in particular, should evaluate the specific risk factors set forth under “Risk Factors”.

What about Fees?

The CDs will initially be distributed through an affiliate of the Issuer, HSBC Securities (USA) Inc. and certain other unaffiliated third party distributors (the “Agents”). Agents may receive a commission or be allowed a discount as compensation for their services. See “The Distribution” in the Base Disclosure Statement and below. The actual compensation paid may vary depending upon various factors including market conditions and the duration of the CD.

What about ERISA Eligibility?

The CDs are not eligible for purchase by, on behalf of or with the assets of, Plans (as defined in the Base Disclosure Statement) unless the purchase and holding of the CDs does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law. In view of the fact that the CDs represent deposits with the Issuer, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. (See “Certain ERISA Considerations” in the Base Disclosure Statement.) Each initial purchaser of a CD and each transferee thereof shall be deemed to represent and covenant that, throughout the period that it holds CDs, either A) it is not, and is not acquiring CDs with the assets of, a Plan, or B) that its purchase, holding and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, section 4975 of the Code, or Similar Law.

RISK FACTORS

Purchasing the CDs is not equivalent to investing directly in the Reference Securities. It is suggested that prospective depositors considering purchasing CDs reach a decision to purchase only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the CDs in light of their particular circumstances and the risk factors set forth below and other information set forth in these Terms and Conditions and the accompanying Base Disclosure Statement.

As you review the “Risk Factors” in the accompanying Base Disclosure Statement, you should pay particular attention to the following sections:

- “— Risks Relating to All CD Issuances”;
- “— Additional Risks Relating to CDs with an Equity Security or Equity Index as the Reference Asset”;
- “— Additional Risks Relating to CDs with More than One Instrument Comprising the Reference Asset.”

You will be subject to certain risks not associated with conventional fixed-rate or floating-rate CDs or debt securities.

The CDs are not suitable for purchase by all people. No person should purchase the CDs unless he or she understands and is able to bear the associated market, liquidity and yield risks.

Because of the numerous factors that may affect the value of the Reference Securities, no assurance can be given that depositors of the CDs will receive any Coupon Payment Amount during the term of the CDs. Depositors must understand that they have no interest in the Reference Securities or other asset and neither they, nor the Issuer on their behalf nor any Agent on their behalf, will have any recourse against any Reference Issuer (as defined herein) or rights in the Reference Securities either contractually or statutorily. Depositors in the CDs will not receive any payments in respect of dividends or other distributions that may be payable on the Reference Securities, nor will depositors be entitled to any voting rights or other control rights that holders of the Reference Securities may have with respect to the Reference Issuers. None of the Reference Issuers are affiliates of the Issuer, and none are involved in the CDs in any way. The obligations represented by the CDs are obligations of the Issuer and are not obligations of the Reference Issuers.

Depositors Are Not Guaranteed the Receipt of the Principal Amount of their CDs, and will be subject to an Early Redemption Charge, if they Redeem the CDs Early.

The CDs are designed so that if, and only if, they are held to maturity, the depositor will receive no less than the Principal Amount of his or her CDs. If a depositor redeems the CDs early at his or her option, the depositor will not be entitled to any further Coupon Payment Amount or any other return on his or her CDs. In addition, the proceeds received by such a depositor will be net of an Early Redemption Charge. As a result, the proceeds payable upon an Early Redemption may be less (and may be substantially less) than the Principal Amount of the CDs. See “Summary of Terms—Early Redemption” sections in these Terms and Conditions.

Depositors will have no protection against events affecting the Reference Issuers.

A depositor of the CDs will be subjected to the same events affecting the Reference Issuers and the price of the Reference Securities to which shareholders of the Reference Issuers are subjected, but will not have direct rights against either the Reference Issuers or us. Prospective purchasers of the CDs should review the various risk factors contained in the reports and other information which have been filed with the Securities and Exchange Commission (the “Commission”), posted on websites or otherwise made publicly available by the Reference Issuers with respect to themselves and the Reference Securities.

Changes in the price of one or more of the Reference Securities may wholly or partially offset each other.

Price movements in the Reference Securities may not correlate with each other. At a time when the price of one or more of the Reference Securities increases, the price of one or more of the other Reference Securities may not increase as much, or may even decrease. Therefore, in calculating the Coupon Rate, increases in the price of one or more of the Reference Securities may be moderated, or wholly offset, by lesser increases or decreases in the price of one or more of the other Reference Securities.

You cannot predict the future performance of any of the Reference Securities or of the Basket as a whole, or whether increases in the price of any of the Reference Securities will be offset by decreases in the price of other Reference Securities, based on their historical

performance. In addition, there can be no assurance that the Reference Security Return in the aggregate for the Reference Securities will be positive on any given Coupon Valuation Date such that you will receive any Coupon Payment Amount on the corresponding Coupon Payment Date.

Investing in the CDs is not equivalent to investing in the Basket or the individual Reference Securities.

Because the Reference Security Return of each of the Reference Securities is limited to the Auto Cap Rate of [8-12]% per Reference Security when each annual Coupon Payment Amount is calculated, it is possible for the Coupon Rate on the CDs for any given Coupon Payment Date to be substantially less than the simple price return of the Basket as measured from the Initial Fixing Date to the applicable Coupon Valuation Date.

In addition, while the Auto Cap Rate will operate to limit your participation in the increase in the price of any Reference Security on a given annual Coupon Valuation Date to [8-12]% per Reference Security, you will be exposed to any decline in the price of any other Reference Security down to the Floor Rate -30.00%.

Because the Floor Rate -30.00% is larger than the Auto Cap Rate of [8-12]% in respect to each Reference Security, the negative performance of one Reference Security may more that offset the positive performance of one or more of the other Reference Securities.

Consequently, it is possible that declines in one or a few of the Reference Securities could offset any increases in the price of one or more Reference Securities that are limited by the Auto Cap Rate and that you could earn no Coupon Payment Amount even though the simple price return of the basket would have been positive on the applicable Coupon Valuation Date.

Original Issue Discount Consequences of the CDs; U.S. Federal Income Tax Consequences.

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates. As a result, U.S. Holders may be required to include OID with respect to their CDs in income in the first year in excess of actual payments received on their CDs. However, based on the projected payment tables included in the “Certain U.S. Federal Income Tax Considerations” section below, for subsequent years prior to the maturity date of the instrument, your taxable income will likely equal that of any actual coupon payments received as a result of the performance of the CD. Please review the section below entitled “Adjustments for Differences between Projected Coupon Payment Amount and Actual Coupon Payment Amount” for more information.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” that produces the comparable yield. If the actual Coupon Payment Amount on any Coupon Payment Date or the Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxes as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

No Secondary Market for the CDs Exists. Depositors May Require the Issuer to Redeem the CDs Prior to Maturity Pursuant to the Early Redemption Provisions, but Depositors May Suffer Losses.

There is currently no secondary market for the CDs. The Issuer does not intend to apply for listing of the CDs on any securities exchange, quotation of the CDs through the Nasdaq National Market System or designation for trading in the PORTAL market. There is no assurance that a secondary market for these CDs will develop, or if it develops, that it will continue. Even if a secondary market develops, there can be no assurance that it will provide significant liquidity. The Issuer intends to quote bid prices periodically upon depositor request, but is under no obligation to do so. In the event that the Issuer no longer provides such quotes, it may be difficult to obtain reliable information about the value of the CDs. The CDs are most suitable for purchasing and holding to maturity.

Adverse Economic Interests to Depositors.

HSBC Bank USA, National Association is the Calculation Agent and will be solely responsible for the determination and calculation of the Maturity Redemption Amount (including the components thereof in connection with the Coupon Payment Amount) and any other determinations and calculations in connection with the CDs. Because the Issuer is the Calculation Agent, it may have economic interests adverse to those of the depositors, including with respect to certain determinations and judgments that the Calculation Agent must make in determining, for example, the Coupon Payment Amount, if any, on any Coupon Payment Date or if a Market Disruption Event has occurred. However, the Calculation Agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

Market conditions and events affecting the Reference Securities may negatively impact the Coupon Payment Amounts received by depositors.

Depositors should be aware that a considerable decrease in the price of any particular Reference Security in any year (whether due to general economic conditions or an extraordinary event affecting such Reference Security) may materially limit the likelihood of a depositor receiving any Coupon Payment Amount in that year and potentially subsequent years for the remainder of the CD term. For example, upon an event such as a delisting of a Reference Security, the likelihood of a depositor receiving a Coupon Payment Amount in the year of the event and for the remainder of the CD term, notwithstanding the positive performance of other Reference Securities, may be materially limited. Such an event would also negatively impact the value of the CD in the secondary market, if any.

DESCRIPTION OF THE CERTIFICATES OF DEPOSIT

The following information is a summary of the CD itself and the Reference Securities to which the CD is linked. Prospective depositors should also carefully review the “Description of the CDs” section in the Base Disclosure Statement. All disclosures contained in these Terms and Conditions regarding the Reference Securities are derived from publicly available information prepared by the Reference Issuer.

Information with Respect to the Reference Securities

Each potential depositor of a CD should review the reports and other information which have been filed with the Commission, posted on websites or otherwise made publicly available by the Reference Issuers with respect to the Reference Securities. Depositors of the CDs are hereby informed that the reports and other information on file with the Commission or that is otherwise publicly available to which depositors are referred are not and will not be “incorporated by reference” herein. Neither the Issuer of the CDs nor any of its affiliates will undertake to review the financial condition or affairs of the Reference Issuers during the life of the CDs or to advise any depositor or potential depositor in the CDs of any information coming to the attention of the Issuer of the CDs or any affiliate thereof. Additional information with respect to the Reference Securities is set forth in Annex A.

Adjustments to Coupon Valuation Dates

If a Coupon Valuation Date with respect to any Reference Security is not a Scheduled Trading Day, then the Coupon Valuation Date for such Reference Security will be the next day that is a Scheduled Trading Day. If a Market Disruption Event with respect to any Reference Security exists on a Coupon Valuation Date, then that Coupon Valuation Date for such Reference Security will be the next Scheduled Trading Day on which a Market Disruption Event does not exist with respect to such Reference Security. If a Market Disruption Event with respect to a Reference Security exists on five consecutive Scheduled Trading Days, then that fifth Scheduled Trading Day will be the Coupon Valuation Date with respect to such Reference Security, and the Calculation Agent will determine the Closing Price on that date in good faith and in its sole discretion. For the avoidance of doubt, if no Market Disruption Event exists with respect to a Reference Security in the Basket, the determination of such Reference Security’s value will be made on the originally scheduled Observation Date, irrespective of the existence of a Market Disruption Event with respect to one or more of the other Reference Securities. If a Coupon Valuation Date with respect to a Reference Security is postponed, then the related Coupon Payment Date and, if the Coupon Payment Date coincides with the Maturity Date, the Maturity Date will also be postponed until the third business day following the postponed Coupon Valuation Date and no interest will be payable in respect of such postponement.

Maturity Redemption Amount and Coupon Payment Amount

At maturity, the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) any additional Coupon Payment Amount due on the Maturity Date, as described in the Summary of Terms above and the “Payment at Maturity” section in the Base Disclosure Statement. On each Coupon Payment Date, the Coupon Rate will be variable and will equal the greater of A) the arithmetic average of the Reference Security Returns for the Reference Securities, and B) zero. For each Reference Security and with respect to any Coupon Valuation Date, will be:

If the Valuation Share Price is greater than or equal to the Initial Share Price, an amount equal to the Auto Cap Rate; or

If the Valuation Share Price is less than the Initial Share Price, an amount equal to the greater of A) the Reference Security Performance, which, for each Reference Security as of each Coupon Valuation Date, is the quotient of 1) the Valuation Share Price minus the Initial Share Price, divided by 2) the Initial Share Price, and B) the Floor Rate. The payment of the Coupon Payment Amount, if any, will be made on scheduled Coupon Payment Dates, as set forth in the “Summary of Terms – Coupon Valuation Dates and Coupon Payment Dates” above.

The Maturity Redemption Amount and the Coupon Payment Amount, if any, will not include dividends paid on the Reference Securities. Apart from the Coupon Payment Amount, if any, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see “Summary of Terms” above and “Sensitivity Analysis” below, together with the Base Disclosure Statement.

Market Disruption Events

If a Market Disruption Event occurs on a Coupon Valuation Date with respect to a Reference Security, then that Coupon Valuation Date with respect to such Reference Security shall be postponed as described in “Adjustments to Coupon Valuation Dates” above and the “Market Disruption Events” section of the Base Disclosure Statement.

Merger Event, Tender Offer, Delisting, Nationalization, Insolvency or Potential Adjustment Event

If a Merger Event, Tender Offer, Delisting, Nationalization, Insolvency, or declaration of a Potential Adjustment Event (each as described in the Base Disclosure Statement) occurs with respect to a Reference Security or Reference Issuer, the Calculation Agent may, in its reasonable discretion, adjust the terms of the CDs to reflect the economic impact of such event on the value of the CDs, though is not required to follow any specific course of action to effect this result, as described in the “Merger Event and Tender Offer,” “Share Delisting, Nationalization, Insolvency,” “Adjustments” or “Extraordinary Events Related to Fund Shares” section of the Base Disclosure Statement.

In the event of a Delisting, Nationalization, Insolvency or similar Potential Adjustment Event such adjustments to the terms of the CDs, the likelihood of a depositor receiving a Coupon Payment Amount in the year of the event and for the remainder of the CD term may be materially limited.

Early Redemptions

The Issuer will permit early Redemption of the CDs on the Early Redemption Dates as described in the “Summary of Terms—Early Redemption at Current Market Value” section above and the “Early Redemptions” section of the Base Disclosure Statement.

Redemption upon the Death of a Depositor

Please refer to the section herein entitled “Summary of Terms – Early Redemption Upon the Death of a Depositor” and the section entitled “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

The Issuer is the Calculation Agent with regard to the CDs and is solely responsible for the determination and calculation of the Maturity Redemption Amount (including the components thereof), the Coupon Payment Amounts, if any, payable on corresponding Coupon Payment Dates, and any other determinations and calculations with respect to any distributions of cash in connection with the CDs, as well as for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to a Reference Security. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on the Issuer and depositors of the CDs, absent manifest error and provided that the Calculation Agent shall be required to act in good faith in making any determination or calculation. If the Calculation Agent uses discretion to make a determination or calculation, the Calculation Agent will notify the Issuer, who will provide notice to DTC in respect of the CDs. The Calculation Agent may have economic interests adverse to those of the depositors of the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Closing Prices, the Initial Share Prices, the Maturity Redemption Amount and any Coupon Payment Amount payable on corresponding Coupon Payment Dates, in determining whether a Market Disruption Event has occurred, and in making certain other determinations with regard to any Reference Security. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own willful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with any depositor of CDs. The Calculation Agent may resign at any time; however, resignation will not take effect until a successor Calculation Agent has been appointed.

Illustrative Examples

The following examples are provided for illustration purposes only and are hypothetical; they do not purport to be representative of every possible scenario concerning increases or decreases in the return of the CDs. We cannot predict the Closing Prices of the Reference Securities on the Coupon Valuation Dates. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events, and the hypothetical initial share prices of the Reference Securities used in the illustrations below are not the actual Initial Share Prices of the Reference Securities. You should not take these examples as an indication or assurance of the expected performance of the Reference Securities or the CDs.

The following examples indicate how changes in the performance of the Reference Securities over the term of the CDs will affect the Coupon Payment Amount payable on the CDs for any Coupon Payment Date. These examples assume the Auto Cap Rate is [10%], a Floor Rate of -30% and the initial investment is \$1,000.

Example 1: The securities generally rise over the term of the CDs.

| Closing Price per Reference Security on the Applicable Valuation Dates | | | | | | | |
|--|---------------------|--------|--------|--------|--------|--------|--------|
| Securities | Initial Share Price | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| Reference Security 1 | 100.00 | 127.00 | 123.00 | 120.00 | 118.00 | 116.00 | 114.00 |
| Reference Security 2 | 100.00 | 98.00 | 101.00 | 101.00 | 113.00 | 115.00 | 125.00 |
| Reference Security 3 | 100.00 | 90.00 | 96.00 | 110.00 | 118.00 | 130.00 | 137.00 |
| Reference Security 4 | 100.00 | 101.00 | 102.00 | 103.00 | 106.00 | 113.00 | 119.00 |
| Reference Security 5 | 100.00 | 105.00 | 113.00 | 109.00 | 110.00 | 132.00 | 139.00 |
| Reference Security 6 | 100.00 | 108.00 | 108.00 | 108.00 | 108.00 | 114.00 | 125.00 |
| Reference Security 7 | 100.00 | 104.00 | 121.00 | 143.00 | 173.00 | 197.00 | 208.00 |
| Reference Security 8 | 100.00 | 115.00 | 105.00 | 115.00 | 109.00 | 113.00 | 118.00 |
| Reference Security 9 | 100.00 | 110.00 | 97.00 | 106.00 | 103.00 | 117.00 | 124.00 |
| Reference Security 10 | 100.00 | 93.00 | 107.00 | 116.00 | 122.00 | 132.00 | 139.00 |
| Reference Security 11 | 100.00 | 126.00 | 122.00 | 118.00 | 116.00 | 114.00 | 113.00 |
| Reference Security 12 | 100.00 | 98.00 | 100.00 | 100.00 | 112.00 | 114.00 | 124.00 |

| Reference Security Returns | | | | | | | |
|----------------------------|---------|--------|--------|--------|--------|--------|--------|
| Securities | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | |
| Reference Security 1 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 2 | -2.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 3 | -10.00% | -4.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 4 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 5 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 6 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 7 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 8 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 9 | 10.00% | -3.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 10 | -7.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 11 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 12 | -2.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |

| | | | | | | |
|--|-------|-------|--------|--------|--------|--------|
| Average of the Reference Security Returns | 4.92% | 7.75% | 10.00% | 10.00% | 10.00% | 10.00% |
| Coupon Rate for the Applicable Period: | 4.92% | 7.75% | 10.00% | 10.00% | 10.00% | 10.00% |

*Reference Security Returns highlighted in bold are mitigated by the Floor Rate.

In this example, as of each Coupon Valuation Date, the Valuation Share Price of each of the Reference Securities has generally increased from the Initial Share Price for that Reference Security. On each Coupon Payment Date, therefore, the CDs will pay a Coupon Payment Amount equal to the Principal Amount multiplied by the Coupon Rate for that Coupon Payment Date. Furthermore, for certain of the Reference Securities and with respect to certain Coupon Payment Dates, the Reference Security Return as of such Coupon Payment Dates is greater than the Auto Cap Rate. The Reference Security Return for those Reference Securities that will contribute to the calculation of the Coupon Rate with respect to those Coupon Payment Dates is therefore limited by the Auto Cap Rate.

Example 2: The securities performance are mixed over the term of the CDs.

| Closing Price per Reference Security on the Applicable Valuation Dates | | | | | | | |
|--|---------------------|---------|----------------|---------|--------|--------|--------|
| Securities | Initial Share Price | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| Reference Security 1 | 100.00 | 99.00 | 90.00 | 106.00 | 121.00 | 102.00 | 140.00 |
| Reference Security 2 | 100.00 | 95.00 | 90.00 | 103.00 | 105.00 | 100.00 | 127.00 |
| Reference Security 3 | 100.00 | 108.00 | 109.00 | 125.00 | 143.00 | 105.00 | 159.00 |
| Reference Security 4 | 100.00 | 89.00 | 57.00 | 84.00 | 107.00 | 123.00 | 130.00 |
| Reference Security 5 | 100.00 | 108.00 | 103.00 | 118.00 | 126.00 | 101.00 | 102.00 |
| Reference Security 6 | 100.00 | 105.00 | 89.00 | 108.00 | 109.00 | 97.00 | 120.00 |
| Reference Security 7 | 100.00 | 97.00 | 89.00 | 107.00 | 117.00 | 114.00 | 106.00 |
| Reference Security 8 | 100.00 | 95.00 | 96.00 | 116.00 | 127.00 | 108.00 | 152.00 |
| Reference Security 9 | 100.00 | 103.00 | 98.00 | 115.00 | 129.00 | 105.00 | 149.00 |
| Reference Security 10 | 100.00 | 89.00 | 95.00 | 105.00 | 111.00 | 103.00 | 107.00 |
| Reference Security 11 | 100.00 | 98.00 | 89.00 | 104.00 | 119.00 | 104.00 | 113.00 |
| Reference Security 12 | 100.00 | 98.00 | 89.00 | 102.00 | 104.00 | 99.00 | 106.00 |
| Reference Security Returns | | | | | | | |
| Securities | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| Reference Security 1 | | -1.00% | -10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 2 | | -5.00% | -10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 3 | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 4 | | -11.00% | -30.00% | -16.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 5 | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 6 | | 10.00% | -11.00% | 10.00% | 10.00% | -3.00% | 10.00% |
| Reference Security 7 | | -3.00% | -11.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 8 | | -5.00% | -4.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 9 | | 10.00% | -2.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 10 | | -11.00% | -5.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 11 | | -2.00% | -11.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 12 | | -2.00% | -11.00% | 10.00% | 10.00% | -1.00% | 10.00% |
| Average of the Reference Security Returns | | 0.00% | -7.08% | 7.83% | 10.00% | 8.00% | 10.00% |
| Coupon Rate for the Applicable Period: | | 0.00% | 0.00% | 7.83% | 10.00% | 8.00% | 10.00% |

*Reference Security Returns highlighted in bold would otherwise be below the Floor Rate.

In this example, on any Coupon Valuation Date, the Valuation Share Price of some of the Reference Securities has declined with respect to the Initial Share Price for that Reference Security, while the Valuation Share Price of other Reference Securities has increased. On the Coupon Payment Date in years one and two the Coupon Rate is zero (the average of the Reference Security Returns for the Reference Securities is negative), while in years three, four, five and six the Coupon Rate is positive. Therefore, in years one and two the CDs will pay a Coupon Payment Amount equal to zero, whereas in years three, four, five and six, the CDs will pay a Coupon Payment Amount equal to the Principal Amount multiplied by the Coupon Rate as of each Coupon Payment Date.

Example 3: The securities performance generally declines over the term of the CDs.

| Closing Price per Reference Security on the Applicable Valuation Dates | | | | | | | |
|--|---------------------|---------|----------------|----------------|---------|---------|----------------|
| Securities | Initial Share Price | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| Reference Security 1 | 100.00 | 104.00 | 113.00 | 101.00 | 101.00 | 87.00 | 113.00 |
| Reference Security 2 | 100.00 | 95.00 | 90.00 | 93.00 | 94.00 | 95.00 | 94.00 |
| Reference Security 3 | 100.00 | 102.00 | 115.00 | 113.00 | 108.00 | 96.00 | 110.00 |
| Reference Security 4 | 100.00 | 90.00 | 85.00 | 87.00 | 78.00 | 72.00 | 86.00 |
| Reference Security 5 | 100.00 | 88.00 | 84.00 | 65.00 | 88.00 | 89.00 | 88.00 |
| Reference Security 6 | 100.00 | 105.00 | 89.00 | 90.00 | 96.00 | 95.00 | 94.00 |
| Reference Security 7 | 100.00 | 88.00 | 65.00 | 84.00 | 75.00 | 76.00 | 69.00 |
| Reference Security 8 | 100.00 | 95.00 | 96.00 | 96.00 | 97.00 | 91.00 | 99.00 |
| Reference Security 9 | 100.00 | 99.00 | 98.00 | 99.00 | 100.00 | 97.00 | 99.00 |
| Reference Security 10 | 100.00 | 96.00 | 97.00 | 99.00 | 100.00 | 92.00 | 99.00 |
| Reference Security 11 | 100.00 | 103.00 | 112.00 | 99.00 | 99.00 | 91.00 | 112.00 |
| Reference Security 12 | 100.00 | 94.00 | 69.00 | 92.00 | 93.00 | 94.00 | 93.00 |
| Reference Security Returns | | | | | | | |
| Securities | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| Reference Security 1 | | 10.00% | 10.00% | 10.00% | 10.00% | -13.00% | 10.00% |
| Reference Security 2 | | -5.00% | -10.00% | -7.00% | -6.00% | -5.00% | -6.00% |
| Reference Security 3 | | 10.00% | 10.00% | 10.00% | 10.00% | -4.00% | 10.00% |
| Reference Security 4 | | -10.00% | -15.00% | -13.00% | -22.00% | -28.00% | -14.00% |
| Reference Security 5 | | -12.00% | -16.00% | -30.00% | -12.00% | -11.00% | -12.00% |
| Reference Security 6 | | 10.00% | -11.00% | -10.00% | -4.00% | -5.00% | -6.00% |
| Reference Security 7 | | -12.00% | -30.00% | -16.00% | -25.00% | -24.00% | -30.00% |
| Reference Security 8 | | -5.00% | -4.00% | -4.00% | -3.00% | -9.00% | -1.00% |
| Reference Security 9 | | -1.00% | -2.00% | -1.00% | 10.00% | -3.00% | -1.00% |
| Reference Security 10 | | -4.00% | -3.00% | -1.00% | 10.00% | -8.00% | -1.00% |
| Reference Security 11 | | 10.00% | 10.00% | -1.00% | -1.00% | -9.00% | 10.00% |
| Reference Security 12 | | -6.00% | -30.00% | -8.00% | -7.00% | -6.00% | -7.00% |
| Average of the Reference Security Returns | | -1.25% | -7.58% | -5.92% | -3.33% | -10.42% | -4.00% |
| Coupon Rate for the Applicable Period: | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

*Reference Security Returns highlighted in bold would otherwise be below the Floor Rate.

In this example, on any Coupon Valuation Date, the average of the Reference Security Returns on each Coupon Payment Date is negative. Therefore, the Coupon Rate for those Coupon Payment Dates will be equal to zero, and on the Maturity Date, the depositor will receive only the Principal Amount.

Example 4: One of the securities is delisted in Year 2.

| Closing Price per Reference Security on the Applicable Valuation Dates | | | | | | | |
|--|---------------------|--------|--------|--------|--------|--------|--------|
| Securities | Initial Share Price | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| Reference Security 1 | 100.00 | 80.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Reference Security 2 | 100.00 | 105.00 | 111.00 | 113.00 | 113.00 | 113.00 | 126.00 |
| Reference Security 3 | 100.00 | 108.00 | 113.00 | 115.00 | 116.00 | 116.00 | 114.00 |
| Reference Security 4 | 100.00 | 110.00 | 104.00 | 87.00 | 95.00 | 110.00 | 110.00 |
| Reference Security 5 | 100.00 | 108.00 | 112.00 | 114.00 | 118.00 | 122.00 | 147.00 |
| Reference Security 6 | 100.00 | 105.00 | 108.00 | 92.00 | 94.00 | 100.00 | 132.00 |
| Reference Security 7 | 100.00 | 109.00 | 111.00 | 112.00 | 115.00 | 112.00 | 128.00 |
| Reference Security 8 | 100.00 | 107.00 | 110.00 | 111.00 | 99.00 | 105.00 | 102.00 |
| Reference Security 9 | 100.00 | 110.00 | 117.00 | 118.00 | 120.00 | 117.00 | 117.00 |
| Reference Security 10 | 100.00 | 107.00 | 115.00 | 81.00 | 92.00 | 110.00 | 91.50 |
| Reference Security 11 | 100.00 | 99.00 | 94.00 | 87.00 | 90.00 | 102.00 | 112.00 |
| Reference Security 12 | 100.00 | 104.00 | 110.00 | 114.00 | 112.00 | 112.00 | 125.00 |

| Reference Security Returns | | | | | | | |
|----------------------------|---------|----------------|----------------|----------------|----------------|----------------|----------------|
| Securities | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | |
| Reference Security 1 | -20.00% | -30.00% | -30.00% | -30.00% | -30.00% | -30.00% | -30.00% |
| Reference Security 2 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 3 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 4 | 10.00% | 10.00% | -13.00% | -5.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 5 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 6 | 10.00% | 10.00% | -8.00% | -6.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 7 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 8 | 10.00% | 10.00% | 10.00% | -1.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 9 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 10 | 10.00% | 10.00% | -19.00% | -8.00% | 10.00% | 10.00% | -8.50% |
| Reference Security 11 | -1.00% | -6.00% | -13.00% | -10.00% | 10.00% | 10.00% | 10.00% |
| Reference Security 12 | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |

| | | | | | | | |
|--|-------|-------|--------|-------|-------|-------|--|
| Average of the Reference Security Returns | 6.58% | 5.33% | -1.08% | 0.00% | 6.67% | 5.13% | |
| Coupon Rate for the Applicable Period: | 6.58% | 5.33% | 0.00% | 0.00% | 6.67% | 5.13% | |

*Reference Security Returns highlighted in bold would otherwise be below the Floor Rate.

In this example, one of the Reference Securities is delisted in Year 2. In this case, the Calculation Agent may deem a zero value for such Reference Security during Year 2 and for the remainder of the CD terms, in which case the Reference Security Return of such Reference Security would be the Floor Rate of -30.00% for each of these years. If such a determination is made the by Calculation Agent, the likelihood of a depositor receiving a Coupon Payment Amount for such years following any such delisting may be materially limited, despite the generally positive performance of the remaining Reference Securities. However, such treatment of the Reference Security in the event of a delisting represents only one such potential treatment of a delisting by the Calculation Agent. The Calculation Agent, in its reasonable discretion, may also use other methodologies to adjust the terms of the CDs to reflect the economic impact of such delisting on the value of the CDs and is not required to follow any specific course of action to effect this result.

THE DISTRIBUTION

Please refer to the section entitled “The Distribution” in the Base Disclosure Statement.

FDIC INSURANCE

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see “FDIC Insurance” in the Base Disclosure Statement for more details.

CERTAIN ERISA CONSIDERATIONS

Please refer to the section entitled “Certain ERISA Consideration” in the Base Disclosure Statement.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Set forth below is a summary of certain U.S. federal income tax considerations relevant to the purchase, beneficial ownership, and disposition of a CD.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of a CD that is:

- an individual who is a citizen or a resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of a CD that is:

- a nonresident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate whose income is not subject to U.S. federal income tax on a net income basis; or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the “Code”), regulations issued there under, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary addresses only holders that purchase CDs at initial issuance and beneficially own such CDs as capital assets and not as part of a “straddle,” “hedge,” “synthetic security” or a “conversion transaction” for U.S. federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular depositors or to depositors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; depositors that hold their CDs through a partnership or

other entity treated as a partnership for U.S. federal tax purposes; depositors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the CDs in tax-deferred or tax-advantaged accounts; or “controlled foreign corporations” or “passive foreign investment companies” for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder of CDs, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the CDs.

The following summary was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. The following summary was written in connection with the promotion or marketing by the Issuer, HSBC Securities (USA) Inc. and/or other distributors of the CDs. Each holder should seek advice based on its particular circumstances from an independent tax advisor.

PROSPECTIVE PURCHASERS OF CDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF CDS.

In General

For U.S. federal income tax purposes, the Issuer intends to treat the CDs as contingent payment debt instruments (“CPDIs”) subject to taxation under the “noncontingent bond method” provided in the Treasury regulations. The remainder of this discussion assumes that the CDs will be subject to the noncontingent bond method, and the holders of the CDs will agree to treat the CDs in accordance with this treatment. Depositors should be aware, however, that the IRS is not bound by the Issuer’s characterization of the CDs, and the Internal Revenue Service (the “IRS”) could possibly take a different position as to the proper characterization of the CDs for U.S. federal income tax purposes. If the CDs are not in fact treated as CPDIs for U.S. federal income tax purposes, then the U.S. federal income tax treatment of owning and disposing of the CDs could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized in respect of a CD could differ from the timing and character of income, gain or loss recognized in respect of the CD had the CD in fact been treated as CPDIs for U.S. federal income tax purposes.

Tax Treatment of U.S. Holders

Accruals of Original Issue Discount

Under the noncontingent bond method, U.S. Holders of the CDs will accrue original issue discount (“OID”) over the term of the CDs based on the CDs’ comparable yield. As a result, U.S. Holders may be required to include OID with respect to their CDs in income in each year in excess of any Coupon Payment Amount received on any Coupon Payment Date or any actual payments received on their CDs in such year.

In general, the comparable yield of the CDs is equal to the yield at which the Issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the CDs, including level of subordination, term, timing of payments, and general market conditions. Based on these factors, the Issuer estimates that the comparable yield on the CDs, solely for U.S. federal income tax purposes, is [3.30%] per annum (compounded annually). The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

Accordingly, U.S. Holders will generally accrue OID in respect of the CDs at a rate equal to the comparable yield. The amount of OID allocable to each annual accrual period will be the product of the “adjusted issue price” of the CDs at the beginning of each such accrual period and the comparable yield. If the CD provides for a noncontingent payment for any period in excess of the comparable yield, the Issuer intends to treat the excess amount as a nontaxable return of principal. The “adjusted issue price” of the CDs at the beginning of an accrual period will equal the issue price of the CDs plus the amount of OID previously includible in the gross income of the U.S. Holder determined without regard to any positive or negative adjustments (described below), less the projected amount of interest previously made on the CDs, without regard to actual interest paid, and less any amount previously received that was treated as a return on principal. The issue price of the CDs will be the first price at which a substantial amount of the CDs are sold. The balance of this summary assumes that the issue price of each CD is equal to the principal amount. The amount of OID includible in the income of each U.S. Holder for each taxable year will generally equal the sum of the “daily portions” of the total OID on the CDs allocable to each day during the taxable year on which a U.S. Holder held the CDs. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed as

ordinary income. Information returns indicating the amount of OID accrued on CDs held by persons of record other than corporations and certain other “exempt recipients” will be filed with the IRS and sent to such record holder.

Under the noncontingent bond method, the comparable yield of the CD is used to construct a projected payment schedule for the CDs (the “projected payment schedule”) based on estimates of the Coupon Rate and on the expected principal payment at maturity, that produces the comparable yield. Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while the CDs are outstanding.

Based upon the estimates of the comparable yield and the projected payment schedule for the CDs, a U.S. Holder that pays taxes on a calendar year basis, buys a CD for \$1,000, and holds the CD until maturity, will be required to pay taxes on the following amounts of ordinary income in respect of the CDs in each year:

| YEAR | PROJECTED PAYMENTS | OID INCOME |
|------|--------------------|------------|
| 2010 | NA | \$ 19.62 |
| 2011 | \$ 33.00 | \$ 33.00 |
| 2012 | \$ 33.09 | \$ 33.09 |
| 2013 | \$ 33.00 | \$ 33.00 |
| 2014 | \$ 33.00 | \$ 33.00 |
| 2015 | \$ 33.00 | \$ 33.00 |
| 2016 | \$ 1,033.09 | \$ 13.47 |

However, as described below in “—Adjustments for Differences between the Projected Coupon Payments and the Actual Coupon Payments,” for any year, the amount of ordinary income that a U.S. Holder will be required to pay taxes on from owning a CD may be greater or less than the amount specified in the projected payment schedule, depending upon the amount of the actual Coupon Payment Amount paid and, if the Coupon Payment Amount is less than the amount in the projected payment schedule for any year, a U.S. Holder could recognize a loss for that year.

A U.S. Holder is generally bound by the comparable yield and the projected payment schedule established by the Issuer for the CDs. However, if a U.S. Holder believes that the projected payment schedule is unreasonable, a U.S. Holder must set its own projected payment schedule and explicitly disclose the use of such schedule and the reason therefore on its timely filed U.S. federal income tax return for the taxable year in which it acquires the CDs.

The comparable yield and projected payment schedule are provided solely to comply with the applicable U.S. federal income tax regulations in order to determine the amount of OID to be accrued by U.S. Holders of the CDs solely for U.S. federal income tax purposes and do not constitute our assurances, representations, or expectations as to the actual yield or the Coupon Rate.

Adjustments for Differences between the Projected Coupon Payment Amount and the Actual Coupon Payment Amounts.

If the actual amount of coupon payment amount paid in any taxable year (including upon maturity) differs from the corresponding amount in the projected payment schedule, adjustments to the U.S. Holder’s OID inclusions in respect of the CDs will be made for the difference. If the Coupon Payment Amount paid in any taxable year exceeds the corresponding amount in the projected payment schedule, the excess will be a “positive adjustment,” which is treated as additional OID income. If the actual amount of Coupon Payment Amount paid in any taxable year is less than the corresponding amount in the projected payment schedule, the deficiency will be a “negative adjustment” and will be applied first to reduce the OID accrued on the CD for the taxable year in which the Coupon Payment Amount is paid, and any excess will be treated as an ordinary loss to the extent of the prior net OID inclusions of the U.S. Holder on the CD. Any such loss will not be subject to the limitations on the deductibility of miscellaneous deductions. Any remaining losses will be carried forward to future taxable years. Any negative adjustment carryforward on a CD for the taxable year in which the CD is sold, exchanged or retired will reduce the U.S. Holder’s amount realized on the sale, exchange or retirement.

Sale, Exchange, Retirement, Redemption, or Other Disposition of the CDs.

A U.S. Holder of a CD will recognize gain or loss on the sale, exchange, retirement, redemption or other disposition of the CD, to the extent that the amount realized is more or less than its purchase price, increased by the OID previously accrued by the owner on the CD determined without regard to any positive or negative adjustments, less the projected amount of any Coupon Payment Amount

previously made on the CDs as reflected in the projected payment schedule, without regard to the actual Coupon Payment Amount paid. In general, any gain realized by a U.S. Holder on the sale, exchange, retirement, redemption or other disposition of a CD will be treated as ordinary interest income. Any loss recognized on the sale, exchange, retirement, redemption or other disposition of a CD will generally first offset any OID inclusion for the year of the disposition and thereafter treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the CD (taking into account the adjustments described above) that would not be subject to the limitations on the deductibility of miscellaneous deductions. Any loss in excess of such accrued OID would be treated as a capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.

Tax Treatment of Non-U.S. Holders

Taxation of Interest and Disposition of the CDs

In general, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any interest income from a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States. Additionally, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any gain on the sale, early withdrawal, maturity or other dispositions of a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and the Non-U.S. Holder is not an individual present in the United States for 183 days or more in the taxable year in which the gain is recognized.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders

CDs held (or treated as held) by an individual who is a Non-U.S. Holder at the time of his or her death will not be subject to U.S. federal estate tax, provided that the individual would not be subject to any U.S. federal income or withholding tax with respect to income or gain on the CDs.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires “information reporting” annually to the IRS and to each holder of the CDs, and “backup withholding” with respect to certain payments made on or with respect to the CDs. Information reporting and backup withholding generally will not apply to U.S. Holders that are corporations or certain other “exempt recipients” if the U.S. Holder provides the Issuer with a properly completed IRS Form W-9, and will not apply to a Non-U.S. Holder if the Non-U.S. Holder provides the Issuer with a properly completed Form W-8BEN. Interest paid to a Non-U.S. Holder who is an individual who resides in Canada will be reported on IRS Form 1042S that is filed with the IRS and sent to the Non-U.S. Holder.

Backup withholding is not an additional tax and may be refunded (or credited against a depositor’s U.S. federal income tax liability, if any), if certain required information is furnished.

The preceding discussion is only a summary of certain of the tax implications of purchasing the CDs. Prospective depositors are urged to consult with their own tax advisors prior to purchasing to determine the tax implications of a purchase in light of that depositor’s particular circumstances.

ANNEX A: DESCRIPTION OF THE REFERENCE SECURITIES

General

These Terms and Conditions are not an offer to sell and it is not an offer to buy interests in the Reference Securities. We have derived all information in these Indicative Terms and Conditions about the Reference Issuers from publicly available documents. We have not participated and will not participate in the preparation of any of those documents. Nor have we made or will we make any “due diligence” investigation or any inquiry with respect to the Reference Issuers in connection with the offering of the CDs. We do not make any representation that any publicly available document or any other publicly available information about the Reference Issuers is accurate or complete. Furthermore, we do not know whether all events occurring before the date of these Indicative Terms and Conditions, including events that would affect the accuracy or completeness of the publicly available documents referred to above or the trading value of the Reference Securities comprising the Basket, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of or failure to disclose material future events concerning the Reference Issuers could affect the value you will receive at maturity and, therefore, the market value of the CDs.

Below is a brief description of the Reference Securities and the performance of each Reference Security for each quarter from March 2004 or inception. The Reference Security information contained herein is from Bloomberg Financial Markets without independent verification by us. In addition, information regarding the Reference Issuers may have been obtained from other sources, including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. The information contained herein is furnished as a matter of information only. **Fluctuations in or share prices of the Reference Securities that have occurred in the past should not be taken as indicative of fluctuations in or closing share prices of the Reference Securities that may occur over the term of the CDs. Neither the Issuer nor any of its affiliates makes any representation as to the performance of the Reference Securities.**

We urge you to read the section “Information with Respect to the Indices and Shares” on page 4 of the related Base Disclosure Statement.

AT&T Inc.

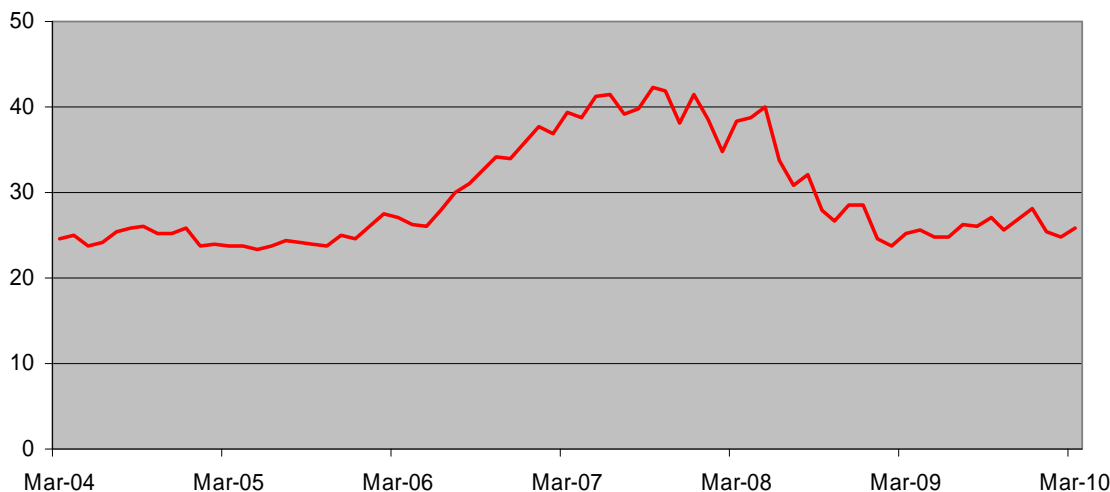
AT&T Inc. is a communications holding company. The Company, through its subsidiaries and affiliates, provides local and long-distance phone service, wireless and data communications, Internet access and messaging, IP-based and satellite television, security services, telecommunications equipment, and directory advertising and publishing.

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of AT&T Inc. for each of the quarters indicated below. We obtained the data in the following table from Bloomberg, LP, without independent verification by us.

Historical levels of AT&T Inc. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 27.73 | 23.66 | 24.54 |
| June 30, 2004 | 25.68 | 23.50 | 24.25 |
| September 30, 2004 | 26.87 | 22.98 | 25.95 |
| December 31, 2004 | 27.29 | 24.55 | 25.77 |
| March 31, 2005 | 25.98 | 23.01 | 23.69 |
| June 30, 2005 | 24.32 | 22.81 | 23.75 |
| September 30, 2005 | 24.97 | 23.23 | 23.97 |
| December 30, 2005 | 25.58 | 21.90 | 24.49 |
| March 31, 2006 | 28.75 | 24.24 | 27.04 |
| June 30, 2006 | 28.03 | 24.72 | 27.89 |
| September 29, 2006 | 33.76 | 26.36 | 32.56 |
| December 29, 2006 | 36.21 | 31.57 | 35.75 |
| March 30, 2007 | 39.86 | 33.21 | 39.43 |
| June 29, 2007 | 41.54 | 38.38 | 41.50 |
| September 28, 2007 | 42.97 | 36.53 | 42.31 |
| December 31, 2007 | 42.79 | 36.25 | 41.56 |
| March 31, 2008 | 41.94 | 32.95 | 38.30 |
| June 30, 2008 | 40.70 | 32.64 | 33.69 |
| September 30, 2008 | 33.58 | 27.51 | 27.92 |
| December 31, 2008 | 30.65 | 20.90 | 28.50 |
| March 31, 2009 | 29.46 | 21.62 | 25.20 |
| June 30, 2009 | 27.09 | 23.38 | 24.84 |
| September 30, 2009 | 27.68 | 23.19 | 27.01 |
| December 31, 2009 | 28.61 | 25.00 | 28.03 |
| March 31, 2010 | 28.67 | 24.61 | 25.84 |
| March 31, 2004 through March 31, 2010 | 42.97 | 20.90 | 25.84 |

The following graph sets forth the historical levels of AT&T Inc. using monthly data obtained from Bloomberg, LP. **Historical levels of AT&T Inc. should not be taken as an indication of future performance.**



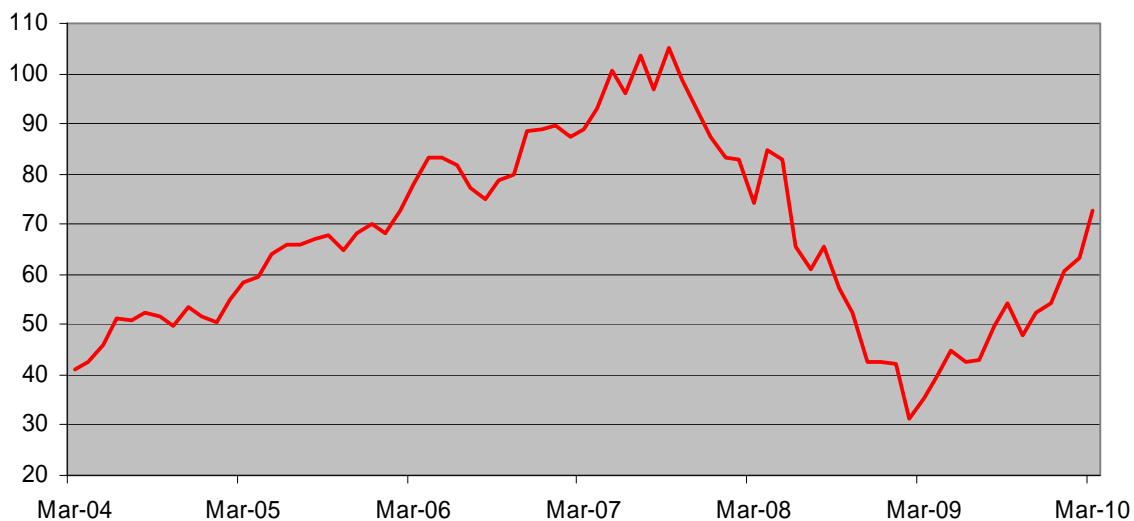
Boeing Company

The Boeing Company, together with its subsidiaries, develops, produces, and markets commercial jet aircraft, as well as provides related support services to the commercial airline industry worldwide. The Company also researches, develops, produces, modifies, and supports information, space, and defense systems, including military aircraft, helicopters and space and missile systems.

Historical levels of Boeing Co. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 45.10 | 38.04 | 41.07 |
| June 30, 2004 | 51.49 | 40.31 | 51.09 |
| September 30, 2004 | 55.22 | 46.60 | 51.62 |
| December 31, 2004 | 55.48 | 48.20 | 51.77 |
| March 31, 2005 | 58.94 | 49.52 | 58.46 |
| June 30, 2005 | 66.71 | 56.22 | 66.00 |
| September 30, 2005 | 68.38 | 62.02 | 67.95 |
| December 30, 2005 | 72.40 | 63.70 | 70.24 |
| March 31, 2006 | 79.45 | 66.49 | 77.93 |
| June 30, 2006 | 89.58 | 76.40 | 81.91 |
| September 29, 2006 | 84.06 | 72.17 | 78.85 |
| December 29, 2006 | 92.03 | 77.79 | 88.84 |
| March 30, 2007 | 92.24 | 84.60 | 88.91 |
| June 29, 2007 | 100.96 | 88.08 | 96.16 |
| September 28, 2007 | 107.80 | 90.08 | 104.99 |
| December 31, 2007 | 107.15 | 85.55 | 87.46 |
| March 31, 2008 | 87.76 | 71.59 | 74.37 |
| June 30, 2008 | 88.28 | 65.56 | 65.72 |
| September 30, 2008 | 69.50 | 54.20 | 57.35 |
| December 31, 2008 | 58.00 | 36.25 | 42.67 |
| March 31, 2009 | 47.00 | 29.05 | 35.58 |
| June 30, 2009 | 53.34 | 34.21 | 42.50 |
| September 30, 2009 | 55.48 | 38.92 | 54.15 |
| December 31, 2009 | 56.54 | 47.18 | 54.13 |
| March 31, 2010 | 74.53 | 54.80 | 72.61 |
| March 31, 2004 through March 31, 2010 | 107.80 | 29.05 | 72.61 |

The following graph sets forth the historical levels of Boeing Co. using monthly data obtained from Bloomberg, LP. **Historical levels of Boeing Co. should not be taken as an indication of future performance.**



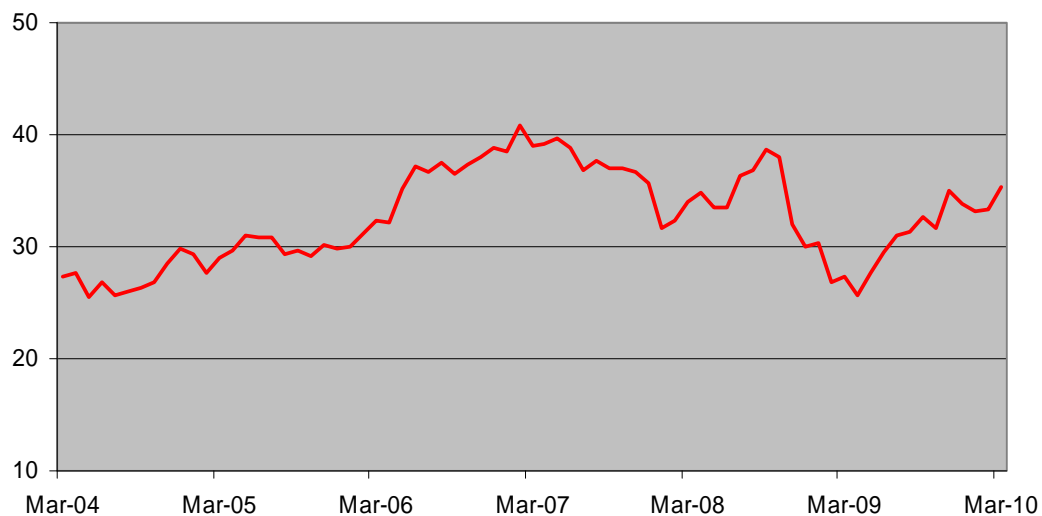
Campbell Soup Company

Campbell Soup Company, with its subsidiaries, manufactures and markets branded convenience food products. The Company's core divisions include soups and sauces, biscuits and confectionery, and foodservice. Campbell's distributes its products worldwide.

Historical levels of Campbell Soup Co. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 28.70 | 25.70 | 27.27 |
| June 30, 2004 | 28.13 | 25.03 | 26.88 |
| September 30, 2004 | 27.01 | 25.21 | 26.29 |
| December 31, 2004 | 30.52 | 25.47 | 29.89 |
| March 31, 2005 | 30.03 | 27.35 | 29.02 |
| June 30, 2005 | 31.60 | 28.32 | 30.77 |
| September 30, 2005 | 31.46 | 28.86 | 29.75 |
| December 30, 2005 | 31.30 | 28.29 | 29.77 |
| March 31, 2006 | 32.67 | 28.88 | 32.40 |
| June 30, 2006 | 37.25 | 31.55 | 37.11 |
| September 29, 2006 | 38.49 | 35.65 | 36.50 |
| December 29, 2006 | 39.98 | 35.57 | 38.89 |
| March 30, 2007 | 42.65 | 37.40 | 38.95 |
| June 29, 2007 | 40.87 | 37.74 | 38.81 |
| September 28, 2007 | 39.60 | 34.70 | 37.00 |
| December 31, 2007 | 37.69 | 34.17 | 35.73 |
| March 31, 2008 | 35.65 | 30.26 | 33.95 |
| June 30, 2008 | 36.14 | 32.15 | 33.46 |
| September 30, 2008 | 39.87 | 33.04 | 38.60 |
| December 31, 2008 | 40.85 | 27.35 | 30.01 |
| March 31, 2009 | 31.55 | 25.52 | 27.36 |
| June 30, 2009 | 29.76 | 24.63 | 29.42 |
| September 30, 2009 | 33.98 | 28.58 | 32.62 |
| December 31, 2009 | 35.80 | 30.96 | 33.80 |
| March 31, 2010 | 35.75 | 32.18 | 35.35 |
| March 31, 2004 through March 31, 2010 | 42.65 | 24.63 | 35.35 |

The following graph sets forth the historical levels of Campbell Soup Co. using monthly data obtained from Bloomberg, LP. **Historical levels of Campbell Soup Co. should not be taken as an indication of future performance.**



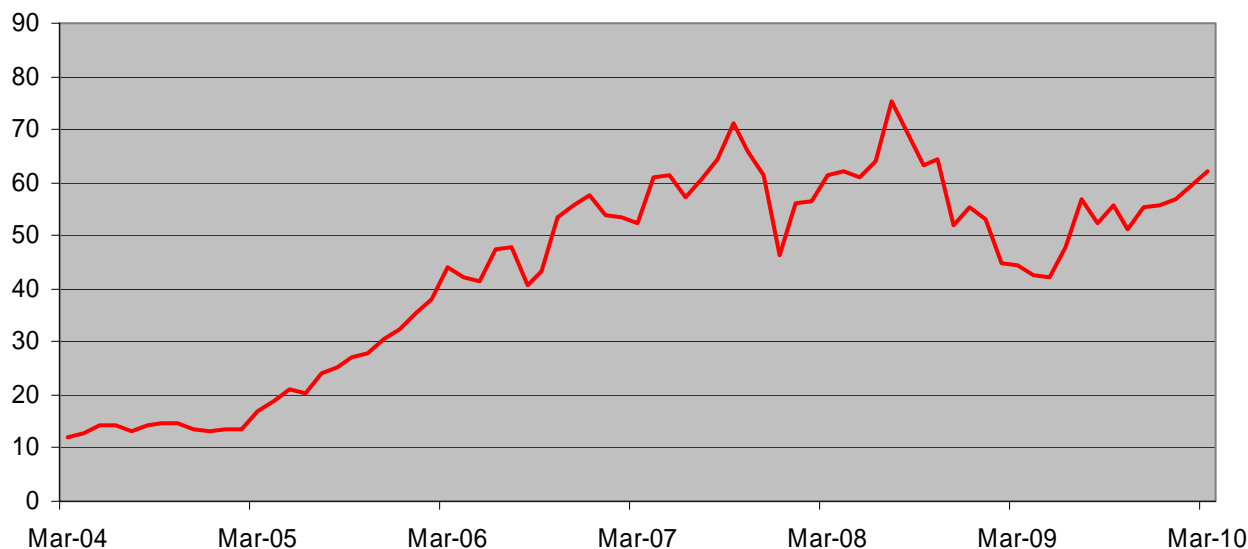
Celgene Corporation

Celgene Corporation is a global biopharmaceutical company. The Company focuses on the discovery, development, and commercialization of therapies designed to treat cancer and immune-inflammatory related diseases.

Historical levels of Celgene Corporation should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 12.23 | 9.38 | 11.91 |
| June 30, 2004 | 15.15 | 11.25 | 14.32 |
| September 30, 2004 | 15.05 | 11.67 | 14.56 |
| December 31, 2004 | 16.29 | 12.88 | 13.27 |
| March 31, 2005 | 17.62 | 12.36 | 17.03 |
| June 30, 2005 | 21.58 | 16.61 | 20.39 |
| September 30, 2005 | 29.41 | 19.78 | 27.16 |
| December 30, 2005 | 32.68 | 22.59 | 32.40 |
| March 31, 2006 | 44.22 | 31.51 | 44.22 |
| June 30, 2006 | 48.39 | 36.02 | 47.43 |
| September 29, 2006 | 49.41 | 39.32 | 43.30 |
| December 29, 2006 | 60.12 | 41.68 | 57.53 |
| March 30, 2007 | 58.60 | 49.46 | 52.46 |
| June 29, 2007 | 66.95 | 52.40 | 57.33 |
| September 28, 2007 | 72.23 | 56.56 | 71.31 |
| December 31, 2007 | 75.44 | 41.26 | 46.21 |
| March 31, 2008 | 62.18 | 46.07 | 61.29 |
| June 30, 2008 | 65.89 | 56.88 | 63.87 |
| September 30, 2008 | 77.39 | 56.00 | 63.28 |
| December 31, 2008 | 66.50 | 45.46 | 55.28 |
| March 31, 2009 | 56.59 | 39.32 | 44.40 |
| June 30, 2009 | 48.76 | 36.90 | 47.84 |
| September 30, 2009 | 58.31 | 45.27 | 55.90 |
| December 31, 2009 | 57.79 | 49.75 | 55.68 |
| March 31, 2010 | 65.79 | 54.03 | 61.96 |
| March 31, 2004 through March 31, 2010 | 77.39 | 9.38 | 61.96 |

The following graph sets forth the historical levels of Celgene Corp. using monthly data obtained from Bloomberg, LP. **Historical levels of Celgene Corp. should not be taken as an indication of future performance.**



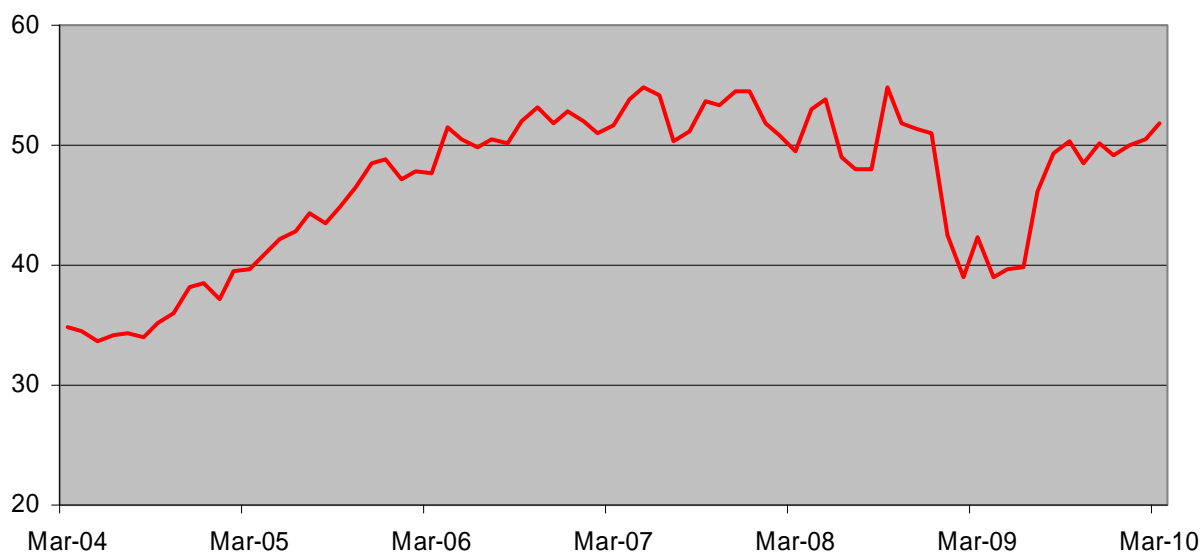
Chubb Corporation

The Chubb Corporation, a holding company, offers property and casualty insurance, which includes personal, standard commercial and specialty commercial insurance. The Company provides insurance coverage principally in the United States, Canada, Europe, Australia, and parts of Latin America and Asia.

Historical levels of Chubb Corp. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 37.09 | 33.20 | 34.77 |
| June 30, 2004 | 36.18 | 32.35 | 34.09 |
| September 30, 2004 | 35.80 | 31.55 | 35.14 |
| December 31, 2004 | 38.73 | 31.50 | 38.45 |
| March 31, 2005 | 40.48 | 36.51 | 39.64 |
| June 30, 2005 | 43.50 | 38.36 | 42.81 |
| September 30, 2005 | 45.39 | 42.19 | 44.78 |
| December 30, 2005 | 49.33 | 41.68 | 48.83 |
| March 31, 2006 | 49.70 | 46.62 | 47.72 |
| June 30, 2006 | 52.81 | 47.47 | 49.90 |
| September 29, 2006 | 52.69 | 46.94 | 51.96 |
| December 29, 2006 | 54.73 | 51.02 | 52.91 |
| March 30, 2007 | 53.86 | 48.30 | 51.67 |
| June 29, 2007 | 55.99 | 51.38 | 54.14 |
| September 28, 2007 | 54.89 | 45.74 | 53.64 |
| December 31, 2007 | 55.92 | 49.53 | 54.58 |
| March 31, 2008 | 54.94 | 47.11 | 49.48 |
| June 30, 2008 | 54.80 | 48.98 | 49.01 |
| September 30, 2008 | 64.50 | 45.21 | 54.90 |
| December 31, 2008 | 54.15 | 35.11 | 51.00 |
| March 31, 2009 | 51.00 | 34.44 | 42.32 |
| June 30, 2009 | 44.29 | 38.00 | 39.88 |
| September 30, 2009 | 51.26 | 38.70 | 50.41 |
| December 31, 2009 | 53.79 | 47.69 | 49.18 |
| March 31, 2010 | 52.58 | 47.10 | 51.85 |
| March 31, 2004 through March 31, 2010 | 64.50 | 31.50 | 51.85 |

The following graph sets forth the historical levels of Chubb Corp. using monthly data obtained from Bloomberg, LP. **Historical levels of Chubb Corp. should not be taken as an indication of future performance.**



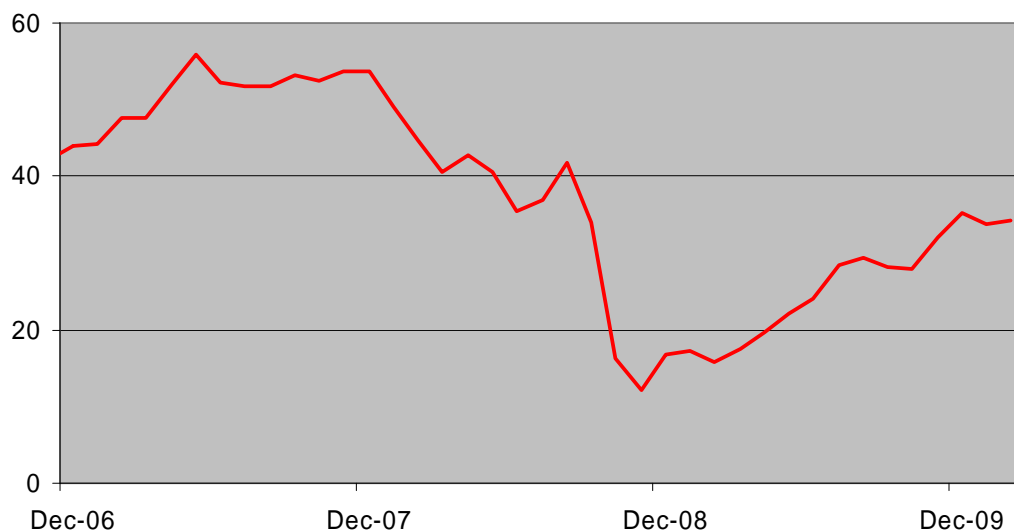
CIGNA Corporation

CIGNA Corporation, through its subsidiaries, provides group life and health insurance, managed care products and services, retirement products and services and individual financial services worldwide. The Company also sells individual life and health insurance and annuity products in selected international locations.

Historical levels of CIGNA Corporation should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 21.28 | 17.63 | 19.67 |
| June 30, 2004 | 23.51 | 19.61 | 22.94 |
| September 30, 2004 | 23.47 | 19.64 | 23.21 |
| December 31, 2004 | 27.60 | 19.38 | 27.19 |
| March 31, 2005 | 30.91 | 26.04 | 29.77 |
| June 30, 2005 | 36.46 | 28.55 | 35.68 |
| September 30, 2005 | 39.41 | 34.27 | 39.29 |
| December 30, 2005 | 39.94 | 35.03 | 37.23 |
| March 31, 2006 | 44.59 | 36.53 | 43.54 |
| June 30, 2006 | 44.37 | 29.35 | 32.84 |
| September 29, 2006 | 39.83 | 30.35 | 38.77 |
| December 29, 2006 | 44.21 | 38.07 | 43.86 |
| March 30, 2007 | 49.11 | 42.33 | 47.55 |
| June 29, 2007 | 56.87 | 47.63 | 52.22 |
| September 28, 2007 | 54.70 | 43.65 | 53.29 |
| December 31, 2007 | 56.89 | 48.21 | 53.73 |
| March 31, 2008 | 56.98 | 36.75 | 40.57 |
| June 30, 2008 | 44.43 | 35.07 | 35.39 |
| September 30, 2008 | 44.13 | 31.76 | 33.98 |
| December 31, 2008 | 34.47 | 8.00 | 16.85 |
| March 31, 2009 | 23.06 | 12.68 | 17.59 |
| June 30, 2009 | 25.60 | 16.84 | 24.09 |
| September 30, 2009 | 33.00 | 23.10 | 28.09 |
| December 31, 2009 | 38.12 | 26.83 | 35.27 |
| March 31, 2010 | 39.26 | 32.00 | 36.58 |
| March 31, 2004 through March 31, 2010 | 56.98 | 8.00 | 36.58 |

The following graph sets forth the historical levels of CIGNA Corporation using monthly data obtained from Bloomberg, LP. **Historical levels of CIGNA Corporation should not be taken as an indication of future performance.**



Du Pont (E.I.) De Nemours

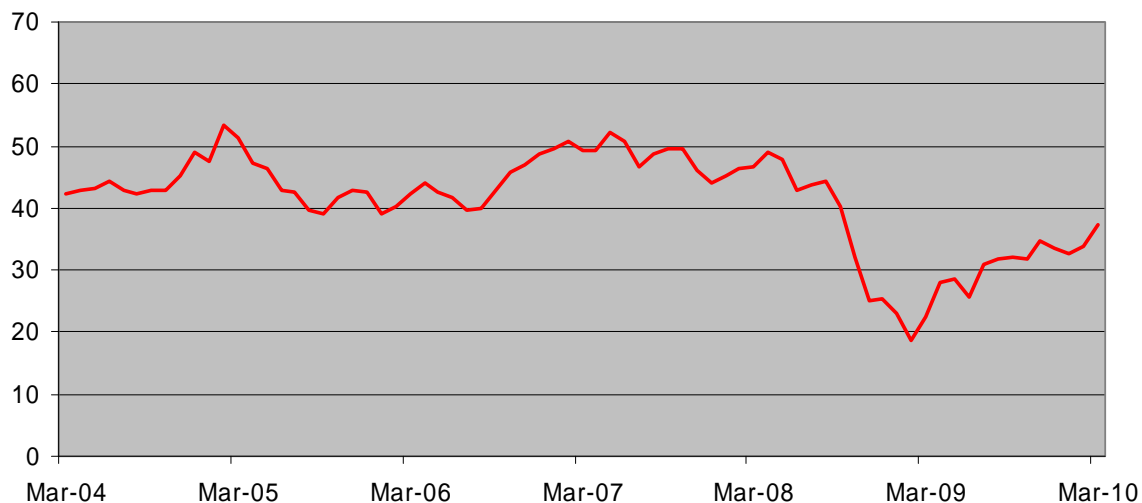
E. I. Du Pont de Nemours and Company is a global chemical and life sciences company, with businesses that include agriculture and industrial biotechnology, chemistry, biology, materials science and manufacturing. The Company operates globally and offers a wide range of products and services for markets including agriculture and food, building and construction, electronics and communications.

Historical levels of Du Pont (E.I.) De Nemours should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 46.25 | 40.46 | 42.22 |
| June 30, 2004 | 45.20 | 40.84 | 44.42 |
| September 30, 2004 | 44.78 | 39.89 | 42.80 |
| December 31, 2004 | 49.39 | 41.00 | 49.05 |
| March 31, 2005 | 54.90 | 46.01 | 51.24 |
| June 30, 2005 | 51.88 | 42.76 | 43.01 |
| September 30, 2005 | 44.75 | 37.88 | 39.17 |
| December 30, 2005 | 43.80 | 37.60 | 42.50 |
| March 31, 2006 | 43.47 | 38.52 | 42.21 |
| June 30, 2006 | 45.75 | 39.53 | 41.60 |
| September 29, 2006 | 43.49 | 38.90 | 42.84 |
| December 29, 2006 | 49.68 | 42.48 | 48.71 |
| March 30, 2007 | 53.67 | 47.58 | 49.43 |
| June 29, 2007 | 53.25 | 48.44 | 50.84 |
| September 28, 2007 | 53.48 | 45.75 | 49.56 |
| December 31, 2007 | 50.42 | 42.25 | 44.09 |
| March 31, 2008 | 48.07 | 41.26 | 46.76 |
| June 30, 2008 | 52.34 | 42.36 | 42.89 |
| September 30, 2008 | 48.22 | 39.45 | 40.30 |
| December 31, 2008 | 41.15 | 21.33 | 25.30 |
| March 31, 2009 | 27.98 | 16.06 | 22.33 |
| June 30, 2009 | 30.21 | 21.62 | 25.62 |
| September 30, 2009 | 34.59 | 23.91 | 32.14 |
| December 31, 2009 | 35.62 | 30.10 | 33.67 |
| March 31, 2010 | 39.04 | 31.88 | 37.24 |
| March 31, 2004 through March 31, 2010 | 54.90 | 16.06 | 37.24 |

The following graph sets forth the historical levels of Du Pont (E.I.) De Nemours using monthly data obtained from Bloomberg, LP.

Historical Levels of Du Pont (E.I.) De Nemours should not be taken as an indication of future performance.



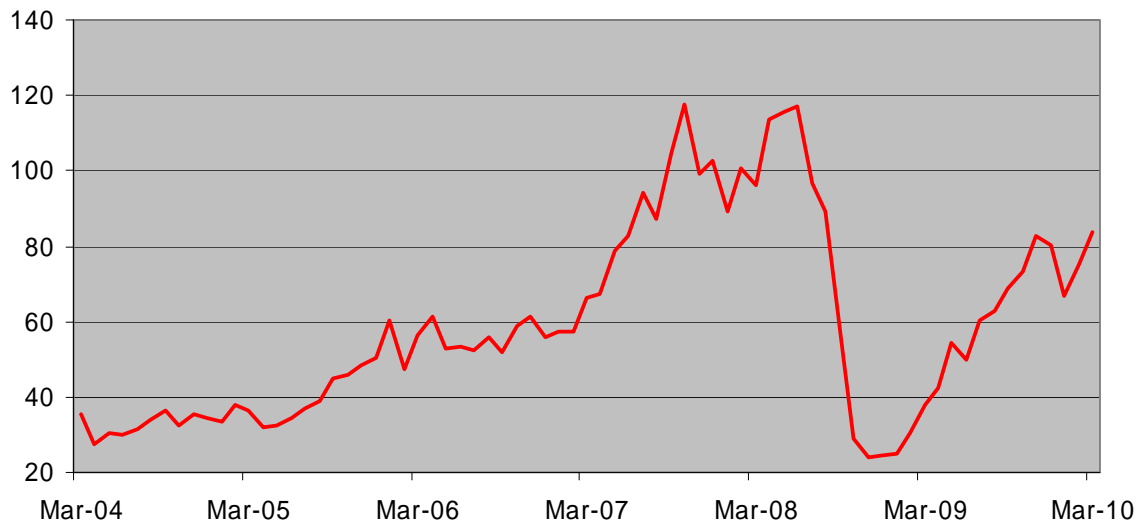
Freeport – McMoran Copper & Gold Inc.

Freeport-McMoRan Copper & Gold Inc., through its subsidiary, is a copper, gold and molybdenum mining company. The Company primarily mines for copper and owns mining interests in Chile and Indonesia. Freeport-McMoRan Copper & Gold also, through a subsidiary, is involved in smelting and refining of copper concentrates.

Historical levels of Freeport-McMoran Copper & Gold Inc. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 40.46 | 31.63 | 35.22 |
| June 30, 2004 | 35.91 | 25.16 | 29.87 |
| September 30, 2004 | 37.96 | 28.42 | 36.49 |
| December 31, 2004 | 38.34 | 30.62 | 34.68 |
| March 31, 2005 | 39.82 | 31.86 | 36.37 |
| June 30, 2005 | 37.02 | 28.94 | 34.38 |
| September 30, 2005 | 45.95 | 34.09 | 45.13 |
| December 30, 2005 | 52.34 | 40.68 | 50.43 |
| March 31, 2006 | 60.92 | 44.16 | 56.59 |
| June 30, 2006 | 68.36 | 41.46 | 53.30 |
| September 29, 2006 | 59.92 | 45.77 | 51.96 |
| December 29, 2006 | 62.14 | 46.44 | 55.73 |
| March 30, 2007 | 67.19 | 48.98 | 66.19 |
| June 29, 2007 | 85.50 | 65.62 | 82.82 |
| September 28, 2007 | 110.48 | 67.08 | 104.89 |
| December 31, 2007 | 120.20 | 85.71 | 102.44 |
| March 31, 2008 | 107.37 | 69.10 | 96.22 |
| June 30, 2008 | 127.23 | 93.00 | 117.19 |
| September 30, 2008 | 117.08 | 51.24 | 56.85 |
| December 31, 2008 | 56.20 | 15.70 | 24.44 |
| March 31, 2009 | 43.45 | 21.17 | 38.11 |
| June 30, 2009 | 61.55 | 36.60 | 50.11 |
| September 30, 2009 | 73.43 | 43.19 | 68.61 |
| December 31, 2009 | 87.35 | 63.01 | 80.29 |
| March 31, 2010 | 90.55 | 66.04 | 83.54 |
| March 31, 2004 through March 31, 2010 | 127.23 | 15.70 | 83.54 |

The following graph sets forth the historical levels of Freeport-McMoRan Copper & Gold Inc using monthly data obtained from Bloomberg, LP. **Historical Levels of Freeport-McMoran Copper & Gold Inc. should not be taken as an indication of future performance.**



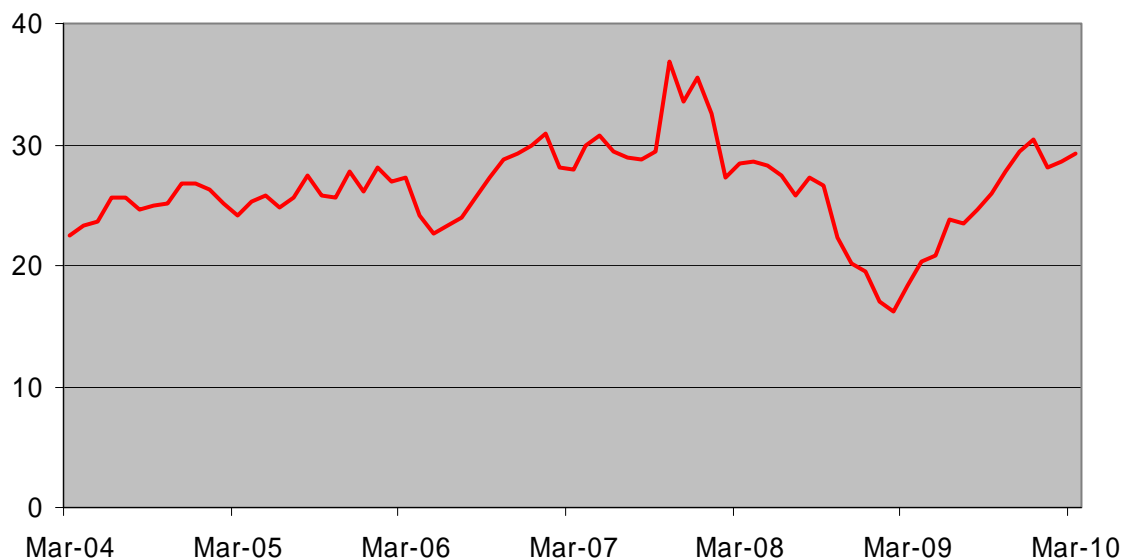
Microsoft Corporation

Microsoft Corporation develops, manufactures, licenses, sells, and supports software products. The Company offers operating system software, server application software, business and consumer applications software, software development tools, and Internet and intranet software. Microsoft also develops video game consoles and digital music entertainment devices.

Historical levels of Microsoft Corporation should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 25.94 | 21.61 | 22.47 |
| June 30, 2004 | 25.92 | 22.36 | 25.70 |
| September 30, 2004 | 26.91 | 24.06 | 24.88 |
| December 31, 2004 | 27.50 | 24.68 | 26.71 |
| March 31, 2005 | 27.10 | 23.82 | 24.17 |
| June 30, 2005 | 26.09 | 23.94 | 24.84 |
| September 30, 2005 | 27.94 | 24.50 | 25.73 |
| December 30, 2005 | 28.25 | 24.25 | 26.15 |
| March 31, 2006 | 28.38 | 26.10 | 27.21 |
| June 30, 2006 | 27.94 | 21.46 | 23.30 |
| September 29, 2006 | 27.50 | 22.23 | 27.33 |
| December 29, 2006 | 30.26 | 27.15 | 29.86 |
| March 30, 2007 | 31.48 | 26.71 | 27.87 |
| June 29, 2007 | 31.16 | 27.56 | 29.47 |
| September 28, 2007 | 31.84 | 27.51 | 29.46 |
| December 31, 2007 | 37.49 | 29.29 | 35.60 |
| March 31, 2008 | 35.96 | 26.87 | 28.38 |
| June 30, 2008 | 32.10 | 27.11 | 27.51 |
| September 30, 2008 | 28.50 | 24.01 | 26.69 |
| December 31, 2008 | 27.47 | 17.50 | 19.44 |
| March 31, 2009 | 21.00 | 14.87 | 18.37 |
| June 30, 2009 | 24.33 | 18.19 | 23.77 |
| September 30, 2009 | 26.25 | 22.00 | 25.89 |
| December 31, 2009 | 31.50 | 24.43 | 30.49 |
| March 31, 2010 | 31.24 | 27.57 | 29.27 |
| March 31, 2004 through March 31, 2010 | 37.49 | 14.87 | 29.27 |

The following graph sets forth the historical levels of Microsoft Corporation using monthly data obtained from Bloomberg, LP. **Historical levels of Microsoft Corporation should not be taken as an indication of future performance.**



Peabody Energy Corporation

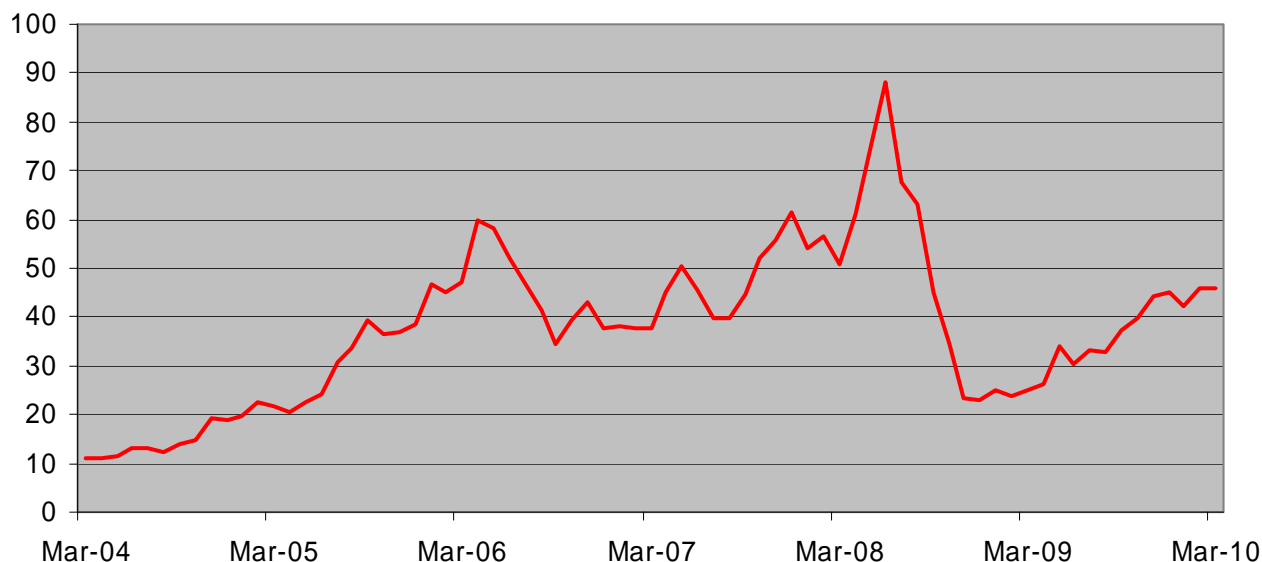
Peabody Energy Corporation mines and markets predominantly low sulfur coal, primarily for use by electric utilities. The Company also trades coal and emission allowances. Peabody owns and operates mines in Arizona, Colorado, New Mexico and Wyoming, Illinois, Indiana, and Australia. The Company also a minority interest in a Venezuelan mine through a joint venture.

Historical levels of Peabody Energy Corp. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 11.84 | 8.52 | 10.89 |
| June 30, 2004 | 13.11 | 9.77 | 13.10 |
| September 30, 2004 | 14.14 | 11.88 | 13.93 |
| December 31, 2004 | 20.32 | 12.64 | 18.94 |
| March 31, 2005 | 23.83 | 17.20 | 21.70 |
| June 30, 2005 | 26.43 | 18.42 | 24.36 |
| September 30, 2005 | 40.26 | 24.35 | 39.49 |
| December 30, 2005 | 40.70 | 33.10 | 38.58 |
| March 31, 2006 | 49.15 | 38.61 | 47.20 |
| June 30, 2006 | 71.43 | 43.83 | 52.20 |
| September 29, 2006 | 56.00 | 30.85 | 34.43 |
| December 29, 2006 | 45.49 | 31.88 | 37.83 |
| March 30, 2007 | 41.76 | 33.89 | 37.67 |
| June 29, 2007 | 52.20 | 37.41 | 45.30 |
| September 28, 2007 | 47.74 | 35.97 | 44.82 |
| December 31, 2007 | 62.55 | 44.49 | 61.64 |
| March 31, 2008 | 63.96 | 42.05 | 51.00 |
| June 30, 2008 | 88.69 | 49.38 | 88.05 |
| September 30, 2008 | 88.26 | 39.10 | 45.00 |
| December 31, 2008 | 43.98 | 16.01 | 22.75 |
| March 31, 2009 | 30.95 | 20.17 | 25.04 |
| June 30, 2009 | 37.44 | 23.64 | 30.16 |
| September 30, 2009 | 41.54 | 27.20 | 37.22 |
| December 31, 2009 | 48.14 | 34.54 | 45.21 |
| March 31, 2010 | 51.94 | 39.90 | 45.70 |
| March 31, 2004 through March 31, 2010 | 88.69 | 8.52 | 45.70 |

The following graph sets forth the historical levels of Peabody Energy Corp. using monthly data obtained from Bloomberg, LP.

Historical levels of Peabody Energy Corp. should not be taken as an indication of future performance.



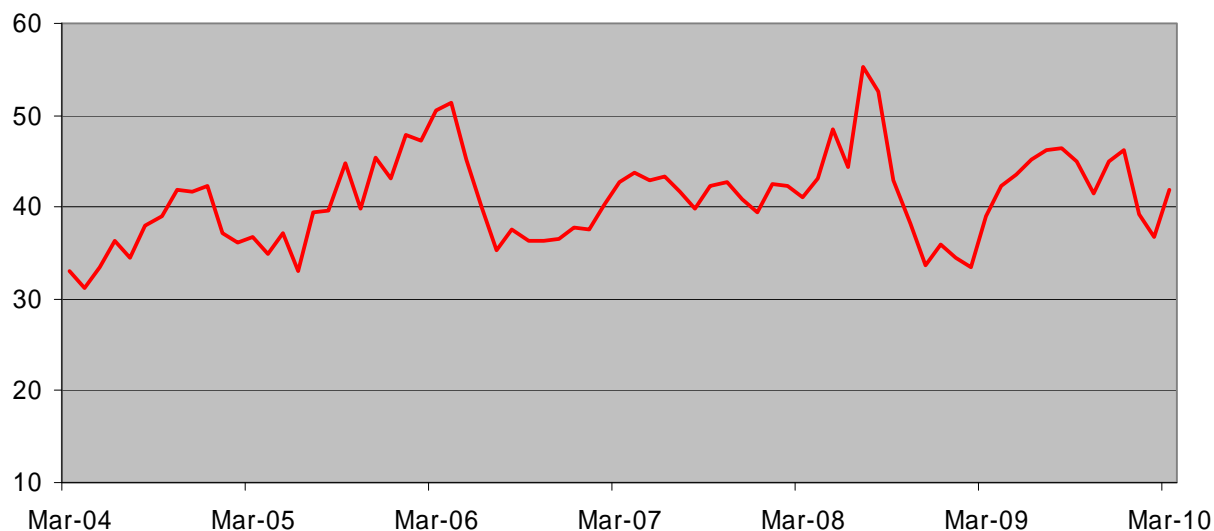
QUALCOMM Inc.

QUALCOMM Incorporated develops and delivers digital wireless communications products and services based on the Company's CDMA digital technology. The Company's business areas include integrated CDMA chipsets and systems software, technology licensing, Eudora email software for Windows and Macintosh platforms, and satellite based systems including Omnitrac and Globalstar systems.

Historical levels of QUALCOMM Inc. should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 33.37 | 26.55 | 33.10 |
| June 30, 2004 | 36.60 | 30.80 | 36.42 |
| September 30, 2004 | 41.00 | 33.60 | 39.04 |
| December 31, 2004 | 44.99 | 37.78 | 42.40 |
| March 31, 2005 | 43.71 | 33.99 | 36.65 |
| June 30, 2005 | 38.46 | 32.08 | 33.01 |
| September 30, 2005 | 45.05 | 32.98 | 44.75 |
| December 30, 2005 | 46.59 | 39.02 | 43.08 |
| March 31, 2006 | 51.75 | 42.91 | 50.61 |
| June 30, 2006 | 53.01 | 38.54 | 40.07 |
| September 29, 2006 | 39.72 | 32.76 | 36.35 |
| December 29, 2006 | 40.99 | 34.10 | 37.79 |
| March 30, 2007 | 44.12 | 36.80 | 42.66 |
| June 29, 2007 | 47.72 | 40.98 | 43.39 |
| September 28, 2007 | 45.57 | 35.23 | 42.26 |
| December 31, 2007 | 43.40 | 36.60 | 39.35 |
| March 31, 2008 | 44.85 | 35.17 | 41.00 |
| June 30, 2008 | 50.82 | 40.65 | 44.37 |
| September 30, 2008 | 56.88 | 38.67 | 42.97 |
| December 31, 2008 | 43.24 | 28.16 | 35.83 |
| March 31, 2009 | 39.70 | 32.64 | 38.91 |
| June 30, 2009 | 46.73 | 38.07 | 45.20 |
| September 30, 2009 | 48.72 | 42.67 | 44.98 |
| December 31, 2009 | 46.99 | 40.16 | 46.26 |
| March 31, 2010 | 49.80 | 35.46 | 41.99 |
| March 31, 2004 through March 31, 2010 | 56.88 | 26.55 | 41.99 |

The following graph sets forth the historical levels of QUALCOMM Inc. using monthly data obtained from Bloomberg, LP. **Historical levels of QUALCOMM Inc. should not be taken as an indication of future performance.**



Southern Company

Southern Company is a public utility holding company. The Company, through its subsidiaries, generates, wholesales, and retails electricity in the southeastern United States. The Company also offers wireless telecommunications services, and provides businesses with two-way radio, telephone, paging, and Internet access services as well as wholesales fiber optic solutions.

Historical levels of Southern Company should not be taken as an indication of future performance.

| QUARTER ENDING | QUARTERLY HIGH | QUARTERLY LOW | QUARTERLY CLOSE |
|---------------------------------------|----------------|---------------|-----------------|
| March 31, 2004 | 31.00 | 29.05 | 30.50 |
| June 30, 2004 | 30.64 | 27.44 | 29.15 |
| September 30, 2004 | 30.85 | 28.67 | 29.98 |
| December 31, 2004 | 33.96 | 29.93 | 33.52 |
| March 31, 2005 | 34.34 | 31.15 | 31.83 |
| June 30, 2005 | 35.00 | 31.60 | 34.67 |
| September 30, 2005 | 36.20 | 33.25 | 35.76 |
| December 30, 2005 | 36.31 | 32.77 | 34.53 |
| March 31, 2006 | 35.89 | 32.34 | 32.77 |
| June 30, 2006 | 33.25 | 30.49 | 32.05 |
| September 29, 2006 | 34.99 | 32.01 | 34.46 |
| December 29, 2006 | 37.40 | 34.49 | 36.86 |
| March 30, 2007 | 37.25 | 34.85 | 36.65 |
| June 29, 2007 | 38.90 | 33.50 | 34.29 |
| September 28, 2007 | 37.70 | 33.48 | 36.28 |
| December 31, 2007 | 39.35 | 35.15 | 38.75 |
| March 31, 2008 | 40.60 | 33.93 | 35.61 |
| June 30, 2008 | 37.80 | 34.30 | 34.92 |
| September 30, 2008 | 40.00 | 34.47 | 37.69 |
| December 31, 2008 | 37.99 | 29.82 | 37.00 |
| March 31, 2009 | 37.62 | 26.49 | 30.62 |
| June 30, 2009 | 32.05 | 27.19 | 31.16 |
| September 30, 2009 | 32.66 | 30.38 | 31.67 |
| December 31, 2009 | 34.42 | 30.89 | 33.32 |
| March 31, 2010 | 33.65 | 30.85 | 33.16 |
| March 31, 2004 through March 31, 2010 | 40.60 | 26.49 | 33.16 |

The following graph sets forth the historical levels of Southern Company using monthly data obtained from Bloomberg, LP. **Historical levels of Southern Company should not be taken as an indication of future performance.**

