

# HSBC Bank USA, N.A.

## 6 Year Sector Selector Certificates of Deposit With Minimum Return

### INDICATIVE TERMS

Issuer	HSBC Bank USA, N.A.
Issue	6 Year Sector Selector CD with Minimum Return
Issuer Rating	AA (S&P), Aa3 (Moody's)
Denomination	US Dollars (USD)
Trade Date	October 22, 2009
Settlement Date	October 27, 2009
Maturity Date	October 27, 2015
Issue Price	100.00%
Components	iShares MSCI Emerging Market Index Fund(EEM) Market Vectors Gold Miners (GDX) Energy Select Sector SPDR Fund (XLE) Financial Select Sector SPDR Fund (XLF) Healthcare Select Sector SPDR Fund (XLV) Semiconductor HOLDRs Trust (SMH)
Maturity Redemption Amount	Principal Amount x (100% + the greater of the Minimum Return and the Final Return)
Final Return	The sum of the capped Locked-In Returns, expressed as a percentage
Locked-in Return	On each Observation Date, the Component that has experienced the highest Return as of that Observation Date will be selected and the Locked-in Return included for that Component in calculating the Final Return will be the lesser of (A) the Return of that Component as of that Observation Date, an (B) the Cap. This Component will then be removed from the Basket for the purposes of determining the Component that will be selected on future Observation Dates.
Return	With respect to each Component and each Observation Date, the quotient of (i) its Final Level for that Observation Date minus its Initial Level divided by (ii) its Initial Level.
Cap	[8.00%-11.00%] (Per Locked-in Return)
Minimum Return	4.00% (0.66% per annum on an annually compounded basis)
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	40431AM33
OID Tax Rate	[3.30%]

### CD Description

The Sector Selector CDs with Minimum Return provide exposure to potential price appreciation in a basket of diversified exchange-traded funds and if held to maturity, 100% principal protection and a minimum guaranteed return. The CDs offer an opportunity to capture the outperformance of the sectors as the economy move through various economic cycles. These CDs can help reduce and diversify portfolio risk by providing broad exposure to various market sectors.

### Highlights

- **Growth Potential:** Depositors participate in the growth of the six diversified sectors. These sectors include energy, health care, precious metals, technology, financials and emerging markets.
- **Guaranteed Minimum Return:** Regardless of the ETF performances, depositors will receive at least 4.00% aggregate total return if held to maturity.
- **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.
- **IRA-eligible.**



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## HISTORICAL PERFORMANCES OF THE BASKET COMPONENTS

This table shows the historical prices of the Basket Component ETFs starting from 9/29/03 and at the end of each full year thereafter.

	Initial Levels	Annual Levels					
	9/29/03	9/28/04	9/28/05	9/28/06	9/28/07	9/29/08	9/28/09
EEM	15.15	18.97	27.85	32.52	49.82	31.61	38.80
GDX				35.96	45.35	34.00	44.18
XLE	24.05	35.19	54.00	53.23	74.80	59.65	54.48
XLF	25.58	28.43	29.05	34.72	34.32	18.57	14.89
XLV	27.94	29.22	31.26	33.08	35.35	30.15	29.07
SMH	34.00	28.35	34.28	33.32	36.83	23.45	26.00

This table displays the performances at the end of these years as measured from prices set on 9/29/03, where available. Due to ETF launch date after 9/29/03, the GDX performances are measured from 9/28/06.

	Performances on each date measured from initial available Levels					
	9/28/2004	9/28/2005	9/28/2006	9/28/2007	9/29/2008	9/28/2009
EEM	25%	84%	115%	229%	109%	156%
GDX				26%	-5%	23%
XLE	46%	125%	121%	211%	148%	127%
XLF	11%	14%	36%	34%	-27%	-42%
XLV	5%	12%	18%	27%	8%	4%
SMH	-17%	1%	-2%	8%	-31%	-24%

Past performance is not a prediction or guarantee of future returns.

\* Data Source: Bloomberg L.P.

## POTENTIAL DEPOSITOR BENEFITS

- Opportunity to potentially earn a return in excess of comparable term fixed rate bank CDs.
- CDs can help reduce and diversify portfolio risk by providing broad exposure to various market sectors
- Offers a return based upon point-to-point percentage changes between observation date closing levels and the initial levels, subject to the Cap.
- Provides a disciplined approach towards realizing profits due to lock-in feature
- Allows investor to capture the performance of the various sectors which may outperform depending upon the various stages within the economic cycle (e.g. during slowing economy a defensive sector such as healthcare or gold may outperform, versus possible semiconductor sector outperformance during an expansionary phase)
- Offers early underperforming sectors opportunity to turnaround due to 6 year term

## 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" 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 the Variable Amount 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 instruments
- Return on the CDs does not necessarily reflect the full performance of the ETF's and movements in the level of the ETF's may affect whether or not depositors receive a return in excess of the minimum guaranteed return
- Depositors' yield may be less than that of a standard debt security of comparable maturity
- Although holders will not receive any payment on the CDs until maturity, the original issue discount relating to the CDs (as described herein) will be included in income and taxable at ordinary income rates on an annual basis

**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](http://www.us.hsbc.com/structuredcd) or can be obtained from the Agent offering the CDs.**



# HSBC Bank USA, N.A.

## 6yr Sector Selector Certificates of Deposit With Minimum Return

### Indicative Terms and Conditions Deposit Highlights October 27, 2015

#### 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 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 following components (each a "Component" and together, the "Components"), each of which is either an index (each an "Index" and together the "Indices") or an exchange traded fund (each an "ETF" and together the "ETFs"):

Exchange Traded Fund	Relevant Exchange	Ticker Symbol	Initial Level
iShares MSCI Emerging Market Index	NYSE Arca	EEM	TBD
Market Vectors Gold Miners	NYSE Arca	GDX	TBD
Energy Select Sector SPDR Fund	NYSE Arca	XLE	TBD
Financial Select Sector SPDR Fund	NYSE Arca	XLF	TBD
Healthcare Select Sector SPDR Fund	NYSE Arca	XLV	TBD
Semiconductor HOLDERS Trust	NYSE Arca	SMH	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.
- Pricing Date: October 22, 2009
- Trade Date: October 22, 2009
- Settlement Date: October 27, 2009
- Maturity Date: Three business days after the final Observation Date. The Maturity Date is expected to be October 27, 2015. The Maturity Date is subject to further adjustment as described herein.
- Observation Dates: Annually on the 22nd day of October, subject to adjustment as described below in the section "Description of the Certificates of Deposit." The first Observation Date is scheduled to be in October of 2010 and the last Observation Date is scheduled to be in October of 2015.
- Payment at Maturity: For each CD, the Maturity Redemption Amount
- Maturity Redemption Amount: Principal Amount x (100% + the greater of (i) the Minimum Return and (ii) the Final Return)
- Minimum Return: 4.00% (0.66% per annum)
- Final Return: the sum of the six Locked-In Returns, expressed as a percentage
- Locked-In Return: On each Observation Date, the Component that has experienced the highest Return as of that Observation Date will be selected and the Locked-In Return included for that Component in calculating the Final Return will be the lesser of (A) the Return of that Component as of that Observation Date, and (B) the Cap. This Component will then be removed from the Basket for purposes of determining the Component that will be selected on future Observation Dates.
- Return: With respect to each Component and each Observation Date, the quotient of (i) its Final Level for that Observation Date minus its Initial Level divided by (ii) its Initial Level.
- Cap: [8.00%-11.00%] (Per Locked-In Return)
- Initial Level: With respect to a Component, the Closing Level of that Component on the Pricing Date, as set forth in the table above.
- Final Level: With respect to a Component and an Observation Date, the Closing Level of that Component on that Observation Date.
- Closing Level: For any date of determination and with respect to any Component, the official closing level of the Component 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: October 30, 2010, October 31, 2011, October 31, 2012, October 31, 2013, and October 31, 2014, 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: 40431AM33
- Comparable Yield (for tax purposes): [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.



**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](http://www.us.hsbc.com/structuredcd) or can be obtained from the Agent offering the CDs.**

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## SUMMARY OF TERMS

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Set forth in these Terms and Conditions is a summary of certain of the terms and conditions of the 6 Year Sector Selector Certificates of Deposit maturing October 27, 2015. 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.

<b>Issuer:</b>	HSBC BANK USA, NATIONAL ASSOCIATION, acting through its New York Branch
<b>Issuer Rating:</b>	Senior unsecured deposit obligations of the Issuer are rated Aa3 by Moody's Investor Service, Inc. and AA by Standard & Poor's Financial Services LLC, a subsidiary of the McGraw-Hill Companies. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs.
<b>CDs:</b>	6 Year Sector Selector Certificates of Deposit maturing October 27, 2015
<b>Book-Entry Form:</b>	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.
<b>Aggregate Principal Amount:</b>	
<b>Minimum Deposit Amount:</b>	\$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.
<b>Principal Amount:</b>	\$1,000 for each CD
<b>Trade Date:</b>	October 22, 2009
<b>Pricing Date:</b>	October 22, 2009
<b>Settlement Date:</b>	October 27, 2009
<b>Maturity Date:</b>	October 27, 2015
<b>Issue Price:</b>	100% of Principal Amount.
<b>Basket:</b>	The Basket is comprised of six equally weighted Components, as defined above (together, the "Components"). The sponsor of each Index will be referred to as the "Reference Index Sponsor," and the investment company issuing each ETF will be referred to as the "Reference Issuer." For summary descriptions of the Components, the Reference Index Sponsors and the Reference Issuers, please refer to Annex A.
<b>Maturity Redemption Amount:</b>	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: Principal Amount x (100% plus the greater of (i) the Minimum Return and (ii) the Final Return). The Maturity Redemption Amount will be calculated by the Calculation Agent on or subsequent to the final Observation Date. No amount in respect of interest, other than the Variable Amount, if any, will be paid on the CDs at any time.

<b>Variable Amount:</b>	(i) if the Final Return exceeds the Minimum Return, the Variable Amount will be the Final Return multiplied by the Principal Amount, and (ii) if the Final Return does not exceed the Minimum Return, the Variable Amount will be the Minimum Return multiplied by the Principal Amount.
<b>Minimum Return:</b>	4.00% (0.66% per annum on an annually compounded basis)
<b>Final Return:</b>	The sum of the six Locked-In Returns, expressed as a percentage.
<b>Locked-In Return:</b>	On each Observation Date, the Component that has experienced the highest Return (positive or negative) as of that Observation Date will be selected and the Locked-In Return included for that Component in calculating the Final Return will be the lesser of (A) the Return of that Component as of that Observation Date, and (B) the Cap. This Component will then be removed from the Basket for purposes of determining the Component that will be selected on future Observation Dates. By way of example, on the first Observation Date the Component with the highest Return will be selected. On the second Observation Date, the Returns of the five remaining Components will be compared in order to determine the Component that will be selected.
<b>Cap:</b>	[8.00%-11.00%] (Per Locked-In Return)
<b>Return:</b>	With respect to each Component and each Observation Date, the quotient of (i) its Final Level for that Observation Date minus its Initial Level divided by (ii) its Initial Level.
<b>Initial Level:</b>	For each Component, the Closing Level of that Component on the Pricing Date.
<b>Final Level:</b>	With respect to each Component on any Observation Date, the Closing Level of that Component at the regular official weekday close of trading on that Observation Date.
<b>Closing Level:</b>	For any date of determination and with respect to any Component, the official closing level of that Component 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.
<b>Observation Dates:</b>	Annually on the 22nd day of October, subject to adjustment as described below in the section "Description of the Certificates of Deposit." The first Observation Date is scheduled to be in October of 2010 and the last Observation Date is scheduled to be in October of 2015.
<b>Scheduled Trading Day:</b>	With respect to any Index, any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading in each security then included in that Index. With respect to any ETF, any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading in that ETF.
<b>Relevant Exchange:</b>	With respect to any Index, the primary exchanges for each security which is a component of that Index. With respect to any ETF, the primary exchange for that ETF.
<b>Related Exchange:</b>	With respect to a Component, the exchanges or quotation systems, if any, on which options or futures contracts on that Component are traded or quoted, and as may be selected from time to time by the Calculation Agent.
<b>Exchange Business Day:</b>	With respect to a Component, any day that is (or, but for the occurrence of a Market Disruption Event (as defined in the Base Disclosure Statement), would have been) a trading day for each of the Relevant Exchanges and Related Exchanges for that Component, other than a day on which trading on any such exchange is scheduled to close prior to its regular weekday closing time.
<b>Early Redemption at Current Market Value:</b>	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 the Minimum Return or the Variable 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, then the Early Redemption Valuation Date will be the next Scheduled Trading Day. If a Market Disruption Event exists on the Early Redemption Valuation Date, then the Early Redemption Valuation Date will be postponed for up to eight Scheduled Trading Days (in the same general manner used for postponing Observation Dates). 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 the Minimum Return or any other 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	3%	2%	1%	0%	0%	0%

For purposes of the Early Redemption Charges:

- Year 1 is defined as the Trade Date to (but excluding) the first anniversary of the Trade Date;
- Year 2 is defined as the date from and excluding the first anniversary of the Trade Date to (but excluding) the second anniversary of the Trade Date;
- Year 3 is defined as the date 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 the date from and including the third anniversary of the Trade Date to (but excluding) the fourth anniversary of the Trade Date; and
- 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.
- 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 that 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 Variable Amount or the Minimum Return.

**Market Disruption Event:**

As described in the Base Disclosure Statement.

**Discontinuance/Modification of a Component:**

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.

**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

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## QUESTIONS AND ANSWERS

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### 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 also 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) the greater of: (i) the Minimum Return multiplied by the Principal Amount, or (ii) the Final Return multiplied by the Principal Amount, 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 Final Return will be equal to the sum of the six Locked-In Returns, expressed as a percentage.

**The Maturity Redemption Amount and, consequently, the Variable Amount will not include dividends paid on the common stocks included in any Component that is an Index. Apart from the Variable Amount, if any, or an amount in respect of the Minimum Return, 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.

### 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 is an Exchange Traded Fund?

An exchange-traded fund, or ETF, is a type of investment company whose investment objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in the securities of companies that are included in a selected market index. An ETF will invest in either all of the securities or a representative sample of the securities included in the index. An ETF, like any other type of investment company, will have a prospectus. All ETFs will deliver a prospectus upon request. An ETF will have annual company operating expenses and may also impose certain shareholders fees that are disclosed in the prospectus.

### **What is the iShares MSCI Emerging Market Index (EEM)?**

iShares MSCI Emerging Markets Index is an exchange-traded fund incorporated in the USA. The Fund seeks results that correspond generally to the price and yield performance of the MSCI TR Emerging Markets Index. The Fund will concentrate its investments in a particular industry or geographic region to approximately the same extent the Index is so concentrated.

### **What is the Market Vectors Gold Miners Exchange-Traded Fund (GDX)?**

Market Vectors Gold Miners ETF is an exchange-traded fund incorporated in the USA. The Fund seeks investment results that correspond to the price and yield of the Amex Gold Miners Index.

### **What is the Energy Select Sector SPDR Fund (XLE)?**

Energy Select Sector SPDR Fund is an exchange-traded fund incorporated in the USA. The Fund's objective is to provide investment results that correspond to the performance of The Energy Select Sector Index. The Index includes companies that develop & produce crude oil & natural gas, provide drilling and other energy related services.

### **What is the Financial Select Sector SPDR Fund (XLF)?**

Financial Select Sector SPDR Fund is an exchange-traded fund incorporated in the USA. The Fund's objective is to provide investment results that, before expenses, correspond to the performance of The Financial Select Sector. The Index includes financial services firms whose business' range from investment management to commercial & business banking.

### **What is the Healthcare Select Sector SPDR Fund (XLV)?**

Health Care Select Sector SPDR Fund is an exchange-traded fund incorporated in the USA. The Fund's objective is to provide investment results that correspond to the performance of The Health Care Select Sector Index. The Index includes companies involved in health care equipment and supplies, health care providers and services, biotechnology & pharmaceuticals.

### **What is the Semiconductor HOLDRs Trust (SMH)?**

Semiconductor HOLDRs Trust issues depositary receipts called Semiconductor HOLDRs. The Trust will hold shares of common stock issued by companies that develop, manufacture and market integrated circuitry and other products made from semiconductors which allow for increased speed and functionality in components for computers and other electronic devices.

## **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, even though holders will not receive any payment on the CDs until their maturity.

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 Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxed 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.

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## RISK FACTORS

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*Purchasing the CDs is not equivalent to investing directly in the Components or in the constituent common stocks included in any Component that is an Index. 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 Certain 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 Components, no assurance can be given that depositors of the CDs will receive any Variable Amount in excess of the Minimum Return. Depositors must understand that they have no interests in the Components and neither they, nor the Issuer on their behalf nor any Agent on their behalf, will have any recourse against the Reference Issuers or Reference Index Sponsors, or any rights in the Components, including the constituent common stock included in any Component that is an Index, either contractually or statutorily.

**Return on the CDs does not necessarily reflect the full performance of the Components.**

On each Observation Date, one Component will be selected, and this Component is then removed from the Basket as of that point in time. Therefore, your return with respect to each Component will be equal to its Locked-In Return, which will not necessarily equal its performance over the term of the CDs. In addition, because the Return of each Component is capped with respect to any Observation Date, the Locked-In Return may not reflect the full performance of the Component as of that Observation Date. Once a Locked-In Return is established for a Component and it is removed from the Basket, you will not benefit from any future movements in the levels of that Component. Furthermore, since the Maturity Redemption Amount is based on the performance of multiple Components, declines in the level of one or more Component may offset increases in the levels of the other Components.

**The Value of Shares of any Components that are ETFs May Not Perfectly Track the Value of the Underlying Indices of those ETFs.**

Although the trading characteristics and valuations of shares of some of the Components that are ETFs may mirror the characteristics and valuations the underlying indices of those ETFs, the value of the shares of any Components that are ETFs may not perfectly track the value of those underlying indices. The value of the Components that are ETFs will reflect transaction costs and fees that are not included in the calculation of the underlying indices. Additionally, because the Components that are ETFs may not actually hold all of the stocks that comprise the underlying indices but may invest in a representative sample of securities which have a similar investment profile as the stocks that comprise the underlying indices, the Components that are ETFs may not fully replicate the performance of the underlying indices.

**Depositors Are Not Guaranteed the Receipt of the Principal Amount of their CDs or a Minimum Return, 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 plus a Minimum Return. If a depositor redeems the CDs early at his or her option, the depositor will not be entitled to, and

may not receive, the Minimum Return or any other return on his or her CD. In addition, the proceeds received by that 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.

### **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, even though holders will not receive any payment on the CDs until their maturity.

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” based on the comparable yield. If the actual yield on the CDs exceeds the corresponding amount on the projected payment schedule, the excess will be taxed 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 CD's Maturity Redemption Amount (including the components thereof in connection with the Variable 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 Final Return, if any, at maturity or if a Market Disruption Event has occurred with respect to a Component that is an Index. However, the Calculation Agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

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## DESCRIPTION OF THE CERTIFICATES OF DEPOSIT

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*The following information is a summary of the CD itself and the Components 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 Components, including their composition, method of calculation, historical levels and changes in their components, are derived from publicly available information prepared by the Reference Index Sponsors and Reference Issuers.*

### Information with Respect to the Components

Each potential depositor of a CD should review the reports and other information which have been filed with the U.S. Securities and Exchange Commission, which we refer to as the "Commission," posted on websites or otherwise made publicly available by the Reference Index Sponsors or Reference Issuers with respect to the Components. 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 or the Reference Index Sponsors 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 Components is set forth in Annex A.

### Adjustments to Observation Dates

If any of the scheduled Observation Dates is not a Scheduled Trading Day with respect to a Component, then the Observation Date for that Component will be the next day that is a Scheduled Trading Day for that Component. If a Market Disruption Event exists on an Observation Date with respect to a Component, then the Observation Date for that Component will be the next Scheduled Trading Day for that Component on which a Market Disruption Event does not exist. If a Market Disruption Event with exists on eight consecutive Scheduled Trading Days for a Component, then that eighth Scheduled Trading Day for that Component will be the Observation Date for that Component, and the Calculation Agent will determine the Closing Level for that Component on that date in accordance with the formula for and method of calculating the Component last in effect prior to the occurrence of that Market Disruption Event, using the Relevant Exchange traded or quoted price of each security comprised in the Components (or if an event giving rise to a Market Disruption Event has occurred with respect to a relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security). If the final Observation Date with respect to a Component is postponed, then the Maturity Date will also be postponed until the third business day following the postponed final Observation Date for that Component and no interest will be payable in respect of such postponement.

### Maturity Redemption Amount and Variable Amount

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) the greater of: (i) the Minimum Return multiplied by the Principal Amount, or (ii) the Final Return multiplied by the Principal Amount, as described in the Summary of Terms above and the "Payment at Maturity" section in the Base Disclosure Statement. The Final Return is the sum of the Locked-In Returns for each of the Components, expressed as a percentage. The annual percentage yield on the CD is only determinable at maturity.

**The Maturity Redemption Amount and, consequently, the Variable Amount will not include dividends paid on the common stocks included in any Component that is an Index. Apart from the Variable Amount, if any, or an amount in respect of the Minimum Return, 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.

## **Delisting or Suspension of Trading in the Shares of any Component that is an ETF**

If the shares of an ETF are delisted from, or trading of shares of an ETF is suspended on, the exchange upon which shares of that ETF are traded, and a major U.S. exchange or market lists or approves for trading successor or substitute securities that the Calculation Agent determines, in its sole discretion, to be comparable to the shares of that ETF (any such securities, the “Successor Shares”), the value of such Successor Shares will be substituted for all purposes relating to the CDs. Upon any selection by the Calculation Agent of Successor Shares, the Calculation Agent will cause notice thereof to be furnished to the Issuer who will provide notice thereof to the registered holders of the CDs.

If the shares of an ETF are delisted from, or trading of the shares of an ETF is suspended on, the exchange upon which shares of that ETF are traded, and Successor Shares that the Calculation Agent determines to be comparable to the shares of that ETF are not listed or approved for trading on a major U.S. exchange or market, a successor or substitute security will be selected by the Calculation Agent, in its sole discretion, and the value of such successor or substitute security, as determined by the Calculation Agent in its sole discretion, will be substituted for all purposes relating to the CDs. Upon any selection by the Calculation Agent of Successor Shares, the Calculation Agent will cause notice thereof to be furnished to the Issuer who will provide notice thereof to the registered holders of the CDs.

If an ETF is liquidated or otherwise terminated (a “Termination Event”), the final value of the shares of that ETF on any Observation Date will be determined by the Calculation Agent in its sole discretion. The Calculation Agent will cause notice of the Termination Event and calculation of the final value as described above to be furnished to the Issuer who will provide notice thereof to the registered holders of the CDs.

If a Termination Event has occurred with respect to an ETF and if publication of the index underlying that ETF is discontinued and if the Reference Issuer or another entity publishes an index that the Calculation Agent determines, in its sole discretion, to be comparable to the ETF, then the value of that ETF will be determined by reference to the value of that index, which we refer to as a “Successor Index.” Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause notice to be furnished to the Issuer who will provide notice thereof to the registered holders of the CDs.

If a Termination Event has occurred and if publication of the index underlying that ETF is discontinued, and if a Successor Index is not selected by the Calculation Agent or is no longer published from the date of the Termination Event up to and including any Observation Date, the value to be substituted for an ETF on that Observation Date will be a value computed by the Calculation Agent for that date in accordance with the procedures last used to calculate that ETF prior to any such discontinuance. In addition, if a Successor Index is selected or the Calculation Agent calculates a value as a substitute for an ETF as described above, the Successor Index or value will be substituted for that ETF for all purposes relating to the CDs, including for purposes of determining whether a Market Disruption Event occurs.

Notwithstanding the alternative procedures set forth above, discontinuance of an ETF or publication of values relating thereto may adversely affect the market value of the CDs.

## **Redemption in Respect of Merger, Tender Offer, Nationalization, Delisting or Insolvency**

Under certain circumstances involving any Component that is an ETF or a Reference Issuer, the CDs may be subject to early redemption, as described in more detail in the Base Disclosure Statement.

## **Discontinuance or Modification of any Component that is an Index**

If any Index is discontinued or modified, the Calculation Agent may select a Successor Index or if there is no suitable Successor Index, the Calculation Agent may calculate the level of that Index, as described in “Summary of Terms” above and in the “Discontinuance or Modification of an Index” section of the Base Disclosure Statement. **Notwithstanding these alternative arrangements, discontinuance of the publication of any Component that is an Index may adversely affect the value of, and trading in, the CDs.**

## **Market Disruption Events**

If a Market Disruption Event occurs for a Component on an Observation Date, then the Observation Date for that Component shall be postponed as described in “Adjustments to Observation Date” above and the “Market Disruption Events” section of the Base Disclosure Statement.

## **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 Term – 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 Final Return, 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 with respect to any Component that is an Index, and for making certain other determinations with regard to the Components. 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 the depositors 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 Variable Amount, the Maturity Redemption Amount and the Final Return, in determining whether a Market Disruption Event has occurred with respect to any Component that is an Index, and in making certain other determinations with regard to the Components. 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 level of the Components relative to their respective Initial Levels. We cannot predict the Closing Level of any Component on any Observation Date. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events, and the hypothetical initial levels of the Components used in the illustrations below is not the actual Initial Levels of the Components. You should not take these examples as an indication or assurance of the expected performance of the Components or the CDs.

The following examples indicate how the Maturity Redemption Amount would be calculated with respect to a hypothetical \$10,000 deposit in the CDs. These examples assume that there is no early redemption, that the CDs are held to maturity, that the Initial Level of each ETF is 100, the minimum return is 4.00% and that the Cap is set at [10]%.

### Example 1: The ETFs increase in value over the term of the CDs

ETF	Initial Level	Closing Levels at the end of each year					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ETF1	100.00	92.00	105.00	107.00	103.00	110.00	117.00
ETF2	100.00	94.00	104.00	106.00	109.00	119.00	107.00
ETF3	100.00	95.00	101.00	108.00	112.00	110.00	106.00
ETF4	100.00	103.00	107.00	111.00	103.97	109.00	102.00
ETF5	100.00	90.00	110.00	107.00	105.00	118.00	113.00
ETF6	100.00	108.00	114.00	127.85	104.00	120.00	108.00
ETF		Performance from Initial Levels at the end of each year					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ETF1		-8.00%	5.00%	7.00%	3.00%	10.00%	17.00%
ETF2		-6.00%	4.00%	6.00%	9.00%	19.00%	
ETF3		-5.00%	1.00%	8.00%	12.00%		
ETF4		3.00%	7.00%	11.00%			
ETF5		-10.00%	10.00%				
ETF6		8.00%					
<b>Best Performing Security</b>		<b>8.00%</b>	<b>10.00%</b>	<b>11.00%</b>	<b>12.00%</b>	<b>19.00%</b>	<b>17.00%</b>
<b>Locked-In Return (Cap at 9%)</b>		<b>8.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Final Return</b>	<b>58.00%</b>	<b>= Sum of Locked-in Performance</b>					
<b>Minimum Return</b>	<b>4.00%</b>						
<b>Maturity Payment Amount</b>	<b>\$15,800.00</b>	<b>= \$10,000 x (100% + [ the greater of 4% and Final Return ] )</b>					

Here the return you will receive is 58.00%.

The Maturity Redemption Amount equals the Principal Amount x (100% + the greater of (i) the Minimum Return and (ii) the Final Return). Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 4.00% and (b) 58.00%. Since the Final Return is greater than the Minimum Return, the CDs would pay \$15,800 at maturity.

Example 1 shows that where the Final Return exceeds the Minimum Return, the depositor will be paid a return based on the Final Return. In addition, Example 1 shows that the Locked-In Return for any Component may be less than the Final Level on the final Observation Date for that Component. In that case, the Maturity Redemption Amount may not reflect the full performance of each Component during the term of the CDs (i.e. does not reflect the full performance measured as the difference between the Initial Level and the Final Level of that Component on the final Observation Date).

In addition, a Component that has already experienced a Locked-In Return may have a higher Final Level than the Component that will be locked-in with respect to that Observation Date, but that higher Final Level will not affect the Final Return on the CDs.

**Example 2: The ETFs decline in value over the term of the CDs**

ETF	Initial Level	Closing Levels at the end of each year					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ETF1	100.00	103.00	85.00	88.00	87.00	80.00	92.00
ETF2	100.00	95.00	92.00	90.00	85.00	87.00	95.00
ETF3	100.00	90.00	97.00	89.00	92.00	90.00	92.00
ETF4	100.00	102.00	96.00	91.00	85.00	97.00	90.00
ETF5	100.00	90.00	98.00	100.00	97.00	98.00	91.00
ETF6	100.00	104.00	101.00	103.00	95.00	90.00	88.00
ETF		Performance from Initial Levels at the end of each year					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ETF1		3.00%	-15.00%	-12.00%	-13.00%	-20.00%	<b>-8.00%</b>
ETF2		-5.00%	-8.00%	-10.00%	-15.00%	<b>-13.00%</b>	
ETF3		-10.00%	-3.00%	-11.00%	<b>-8.00%</b>		
ETF4		2.00%	-4.00%	<b>-9.00%</b>			
ETF5		-10.00%	<b>-2.00%</b>				
ETF6		<b>4.00%</b>					
<b>Best Performing Security</b>		<b>4.00%</b>	<b>-2.00%</b>	<b>-9.00%</b>	<b>-8.00%</b>	<b>-13.00%</b>	<b>-8.00%</b>
<b>Locked-In Return (Cap at 9%)</b>		<b>4.00%</b>	<b>-2.00%</b>	<b>-9.00%</b>	<b>-8.00%</b>	<b>-13.00%</b>	<b>-8.00%</b>
<b>Final Return</b>	<b>-36.00%</b>	<b>= Sum of Locked-in Performance</b>					
<b>Minimum Return</b>	<b>4.00%</b>						
<b>Maturity Payment Amount</b>	<b>\$10,400.00</b>	<b>= \$10,000 x (100% + [ the greater of 4% and Final Return ] )</b>					

Here the return you will receive is 4.00%.

The Maturity Redemption Amount equals the Principal Amount x (100% + the greater of (i) the Minimum Return and (ii) the Final Return). Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 4.00% and (b) -36.00%. Since the Minimum Return is greater than the Final Return, the CDs would pay \$10,400 at maturity.

Example 2 shows that the Minimum Return assures a return that is higher than the Final Return when the Final Return is less than 4.00%. Nonetheless, receipt of only a Minimum Return at maturity may be less than the rate that a depositor would have received if he or she had purchased a conventional CD or debt security.

In addition, a Component that has already experienced a Locked-In Return may have a higher Final Level than the Component that will be locked-in with respect to that Observation Date, but that higher Final Level will not affect the Final Return of the CDs.

**Example 3 - The performance of the ETFs is mixed over the term of the CDs**

		Closing Levels at the end of each year					
ETF	Initial Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ETF1	100.00	95.00	92.00	94.00	100.00	108.00	115.00
ETF2	100.00	89.00	87.00	103.00	102.00	122.00	128.00
ETF3	100.00	93.00	92.00	104.00	108.00	109.00	115.00
ETF4	100.00	92.00	93.00	109.00	110.00	111.00	118.00
ETF5	100.00	89.00	96.00	98.00	103.00	108.00	112.00
ETF6	100.00	98.00	97.00	101.00	105.00	107.00	110.00
		Performance from Initial Levels at the end of each year					
ETF		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ETF1		-5.00%	-8.00%	-6.00%	0.00%	8.00%	<b>15.00%</b>
ETF2		-11.00%	-13.00%	3.00%	2.00%	<b>22.00%</b>	
ETF3		-7.00%	-8.00%	4.00%	<b>8.00%</b>		
ETF4		-8.00%	-7.00%	<b>9.00%</b>			
ETF5		-11.00%	<b>-4.00%</b>				
ETF6		<b>-2.00%</b>					
<b>Best Performing Security</b>		<b>-2.00%</b>	<b>-4.00%</b>	<b>9.00%</b>	<b>8.00%</b>	<b>22.00%</b>	<b>15.00%</b>
<b>Locked-In Return (Cap at 9%)</b>		<b>-2.00%</b>	<b>-4.00%</b>	<b>9.00%</b>	<b>8.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Final Return</b>	<b>31.00%</b>	<b>= Sum of Locked-in Performance</b>					
<b>Minimum Return</b>	<b>4.00%</b>						
<b>Maturity Payment Amount</b>	<b>\$13,100.00</b>	<b>= \$10,000 x (100% + [ the greater of 4% and Final Return ] )</b>					

Here the return you will receive is 31.00%

The Maturity Redemption Amount equals the principal amount x (100% + the greater of (i) the Minimum Return and (ii) the Final Return). Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 4.00% and (b) 31.00%. Since the Final Return is greater than the Minimum Return, the CDs would pay \$13,100 at maturity.

Example 3 shows that the negative return in one or more years can reduce the benefit to depositors of the positive returns in the other years.

In addition, a Component that has already experienced a Locked-In Return may have a higher Final Level than the Component that will be locked-in with respect to that Observation Date, but that higher Final Level will not affect the Final Return of the CDs.

### Sensitivity Analysis – Hypothetical Payment at Maturity for Each \$10,000 CD

The table below illustrates the payment at maturity (including, where relevant, the payment in respect of the Final Return) on a \$10,000 CD for a hypothetical range of performance for the Final Return from -80% to +60%. The following results are based solely on the hypothetical examples cited. You should consider carefully whether the CDs are suitable to your financial objectives. The numbers appearing in the table below have been rounded for ease of analysis.

FINAL RETURN	PRINCIPAL X GREATER OF MINIMUM RETURN 4.00 %) AND FINAL RETURN (SUBJECT TO 10.00% CAP)	PRINCIPAL	PAYMENT AT MATURITY	ANNUAL COMPOUNDED RETURN
60.00%	\$6,000	\$10,000	=\$16,000	8.15%
50.00%	\$5,000	\$10,000	=\$15,000	6.19%
40.00%	\$4,000	\$10,000	=\$14,000	5.77%
30.00%	\$3,000	\$10,000	=\$13,000	4.47%
20.00%	\$2,000	\$10,000	=\$12,000	3.09%
10.00%	\$1,000	\$10,000	=\$11,000	1.60%
0.00%	\$400	\$10,000	=\$10,400	0.66%
-10.00%	\$400	\$10,000	=\$10,400	0.66%
-20.00%	\$400	\$10,000	=\$10,400	0.66%
-30.00%	\$400	\$10,000	=\$10,400	0.66%
-40.00%	\$400	\$10,000	=\$10,400	0.66%
-50.00%	\$400	\$10,000	=\$10,400	0.66%
-60.00%	\$400	\$10,000	=\$10,400	0.66%
-70.00%	\$400	\$10,000	=\$10,400	0.66%
-80.00%	\$400	\$10,000	=\$10,400	0.66%

The table above assumes that the Cap for each Component as of the Observation Date upon which it is selected is 10.00%. Because the Minimum Return per \$10,000 CD will not be less than 4.00%, you will always receive at maturity at least \$10,400 per \$10,000 CD.

The CDs are intended to be long term deposits and, as such, should be held to maturity. They are not intended to be short-term trading instruments. The price at which you will be able to sell your CDs prior to maturity may be substantially less than the principal amount of the CDs, even in cases where the Components have appreciated since the pricing date of the CDs. The potential returns described here assume that your CDs are held to maturity.

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## THE DISTRIBUTION

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

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## FDIC INSURANCE

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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.

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## CERTAIN ERISA CONSIDERATIONS

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

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## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

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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, the income of which 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, the income of which 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 a “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**

The Issuer intends to treat the CDs as indebtedness for U.S. federal income tax purposes and any reports to the Internal Revenue Service (the “IRS”) and U.S. Holders will be consistent with such treatment, and each holder will agree to treat the CDs as indebtedness for U.S. federal income tax purposes. The discussion that follows is based on that approach. Depositors should be aware, however, that the IRS is not bound by the Issuer’s characterization of the CDs as indebtedness, and 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 debt instruments of the Issuer 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 a debt instrument of the Issuer for U.S. federal income tax purposes.

### **Tax Treatment of U.S. Holders**

#### **Accruals of Original Issue Discount**

The CDs generally will be subject to special rules, set forth in Treasury regulations, governing contingent payment debt instruments (“CPDIs”), and the Issuer and the holders will agree to treat the CDs as CPDIs. Under the Treasury regulations governing CPDIs, accruals of income, gain, loss and deduction with respect to the CDs will be determined under the “noncontingent bond method.” 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. 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. 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.

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). However, the actual comparable yield may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.

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. 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. The issue price of the CDs will be the first price at which a substantial amount of the CDs are sold. 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.

The Issuer also is obligated by applicable U.S. federal income tax regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule for the CDs that reflects a projected payment at maturity and that produces the comparable yield. In accordance with the noncontingent bond method, the projected payment schedule will consist of one payment at maturity equal to [\$1,215.26] on the maturity date in respect of each deposit of \$1,000. However, the actual projected payment schedule may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions. Based upon the estimates of the comparable yield and the projected payment schedule for the CDs, a US Holder that pays taxes on a calendar year basis, and buys a CD for \$1,000 and holds it to maturity, will be required to pay taxes on the following amounts of ordinary income from the CD each year: [\$5.88] in 2009, [\$33.19] in 2010, [\$34.29] in 2011, [\$35.42] in 2012, [\$36.59] in 2013, [\$37.80] in 2014 and [\$32.09] in 2015. However, for 2015, the amount of ordinary income that a US Holder will be required to pay taxes on from owning a CD may be greater or less than [\$32.09], depending on the payment at maturity. In addition, if the payment at maturity is less than [\$1,215.26], a US Holder may have a loss for 2015.

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.

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 determine the comparable yield and set its own projected payment schedule for the CD and explicitly disclose the use of such schedule and the reason therefore on its timely filed 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 the holders of the CDs solely for U.S. federal income tax purposes and do not constitute assurances by the Issuer as to the actual yield of the CDs. The Issuer makes no representation as to what such actual amounts will be, and the comparable yield and the projected payment schedule do not necessarily reflect the expectations of the Issuer regarding the actual yield of the CDs.

#### **Taxation of the Maturity Redemption Amount**

If the actual Maturity Redemption Amount is greater than the payment projected in the projected payment schedule as the final payment, the excess will be a "positive adjustment," which is treated as additional OID income. If the actual Maturity Redemption Amount is less than the payment projected in the projected payment schedule as the final payment, the deficiency will be a "negative adjustment." The negative adjustment will be applied first to reduce the OID accrued for the year in which the Maturity Redemption Amount is paid and any remainder of such negative adjustment will be treated as an ordinary loss to the extent of the net ordinary income of the U.S. Holder in respect of the CD, not subject to limitations on the deductibility of miscellaneous deductions. Any remaining negative adjustment will reduce the U.S. Holder's amount realized on the retirement of the CD.

#### **Sale, Exchange, or Disposition of the CDs**

A U.S. Holder of a CD will recognize gain or loss on the taxable sale, exchange, 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. In general, any gain realized by a U.S. Holder on the taxable sale, exchange, or other disposition of a CD will be treated as ordinary interest income. Any loss recognized on the taxable sale, exchange, or other disposition of a CD will generally be treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the CD, which 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.**

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## ANNEX A: DESCRIPTION OF THE COMPONENTS

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### General

*These Terms and Conditions are not an offer to sell and it is not an offer to buy interests in any Component. All disclosures contained in these Terms and Conditions regarding the Components, including their make-up, method of calculation and changes in their components, are derived from publicly available information. We take no responsibility for the accuracy or completeness of any information relating to the Components contained in these Terms and Conditions.*

### Description of the Components that are ETFs

Below is a brief description of each Component that is an ETF and the price levels for each such Component for each quarter from the beginning of 2003. Component level information contained herein is from Bloomberg Financial Markets, and we believe such information to be accurate. 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 levels of the Components that have occurred in the past are not necessarily indicative of fluctuations in or closing levels of the Components 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 Components.

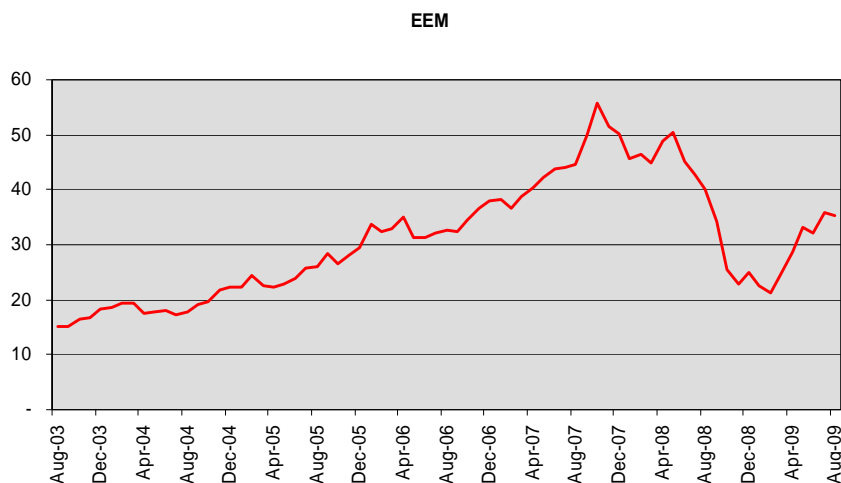
## Historical Performance of the iShares MSCI Emerging Markets Index Fund

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of iShares MSCI Emerging Markets Index Fund 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 iShares MSCI Emerging Markets Index Fund should not be taken as an indication of future performance.

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
June 30, 2003	13.71	11.08	13.32
September 29, 2003	15.92	13.33	15.10
December 29, 2003	18.23	15.30	18.21
March 30, 2004	19.89	18.31	19.50
June 30, 2004	20.27	15.88	17.96
September 29, 2004	19.20	16.92	19.17
December 29, 2004	22.43	18.87	22.43
March 30, 2005	24.73	21.13	22.53
June 30, 2005	24.39	21.53	23.87
September 29, 2005	28.38	23.67	28.29
December 29, 2005	30.00	24.95	29.42
March 30, 2006	33.80	30.00	33.00
June 30, 2006	37.08	27.12	31.30
September 29, 2006	33.33	29.02	32.26
December 29, 2006	38.27	31.63	38.06
March 30, 2007	39.86	34.52	38.83
June 30, 2007	44.64	38.74	43.88
September 30, 2007	50.67	37.14	49.82
December 31, 2007	55.83	47.18	50.10
March 31, 2008	50.75	40.68	44.79
June 30, 2008	52.49	44.43	45.24
September 30, 2008	44.77	30.88	34.17
December 31, 2008	34.58	18.22	24.97
March 31, 2009	27.10	19.94	24.81
June 30, 2009	34.64	25.63	32.23
June 30, 2003 through June 30, 2009	55.83	11.08	32.23

The following graph sets forth the historical levels of iShares MSCI Emerging Markets Index Fund using monthly data obtained from Bloomberg, LP. **Historical levels of iShares MSCI Emerging Markets Index Fund should not be taken as an indication of future performance.**



## Historical Performance of the Market Vectors – Gold Miners ETF

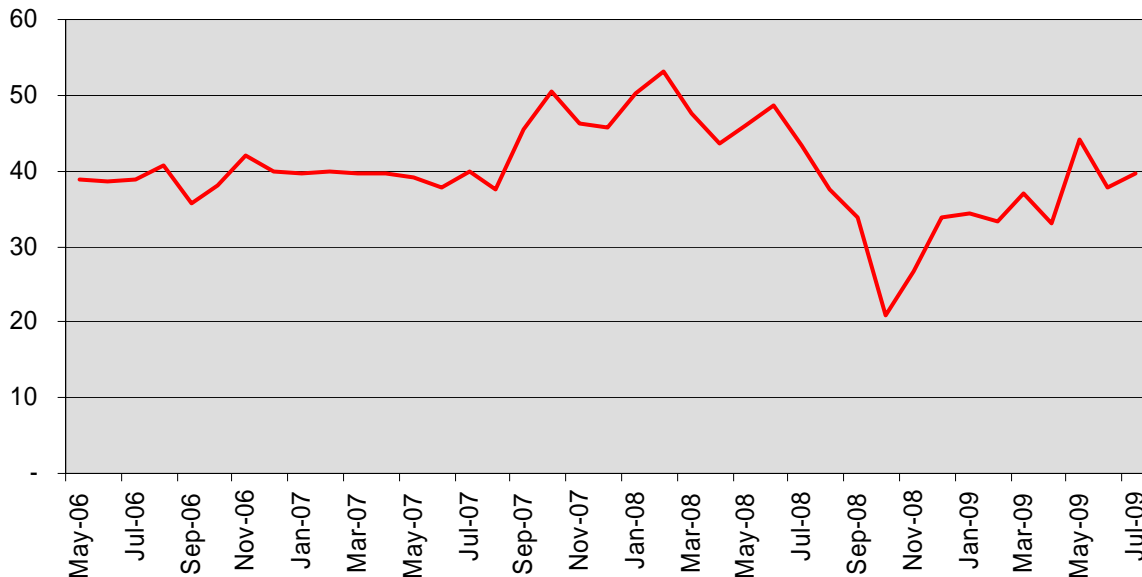
The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of Market Vectors – Gold Miners ETF for each of the quarters indicated below. We obtained the data in the following table from Bloomberg, LP, without independent verification by us.

**Historical levels of Market Vectors – Gold Miners ETF should not be taken as an indication of future performance.**

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
June 30, 2006	37.27	30.25	31.61
September 29, 2006	33.77	27.91	32.98
December 29, 2006	34.57	31.50	32.36
March 30, 2007	34.49	31.68	32.11
June 30, 2007	37.36	31.90	36.59
September 30, 2007	39.82	33.65	36.83
December 31, 2007	37.62	31.00	32.46
March 31, 2008	32.42	26.54	28.72
June 30, 2008	34.03	28.33	29.65
September 30, 2008	30.90	23.45	24.70
December 31, 2008	24.57	14.45	17.61
March 31, 2009	38.57	28.20	36.88
June 30, 2009	44.55	28.20	35.52
June 30, 2006 through June 30, 2009	59.41	14.45	35.52

The following graph sets forth the historical levels of Market Vectors – Gold Miners ETF using monthly data obtained from Bloomberg, LP. **Historical levels of Market Vectors – Gold Miners ETF should not be taken as an indication of future performance.**

### GDX



## Historical Performance of the Energy Select Sector SPDR

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

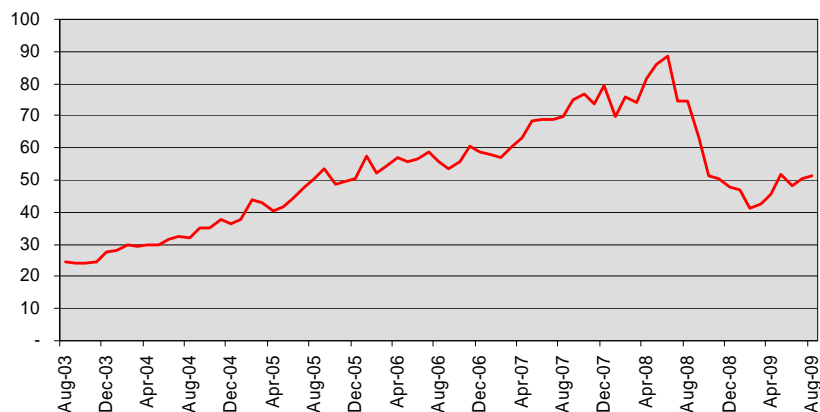
**Historical levels of Energy Select Sector SPDR should not be taken as an indication of future performance.**

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2002	23.38	20.19	22.33
March 31, 2003	23.07	20.46	22.32
June 30, 2003	25.80	21.81	24.05
September 29, 2003	25.05	22.73	24.05
December 29, 2003	28.00	23.76	27.55
March 30, 2004	30.48	27.40	29.34
June 30, 2004	31.99	28.65	31.48
September 29, 2004	35.28	30.56	34.93
December 29, 2004	37.90	34.32	36.32
March 30, 2005	45.14	34.54	42.87
June 30, 2005	46.15	37.94	44.45
September 29, 2005	54.65	44.51	53.67
December 29, 2005	54.30	44.94	50.31
March 30, 2006	58.28	50.55	54.40
June 30, 2006	60.15	50.01	56.75
September 29, 2006	59.88	50.17	53.45
December 29, 2006	62.13	50.20	58.63
March 30, 2007	61.16	53.89	60.28
June 30, 2007	71.45	60.19	68.99
September 30, 2007	76.30	62.73	74.80
December 31, 2007	80.60	69.61	79.35
March 31, 2008	80.75	62.97	74.06
June 30, 2008	91.42	73.35	88.48
September 30, 2008	90.16	59.13	63.30
December 31, 2008	63.43	38.84	47.77
March 31, 2009	51.89	38.12	42.46
June 30, 2009	54.03	43.36	48.05
December 31, 2002 through June 30, 2009	91.42	20.19	48.05

The following graph sets forth the historical levels of Energy Select Sector SPDR using monthly data obtained from Bloomberg, LP.

**Historical levels of Energy Select Sector SPDR should not be taken as an indication of future performance.**

XLE



## Historical Performance of the Financial Select Sector SPDR

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

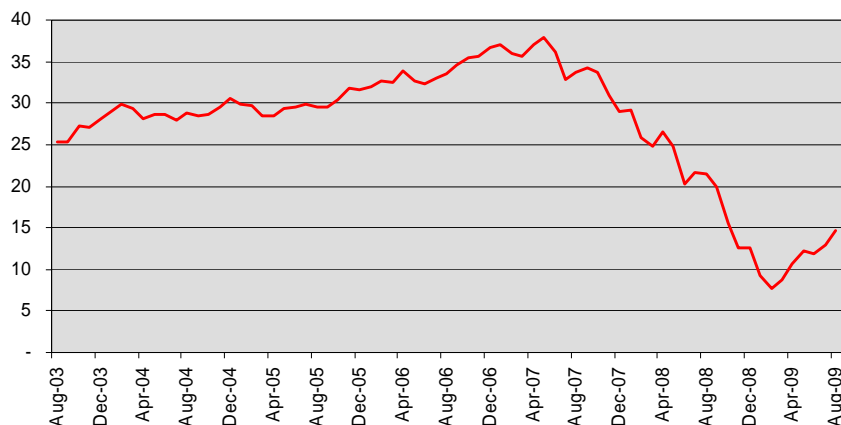
**Historical levels of Financial Select Sector SPDR should not be taken as an indication of future performance.**

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2002	23.87	18.52	22.00
March 30, 2003	24.00	19.15	20.76
June 30, 2003	26.25	20.81	24.55
September 29, 2003	26.44	24.29	25.41
December 29, 2003	28.30	25.50	28.13
March 30, 2004	30.61	27.98	29.40
June 30, 2004	30.25	26.82	28.58
September 29, 2004	29.50	27.25	28.46
December 29, 2004	30.71	27.00	30.53
March 30, 2005	30.79	28.06	28.39
June 30, 2005	29.85	27.39	29.47
September 29, 2005	30.40	28.70	29.52
December 29, 2005	32.55	28.43	31.67
March 30, 2006	33.32	31.16	32.55
June 30, 2006	34.22	31.18	32.34
September 29, 2006	35.00	31.44	34.62
December 29, 2006	37.14	34.41	36.74
March 30, 2007	37.99	34.18	35.63
June 30, 2007	38.15	35.12	36.18
September 30, 2007	36.99	31.51	34.32
December 31, 2007	35.97	28.10	28.93
March 31, 2008	29.93	22.29	24.87
June 30, 2008	28.17	20.06	20.26
September 30, 2008	24.50	16.77	19.89
December 31, 2008	20.70	8.67	12.52
March 31, 2009	12.66	6.18	8.81
June 30, 2009	13.02	9.06	11.95
Dec 31, 2002 through June 30, 2009	38.15	6.18	11.95

The following graph sets forth the historical levels of Financial Select Sector SPDR using monthly data obtained from Bloomberg, LP.

**Historical levels of Financial Select Sector SPDR should not be taken as an indication of future performance.**

XLF



## Historical Performance of the Health Care Select SPDR Fund

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

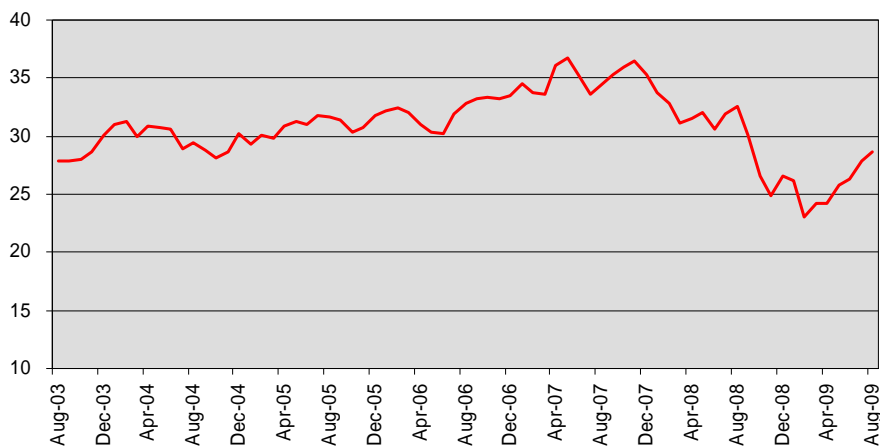
**Historical levels of Health Care Select SPDR Fund should not be taken as an indication of future performance.**

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2002	28.22	25.00	26.55
March 30, 2003	27.90	24.66	26.72
June 30, 2003	31.11	26.35	29.33
September 29, 2003	30.10	27.41	27.81
December 29, 2003	30.18	27.31	30.15
March 30, 2004	31.98	29.04	29.93
June 30, 2004	31.60	29.87	30.56
September 29, 2004	30.62	27.75	28.79
December 29, 2004	30.44	26.70	30.19
March 30, 2005	30.88	29.09	29.86
June 30, 2005	31.77	29.54	31.03
September 29, 2005	32.52	30.60	31.35
December 29, 2005	32.50	29.50	31.72
March 30, 2006	33.11	31.51	31.98
June 30, 2006	32.19	29.43	30.24
September 29, 2006	33.43	29.85	33.19
December 29, 2006	33.95	32.26	33.49
March 30, 2007	34.92	32.89	33.65
June 30, 2007	37.05	33.72	35.31
September 30, 2007	36.04	32.94	35.35
December 31, 2007	37.89	34.03	35.31
March 31, 2008	36.61	30.00	31.17
June 30, 2008	32.26	29.90	30.58
September 30, 2008	33.74	29.00	30.05
December 31, 2008	30.60	21.99	26.55
March 31, 2009	27.41	21.88	24.21
June 30, 2009	26.53	23.76	26.31
Dec 31, 2002 through June 30, 2009	37.89	21.88	26.31

The following graph sets forth the historical levels of Health Care Select SPDR Fund using monthly data obtained from Bloomberg, LP.

**Historical levels of Health Care Select SPDR Fund should not be taken as an indication of future performance.**

XLV



The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of Semiconductor HOLDRs Trust 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 Semiconductor HOLDRs Trust should not be taken as an indication of future performance.**

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2002	29.77	16.63	21.27
March 30, 2003	25.45	19.55	22.18
June 30, 2003	31.19	22.24	27.11
September 29, 2003	37.31	26.56	33.04
December 29, 2003	42.93	33.14	39.85
March 30, 2004	43.97	35.39	37.94
June 30, 2004	40.31	33.14	36.33
September 29, 2004	35.97	26.68	29.04
December 29, 2004	33.57	28.09	32.05
March 30, 2005	33.57	28.50	31.24
June 30, 2005	34.21	28.70	32.34
September 29, 2005	36.80	32.29	35.48
December 29, 2005	37.60	31.28	35.19
March 30, 2006	39.03	33.45	34.88
June 30, 2006	37.27	30.25	31.61
September 29, 2006	33.77	27.91	32.98
December 29, 2006	34.57	31.50	32.36
March 30, 2007	34.49	31.68	32.11
June 30, 2007	37.36	31.90	36.59
September 30, 2007	39.82	33.65	36.83
December 31, 2007	37.62	31.00	32.46
March 31, 2008	32.42	26.54	28.72
June 30, 2008	34.03	28.33	29.65
September 30, 2008	30.90	23.45	24.70
December 31, 2008	24.57	14.45	17.61
March 31, 2009	19.82	15.66	18.70
June 30, 2009	22.17	18.74	21.45
Dec 31, 2002 through June 30, 2009	43.97	14.45	21.45

The following graph sets forth the historical levels of Semiconductor HOLDRs Trust using monthly data obtained from Bloomberg, LP.

**Historical levels of Semiconductor HOLDRs Trust should not be taken as an indication of future performance.**

SMH

