



## General Risks Associated with Structured Products

### **Introduction:**

The Firm, continuously strives to ensure that its customers fully understand the features, benefits, and risks associated with all securities held in their portfolio including Structured Products. As such, the Firm is providing this document to you to further explain structured products and gain written acknowledgment from all of our valued customers that they have been made aware of and understand such products. You have been selected to receive this document in that you have purchased one or more structured products from the Firm in recent months. We thank you for taking the time to read and evaluate the following information. Such information is not intended to be interpreted as an offer or solicitation of any securities, such as structured products or otherwise.

As a result of the associated risks related to structured products, your investment objectives should be carefully considered and addressed with your representative if you wish to continue investing in structured products. Investors must understand the product's features and be able to bear the risks associated with investing in them.

Set out below are some of the most significant risks associated with investing in structured products. The list is not exhaustive. Particular structured products may involve other risks, which will be disclosed in the offering documents for those products.

**Potential loss of principal.** An investor may lose money investing in structured products, as is the case with many other investments. Structured products are typically medium-term investments (terms ranging from 1 to 10 years) and, with limited exceptions, are suitable only for clients who are able to hold the investment until maturity. Some structured products are principal protected at maturity; others are not. For fully principal-protected structured products, an investor will be entitled to the return of the full principal amount only if the investor holds the structured product to maturity (or to the call date, if the structured product is callable at par or higher). Between purchase date and maturity, the market value (that is, the amount an investor would receive if he or she sold the investment) of a structured product may fluctuate substantially. If an investor sells a structured product before maturity, the price may be substantially less than the original invested amount, regardless of whether the structured product is principal-protected or not.

**Market prices may fluctuate based on unpredictable factors.** The market value of structured products will be affected by unpredictable factors that interrelate in complex ways. These factors may include, but are not limited to, the price or level of the underlying asset or market measure, the volatility of the underlying asset or market measure, interest rates, dividend rates, the issuer's creditworthiness, the time remaining to maturity and geopolitical conditions. Apart from these, there are many other factors that may affect the market value of structured products. **These factors may cause the price reflected on your monthly and/or quarterly account statement to materially differ from the intra-day prices reflected on FINRA's TRACE system or other industry sources such as IDC pricing which is utilized by the Firm's Trading Department in determining prices of Fixed Income securities.** Additionally, the past performance of any of these factors is not indicative of future results.

**Credit risk.** Many structured products are issued in the form of unsecured debt. Therefore, investors are subject to the credit risk and default risk of the issuer. If the issuer of a structured product defaults on its obligation, investors will receive significantly less than the principal amount of the structured product, even if the product is principal-protected. The credit rating, if any, pertains to the issuer and is not indicative of the market risk of the structured product or underlying asset. If a structured issue provides principal protection or a minimum return, any such guarantee rests on the credit quality of the issuer.

**Appreciation potential may be limited.** The appreciation potential of certain structured products may be limited by an issuer's call right, a pre-defined maximum payment or a capped value at maturity.

**Call rights may affect value.** Some structured products allow the issuer to redeem, or "call," the structured product at its sole discretion. These structured products are referred to as being "callable." On predetermined dates, the issuer can choose to redeem the structured product prior to maturity and pay a stated call price. The call price may be above, below or equal to the par amount of the structured product, and may or may not include accrued but unpaid interest, if any. Typically, the issuer will call a structured product when it is economically advantageous — for example, because the issuer can borrow at a lower rate or because an underlying asset has appreciated sufficiently. If a structured product is called, investors may not be able to reinvest their money at the same rate as the rate of return provided by the structured product that was called. This risk is referred to as "reinvestment risk." Non-callable structured products may not be called by the issuer prior to maturity.

**Value at maturity/call date.** In many structured products, the value paid to the investor at maturity or the specified call date is based on the market value of the underlying asset or market measure as of the valuation date, as detailed in the offering documentation. There may be significant fluctuations of the market value between the trade date and the specified valuation date; however, it is the value as of the valuation date that will determine the payout to the investor at the maturity/call date.

**Interest payments.** Although many structured products are issued in the form of debt, there may be periodic interest payments on certain structured products. In some cases, the interest rate may fluctuate, be reduced, or be suspended upon the occurrence of specified events. The yield may be lower than on other investments. An investment in a structured product may not reflect the full opportunity cost to the investor when factors that affect the time value of money are taken into account. In certain cases where there is a significant rise in interest rates, a coupon cap embedded into a structured product could negatively affect the market value of the product.

**Liquidity Risk.** Structured products may or may not be listed on a securities exchange. Even if a structured product is listed on a securities exchange, there is no assurance that a liquid trading market for that structured product will develop.

**Pricing Risk.** Structured products are difficult to price since their value is tied to an underlying asset or basket of assets and there typically is no established trading market for structured products from which to determine a price.

**Additional Information:** Please contact your respective Account Executive or the main office with any questions or comments regarding Structured Products.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Account Number(s): \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_