

Understanding InterNotes®

InterNotes® enable individual investors to buy new issue corporate notes that offer access to well-established brands from sectors such as financial services, telecommunications, and the automotive industry. They can provide you with the flexibility to achieve specific income goals in your fixed income strategy, while tailoring your portfolio to your personal values and preferences. It is important to understand the terms of InterNotes® prior to investing.

Offering Period

InterNotes® offerings are generally available for five business days. This gives you time to make an informed decision, unlike other investments that are offered and close quickly.

Price

Investors can purchase InterNotes® at par,¹ or face value, in \$1,000 increments. Unlike other investments, the purchase price is the same regardless of the size of your investment. By purchasing InterNotes® at the initial offering price, you are not subject to either premium or discount pricing, and there is no accrued interest at purchase. The terms are clear and transparent.

Maturities

InterNotes® are designed as buy-and-hold investments with maturity terms ranging from 1 to 30 years. If you sell InterNotes® prior to maturity, you may receive more or less than your original investment, and there is no assurance that a secondary market will be maintained.

Fixed Rates

InterNotes® are generally offered as fixed rate notes, which have coupon rates that are set at the initial offering date and remain constant until maturity. You can build a fixed income strategy that gives you income payments that best suit your investment goals. Semi-annual coupon payments are common; other coupon frequencies such as monthly, quarterly, or annually may be available.

Callable and Non-Callable

InterNotes® are available in both callable and non-callable form. Some InterNotes® have call provisions, which means they can be redeemed, or paid off, prior to maturity at the issuer's discretion, subject to the terms of the offering. Typically, an issuer will call InterNotes® when interest rates fall, potentially leaving investors unable to reinvest in alternative InterNotes® with similar or better terms.

Return of Principal

While market prices will fluctuate after original issuance, InterNotes® issuers agree to return an investor's principal upon the maturity or call date, subject to the credit risk of the issuer.

Survivor's Option

Most InterNotes® feature a Survivor's Option. If you invest in InterNotes® with a Survivor's Option and pass away before the maturity date, your estate has the option of redeeming the InterNotes® with the issuer at par, subject to the terms in the offering documents. Your principal is protected² and passed on to your estate. Some restrictions may apply, such as a minimum holding period, maximum redeemable amount and issuer annual limit, so refer to the offering documents for complete details.

¹ Alternate purchase rates may apply to certain client accounts.

² Return of principal will be realized at maturity, or if called by the issuer, and is subject to the credit risk of the issuer.

What you should know before investing in InterNotes®...

Liquidity Risk

While many broker-dealers maintain an active secondary market that may allow the option to resell InterNotes® at prevailing market rates, there is no assurance that a secondary market will be maintained. If you sell InterNotes® prior to maturity, you may receive more or less than your original investment.

Interest Rate Risk

When interest rates rise, bond prices typically fall; when interest rates decline, bond prices usually rise. Changes in interest rates may reduce or increase the market value of InterNotes®. The longer the maturity of InterNotes®, the greater the impact that changing interest rates can have on their price. If you plan to hold InterNotes® until their maturity, the impact on the market value from changes in interest rates is not a concern.

Credit Risk

As unsecured debt, InterNotes® are subject to the credit risk of the issuer. If the issuer defaults on its obligations, some or all of your coupon payments and principal could be at risk. Additionally, changes to an issuer's credit rating will generally affect the secondary market value of InterNotes®.

Survivor's Option Limits

InterNotes® issuers that provide Survivor's Options may choose to limit the aggregate principal amount of InterNotes® that may be redeemed in any one calendar year under the Survivor's Option terms. There may also be calendar year limits on the exercise of the Survivor's Option on behalf of any one deceased owner. There may be a holding period before beneficiaries can exercise their Survivor's Option, and there can be no assurance that exercise of the desired amount will be permitted in any single calendar year. Refer to the offering documents for details, if applicable.

Speak with your Financial Advisor about the risks and suitability of InterNotes® in your portfolio.



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