

Mercedes-Benz Financial Services USA LLC

First Class Demand Notes Series 2

Private Placement Memorandum

March 17, 2021

**Mercedes-Benz Financial Services USA LLC**  
**\$1,500,000,000**  
**First Class Demand Notes Series 2 Variable**  
**Denomination Floating Rate Demand Notes**

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First Class Demand Notes Series 2 (the “Notes” or “First Class Demand Notes”) are designed to provide you with a convenient means of investing funds directly with Mercedes-Benz Financial Services USA LLC (“MBFS”). Please read this private placement memorandum and our financial statements carefully and in their entirety and retain for future reference. For additional information regarding the First Class Demand Notes, please access our landing website at [www.firstclassdemandnotes.com](http://www.firstclassdemandnotes.com).

**An investment in the Notes involves risks. You should carefully consider the risk factors beginning on page 5 of this private placement memorandum, as well as the other information contained in this private placement memorandum and our financial statements and in other materials that we provide to you in connection with the First Class Demand Notes. You should consult your financial and legal advisers as to the risks involved in an investment in the Notes and whether an investment is suitable for you.**

- The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or other securities laws. Accordingly, the Notes are being offered and sold only to “accredited investors” (as defined in Regulation D under the Securities Act) in transactions that are exempt from the registration requirements of the Securities Act. Notes or any interest or participation therein may not be re-offered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of except where required by law or court order.
- The Notes are not a deposit or other bank account and are not insured by the Federal Deposit Insurance Corporation or any governmental or non-governmental entity.
- The Notes are not a brokerage account with MBFS or any broker/dealer and are not protected by the Securities Investor Protection Corporation under the Securities Investor Protection Act of 1970, as amended.
- The Notes are not a money market mutual fund and are not subject to the requirements of the Investment Company Act of 1940, as amended (including diversification and quality of investments) or the Employee Retirement Income Security Act of 1974, as amended.
- The rate of interest paid on the Notes will be set solely by MBFS and will not necessarily bear any relation to the risks associated with, or changes in the creditworthiness, credit rating, or financial condition of, either MBFS or any of its affiliates.
- The Notes are senior, unsecured obligations of MBFS and only the assets of MBFS that have not been pledged to secure other indebtedness of MBFS or that have not been securitized will be available to pay the principal of and interest on the Notes. The Notes will rank equally with all other unsecured and unsubordinated debt of MBFS.
- The Notes are not obligations of or guaranteed by Daimler AG, any of its subsidiaries (other than MBFS), any subsidiaries of MBFS, the processing agent or any other entity. It is possible to lose principal and interest on the Notes if MBFS is unable to pay its debts, becomes bankrupt or seeks creditor protection.
- The Notes are not rated by any rating agency, and MBFS does not intend to seek a rating for the Notes.
- The Notes are not listed on any securities exchange and there will be no secondary market for the Notes. As a result, there is no independent market valuation for the Notes.
- MBFS reserves the right to modify, withdraw, or cancel the offer made by this private placement memorandum at any time. MBFS has the sole right to accept or reject offers to purchase Notes and may reject any proposed purchase in whole or in part.

**Neither the Securities and Exchange Commission (“SEC”) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this private placement memorandum. Any representation to the contrary is a criminal offense. We are offering and selling the Notes on a continuous basis directly to eligible purchasers.**

Private Placement Memorandum dated March 17, 2021

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**SUMMARY**

Issuer . . . . .	Mercedes-Benz Financial Services USA LLC (“MBFS”, the “Company”, “we,” “our” or “us”), is a Delaware limited liability company and an indirect, wholly owned subsidiary of Daimler AG. MBFS is a financial services organization that principally provides automotive financing to Daimler dealers (entities involved in the sale or lease of new or used vehicles manufactured or distributed by Daimler AG and its subsidiaries) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs.
Executive Offices of MBFS. . .	36455 Corporate Drive, Farmington Hills, MI 48331-3552
Title . . . . .	First Class Demand Notes Series 2  This is the second series of Demand Notes issued by MBFS. This program became effective on March 1, 2017.
Amount . . . . .	Up to \$1,500,000,000 aggregate principal amount. The aggregate amount of Notes outstanding from time to time may exceed this amount, but the Company will supplement this Private Placement Memorandum if it intends to materially increase the principal amount of the Notes offered hereby. Sales of the Notes commenced on March 1, 2017.
Processing Agent . . . . .	The Bank of New York Mellon, a New York state chartered bank, serves as the Processing Agent pursuant to the Amended and Restated MBFS Demand Notes Program Services Agreement (“Agreement”). The Processing Agent’s obligations are limited to those set forth in, and the Processing Agent’s liability is limited to the extent set forth in, the Agreement. The Notes are not obligations of or guaranteed by Bank of New York Mellon.
Status . . . . .	The Notes are senior, unsecured obligations of MBFS and rank equally with all other unsecured and unsubordinated indebtedness of MBFS. For additional information regarding our outstanding indebtedness, please see our financial statements which are available at <a href="http://www.firstclassdemandnotes.com">www.firstclassdemandnotes.com</a> . The Notes are not obligations of or guaranteed by Daimler AG, any of its subsidiaries (other than MBFS), any subsidiaries of MBFS, the Processing Agent or any other entity.
Pricing . . . . .	The Notes pay a floating rate of interest set by the MBFS First Class Demand Notes Committee on a weekly basis. Interest rates may vary by an investor’s principal amount of Notes, investor entity type and other factors as determined by MBFS. The interest rate applicable to the Notes will be available at <a href="http://www.firstclassdemandnotes.com">www.firstclassdemandnotes.com</a> and <a href="http://www.eaccountservices.com/mbfs">www.eaccountservices.com/mbfs</a> .
Minimum Initial Investment.	\$10,000
Principal . . . . .	The principal amount of your Note is equal to the total amount of your investments plus accrued and reinvested interest, less fees, if any, and your redemptions.

Fees . . . . .	MBFS may assess certain fees from time to time as determined by MBFS in its sole discretion, including, without limitation, for redemptions by wire transfer, if your principal balance is below the fee-free minimum of \$10,000, and for other services. We will disclose any new fees or changes at least 30 days before they become effective at <a href="http://www.firstclassdemandnotes.com">www.firstclassdemandnotes.com</a> .
Redemption. . . . .	The Notes have no stated maturity and are redeemable in whole or in part at any time at the option of the holder. The Notes also are redeemable by MBFS at any time at the sole discretion of MBFS.
Form of Notes . . . . .	The Notes are issued as one or more global securities held by Wilmington Trust, National Association. Book-entry records for each investor are maintained by the Processing Agent.
Private Placement; Qualified Participation . . . . .	<p>The Notes are offered in a private placement only to “accredited investors,” as such term is defined in Regulation D under the Securities Act. The accredited investor definition is included at Appendix A to this private placement memorandum. Each prospective investor is required to verify his/her/its accredited investor status prior to enrollment as well as periodically while investing in First Class Demand Notes. If an existing investor fails to re-verify his/her/its accredited investor status when required under the program, they may continue to earn and reinvest interest on his/her/its existing Demand Notes, but will not be able to invest new funds. The verification process can be found in Appendix B to this private placement memorandum. The Notes are offered only by this private placement memorandum.</p> <p>Only US citizens, and Trusts, estates, partnerships, and corporations established in or under the laws of the US may participate. Notes will only be sold to investors who provide either a U.S. social security number or a U.S. taxpayer identification number. Monetary transactions may only be conducted with financial institutions within the United States.</p>
Taxation . . . . .	Interest earned on the Notes is subject to taxation regardless of whether such interest is reinvested. Backup withholding and information reporting may apply to certain persons.

**RECENT DEVELOPMENTS**

On February 3, 2021, the Board of Management of Daimler AG, with the consent of the Supervisory Board, decided to evaluate a spin-off of Daimler Trucks & Buses including a transfer of significant parts of the related financial services business (together, “Daimler Truck”) from the Daimler Mobility segment, and to begin preparations for a separate listing of Daimler Truck targeted before the end of 2021. Within the framework of the proposed transaction, as is currently contemplated, it is intended that a significant majority stake in Daimler Truck will be distributed to Daimler AG’s existing shareholders. Daimler AG intends to maintain a minority interest in Daimler Truck after the completion of the proposed spin-off. Shareholder approval could be granted at an extraordinary shareholders’ meeting of Daimler AG currently targeted for the end of the third quarter of 2021. Upon the completion of the spin-off, it is envisaged that Daimler Truck will have fully independent management and a stand-alone corporate governance framework (including a Chairman of its Supervisory Board who is independent from the

management of Daimler). The transaction and the listing of Daimler Truck on the Frankfurt stock exchange is targeted to be completed before year-end 2021.

As part of this spin-off, a new, separate captive financing entity is expected to be created for Daimler Truck in the United States. Accordingly, if the spin-off is completed as currently contemplated, MBFS will not be Daimler Truck's captive financing entity after the spin-off. For the year ended December 31, 2020, financing for Daimler AG's US truck and bus business accounted for approximately 24% of our total finance revenue and other income and 16% of our profit before income taxes, and receivables related to Daimler AG's US truck and bus business accounted for approximately 23% of our total assets as of such date.

## **RISK FACTORS**

Investing in the Notes involves risks. You should carefully consider the risk factors below, as well as the other information contained in this private placement memorandum and our financial statements. You should consult your financial and legal advisers as to the risks involved in an investment in the Notes and whether an investment is suitable for you. Notes are not an appropriate investment for you if you do not understand the terms of the Notes or are unable to evaluate our financial position or financial matters generally. You should not purchase Notes unless you understand and know you can bear all of the investment risks involving the Notes.

### **Risks Related to Our Business**

**The profitability and financial condition of our operations are heavily dependent upon the performance, operations and prospects of Daimler AG in the United States.** Our customer base is composed primarily of Daimler AG dealers and their retail customers in the United States. A significant adverse change in Daimler AG's business, including the production or sale of Daimler AG vehicles, the quality or resale value of Daimler AG vehicles, the use of Daimler AG marketing incentives, Daimler AG's relationships with its key suppliers, employees or other third parties, changes in emissions and safety regulations and product defects and recalls could have a material adverse effect on our profitability and financial condition.

**Decline in industry sales volume due to financial crisis, recession, geopolitical events, or other factors would have a material effect on us.** In the fall of 2008, the global economy entered a financial crisis and severe recession, putting significant pressure on the automotive industry generally. These economic conditions dramatically reduced automotive industry sales volume in the United States. Similar downturns may result from geopolitical events, such as wars or acts of terrorism, or other factors beyond our control. There is no assurance that the U.S. automotive market or Daimler AG's share of that market will not suffer downturns in the future, and any negative impact could in turn have a material adverse effect on our business, results of operations and financial condition.

**General business and economic conditions may significantly and adversely affect our revenues, profitability and financial condition.** Our business and earnings are sensitive to general business and economic conditions in the United States. A downturn in economic conditions resulting in increased short and long term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, consumer and commercial bankruptcy filings, or a decline in the strength of national and local economies and other factors that negatively affect household incomes could decrease demand for our financing products and increase financing delinquency and losses on our customer and dealer financing operations. Further, a significant and sustained increase in fuel prices could lead to diminished new and used vehicle purchases and negatively affect our business.

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States were to weaken, or if vehicle purchases experience declines, we could be significantly and adversely affected, and it could become more expensive for us to conduct our business. For example, business and economic conditions that

negatively affect household incomes, housing prices, and consumer behavior related to our businesses could decrease (1) the demand for vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment assets and vehicle loans and interests that continue to be held by us, further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans could be higher during more severe economic slowdowns.

Any sustained period of increased delinquencies, foreclosures, or losses could further harm our ability to sell our vehicle loans, the prices we receive for our vehicle loans, or the value of our portfolio of vehicle loans held-for-investment or interests from our securitizations, which could harm our revenues, profitability and financial condition. Continued adverse business and economic conditions could affect demand for vehicles and other related factors that could harm the revenues and profitability of our business.

**Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors could adversely affect us.** The global automotive industry is intensely competitive, with manufacturing capacity far exceeding current demand. Industry overcapacity has resulted in many manufacturers offering marketing incentives on vehicles in an attempt to maintain and grow market share. These incentives historically have included a combination of subsidized financing or leasing programs, price rebates and other incentives. As a result, Daimler AG is not necessarily able to set its prices to offset higher costs of marketing incentives, commodity or other cost increases, or the impact of adverse currency fluctuations. Continuation of or increased excess capacity could have an adverse effect on Daimler AG's financial condition and results of operations which, in turn, could adversely affect MBFS.

**Higher-than-expected credit losses, lower-than-anticipated residual values or higher-than-expected return volumes for leased vehicles could adversely affect our financial condition and results of operations.** Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit risk (which is heavily dependent upon economic factors including unemployment, consumer debt service burden, personal income growth, dealer profitability and used car prices) has a significant impact on our business. The level of credit losses we may experience could exceed our expectations and our allowance for loan losses and adversely affect our financial condition and results of operations. There can be no assurance that our monitoring of our credit risk as it affects the value of our assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent an adverse effect on our financial condition or results of operations.

In addition, we project expected residual values and return volumes for the vehicles we lease. Actual proceeds realized by us upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which would reduce the profitability of the lease transaction. Among the factors that can affect the value of returned leased vehicles are the volume of vehicles returned, economic conditions and quality or perceived quality, safety, fuel efficiency or reliability of the vehicles. Actual return volumes may be higher than expected and can be influenced by contractual lease-end values relative to auction values, marketing programs for new vehicles and general economic conditions. Each of these factors, alone or in combination, has the potential to adversely affect our profitability if actual results were to differ significantly from our projections.

**Our business requires substantial capital and liquidity, and disruption in our funding sources and access to the capital markets would have a material adverse effect on our liquidity, financial condition and results of operations.** Our liquidity and results of operations depend on many factors, including our ability to successfully raise capital and secure appropriate financing. The capital markets continue to be volatile, and our access to the debt markets may be significantly reduced during periods of market stress. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance outstanding indebtedness or increase the costs of funding. We also continue to access the securitization markets. While markets have continued to stabilize following the 2008 liquidity crisis, there can be no assurance these sources of liquidity will remain



available to us.

**Increased competition from banks or other financial institutions seeking to increase their share of financing Daimler AG vehicles could adversely affect our business.** No single company is a dominant force in the automotive finance industry. Most of our bank competitors in the United States use credit aggregation systems that permit dealers to send, through standardized systems, retail credit applications to multiple finance sources to evaluate financing options offered by these sources. This process has resulted in greater competition based on financing rates. In addition, we may face increased competition on wholesale financing for Daimler AG dealers. Competition from such institutions with lower borrowing costs may increase, which could substantially adversely affect our profitability and volume of business.

**Daimler AG and/or its subsidiaries are subject to legal risks relating to pending legal proceedings, claims as well as governmental investigations and orders.** Daimler AG and its subsidiaries (“Daimler”), which include MBFS, are confronted with various legal proceedings, claims as well as government investigations and orders on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, warranty claims, environmental matters, antitrust matters (including actions for damages) as well as shareholder litigation.

The automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions regulate occupant safety and the environmental impact of vehicles, including emissions levels, fuel economy and noise, as well as the emissions of the plants where vehicles or parts thereof are produced. In case regulations applicable in the different regions are not complied with, this could result in significant penalties and reputational harm or the inability to certify vehicles in the relevant markets. The cost of compliance with these regulations is significant, and in this context, Daimler expects a significant increase in such costs.

Daimler is continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions. Several federal and state authorities and other institutions worldwide have inquired about and/or are/have been conducting investigations and/or administrative proceedings, and/or have issued administrative orders or, in the case of the Stuttgart district attorney’s office, a fine notice. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler’s interaction with the relevant federal and state authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal and antitrust laws. These authorities and institutions include, among others, the U.S. Department of Justice, which has requested that Daimler conducts an internal investigation, the U.S. Environmental Protection Agency, the California Air Resources Board and other US state authorities, the South Korean Ministry of Environment and the South Korean competition authority (Korea Fair Trade Commission), the European Commission, the German Federal Cartel Office (“Bundeskartellamt”) as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Ministry of Transport and Digital Infrastructure (“BMVI”) and the German Federal Motor Transport Authority (“KBA”). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago. The Stuttgart district attorney’s office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney’s office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, the Stuttgart district attorney’s office issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler.

Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation and in light of the recent developments, it is possible that further regulatory, criminal and administrative investigative and enforcement actions and measures relating to Daimler and/or its employees will be taken or administrative orders will be issued. Such actions, measures and orders may include subpoenas, that is, legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, or orders to recall vehicles, further search warrants, a notice of violation or an increased formalization of the governmental investigations, coordination or proceedings, including the resolution of proceedings by way of a settlement. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

Since 2018, the KBA has issued various administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EC type approvals in this respect, including mandatory recalls and, in certain cases, stops of the first registration. In addition and since 2018 Daimler has (in view of KBA's interpretation of the law as a precaution) implemented a temporary delivery and registration stop with respect to certain models, also covering the used car, leasing and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. Daimler has filed timely objections against KBA's administrative orders in order to have the open legal issues resolved, if necessary by a court of law. In the course of its regular market supervision, the KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In light of the aforementioned administrative orders issued by, and continued discussions with, the KBA, it is likely that in the course of the ongoing and/or further investigations KBA will issue additional administrative orders holding that other Mercedes-Benz diesel vehicles are also equipped with impermissible defeat devices. The new calibrations requested by KBA are being processed, and for a certain proportion of the vehicles, the relevant software has already been approved by KBA; the related recalls have insofar been initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked or further delivery and registration stops may be ordered or resolved by Daimler as a precautionary measure, also with regard to the used car, leasing and financing businesses. Daimler is conducting further investigations and otherwise continues to fully cooperate with the authorities and institutions.

In January 2019, another vehicle manufacturer reached civil settlements with U.S. federal and state authorities, as well as with vehicle customers. Although the manufacturer did not admit liability, the authorities maintain the position that the manufacturer included undisclosed Auxiliary Emission Control Devices (AECs) in its diesel vehicles, apparently including functionalities that are common in diesel vehicles, and that certain of these AECs are illegal defeat devices. As part of these settlements, the manufacturer has agreed to, among other things, pay civil penalties, undertake a recall of affected vehicles, provide extended warranties, undertake a nationwide mitigation project and make other payments. The manufacturer has furthermore agreed to provide payments to current and former diesel vehicle owners as part of a class action settlement.

In light of these matters and in light of the ongoing governmental information requests, inquiries, investigations, administrative orders and proceedings, as well as Daimler's own internal investigations, it is likely that, besides KBA, one or more regulatory and/or investigative authorities worldwide will reach the conclusion that other passenger cars and/or commercial vehicles with the brand name Mercedes-Benz or other brand names of Daimler are equipped with impermissible defeat devices and/or that certain functionalities and/or calibrations were not properly disclosed. Furthermore, the authorities have increased scrutiny of Daimler's processes regarding running change, field-fix and defect reporting as well as other compliance issues. Except for, in particular, the Stuttgart district attorney's office's administrative offense proceedings, the other inquiries, investigations, legal actions and proceedings as well as the replies to the governmental information requests and the objection proceedings

against the KBA's administrative orders are still ongoing and open; hence, Daimler cannot predict the outcome at this time.

Due to the outcome of the administrative offense proceedings by the Stuttgart district attorney's office against Daimler and the above, as well as any potential other, information requests, inquiries, investigations, administrative orders and proceedings, it is possible that Daimler will become subject to significant additional monetary penalties, fines, disgorgements of profits, remediation requirements, further vehicle recalls, further registration and delivery stops, process and compliance improvements, mitigation measures, and/or other sanctions, measures and actions (such as the exclusion from public tenders), including further investigations and/or administrative orders by these or other authorities and additional proceedings. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative determinations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies – or also plaintiffs – could also adopt such determinations or findings, even if such determinations or findings are not within the scope of such authority's responsibility or jurisdiction. Thus, a negative determination or finding in one proceeding, such as the fine notice issued by the Stuttgart district attorney's office, carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, Daimler's ability to defend itself in proceedings could be impaired by the fine notice issued by the Stuttgart district attorney's office as well as other unfavorable findings, results or developments in any of the information requests, inquiries, investigations, administrative orders, legal actions and/or proceedings discussed above.

In particular, any remediation requirements, recalls or delivery and registration stops of Mercedes-Benz diesel vehicles, or reputational harm to the Mercedes-Benz brand, could adversely affect the sales prices of used Mercedes-Benz passenger cars and sport utility vehicles as well as used trucking and transportation equipment and the residual values of Mercedes-Benz passenger cars and sport utility vehicles and trucking and transportation equipment that are leased.

Notwithstanding the foregoing, MBFS does not believe that the outcome of any of the inquiries and investigations pertaining to Daimler will have a material adverse effect on the financial condition of MBFS.

**Adverse effects resulting from economic, geopolitical or other events could adversely affect our business.**

With the increasing interconnectedness of global economic and financial systems, a financial crisis, natural disaster, geopolitical crisis, act of terrorism or other significant event in one area of the world can have an impact on markets around the world. For example, the September 11, 2001 terrorist attacks in New York, the 2008 economic crisis in the United States and the recent Euro zone debt crisis all had impacts on markets around the world. Such developments could cause financial and capital markets to constrict, thereby negatively impacting our ability to finance our business, and also could cause a substantial drop in consumer confidence and spending that could negatively impact sales of vehicles. Any one of these impacts could have a substantial adverse effect on our financial condition and results of operations.

**Daimler AG and its subsidiaries have been affected by the coronavirus outbreak.**

The outbreak of the coronavirus has resulted in significant reductions in economic activity worldwide. Due to the COVID-19 pandemic, vehicle sales of Mercedes-Benz in the United States have been materially and adversely affected, and there have also been significant adverse effects on production, the procurement market and the supply chain. The negative economic effects of the ongoing spread of COVID-19 on Daimler AG and its affiliates, including MBFS, cannot be adequately determined or reliably quantified for the time being, however, a continuing COVID-19 pandemic will have a significant negative impact on the business, cash flows, financial condition, liquidity and results

of operations of Daimler AG and its affiliates, including MBFS. Moreover, further adverse developments of the COVID-19 pandemic, especially if restrictive measures remain in force significantly longer and are stricter than expected or in the event of a second wave of infections, would on the one hand result in an even deeper slump for the global economy and on the other hand not only affect Mercedes-Benz vehicle sales in the United States but could also have a more significant impact than initially assumed on production, the procurement market and the supply chain. We have offered payment relief options to customers and dealers impacted by COVID-19, including finance contract extensions, lease deferred payments, temporary interest deferrals for dealer floorplan financing, and principal and interest payment deferral options for dealer real estate, revolving lines of credit and working capital loans. In addition, these events have resulted in lower used vehicle prices and increased delinquencies and could cause other unpredictable and adverse events.

The COVID-19 pandemic is causing significant uncertainty in the global financial markets, but it is not possible to predict the ultimate scope of this pandemic or the ultimate effect it may have on the global economy or the global financial markets, including the economy or financial markets of the United States. While the Federal Reserve has implemented emergency interest rate cuts and federal, state and local governments have implemented other measures in response to COVID-19, the likelihood of such measures preventing volatility in the financial markets or the occurrence of a national or global economic downturn cannot be predicted.

For example, it is unclear whether the United States is in or will experience a severe recession as a result of the outbreak (and, if so, for how long). In addition, we cannot predict how many of MBFS's customer have been and will continue to be adversely affected by the outbreak and how long governmental efforts to slow the spread of COVID-19 throughout United States will continue. Also, while many automotive dealers have been required to temporarily close or restrict their operations due to being classified as non-essential businesses, even for dealerships that have remained open, consumer demand has declined rapidly.

In response to the COVID-19 pandemic, federal, state and local governments and regulators have implemented or proposed various actions that permit MBFS retail customers to forgo making scheduled payments for some period of time, require modifications to the receivables and preclude creditors from exercising certain rights or taking certain actions with respect to collateral, including repossession or liquidation of the financed vehicles. These actions may negatively affect the amount of collections on MBFS's receivables and the timing of the receipt thereof. The recently enacted Coronavirus Aid, Relief, and Economic Security Act, or the "CARES Act," is extensive legislation that attempts to address the effects of the COVID-19 pandemic. The CARES Act is only in the beginning stages of implementation. Therefore, the potential impact of the CARES Act on financial companies, such as MBFS, or consumers is unknown. Compliance with the implementing regulations under the CARES Act may impose costs on, or create operational constraints for MBFS.

**Our indebtedness and other obligations are significant and could materially and adversely affect our business.** We have a significant amount of indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

**New or increased credit, consumer or data protection or other regulations may result in higher costs and/or additional financing restrictions.** As a finance company, we are regulated by the Consumer Financial Protection Bureau and other governmental authorities in the United States, which can impose significant additional costs and/or restrictions on our business. For example, our operations are subject to regulation, supervision and licensing under various federal, state and local laws and regulations, including the federal Truth-in-Lending Act,

Equal Credit Opportunity Act and Fair Credit Reporting Act. New laws, rules and regulations could impose additional costs on us and adversely affect our ability to conduct our business.

**The MBFS financial statements are unaudited and are prepared in accordance with international accounting standards.** The MBFS financial statements and other financial information provided to investors are unaudited and, except as otherwise described therein, are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which differ from United States generally accepted accounting standards.

#### **Risks Related to the Notes**

**The Notes are the sole obligation of MBFS.** The Notes are senior, unsecured obligations of MBFS and only assets of MBFS that have not been pledged to secure other indebtedness or securitized are available to pay the principal and interest on the Notes. The Notes will be structurally subordinate to any indebtedness of MBFS that is secured to the extent of the assets pledged to secure such indebtedness, and to any indebtedness of any subsidiary of MBFS. For the latest information on MBFS' outstanding debt, please review the financial statements. The Notes are not obligations of or guaranteed by Daimler AG, any of its subsidiaries (other than MBFS), any subsidiary of MBFS, the Processing Agent or any other entity.

**The Notes are not a diversified investment.** The Notes are not an investment in a money market mutual fund holding diversified investments in short term debt securities of many companies. The Notes represent a loan by the Note holder to MBFS. Only the assets of MBFS that have not been sold, pledged or securitized are available to pay the principal of and interest on the Notes. Because the Notes are unsecured debt securities issued by a single issuer and are unrated, you will not have the benefits of diversification and quality of investments offered by money market mutual funds or other investment companies. For this reason, investors also will not have the protections provided to mutual fund investors under the Investment Company Act of 1940, as amended.

**MBFS is not a bank, and investments in the Notes are not insured by the Federal Deposit Insurance Corporation or any other governmental or non-governmental entity.** Only MBFS is obligated to pay the principal of and interest on the Notes, and only its assets are available for this purpose. If our assets are insufficient to pay the principal of and interest on the Notes and our other indebtedness, you could lose some or all of your investment, including principal and accrued but unpaid interest. No private or government entity guarantees return of your investment in the event of a failure of MBFS to repay your investment. In addition, no banking relationship exists between investors in the Notes and the Processing Agent.

**MBFS is not a broker or dealer.** The Notes are not a brokerage account with MBFS or any other broker/dealer and are not protected by the Securities Investor Protection Corporation under the Securities Investor Protection Act of 1970, as amended.

**The Processing Agent is not a Trustee.** The Bank of New York Mellon will perform certain administrative functions with respect to the Notes, as described in this private placement memorandum and in the Agreement. The Processing Agent is not a trustee and the Company will not appoint any other trustee for the Notes and will not qualify an indenture for the Notes under the Trust Indenture Act of 1939, as amended. Therefore, the Processing Agent will have no fiduciary responsibilities to holders with respect to the Notes nor will it coordinate any collective legal actions against MBFS by the holders of the Notes with respect to MBFS's obligations under the Notes. Each holder of a Note will be required to enforce the obligations of MBFS under the Notes.

**The interest rate paid on the Notes may not bear any relation to the investment risk.** The interest rate on the Notes will be set solely by MBFS's First Class Demand Notes Committee in its sole discretion and will not necessarily bear any relation to the risks associated with, or change in, the credit worthiness, credit rating or

financial condition of MBFS and may not adequately compensate you for the risks of investing in the Notes.

**The Notes are not rated.** The Notes are not currently rated by any rating agency, and MBFS does not intend to seek a rating for the Notes.

**The Notes are not transferable.** You may redeem your investment in the Notes at any time in whole or in part as described in this private placement memorandum. However, except in very limited circumstances, you may not transfer your investment in the Notes to someone else. The Notes will not be listed on any securities exchange, and no secondary market for the Notes currently exists or will develop, and, consequently, there is no public market valuation of the Notes to assist investors in evaluating the Notes or their yield relative to other investments.

#### **ABOUT THIS MEMORANDUM**

You should read this private placement memorandum and our financial statements carefully and entirely before you decide to invest. You should rely only on the information provided in this private placement memorandum and our financial statements and the other materials we provide you in connection with the Notes. These sources are only accurate as of their respective dates, and subsequent information from these sources will automatically update and supersede information contained in earlier documents. We have authorized no one to provide you with different information.

#### **ABOUT THIS OFFER**

The Notes may be offered separately or together in any combination and as separate series. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. We reserve the right to withdraw, cancel or modify the offer to sell these Notes at any time without notice. We have the sole right to accept offers to purchase First Class Demand Notes and may reject, at our sole discretion, any proposed purchase of a Note in whole or in part.

#### **THE COMPANY**

Mercedes-Benz Financial Services USA LLC (“MBFS” or the “Company”) is a single member LLC organized under the laws of the State of Delaware with Daimler AG as the ultimate parent. MBFS is a leading captive financial services organization that principally provides automotive financing to Daimler dealers (entities involved in the sale or lease of new or used vehicles manufactured or distributed by Daimler AG and its subsidiaries) and their customers. MBFS is affiliated with Daimler Mobility (“DMO”), which operates in 40 countries as the global financial services arm of Daimler AG.

#### **Our Brands**

MBFS provides financial services to Mercedes-Benz dealers and their retail customers. In the U.S. trucking industry, the Company does business as Daimler Truck Financial, and provides financial services to Freightliner, Western Star and Mitsubishi FUSO dealers and their customers.

#### **Financing Products**

MBFS’ financing products consist of retail installment and lease contracts, wholesale financing and capital /real estate loans to dealers. The Company provides a variety of lease and installment sales contract solutions for customers to finance both new and pre-owned vehicles and services all of these leases and loans. Dealer products consist primarily of vehicle inventory financing (wholesale), as well as capital, equipment and construction/real estate loans.

#### **Other Products**

In addition to the financing solutions we offer, MBFS also takes pride in offering services that fit our customers’ needs and lifestyles. Our First Class Protection insurance products are marketed by Daimler Insurance Agency LLC, a subsidiary of MBFS. They can be financed as part of a vehicle purchase or lease, making them an easy and cost

effective way to handle commonly experienced interior and exterior vehicle damage such as dents, flat tires and cracked windshields.

### **Our Customers**

MBFS' customer base consists primarily of individuals who seek financing options for Mercedes-Benz automobiles or Daimler-manufactured commercial vehicles. On the commercial vehicle side of the business, customers are usually commercial fleets, vocational fleets, municipalities and owner-operators. Dealers are also key MBFS customers for wholesale inventory financing, capital loans and other products.

### **Portfolio**

As of December 31, 2020, MBFS had a portfolio of approximately \$51.9 billion dollars. From the perspective of underlying assets, MBFS's portfolio is comprised of approximately 74 percent passenger car assets, and 26 percent commercial vehicle assets. From a product perspective, MBFS's portfolio is comprised of approximately 45 percent operating leases, 36 percent installment sales contracts/loans, and 18 percent wholesale products.

### **Competition**

Our main competition comes from banking institutions and credit unions that finance passenger cars and commercial vehicles. MBFS competes based on its superior customer service and support, strong brand partner relationships, industry expertise and product knowledge, state-of-the-art technology, and operational effectiveness.

### **Core Values**

MBFS is committed to excellent financial and mobility services that create value for our brands, dealers and customers; contribute to the financial success of Daimler; and offer rewarding opportunities to our employees and communities where we live and work. Our core values of integrity; openness and respect; financial and social responsibility; inspired, empowered and diverse people; customer focus; and commitment to excellence reflect these goals.

### **Customer Experience Strategy and Awards**

Our customer experience strategy, simply put, is about delivering exceptional customer experiences at each and every interaction in an effort to drive both satisfaction and loyalty from our internal, external and dealer customers. This initiative is called Customer One and is the cornerstone of our success. In 2018, for the fifth year in a row, our Daimler Truck Financial team has been ranked the #1 commercial Captive Finance Provider by the American Truck Dealers Association.

### **Workplace of Choice**

The Great Place to Work Institute named MBFS a Great Place to Work in the United States for 2020. MBFS is also heavily involved in social and cultural initiatives, a commitment to which is an integral part of our corporate culture. In 2020 MBFS partnered with 2 other Daimler entities to launch a Virtual Week of Caring, resulting in 150 volunteers performing nearly 400 hours of Covid-safe community support.

### **Our Locations**

MBFS only operates in the United States and has over 1,000 employees. Our headquarters is located in Farmington Hills, Michigan, and also serves as the regional headquarters for DMO's Americas operations, which includes the United States, Canada, Mexico, Argentina and Brazil. The Company's Business Center Operations are located in Fort Worth, Texas. Some employees work from other locations.

## **Executive Management**

MBFS is directed by a Leadership Team comprised of 10 executives who oversee our key functional areas. The CEO and CFO of MBFS are described below.

### Peter Henn, President and CEO, Mercedes-Benz Financial Services, Head of Daimler Mobility AG Americas Region:

Peter Henn became President and CEO of Mercedes-Benz Financial Services and Head of Daimler Mobility Americas region on June 1, 2019. In this role he has responsibility for leading business strategy and operations in the United States, Canada, Mexico, Brazil and Argentina. He is also a member of the global Daimler Mobility AG Board of Management. Previously, he was Head of the Africa and Asia Pacific region.

Henn joined the Daimler Group in 2007 as Head of Corporate Audit and Corporate Governance. In 2010, he was named Chief Audit Executive of Daimler AG. Before his tenure at Daimler, he worked for Deloitte & Touche LLP in New York, among other companies. He earned a degree in law from the University of Heidelberg, Germany, and began his career in the field of audit and risk management.

Brian Stevens – Vice President and CFO: Brian Stevens is responsible for the Finance & Controlling activities for Daimler's financial services operations in United States, Canada, Mexico, Brazil and Argentina. He assumed this position in 2009. Prior to his current assignment, Mr. Stevens held multiple managerial roles within Daimler Financial Services, including an international assignment as the regional CFO for Europe, Africa and Asia-Pacific within Daimler Financial Services. Mr. Stevens received his Bachelor of Business Administration in Accounting from Grand Valley State University in 1991 and a Master of Business Administration in Finance from Duke University in 1996. He is a registered Certified Public Accountant in the State of Michigan.

## **Financial Information**

For additional information regarding our financial condition and results of operations, please see our financial statements which are available at [www.firstclassdemandnotes.com](http://www.firstclassdemandnotes.com), and which are incorporated herein by this reference.

## **About Daimler AG**

Daimler AG is one of the world's most successful automotive companies. With its divisions Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services, the Daimler Group is one of the biggest producers of premium cars and the world's biggest manufacturer of commercial vehicles with a global reach. DMO provides financing, leasing, fleet management, insurance, financial investments, credit cards, and innovative mobility services.

The company's founders, Gottlieb Daimler and Carl Benz, made history with the invention of the automobile in the year 1886. As a pioneer of automotive engineering, Daimler continues to shape the future of mobility today.

The Group's focus is on innovative and green technologies as well as on safe and superior automobiles that appeal and fascinate. Daimler consequently invests in the development of alternative drivetrains with the long-term goal of emission-free driving: from hybrid vehicles to electric vehicles powered by battery or fuel cell. Furthermore, the company follows a consistent path towards accident-free driving and intelligent connectivity all the way to autonomous driving. This is just one example of how Daimler willingly accepts the challenge of meeting its responsibility towards society and the environment.

Daimler sells its vehicles and services in nearly all the countries of the world and has production facilities in Europe, North and South America, Asia, and Africa. Its current vehicle brand portfolio includes, in addition to the world's most valuable premium automotive brand, Mercedes-Benz, includes Mercedes-AMG, Mercedes-Maybach, smart,



Freightliner, Western Star, BharatBenz, FUSO, Setra and Thomas Built Buses, EQ. DMO's brands include Mercedes-Benz Bank, Mercedes-Benz Financial and Daimler Truck Financial. The company is listed on the stock exchanges of Frankfurt and Stuttgart (stock exchange symbol DAI). If you are interested in learning more about Daimler AG, please visit [www.Daimler.com](http://www.Daimler.com) for the latest Annual Report. Neither the Annual Report nor any other information on that website is incorporated by reference in this private placement memorandum.

## **USE OF PROCEEDS**

The net proceeds from the sale of the Notes will be added to the general funds of MBFS and will be available for financing our operations which may include loans to affiliated Daimler entities or for any other purpose. MBFS anticipates using the funds to finance a mix of short-term and long-term assets.

## **ABOUT FIRST CLASS DEMAND NOTES**

### **General**

All funds invested in First Class Demand Notes, together with accrued interest, redemptions and fees, if any, are recorded on a register maintained by the Processing Agent. The Notes are issued as one or more global securities held by Wilmington Trust, National Association, the form of which is available at [www.firstclassdemandnotes.com](http://www.firstclassdemandnotes.com). No certificate or other instrument evidencing MBFS' indebtedness is issued to an investor. The First Class Demand Notes register also includes the name(s), address(es), tax identification or social security number(s) and, in the case of natural persons, date(s) of birth of the owner(s) of the Notes. In addition, investors will be required to provide certain financial information to verify their status as an "accredited investor" as described in Appendices A & B and may be required to provide certain other information as required by applicable law. We will not accept facsimile signatures on any checks, forms, change requests or any other document that affects a redemption or change in ownership of a Note. Subject to applicable law, First Class Demand Notes may be owned individually, jointly, in a trust or custodial capacity or in the name of a corporation, business, partnership, LLC or association.

The Company will not appoint a trustee and will not qualify an indenture under the Trust Indenture Act of 1939, as amended, with respect to the Notes. Therefore, the Processing Agent will have no fiduciary responsibilities to holders with respect to the Notes nor will it coordinate any collective legal actions against MBFS by the holders of the Notes with respect to MBFS's obligations under the Notes. Each holder of a Note will be required to enforce the obligations of MBFS under the Notes.

The Notes contain no covenants that would limit the amount of indebtedness that MBFS may incur or the amount of dividends that MBFS may pay.

Investors will be provided with monthly statements showing a summary of all investments and redemptions, the amount of accrued and reinvested interest, the principal amount of the investor's First Class Demand Note at the end of the period, and fees, if any. With your consent, such statements may be provided to you electronically. An investor may obtain its current First Class Demand Notes balance at any time by calling 1-866-242-0120 or accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs).

The First Class Demand Notes have no stated maturity and may be redeemed, in whole or in part, at the option of the investor at any time; provided, however, that redemptions are subject to certain minimum redemption amounts. (See "How to Redeem"— below). The First Class Demand Notes are not subject to any sinking fund.

The following will be "Events of Default" with respect to the Notes: (a) default in the payment of any interest or principal on any Note when due and payable, and continuance of such default for a period of 30 days which is not due to administrative error (an administrative error shall not be considered an event of default unless such error shall have continued uncorrected for a period of 30 days after written notice from a Demand Note holder to the

Processing Agent with a copy to the Company); (b) default in the performance of any other covenant with respect to the Notes, and continuance of such default for a period of 60 days after written notice to MBFS from the holders of at least 25% of the principal amount of Demand Notes then outstanding; and (c) certain events in bankruptcy, insolvency or reorganization of MBFS. In case an Event of Default shall have occurred and be continuing, the principal of and interest on all outstanding Notes shall become immediately due and payable upon written notice from the holders of at least 25% of the principal amount of Demand Notes then outstanding.

Unless you agree otherwise, MBFS has no right of set-off against any Note for indebtedness not related to such Note. MBFS shall have the right to deduct from the principal amount of a Note any amounts invested by us in error in such Note. In addition, we may, in our sole discretion, put a block on your First Class Demand Notes in connection with an Internal Revenue Service notice, court order or pursuant to any other legal or governmental action or requirement.

### **Administration**

The First Class Demand Notes Committee generally has full power and authority to amend the First Class Demand Notes program, to interpret its provisions, to waive requirements, to adopt rules and regulations, and to set and adjust the rate of interest to be paid, including, at the discretion of the First Class Demand Notes Committee, establishing tiered rates of interest with respect to Notes with aggregate principal amounts falling within different ranges as of an established periodic reference date. The members of the First Class Demand Notes Committee are appointed by the MBFS management team. They do not receive any compensation for their services as such, but are officers, directors or employees of MBFS or any of its affiliated entities.

We have appointed The Bank of New York Mellon as the Processing Agent to handle the day-to-day administration of the First Class Demand Notes program.

### **Basic and tiered interest rates**

The First Class Demand Notes bear interest at a floating rate as determined by the First Class Demand Notes Committee. In deciding on the interest rate, the First Class Demand Notes Committee examines, among other things, the level of interest rates generally and the changes in such interest rates that occur from time to time. The First Class Demand Notes Committee may provide for differing interest rates based on, among other criteria, the size of individual Notes and the investor entity type (individually, "Other Criterion" and collectively, "Other Criteria"). You will be notified by e-mail in the event that the First Class Demand Notes Committee determines to change from a uniform interest rate to multiple interest rates, from multiple interest rates, if applicable in the future, to a uniform interest rate or to use an Other Criterion. The First Class Demand Notes Committee is not obligated to provide multiple interest rates or to use Other Criterion.

If for an applicable interest period the First Class Demand Notes Committee decides to use multiple interest rates based on one or more Other Criteria, the First Class Demand Notes Committee will determine the interest rates applicable to Notes based on each Other Criteria within specified ranges (each a "Range"). Although we expect that similar Ranges will be used for consecutive interest periods, we reserve the right to modify the specified Ranges without notice, provided that Ranges shall not be modified other than on a Friday of each week to be effective the following Monday. The specified Ranges for each interest period, together with the interest rate applicable to each such Range, will be posted on the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs). The Range within which a Note falls will be determined based on the applicable Other Criteria and the aggregate principal amount of such Note, as identified by its assigned Note number. The principal amount of Notes with distinct assigned Note numbers will not be aggregated, regardless of beneficial ownership or any other consideration. The applicable Range for each Note will be determined based on the aggregate principal amount of a Note on a daily basis, in accordance with the Processing Agent's applicable procedures. The rate of interest that the Notes bear for any period is not an indication or representation of future rates of interest for

the Notes.

The current interest rate will be posted on the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs).

The interest rate on the Notes is subject to change weekly, with any change being effective the following Business Day. For purposes of the First Class Demand Note program, a “Business Day” is any day other than a Saturday, Sunday or other day on which banks are authorized by federal law or required by Pennsylvania or New York law to close. The rate of interest paid for any period on the Notes is not an indication or representation of future rates. Interest on the Notes is compounded daily, at the rate in effect each day, based on a 365-day year.

During a leap year, the interest on the Note is compounded daily, at the rate in effect each day, based on a 366-day year. Interest payable on the Notes accrues daily and will be credited to your Notes and automatically reinvested (unless you select the automatic monthly interest redemption option) on the last Business Day of each calendar month unless you elect to redeem Notes, in which case interest is credited to the Notes to be redeemed on the day immediately prior to the redemption date.

### **Fees**

Investors will be charged a \$15 fee for outgoing wire transfers. You also may be charged a fee by your commercial bank or financial institution if you make an investment or receive a redemption amount by Automated Clearing House (“ACH”) or wire transfer. Investors will also be charged a \$5 fee per month for an open Note balance below the \$10,000 fee free minimum. We may assess certain fees from time to time for services as determined by the First Class Demand Note Committee in its sole discretion. Any fees will be directly debited from your Note principal. Written notice of any fee changes will be given at least 30 days before they become effective.

### **Obligation to review investment activity and maintain accurate information on file with us**

You are responsible for promptly examining each monthly statement to determine the accuracy of all redemption and investment activity made that month. If your statement shows activity that you did not authorize, notify us at once. If you fail to promptly report an unauthorized redemption, you may not be able to recover any losses resulting from the redemption. In addition, you must promptly provide the Processing Agent with notice of any change in your address. If your registered address is not kept up to date and mail is returned to us or the Processing Agent by the United States Post Office and we cannot locate you, we may be required after a specified time period to remit your Note as abandoned property as required by applicable state unclaimed property law. You may update your address on-line or in writing. Address change requests sent to us in writing must include your Note number and be signed by all owners of the Note.

### **Minimum investment**

If your total investment falls below \$250, we have the right to redeem all of your Notes. Please see “Optional Redemption or Suspension by MBFS” below.

### **PRIVATE PLACEMENT; QUALIFIED PARTICIPATION**

The Notes have not been registered under the U.S. Securities Act of 1933, as amended. Accordingly, the Notes are being offered and sold only to “Accredited Investors” in transactions that are exempt from the registration requirements of the Securities Act and state securities laws. The current definition of an “accredited investor” may be found in Appendix A to this private placement memorandum. The definition is also included on the First Class Demand Notes Online Enrollment Form and in the FAQs section of the program website. Each prospective investor is required to verify his/her/its accredited investor status prior to enrollment as well as periodically while investing in First Class Demand Notes. If an existing investor fails to re-verify his/her/its accredited investor status when required under the program, he/she/it may continue to earn and reinvest interest on their existing Demand Notes, but will not be

able to invest new funds. The verification process can be found in Appendix B to this private placement memorandum.

Only US citizens, and Trusts, estates, partnerships, and corporations established in or under the laws of the US may participate. MBFS reserves the right to reject an enrollment in First Class Demand Notes in its sole discretion for any reason.

## HOW TO INVEST

The minimum initial investment is \$10,000. To make an initial investment in a Note, you must complete the First Class Demand Notes Online Enrollment Form, complete the “accredited investor” verification process described in Appendix B and link a bank account from which your initial investment will be funded electronically. Following your initial investment, you may invest in First Class Demand Notes at any time if you continue to qualify as an “accredited investor”, without charge, by check, by wire transfer, by charge to your bank account through the ACH network or by any other means permitted by the program. You will be required to maintain a minimum \$250 investment balance in your First Class Demand Note (see “Optional Redemption or Suspension by MBFS” below). A \$5 fee per month will be assessed for any Note that maintains an average balance of less than \$10,000. All of your investments are required to be in U.S. dollars and investments by check must be drawn on a financial institution organized under the laws of the United States. We will reject all checks drawn on a foreign bank or a United States branch of a foreign bank.

### Investments by Check

All investments by check should be made payable to “Mercedes-Benz Financial Services” and mailed to: First Class Demand Notes, P.O. Box 535406, Pittsburgh, PA 15253. Check investments must include your 14-digit First Class Demand Note number assigned to you by the Processing Agent. Investments by check that are received and processed by the Processing Agent before 10 a.m. Eastern Time are invested in your First Class Demand Note on the same Business Day as your check is received. Investments by check that are received and processed by the Processing Agent after 10 a.m. Eastern Time are invested in First Class Demand Notes on the next Business Day after the date of the check’s receipt. Interest begins to accrue on the day your check is invested. Neither the Processing Agent nor MBFS is responsible for delays in the receipt of checks mailed. **Your investment made by check is available for redemption on the sixth Business Day after the Processing Agent processes the investment of your check.** You can confirm the date your investment was made by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs), by contacting the Processing Agent directly or by using the available automated phone system at 1-866-242-0120.

### Investments by Wire Transfer

Once you have made your initial First Class Demand Notes investment, you may make subsequent investments by transferring funds via bank wire. MBFS does not assess a fee for receipt of wire transfer investments to your Note. You will be assessed a \$15 fee for any wire transfer to redeem an investment in your First Class Demand Note in addition to any fees that your bank may charge you. To do so, an investor must comply with instructions provided in the applicable form/s. The bank wire must include the designation “First Class Demand Notes,” your name (as registered on your First Class Demand Notes), address, and your 14-digit First Class Demand Note number. An investment by wire transfer of funds to the Processing Agent is invested in your First Class Demand Note on the Business Day the funds are received by the Processing Agent in proper form and begins to accrue interest on that day provided the funds have been received by the Processing Agent by 2:00 p.m. Eastern Time. Funds received after 2:00 p.m. Eastern Time are invested and begin to accrue interest on the next Business Day. Neither the Processing Agent nor MBFS is responsible for delays in the transfer and wiring of funds. **Your investment made by wire transfer is available for redemption on the same Business Day the Processing Agent processes the investment of your wire transfer into your First Class Demand Notes.** You can confirm the date your investment was made by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs), or by utilizing the available automated phone system at 1-866-242-0120.

**Investments by automatic monthly, periodic or ad-hoc electronic transfer (ACH) from a Bank Account** You may elect to authorize the Processing Agent to make an automatic monthly or periodic charge or an ad-hoc charge from up to two of your personal banking account(s). Upon receipt of proper authorization, the Processing Agent will prepare an ad-hoc electronic transfer or, in the case of monthly or periodic transfers, an automatic electronic transfer using up to two transfer dates each month, in each case drawn against your bank account(s) for the amount authorized and on the Business Day you have requested. The proceeds from the electronic transfer are invested in your First Class Demand Note and begin to accrue interest on the same Business Day that the Processing Agent receives the electronic transfer. If the transfer day falls on a weekend, the transfer will be initiated on the next Business Day; provided, however, if an ACH automatic investment is set for the last weekend of a month, the investment will be made on the last Business Day of that month. You may elect up to two transfer dates using up to two different bank accounts. **Your investments made by electronic transfer are available for redemption on the fourth Business Day after the Processing Agent processes the investment of your electronic transfer.** You can confirm the date your investment was made by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs), or by using the available automated phone system at 1-866-242-0120. An investor with banking instructions on file may make an ad-hoc investment by accessing the First Class Demand Notes website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs) or by calling the Processing Agent during Processing Agent's regular business hours at 1-866-242-0120. To establish the automatic monthly or periodic charge to your banking account(s), you must elect this option on the program website, or obtain the necessary authorization form directly from the Processing Agent. You may change the amount(s) or day of transfer of your automatic monthly investment or terminate your automatic or periodic investment entirely at any time online or by providing written notice to the Processing Agent. Your notice is effective as soon as practicable after it is received by the Processing Agent. There is a 10 Business Day set-up period each time you add, change or terminate the banking instruction(s) for either of the above investment options.

**Investments by direct investment of full or partial paycheck, pension or Social Security check**

After your initial Demand Note investment, you may elect to invest in First Class Demand Notes by instructing your place of employment, other issuer of regularly recurring payments, or, in the case of social security checks, the Social Security Administration, to invest all or a portion of your net paycheck, annuity or pension checks, social security checks or other recurring payments directly into your First Class Demand Note and authorizing the Processing Agent to receive such investments. Investments by direct investment may be made by electronic transfer or by check. The proceeds from direct investments made by electronic transfer of funds are invested in your First Class Demand Note and begin to accrue interest on the same Business Day that the Processing Agent receives the electronic transfer. If the transfer day falls on a weekend, the transfer will be initiated on the next Business Day. Your investments made by electronic transfer are available for redemption as soon as the Processing Agent processes the investment of your electronic transfer. You can confirm the date your direct investment was made by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs) or by using the available automated phone system at 1-866-242-0120. Direct investments made by checks mailed to the Processing Agent that are received and processed by the Processing Agent before 10 a.m. Eastern Time will be invested in your Demand Note on the same Business Day as the check is received. Direct investments made by checks mailed to the Processing Agent that are received and processed by the Processing Agent after 10 a.m. Eastern Time will be invested in your Demand Note on the next Business Day after the check is received. Interest will begin to accrue on the day the check is invested. Your direct investment made by check is available for redemption on the sixth Business Day after the Processing Agent processes the investment of the check. For a direct investment made by check, the check must be in U.S. dollars and drawn on a financial institution organized under the laws of the United States. To terminate your direct investments, you must notify the issuer(s) of such check(s) or other payment(s).

**HOW TO REDEEM**

You may redeem all or part of your First Class Demand Note by following the procedures described below. **If the amount to be redeemed includes any portion of an investment made by check, or by electronic transfer**

**from your bank account, the redemption instructions will not be honored if the instructions are received within five Business Days from the receipt of such investment check or within three Business Days of receipt of an electronic transfer.** While the Notes will always remain redeemable at the option of holders at any time, we reserve the right at any time to modify, suspend or terminate any of the redemption methods described below. All redemption proceeds will be paid via check or electronic transfer (ACH or wire transfer). Interest on a redeemed investment accrues to, but does not include, the date of redemption. Any request for a change to your method of redemption or notice regarding your First Class Demand Note must be made on the applicable form.

#### **Automatic monthly or quarterly ACH redemption or monthly interest ACH redemption**

If you select this option on the enrollment form, you authorize the Processing Agent to automatically redeem (a) on a monthly or quarterly basis a specified part of your First Class Demand Notes (minimum \$500) or (b) on a monthly basis, the interest accrued and posted to your First Class Demand Notes. These options are available only if there are designated bank account instructions for redemption by ACH on file with the Processing Agent. You can also select this option by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs). If you select either the automatic monthly or quarterly redemption option, the Processing Agent will establish the third Business Day prior to the end of the relevant month or quarter, as the case may be, as the redemption date. If you select the monthly interest redemption option, the Processing Agent will establish the last calendar day of such month as the redemption date. On the established redemption date, the Processing Agent will redeem a portion of your Note by an amount equal to the redemption amount that you have specified or, if you have elected Monthly Interest ACH Redemption, the interest amount that would have been credited to your Note for that month. The Processing Agent will send, via ACH transfer, the funds to your designated bank account. The funds will be credited to your bank account on the second Business Day following the established redemption date. This option will only be available if you have designated bank account instructions on file with the Processing Agent. If on the established redemption date for any Automatic Monthly or Quarterly ACH Redemption or Monthly Interest ACH Redemption, your First Class Demand Note does not have a principal amount of \$750 or more, the Processing Agent will not honor the redemption. You may terminate the Automatic Monthly or Quarterly ACH Redemption Option or Monthly Interest ACH Redemption Option online or by providing written notice to the Processing Agent. Such notice is effective as soon as practicable after receipt by the Processing Agent. You may also request the Automatic Monthly or Quarterly ACH Redemption or Monthly Interest ACH Redemption Option after you have submitted the enrollment form by providing the Processing Agent with a written request to add the desired automatic redemption option to the Note and by providing a set of bank account instructions. Your written request requires the signatures of all registered owners (including joint owners) of the First Class Demand Note exactly as the name(s) appear on the enrollment or last updated change form.

#### **Ad-hoc ACH redemption**

If you select this option on the applicable form, you authorize the Processing Agent to act on telephonic, electronic, or written redemption instructions from any person representing himself or herself to be a registered owner of the First Class Demand Note. You may authorize, either through the automated phone system at 1-866-242-0120, through a customer service representative, by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs), or by written instruction to the Processing Agent to redeem your First Class Demand Note by an amount of \$500 or more upon request. If the ACH redemption request is received by 1:45pm Eastern Time on any Business Day, then the funds will settle on the next Business Day following such request. If the request is received by the Processing Agent after 1:45p.m. Eastern Time on any Business Day, then the funds will settle on the second Business Day following the date of such request. The Processing Agent's record of your instructions is binding.

You may also request the Ad-hoc ACH Redemption Option subsequent to opening your Note by providing the Processing Agent with a written request to add the option to the Note and by providing a set of bank account instructions. Your written request requires the signatures of all registered owners (including joint owners) of the

Note exactly as the name(s) appear on record for your Note.

### **Redemption by Wire**

If you select this option during enrollment, you may redeem your Note, in part, during the Processing Agent's regular business hours but prior to 2:00 p.m. Eastern Time for same day receipt, by having redemption proceeds of \$1,000 or more wired to a pre-designated bank account. You will be assessed a \$15 fee for any wire transfer redemption in addition to any fees that your bank may charge you. By use of this option, you authorize the Processing Agent to act on telephone or written redemption instructions from any person representing himself or herself to be a registered owner of the Note. The Processing Agent's record of any such instructions is binding. To select the Redemption by Wire option, you must designate during enrollment an account at a bank in the United States to receive the redemption proceeds. Once established, you may use this option by accessing the First Class Demand Notes note holder website at [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs) or by calling the Processing Agent during regular business hours through the automated phone system at 1-866-242-0120. Upon receipt of wire redemption instructions, the Processing Agent will redeem a portion of your Note sufficient to cover the amount specified in your wire redemption instructions. If the redemption instructions are received by 2:00 p.m. Eastern Time on any Business Day, the Processing Agent will wire the redemption proceeds to the pre-designated bank account or Note on the same Business Day. If the redemption instructions are received after 2:00 p.m. Eastern Time on any Business Day, the Processing Agent will wire the redemption proceeds to the pre-designated bank account or Note on the next Business Day. You may add or change the Redemption by Wire instructions only upon written request to the Processing Agent accompanied by a signature of each registered owner (including joint owners) of the First Class Demand Note. Neither the Processing Agent nor MBFS is responsible for delays in the wiring of funds through the banking system or for the authenticity of redemption instructions.

### **Full redemption/note closure**

You may redeem your Note in full by providing telephone or written instructions to the Processing Agent to effect a full redemption. Written instructions must state your intention to redeem your Note in full and must be mailed to the Processing Agent. Upon receiving your instructions, the Processing Agent will redeem in full your Note, including accrued and unpaid interest to, but excluding, the date of redemption. The Processing Agent will mail a bank check to the registered address or process an ACH redemption.

### **OPTIONAL REDEMPTION OR SUSPENSION BY MBFS**

MBFS may redeem, at any time in its discretion, all or any part of the First Class Demand Notes. MBFS reserves the right to redeem immediately any Note of an investor who we believe, in our sole discretion, is abusing or misusing the redemption provisions of the Notes. MBFS may redeem, in our sole discretion, any particular Note that maintains a month end balance amount of less than \$250 for a period consisting of the two consecutive months immediately following the month in which the month end balance of the Note falls below \$250. Any redemption initiated by MBFS would be paid via check or ACH redemption to the former investor. If a redemption check is not cashed within 90 days, MBFS will send the funds to the former investor via ACH or check. MBFS or the Processing Agent may also suspend ACH transaction or wire transfer privileges, or suspend compliance with an investor's instructions with respect to the Note at any time at its sole discretion to comply with applicable law, to prevent fraud, or for any other business reason. Neither MBFS nor the Processing Agent is responsible for any losses that result due to such a suspension or redemption.

### **MODIFICATION, SUSPENSION OR TERMINATION OF PROGRAM**

MBFS intends the First Class Demand Notes program to be a permanent method for investment but reserves the right at any time to terminate, to suspend or from time to time to modify the program in part or in its entirety, or in respect of categories of investors, including but not limited to, investors located in one or more jurisdictions. MBFS may, in its discretion, temporarily suspend the acceptance of new investment in Notes without such suspension constituting a suspension or termination of the program. No termination, modification or suspension will affect your

right to redeem your Notes, diminish the net aggregate principal amount of your Notes as of the effective date thereof or decrease the interest rate payable on the Notes for any period prior to the date on which the change in such interest rate is announced. If MBFS were to terminate the program, termination would be carried out by sending close-out checks or ACH redemptions to former investors.

## **GOVERNING LAW**

The Notes are governed by, and construed in accordance with, the laws of the State of New York.

## **PROCESSING AGENT**

MBFS has appointed The Bank of New York Mellon to act as the Processing Agent for the First Class Demand Notes. The Bank of New York Mellon is performing its duties under the Agreement solely as the processing agent of MBFS and service provider to MBFS and does not assume any obligation or relationship of agency or trust, for or with you or on your behalf. MBFS will issue the Notes offered hereby under the Agreement between the Company and The Bank of New York Mellon. The Company will not appoint a trustee and will not qualify an indenture under the Trust Indenture Act of 1939, as amended, with respect to the Notes. Services performed by the Processing Agent on behalf of MBFS include:

- investment and redemption processing and accounting;
- preparation of statements and other correspondence;
- investor servicing;
- monthly reporting of the principal amount of Notes, accrual of interest income and payment and reinvestment of interest accrued; and
- required tax reporting and filings with the federal government.

## **NOTICES AND LIMITATION OF LIABILITY**

You must promptly provide the Processing Agent with notice of any change in your address. Such notice must be in writing and must include your taxpayer identification number or social security number, the First Class Demand Note number assigned by the Processing Agent and the signatures of all registered owner(s) (including joint owners) on the First Class Demand Notes and must be signed exactly as the name(s) appear(s) on record for your Note. The notice must be mailed to the Processing Agent. Alternatively, an investor may provide notice of a change of address by visiting [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs). The notice will be effective as soon as practicable after receipt thereof by the Processing Agent.

All notices, statements and communications provided to you by us or the Processing Agent pursuant to the provisions of the program will be deemed to have been duly given when electronically mailed, mailed by first-class mail, postage prepaid to the registered address of the registered owner(s) and all notices sent to your current address or current email address on record with the Processing Agent shall be deemed given to you personally, whether or not actually received. Statements can also be emailed at the customer's request via online preferences. You must exercise reasonable promptness in examining each monthly First Class Demand Notes statement mailed to you to determine the accuracy of all redemptions and investments made that month to your First Class Demand Note. Failure to promptly report to the Processing Agent an unauthorized payment will result in your being liable for any losses resulting from the payment. In no event shall MBFS or the Processing Agent be liable to you for any special, incidental, punitive, exemplary, indirect or consequential damages as a result of any redemption or attempted redemption by you or your failure to promptly report to the Processing Agent any other error on your monthly statement. All notices or communications from you to us and/or the Processing Agent must include your name and address, your tax identification or social security number and the First Class Demand Notes number assigned by the Processing Agent and must be signed by all registered owner(s) (including joint owners) of the First Class Demand Notes and must be signed exactly as the name(s) appear(s) on record for your Note. Such notices or communications to us must be sent to: First Class Demand Notes, P.O. Box 535406, Pittsburgh, PA 15253. Neither we nor the Processing Agent shall be liable for any loss or expense to you caused directly or indirectly by a government restriction (including the suspension



of banking or settlement), war, terrorism, a strike, a blackout, a pandemic or any other condition beyond our or the Processing Agent's control. In addition, neither the Company nor the Processing Agent will have any obligation to contest any legal proceeding brought against a Note by any third party nor be liable for any payment of redemption proceeds from a Note to anyone other than the registered owner as a result of a legal proceeding or governmental action.

In addition, under the Agreement, the Processing Agent is indemnified by MBFS and shall not be liable to you for losses arising as a result of the Processing Agent's performance of the services.

## **TAXES**

Payments of interest on the Notes are expected to be taxable in the year in which such interest is accrued or received (in accordance with the holder's method of tax accounting), regardless of whether such interest is reinvested. **Note holders that are not corporations or otherwise exempt will be issued a Form 1099 each year that states the full amount reported to the Internal Revenue Service as taxable income.** No part of such interest is excludible from taxable income, although it may not be subject to U.S. federal income tax in the hands of certain tax exempt holders. Backup withholding and information reporting requirements may apply to certain non-corporate U.S. holders. The interest income also may be subject to taxation by some state and local governments. The U.S. Federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their own independent tax advisors with respect to the tax consequences to them of the ownership and disposition of the Notes, including but not limited to the tax consequences under state, local, foreign and other tax laws, the effects of net investment income at certain income thresholds, characterization of the Notes as reset bonds or contingent payment debt instruments, and the possible effects of future changes in federal or other tax laws.

## **PLAN OF DISTRIBUTION**

The Notes are offered on a continuous basis by MBFS directly on its own behalf and no commissions will be paid. We may also from time to time designate agents through whom Notes may be offered. Only US citizens that are accredited investors, and Trusts, estates, partnerships, and corporations established in or under the laws of the US that are accredited investors, may participate in the program. We have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part.

## **LEGAL OPINION**

The legality of the Notes offered hereby were passed upon by Mayer Brown LLP, Chicago, Illinois.

## **DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This private placement memorandum may contain various forward-looking statements that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements contained in this private placement memorandum, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and actual results may differ materially due to numerous important factors. Many of these risks, uncertainties and assumptions are beyond our control, and may cause actual results and performance to differ materially from our expectations. Accordingly, you should not place undue reliance on the forward-looking statements contained in this private placement memorandum. Such forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as

a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law. References in this private placement memorandum to “MBFS”, “we”, “us” and “our” are to Mercedes-Benz Financial Services USA LLC, a Delaware limited liability company. Unless the context otherwise requires, references to “Daimler,” the “Daimler Group” or the “Group” refer to Daimler AG and its consolidated subsidiaries, or any one or more of them.

#### **RATIO OF EARNINGS TO FIXED CHARGES**

The ratio of earnings to fixed charges for the last two calendar years and the most recent interim period for which financial statements are available for Mercedes-Benz Financial Services USA LLC is available at [www.firstclassdemandnotes.com](http://www.firstclassdemandnotes.com) and [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs). Please visit the “Forms” or the “Documents” section of one of the aforementioned websites to download the current financial statements and to view the most up-to-date ratio of earnings to fixed charges included therein.

#### **FINANCIAL STATEMENTS**

The most recent financial statements prepared by Mercedes-Benz Financial Services USA LLC are available at [www.firstclassdemandnotes.com](http://www.firstclassdemandnotes.com) and [www.eaccountservices.com/mbfs](http://www.eaccountservices.com/mbfs). Please visit the “Forms” or the “Documents” section of one of the aforementioned websites to download the current financial statements. MBFS prepares financial statements for consolidation into Daimler AG and intermediary parent financial statements. The special purpose consolidated financial statements of MBFS are presented in U.S. dollars (\$) and prepared using accounting principles consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board, which differ from standards with respect to United States generally accepted accounting principles (GAAP). The financial statements are unaudited. For specific questions regarding Mercedes-Benz Financial Services USA LLC please contact us in writing at the address below:

Mercedes-Benz Financial Services  
First Class Demand Notes  
36455 Corporate Drive Farmington Hills, MI 48331  
866-242-0120

## APPENDIX A – ACCREDITED INVESTOR DEFINITION

In order to be eligible to invest in the First Class Demand Notes program, a prospective investor must be an “accredited investor” as defined in Regulation D under the Securities Act. Under Regulation D as in effect on the date of this private placement memorandum, an investor is an “accredited investor” if he/she/it is either:

- 1) A natural person who has an individual net worth\*, or joint net worth with the person’s spouse, or spousal equivalent, that exceeds **\$1 million** at the time of the purchase;
- 2) A **natural person** individual income exceeding \$200,000 in each of the two most recent years or **joint income** with that person’s spouse, or spousal equivalent, exceeding **\$300,000** for each of those years and a reasonable expectation of reaching the same income level in the current year;;
- 3) A **tax exempt charitable organization, corporation, business trust or partnership** not formed for the specific purpose of enrolling in First Class Demand Notes with **total assets exceeding \$5 million**;
- 4) A **bank, savings and loan association, insurance company, SEC registered investment company, business development company, or licensed small business investment company**;
- 5) An **employee benefit plan**, within the meaning of the Employee Retirement Income Security Act, **if a bank, savings and loan association, insurance company, or SEC registered investment adviser makes the investment decisions, or** if the plan has **total assets in excess of \$5 million**;
- 6) Any natural person holding in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the SEC has designated as qualifying an individual for accredited investor status. The professional certifications or designations or credentials currently recognized by the SEC as satisfying this criteria are posted on the SEC’s website;
- 7) A **director or executive officer** of Mercedes-Benz Financial Services USA LLC;
- 8) Any **family office** with assets under management in excess of \$5 million that is not formed for the specific purpose of investing in Demand Notes and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment, or a **family client** of such a family office whose prospective investment in the Demand Notes is directed by such family office;
- 9) An **entity** in which **all the equity owners are accredited investors**; or
- 10) A **trust** with **assets in excess of \$5 million**, not formed to enroll in First Class Demand Notes, whose purchases are directed by a sophisticated person with such knowledge and experience in financial and business matters that is capable of evaluating the merits and risks of an investment in the Notes.

\*Note: In calculating net worth, 1) do not include your primary residence as an asset, and 2) do not include debt on your primary residence as a liability with two exceptions: a) include debt secured by the primary residence to the extent that the amount of debt is greater than the fair market value of the primary residence, and b) include any increase in the amount of debt secured by the primary residence in the last 60 days. All other assets or liabilities (e.g., secondary residences) are included to their full extent at fair market value.

## **APPENDIX B – INVESTOR VERIFICATION PROCESS**

Verifying the accredited investor status of all of our investors is an SEC requirement of our program. MBFS First Class Demand Notes will be using a third party (InvestReady) to complete accredited investor verifications on our behalf. We work closely with InvestReady to ensure this process is as simple and user-friendly as possible. The basic process requires each investor to upload some documentation to the vendor's website that proves the individual is an accredited investor. Based on how the investor qualifies as accredited (for example, income vs. net worth), a different set of documentation will be required. Please see the information below for a more thorough description of the process for each verification type.

### **Income**

Individuals are given the option to upload W2's, 1099's, and other official tax statements that document their income, or, alternatively, to "Request" their verification from the Internal Revenue Service (IRS). With the "Request" method, the investor will be given a short form of questions to answer and a signature box to sign off on the information digitally. This form takes less than five minutes to fill out. The "Upload" method generally has a turnaround time of 24-48 hours because InvestReady is able to immediately examine the documents, while the IRS "Request" generally has a turnaround time of 48-96 hours. This is dependent on the turnaround time at the IRS, which is beyond the control of MBFS First Class Demand Notes or InvestReady.

### **Net Worth**

Individuals will be asked to verify their net worth (excluding the value of their primary residence) through a user friendly online form and upload supporting asset statements with proof of ownership, an evaluation date, and the value of the asset. As noted above, the value of your primary residence is not considered an asset, but if you owe more on your mortgage than the value of your primary residence, that difference will count as a liability. InvestReady will obtain a copy of an individual's credit report from one of the three major credit bureaus in order to accurately verify an individual's liabilities. Obtaining the credit report will not affect the individual's credit score. All asset verifications require a credit report to be reviewed in order to comply with SEC regulations. The turnaround time for asset verifications can range from one to five business days.

### **Third Party**

This method allows the investor the option to upload a third party letter, or to give InvestReady permission to request a letter from their service provider on the investor's behalf. In the first option, "Upload", the user can upload an existing letter of accredited status from a qualified third party, as specified by in the SEC regulations. This is common when the investor has already gone through the verification process elsewhere. The second option, "Request," allows the investor to enter the email address of their certified public accountant, attorney, registered investment advisor, or broker/dealer to furnish the verification. Once submitted, an automatic email and unique URL is triggered and sent to the verifier. The email contains instructions to follow the link and complete the verification for their client. The third party verifier has the option to use our "Letter Builder" which asks for specific information and autocompletes a compliant third party letter or to upload a letter of their own. For convenience, InvestReady provides sample letters for these verifiers. Finally, InvestReady also provides a free credit report to the third party verifier when they are making an asset verification. Third Party verifications take anywhere from one to five business days.

### **Trust/Corporate or other Entity**

This method of verification is for individuals who make their investments through a trust or an entity. There are several different ways a trust or entity can be considered accredited. Since trusts/entities are typically set up by an attorney or certified public accountant, InvestReady tries to streamline the third party verification method for this verification by asking the investor to simply submit an email address of a third party verifier. Since this is not always an option for the investor, InvestReady also provides verifications that rely on the \$5,000,000 in assets requirement (upon seeing proof of those assets, which can be securely uploaded for review) or by determining that all owners of the trust or entity are themselves accredited by having them all individually verified by one of the other three methods. This method typically has a similar turnaround time as a Third Party verification.