

Quick Reference Guide:

RATE-LINKED NOTES

Rate-Linked Notes are medium-term notes, typically structured as callables, that offer the potential for an above-market rate of interest.

This variable interest rate is based upon a formula that is tied to the performance of one or more interest rate components. The most common interest rate structures are LIBOR Range Accruals, CMS Steepeners, Non-Inversion Notes, and Inflation-Linked Notes.

Principal Protection

Rate-Linked Notes and CDs offer 100% principal protection, guaranteed by the issuer, if held to maturity. Rate-Linked CDs also carry the added benefit of FDIC insurance up to applicable limits (visit FDIC.gov for complete details on deposit insurance).

Types of Offerings

Libor Range Notes are medium term notes or CDs offering an above market coupon as long as the London Interbank Offered Rate (LIBOR) trades within a certain range (ex. 7% coupon as long as 6mo LIBOR is between 0-6.50%). The interest accrues at the stated interest rate for every day that LIBOR satisfies the range. For each day that LIBOR trades outside the range, interest will accrue at 0%.

Non-Inversion Notes are medium-term notes or CDs offering an above market coupon as long as the spread between two stated maturities on the Constant Maturity Swap ("CMS") curve do not invert. The interest accrues at the stated interest rate for every day that the curve is not inverted (ex. 10% as long as 30yrCMS – 10yrCMS is greater than 0%). For each day the curve is inverted interest will accrue at 0%.

Steeper Notes are medium-term notes or CDs offering an above market coupon for one to two years, followed by a leveraged variable interest rate thereafter based on the difference between two Constant Maturity Swap rates ("CMS") (ex. 10% for 1 year, thereafter coupon equals 4 x (30yrCMS – 2yrCMS)). The variable rate coupon pays a higher rate of interest when the treasury yield curve is "steep" (when long treasury yields are higher than short treasury yields). The leveraged coupon is typically subject to a cap (maximum interest rate).

Inflation-Linked Notes are medium-term notes or CDs offering a variable rate of interest indexed to inflation. While there are many different types of structures, CPI-linked floating rate notes commonly pay interest determined by the annual percentage difference of the Consumer Price Index ("CPI") as measured by the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers ("CPURNSA") published on a monthly basis by the Bureau of Labor Statistics of the U.S. Department of Labor. CPI-linked notes and CDs are tools investors can use in an effort to keep in step with inflation.

Underlying Instruments

While Rate-Linked Notes and CDs can use a wide array of underlying interest rate indexes, here is a list of the most commonly used:

London Interbank Offered Rate (LIBOR) - The rate of interest at which banks borrow funds, in marketable size, from other banks in the London interbank market. LIBOR, the most widely used benchmark or reference rate for short term interest rates, is an international rate. The London Interbank Offered Rate is fixed each morning at 11 a.m. London time, by the British Bankers' Association (BBA). The rate is an average derived from 16 quotations provided by banks determined by the British Bankers' Association, the four highest and lowest are then eliminated and an average of the remaining eight is calculated to arrive at the fix. Eurodollar Libor is calculated on an ACT/360 day count basis and settlement is for 2 days hence. (Source: *Bloomberg*)

Consumer Price Index (CPI) - Established by the U.S. Bureau of Labor Statistics, the CPI is one of the most significant gauges of inflation in the United States. The CPI is calculated by establishing the price of a fixed basket of goods and services, which are selected because of their direct impact on average citizens. Included in the basket are such things as food, gasoline, housing, and medical care. Increases in the costs of such items indicate a rise in the inflation rate. Also known as the Cost-of-Living Index. (Source: *Bloomberg*)

Constant Maturity Swap Rates ("CMS") - A variation of the fixed rate-for-floating rate interest rate swap. The rate on one side of the constant maturity swap is either fixed or reset periodically at or relative to LIBOR (or another floating reference index rate). The constant maturity side, which gives the swap its name, is reset each period relative to a regularly available fixed maturity market rate. This constant maturity rate is the yield on an instrument with a longer life than the length of the reset period, so the parties to a constant maturity swap have exposure to changes in a longer-term market rate. (Source: *Risk Institute* <http://riskinstitute.ch>)

CMS Historical Data (May 1994 - Feb 2011)

	30-10 Spread	30-5 Spread	30-2 Spread	10-5 Spread	10-2 Spread
Days Inverted	156	32	9	8	25
Total Days	4342	4342	4342	4342	4342
% of days Non-Inverted	96.41%	99.26%	99.79%	99.82%	99.42%
Current Spread	81bps	197bps	334bps	122bps	256bps
Average Spread	37bps	84bps	146bps	47bps	109bps

Source: Bloomberg

MAY BE SUITABLE FOR INVESTORS WHO ARE:

- Seeking market exposure but not willing to risk their principal to get it
- Looking for enhanced yield opportunities versus traditional fixed income
- Trying to hedge against rising rates and/or inflation
- Seeking to manage overall portfolio risk

IMPORTANT FEATURES:

- Variable coupon based on performance of the underlying asset (may be subject to cap)
- Low minimum investment
\$1000 minimum initial purchase; \$1000 increments thereafter.
- High potential coupon, versus comparable fixed income products of the same credit rating and maturity
- High credit quality
Typical issues are from banks with a credit rating that is investment grade or better, although credit quality should not be the sole basis for an investor's decision.

CERTAIN RISKS AND CONSIDERATIONS

Principal Risk

These notes offer 100% principal protection, guaranteed by the issuer, if held to maturity. If sold prior to maturity, the investor may receive less than their initial investment.

Variable Return

Rate-Linked Notes could pay 0% interest; the variable interest rate the investor receives may be lower than the yield on other debt securities.

Liquidity

While there may be a secondary market, issuers are under no obligation to maintain one. Selling prior to maturity carries with it the inherent risk factors that can affect marketability, such as volatility of the underlying assets, interest rate swings, and developments affecting the underlying issuer.

Reinvestment Risk

An early call prior to maturity may put the investor at risk of reinvesting in a lower interest rate environment.

Creditworthiness of the Issuer

The extent to which any principal is protected is subject to the quality of the issuer's credit. Structured Notes are subject to the risk that the issuer might not be able to meet scheduled interest or principal payments. The investor should investigate the creditworthiness of the issuer to evaluate its ability to meet the terms of interest and principal payment.

Taxes

For full information regarding the tax consequences of Rate-Linked Notes, investors should consult their tax advisor.

Examples

Range Accrual Note

Assumptions

Underlying: 3 month London-Interbank Rate (3mo LIBOR)
 Term: 15yr-nc1yr
 Variable coupon*: 7.00%
 Range condition: 3 month LIBOR less than or equal to 6.50%
 Payment: Quarterly pay
 Protection: 100%

*Interest accrues at 7.00% for each day range condition is met, paid quarterly, based on 30/360 day count.

Example scenarios: Initial Investment: \$1,000,000
 Coupon (paid Qtrly): 7.00%
 Range Condition: 3mL <= 6.50%
 Days in pay period 30/360: 90

Number of days 3mo Libor <=6.50%	Effective Coupon (per annum)	Actual Quarterly Payment
0	0.000%	\$ -
10	0.778%	\$ 1,944.44
20	1.556%	\$ 3,888.89
30	2.333%	\$ 5,833.33
40	3.111%	\$ 7,777.78
50	3.889%	\$ 9,722.22
60	4.667%	\$ 11,666.67
70	5.444%	\$ 13,611.11
80	6.222%	\$ 15,555.56
90	7.000%	\$ 17,500.00

Non-Inversion Note

Assumptions

Underlying: 30yr and 10yr Constant Maturity Swap Rates (CMS)
 Term: 15yr-nc1yr
 Variable coupon*: 10.00%
 Range condition: 30yrCMS – 10yrCMS is greater than or equal to 0.00%
 Payment: Quarterly pay
 Protection: 100%

*Interest accrues at 10.00% for each day range condition is met, paid quarterly, based on 30/360 day count.

Example scenarios: Initial Investment: \$1,000,000
 Coupon (paid qtrly): 10.00%
 Range condition: (30yrCMS - 10yrCMS) >= 0
 Days in pay period 30/360: 90

Number of days 30yrCMS-10yrCMS >= 0	Effective Coupon (per annum)	Actual Quarterly Payment
0	0.000%	\$ -
10	1.111%	\$ 2,777.78
20	2.222%	\$ 5,555.56
30	3.333%	\$ 8,333.33
40	4.444%	\$ 11,111.11
50	5.556%	\$ 13,888.89
60	6.667%	\$ 16,666.67
70	7.778%	\$ 19,444.44
80	8.889%	\$ 22,222.22
90	10.000%	\$ 25,000.00

Steepner Note

Assumptions

Underlying: 30yr and 2yr Constant Maturity Swap Rates (CMS)
 Term: 20yr-nc1yr
 Fixed Coupon: 10.00% fixed for 1st year
 Variable Coupon Formula: 4.0 x (30yrCMS-2yrCMS)
 Coupon Cap: 10.00% p.a.
 Payment: Quarterly pay
 Protection: 100%

Example scenarios: Initial Investment: \$1,000,000
 Coupon Formula: 4.0 x (30yrCMS - 2yrCMS)
 Coupon determination date: 3 days prior to interest date

Spread (bps) 30yrCMS - 2yrCMS	Effective Coupon (subject to cap)	Max Coupon (cap)	Actual Quarterly Payment
0	0.000%	10.000%	\$ -
50	2.000%	10.000%	\$ 5,000.00
100	4.000%	10.000%	\$ 10,000.00
150	6.000%	10.000%	\$ 15,000.00
200	8.000%	10.000%	\$ 20,000.00
250	10.000%	10.000%	\$ 25,000.00
300	12.000%	10.000%	\$ 25,000.00
350	14.000%	10.000%	\$ 25,000.00
400	16.000%	10.000%	\$ 25,000.00
450	18.000%	10.000%	\$ 25,000.00
500	20.000%	10.000%	\$ 25,000.00

CPI Fixed to Floater Note

Assumptions

Underlying: US CPI Urban Consumers YOY NSA (ticker: CPURNSA)
 Term: 10 year
 Variable Coupon: 4.25% fixed for 2 yrs, then (CPI YOY + 2.00%)
 Cap/Floor: 8.50% max / 1.00% minimum coupon
 Payment/Reset: Monthly pay, Monthly reset with 3 month lookback
 Protection: 100%

Example scenarios: **Historical CPI data using CPURNSA**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
January	175.1	177.1	181.7	185.2	190.7	198.3	202.416	211.08	211.143	216.687	220.223	
February	175.8	177.8	183.1	186.2	191.8	198.7	203.499	211.693	212.193	216.741		
March	171.2	176.2	178.8	184.2	187.4	193.3	199.8	205.352	213.528	212.709	217.631	
April	171.3	176.9	179.8	183.8	188	194.6	201.5	206.686	214.823	213.24	218.009	
May	171.5	177.7	179.8	183.5	189.1	194.4	202.5	207.949	216.632	213.856	218.178	
June	172.4	178	179.9	183.7	189.7	194.5	202.9	208.352	218.815	215.693	217.965	
July	172.8	177.5	180.1	183.9	189.4	195.4	203.5	208.299	219.964	215.351	218.011	
August	172.8	177.5	180.7	184.6	189.5	196.4	203.9	207.917	219.086	215.834	218.312	
September	173.7	178.3	181	185.2	189.9	198.8	202.9	208.49	218.783	215.969	218.439	
October	174	177.7	181.3	185	190.9	199.2	201.8	208.936	216.571	216.177	218.711	
November	174.1	177.4	181.3	184.5	191	197.6	201.5	210.177	212.425	216.33	218.803	
December	174	176.7	180.9	184.3	190.3	196.8	201.8	210.036	210.228	215.949	219.179	

Interest Rates* based on historical CPI data

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
January	4.13%	4.03%	4.04%	5.19%	6.35%	3.31%	5.54%	5.66%	1.82%	3.17%		
February	3.90%	4.20%	3.77%	5.52%	5.46%	3.97%	6.31%	3.07%	3.84%	3.14%		
March	3.55%	4.38%	3.88%	5.26%	5.42%	4.54%	6.08%	2.09%	4.72%	3.50%		
April	3.14%	4.60%	3.93%	4.97%	5.99%	4.08%	6.28%	2.03%	4.63%			
May		3.14%	4.98%	3.69%	5.01%	5.60%	4.42%	6.03%	2.24%	4.14%		
June	4.92%	3.48%	5.02%	3.74%	5.15%	5.36%	4.78%	5.98%	1.62%	4.31%		
July	5.27%	3.64%	4.22%	4.29%	5.51%	5.55%	4.57%	5.94%	1.26%	4.24%		
August	5.62%	3.18%	4.06%	5.05%	4.80%	6.17%	4.69%	6.18%	1.00%	4.02%		
September	5.25%	3.07%	4.11%	5.27%	4.53%	6.32%	4.69%	7.02%	1.00%	3.05%		
October	4.72%	3.46%	4.11%	4.99%	5.17%	6.15%	4.36%	7.60%	1.00%	3.24%		
November	4.72%	3.80%	4.16%	4.65%	5.64%	5.82%	3.97%	7.37%	1.00%	3.15%		
December	4.65%	3.51%	4.32%	4.54%	6.69%	4.06%	4.76%	6.94%	1.00%	3.14%		

* Annual Interest rate subject to 1.00% floor and 8.50% cap.

Source: Bloomberg

The interest rate during the first 2 years of the term of the notes will be 4.25% per annum. Subsequently, beginning with the variable interest payment period beginning at the end of year 2, the applicable interest rate for each monthly interest period will be determined using the following formula:

Interest Rate = CPI Inflation Adjustment + Stated Coupon

In no event will the annualized interest rate applicable to any interest period be less than 1.00% or greater than 8.50%.

The CPI Inflation Adjustment will be determined using the following formula and then expressed as a percentage:

$$\text{CPI Inflation Adjustment} = \left(\frac{\text{CPI}_A}{\text{CPI}_B} \right) - 1$$

(year over year % change)

Interest:

CPI_A is CPI three calendar months prior to the month in which the relevant interest period begins, as published on Bloomberg screen CPURNSA.

CPI_B is CPI fifteen calendar months prior to the month in which the relevant interest period begins, as published on Bloomberg screen CPURNSA.

Example 1: In this example, suppose the hypothetical CPI 3 months prior to the 1st variable interest payment date (CPI_A) is 207.50, which is less than CPI_B. The hypothetical annualized rate of interest for the first variable interest payment date would be:

$$= \left[\left(\frac{207.50}{218.50} \right) - 1 \right] + 2.00\%$$

$$= -5.03\% + 2.00\%$$

$$= -3.03\%$$

Because the annualized interest rate applicable to any interest period may not be less than 1.00%, the hypothetical interest rate for the monthly interest period in this example would be equal to 1.00%.

Example 2: In this example, suppose the hypothetical CPI 3 months prior to the 1st variable interest payment date (the CPI_A) is 227.50. The hypothetical annualized rate of interest for the first variable interest payment date would be:

$$= \left[\left(\frac{227.50}{218.50} \right) - 1 \right] + 2.00\%$$

$$= 4.12\% + 2.00\%$$

$$= 6.12\%$$

Example 3: In this example, suppose the hypothetical CPI 3 months prior to the 1st variable interest payment date (the CPI_A) is 236.25. The hypothetical annualized rate of interest for the first variable interest payment date would be:

$$= \left[\left(\frac{236.25}{218.50} \right) - 1 \right] + 2.00\%$$

$$= 8.12\% + 2.00\%$$

$$= 10.12\%$$

Because the annualized interest rate applicable to any interest period may not be greater than 8.50%, the hypothetical interest rate for the monthly interest period in this example would be equal to 8.50%.

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