Structured Products

Building a Modern Portfolio

OPPENHEIMER

Investing is about making your money work for you, protecting what you have, or growing it. **Often all three.**

Investing is also about addressing your goals, looking after your family, creating security in retirement. It's not about knowing the future – it's about planning for the future.

Investors increasingly use structured products to build a modern portfolio, manage risk and realize their goals.

At Oppenheimer, we are here to help you.

What are Structured Products?

Structured products may appear complex but their popularity over several decades with both institutional and individual investors bears witness to their ability to help address problems and fulfill investor needs. Moreover, when a structured product matures, its payout is pre-defined and based on terms which you are able to review before you make your investment decision. This provides clarity and transparency.

A structured product provides many of the characteristics of a bond with certain features and risks of another asset, which we refer to as the *underlying*. Structured products are issued by financial institutions and are subject to the creditworthiness of the respective companies. In this way, structured products are similar to bonds.

Unlike a bond, however, the payout of a structured product is linked to the performance of the underlying. A structured product may expose investors to some or all of the upside of the underlying, or it may offer a high coupon payment. Meanwhile, if the underlying declines a structured product may expose investors to some or all of the downside market risk of the underlying.

Idea generation: Understanding the market, understanding investors

The structured products offered at Oppenheimer have been carefully put together by specialists who consider market conditions, recommendations made by the Oppenheimer research team, and the goals and needs of our diverse client base.

Manage Risk

We face choices when we invest, and one fundamental choice is between risk and return potential. Structured products offer flexibility and choice for investors seeking to maintain upside potential while managing downside exposure. Whether you invest in an FDIC insured Structured CD or in a sophisticated yield-generating strategy, structured products may add value to your portfolio by helping you drive returns while controlling risk.

Product Categories

Oppenheimer classifies its structured investments into three categories to make it easier to identify the basic risk and return characteristics of the investment:

Capital Preservation

Capital Preservation strategies are designed to complement and provide potential to outperform traditional fixed income investments. At maturity market downside risk is limited by the capital preservation feature, but investors must be willing to bear downside market risk prior to maturity.

Enhanced Yield

Enhanced Yield strategies may provide investors the opportunity to generate yields higher than prevailing rates in traditional fixed income products. Investors potentially face the full downside market risk of the underlying asset or assets, however downside market exposure may be reduced by a contingent protection feature at maturity.

Enhanced Participation

Enhanced Participation strategies provide investors with upside market exposure which may be limited by a maximum gain, or provide uncapped participation in the performance of the underlying asset. Strategies may have full downside market exposure, or they can be structured with features that may reduce downside market exposure at maturity.

Classification of structured investments into categories is not intended to guarantee particular results, performance or level of market risk. Any payment on a structured investment, including any repayment of principal, is subject to the creditworthiness of the issuer.

Key Risks & Considerations

Structured products are complex investments and not suitable for all investors. Here are some of the key risks and considerations you need to be aware of when investing in structured products:

Issuer Credit Risk

- As corporate debt, all terms, including return of principal, is subject to the credit risk of the issuer.
- CDs are covered by FDIC insurance, subject to limits.

Market Risk

- If the underlying asset depreciates over the term of a note, the issuer may repay investors less than the principal amount, depending on the terms of the note.
- Investors may lose up to 100% of their initial investment.
- Due to the derivative component of structured notes, the investment performance of a note may exhibit low correlation to the performance of the underlying asset.

Secondary Market Risk

- Issuers generally make a secondary market but are under no legal obligation to do so.
- Prior to maturity the value of a structured note may depend on various factors, including:
    - –Change in value of the underlying
    - –Change in volatility of the underlying
    - –Change in interest rates
    - –Change in credit quality of issuer
    - –Costs and fees paid

No Direct Ownership

- Investment in a structured note does not provide the investor with rights of ownership in the underlying asset, such as dividends and voting rights.

Fixed and Capped Investment Returns

- Structured notes which have defined coupon payments, or upside potential limited by a step-up return or a maximum gain, may underperform relative to a direct investment in the underlying asset.

Early Redemption Risk

- Some notes may be called prior to maturity. You are not eligible to receive any further coupon payments after such an early redemption has occurred.
- There is no guarantee that you will be able to reinvest into a new investment with comparable return and/or with a comparable interest rate for a similar level of risk.

Costs & Fees

- Costs and fees associated with structured notes include, but are not limited to, discounts and sales commissions paid to distributors, and costs and fees related to the structuring and hedging activities of the issuer.
- As a new issue security, these costs and fees are embedded in the offering price of a note and will negatively impact the market value of the note after issuance.

Uncertain Tax Treatment

- The characterization of structured notes for tax purposes is uncertain. Investors should consult the tax section of the prospectus for any prospective structured note investment, and should speak to a tax advisor as to the specific tax consequences of owning and disposing of the notes.

Capital Preservation – **Example A**

Market Linked Certificates of Deposit

For educational and illustrative purposes only

Market Linked CDs in Your Portfolio

Market Linked Certificates of Deposit ("the CDs") allow you to participate in the growth of the underlying index without any of the downside risk at maturity. This investment profile may allow investors who put an emphasis on capital preservation to increase their exposure to equity markets. The CDs may also provide some diversification to bond portfolios, since the upside potential of the CDs means that they may outperform other fixed income investments.

How it Works

If the underlying return is positive, the CDs will provide a return equal to the positive return of the underlying multiplied by the participation rate when they mature.

On the other hand, if the underlying return is negative, at maturity investors will be repaid the principal investment.

In the example provided here, investors would have a participation rate of 110% in the positive performance of the underlying EURO STOXX 50 Index.

The next page includes examples that illustrate how an investment in the CD would perform in different scenarios.

Sample Terms – for illustrative purposes only	
Issuer	Financial Institution
Underlying	EURO STOXX 50 Index (SX5E)
Maturity	5 years
Downside	No participation in any negative index return at maturity
Participation rate	110%
Coupon	None

Capital Preservation – **Example A**

Let’s take a look at how the return on the CD is linked to the performance of the underlying index. We will assume an investment of $100,000 in the CD and show what the payout to investors would be in different scenarios.

Scenario 1

The underlying index grows by 30% over the term of the CD.

In this scenario, an investor would earn a return of 33% on their CD investment (equal to 30% times the participation rate of 110%).

Scenario 2

The underlying index declines by 30% over the term of the CD.

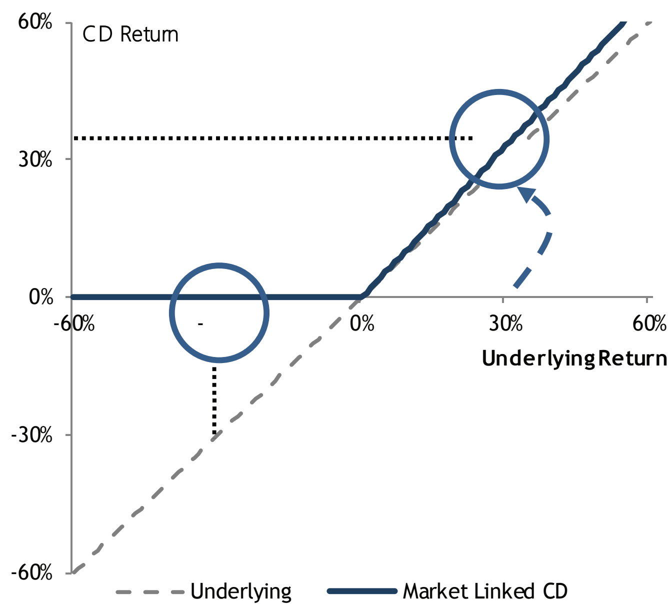
In this scenario, an investor would get back principal without earning a return on their investment.

Scenario 1

Underlying is up 30% and the return on the CD is 33%.

Scenario 2

Underlying is down 30% and investors receive back their principal investment with no positive return.



Autocallable Yield Notes

For educational and illustrative purposes only

Autocallable Yield Notes in Your Portfolio

Autocallable Yield Notes ("the Notes") can be a powerful tool for investors who wish to prepare their portfolio for an uncertain future in which equity markets do not necessarily continue pushing higher. In sideways or even moderately negative equity markets, these Notes may help investors outperform traditional equity investments, or they can help diversify a portfolio designed to generate high yield.

The risk to investors is if one of the underlyings declines to a level below the predefined barrier. However as long as such a breach of the barrier doesn't occur, the Autocallable Yield Notes will continue to generate positive returns until they are called or mature, even if equity markets decline.

How it Works

Autocallable Yield Notes provide enhanced income with full downside market exposure to the laggard underlying index if that index trades below the predefined barrier.

As long as the Notes are outstanding they provide period coupon payments.

The issuer of the Notes will automatically call the Notes if on any observation date the laggard underlying closes at or above its initial level. If the Notes are not redeemed early, and if the laggard underlying closes below the barrier on the final valuation date, the Notes will expose investors fully to the depreciation of that underlying, resulting in a loss.

Sample Terms – For illustrative purposes only	
Issuer	Financial Institution
Underlying	The least performing of • S&P 500 Index (SPX) • Russell 2000 Index (RTY)
Maturity	18 months, subject to early call
Callability	Callable quarterly if the laggard* underlying closes at or above its initial level
Barrier	75% of initial levels
Coupon	6.00% p.a.; paid quarterly

Glossary:

Barrier: *The barrier is calculated as a percentage of the initial level of the underlyings. In the example given here, the barrier is 75% of the initial underlying level which means that an index with an initial level of 1,000 will have a barrier of 750. In this example, if the index closes at 750 or higher on the final valuation date the barrier is not breached, but if the final index level is below 750 then the barrier is breached, resulting in a loss.*

The laggard underlying: *Autocallable Yield Notes typically have more than one underlying. When that is the case, the underlying which has the worse performance is referred to as the laggard. Over the term of a Note, the identity of the laggard underlying may change from one underlying to another.*

Let's take a look at how the return on the Autocallable Yield Notes are linked to the performance of the underlying indices. We will assume an investment of $100,000 in the Notes and show what the payout to investors would be in different scenarios.

Scenario 1

Both underlying indices initially decline but after twelve months the S&P 500 is up by 3% while the Russell 2000 is up by 5%.

In this scenario, an investor would receive coupon payments after each of the first four quarters, at which point the Notes are called by the issuer.

$100,000

Investors have earned four coupon payments for a total return of 6% on their investment.

$6,000

Scenario 2

Both underlying indices initially decline and they remain below their initial levels. As the Notes mature, the laggard underlying is down by 20%.

In this scenario, an investor would receive coupon payments after each of the six quarters (18 months) of the investment. When the Notes mature, the issuer will pay back principal in full because the barrier isn't breached.

$100,000

Investors have earned six coupon payments for a total return of 9% on their investment.

$9,000

Scenario 3

Both underlying indices initially decline and they remain below their initial levels. As the Notes mature, the laggard underlying is down by 30%.

In this scenario, an investor would receive coupon payments after each of the six quarters (18 months) of the investment. When the Notes mature, the issuer will pay back only 70% of principal because the barrier was breached.

$70,000

Investors have earned six coupon payments but have lost 30% of their principal (net loss of 21%).

$9,000

Enhanced Participation – **Example C**

Buffered Performance Securities

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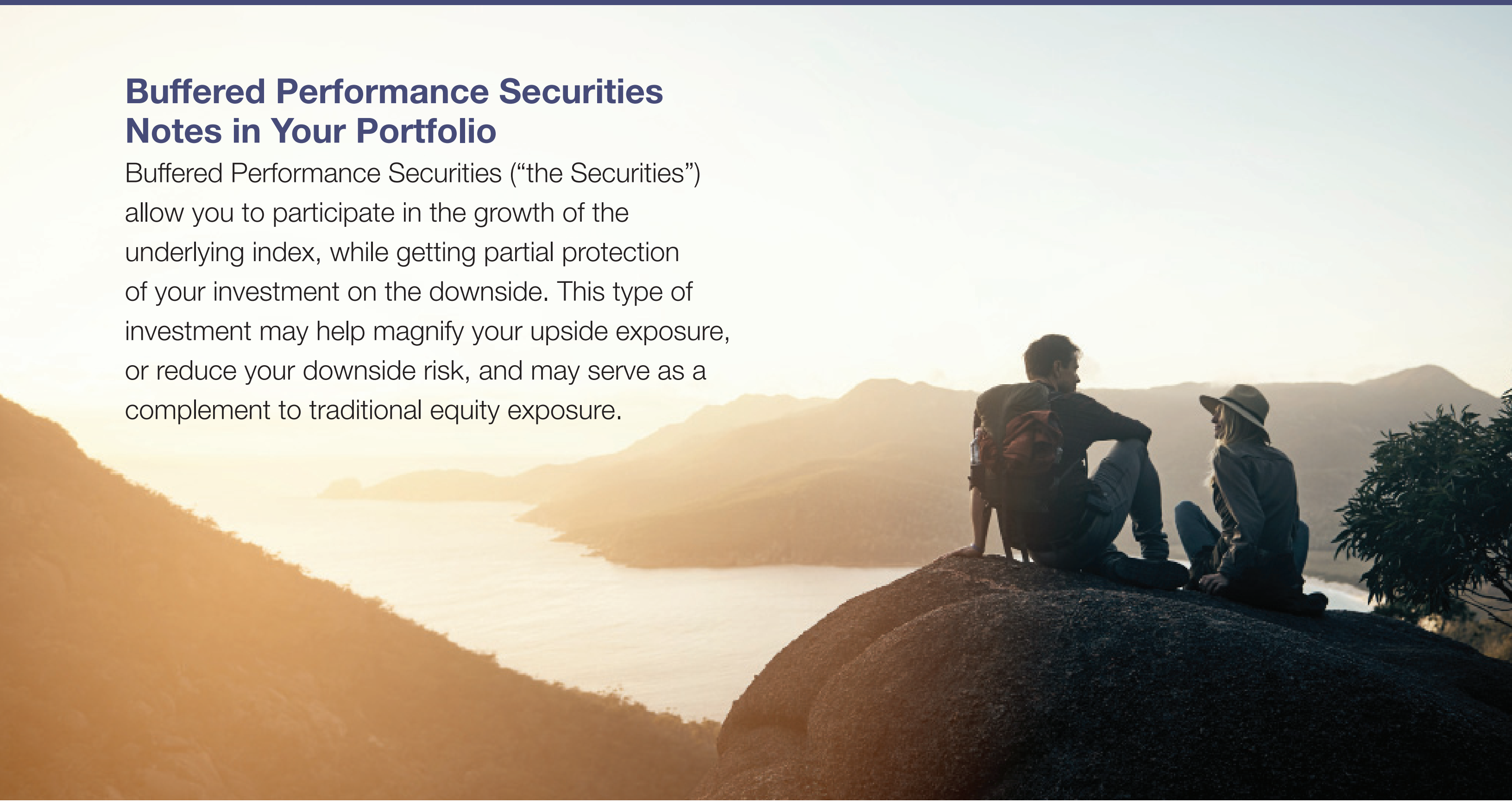
Buffered Performance Securities Notes in Your Portfolio

Buffered Performance Securities (“the Securities”) allow you to participate in the growth of the underlying index, while getting partial protection of your investment on the downside. This type of investment may help magnify your upside exposure, or reduce your downside risk, and may serve as a complement to traditional equity exposure.



How it Works

If the underlying return is positive, the Securities will provide a return equal to the return of the underlying multiplied by the participation rate.

If the underlying return is negative, the buffer will provide partial protection against the decline in the underlying, and investors will be exposed only to the part of a decline that exceeds the buffer amount. Investors incur a loss of principal if the underlying declines by more than the 15% buffer.

The next page includes examples that illustrate how an investment in the Securities would perform in different scenarios.

Sample Terms – For illustrative purposes only	
Issuer	Financial Institution
Underlying	S&P 500 Index (SPX)
Maturity	5 years
Buffer	15%
Downside	Full participation in any negative performance of the underlying in excess of the buffer amount
Participation rate	110%, at maturity

Enhanced Participation – **Example C**

Let's take a look at how the return on the Securities are linked to the performance of the underlying index. We will assume an investment of $100,000 in the Securities and show what the payout to investors would be in different scenarios.

Scenario 1

The underlying index grows by 40% over the term of the Securities

In this scenario, an investor would earn a return of 44% on their investment (equal to 40% times the participation rate of 110%).

Scenario 2

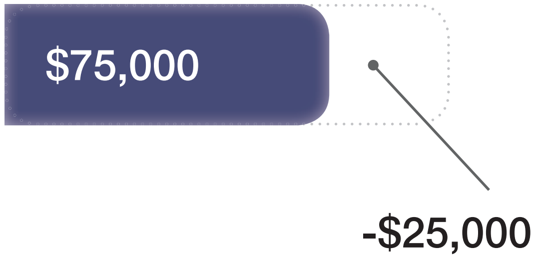
The underlying index declines by 15% over the term of the Securities.

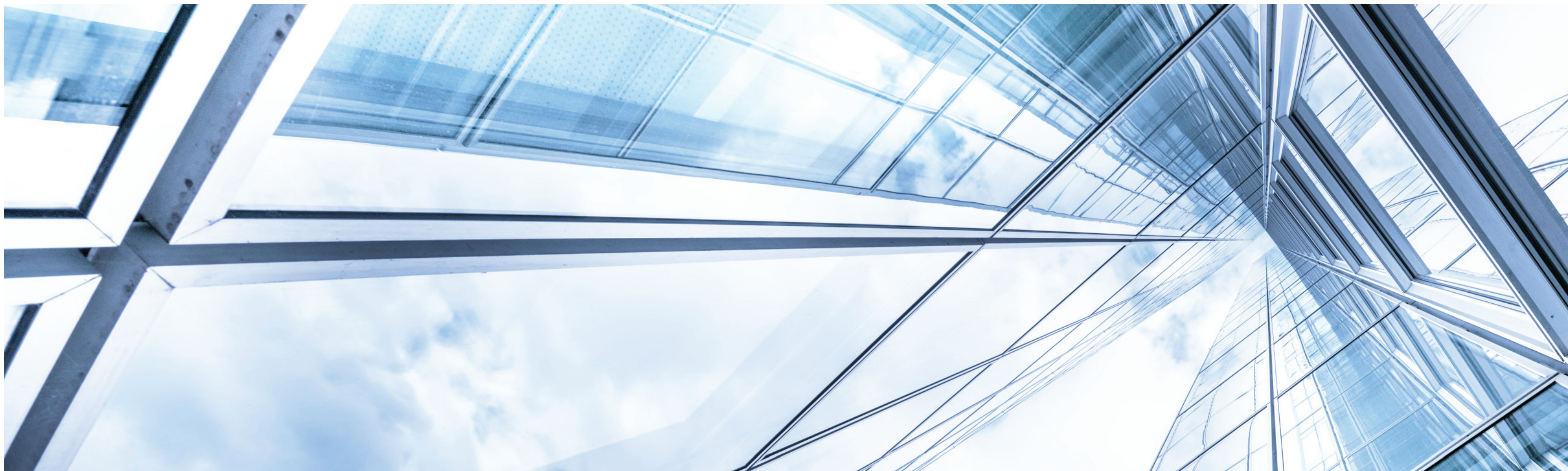
In this scenario, an investor would get back their principal at maturity because the buffer fully absorbs the 15% decline of the underlying index.

Scenario 3

The underlying index declines by 40% over the term of the Securities.

In this scenario, an investor incurs a loss of 25% on their investment (equal to the decline in the underlying that is in excess of the 15% buffer).





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The Standard and Poor s (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. Individuals cannot invest directly in an index. Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The Euro STOXX 50 Index is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.