



Risks Associated With a Pledged Asset Line[®] and Pledging Securities as Loan Collateral

This notice contains important information for clients applying for a Pledged Asset Line.

Client copy: Please retain this document for your files.

The Pledged Asset Line requires the pledge of securities to Charles Schwab Bank, SSB ("Schwab Bank") as collateral. The pledged securities are held in a special securities collateral account at Charles Schwab & Co., Inc. ("Schwab"). Entering into the Pledged Asset Line and pledging securities as collateral involve a high degree of risk, including those risks listed below. If you determine that a Pledged Asset Line is appropriate for you and you apply for a Pledged Asset Line, you should read the Pledged Asset Line Agreement, the other loan documents and this notice carefully, so you understand your obligations as a borrower, guarantor or pledgor, as the case may be.

- **The Pledged Asset Line is an uncommitted revolving line of credit that is due and payable immediately upon demand by Schwab Bank.** All loan requests made on the Pledged Asset Line are accepted or rejected in Schwab Bank's sole discretion, and Schwab Bank is not obligated to honor any loan request. Schwab Bank may, in its sole discretion, demand payment of all or any part of the Pledged Asset Line obligations at any time, for any reason, or no reason.
- **Schwab Bank can force the sale of securities in your collateral account.** Schwab Bank can sell any or all of the securities in the collateral account to satisfy the Pledged Asset Line obligations. The Pledged Asset Line is a full recourse obligation, and you will still be responsible for satisfying any obligation that remains outstanding after such a sale.
- **You can lose more assets than you deposit in your collateral account.** A decline in the value of the securities in the collateral account may result in Schwab Bank making a demand on your Pledged Asset Line that requires either the payment of all or a portion of the Pledged Asset Line obligations, or the addition of more collateral to the collateral account. You should monitor the collateral value on a regular basis and keep the value of the eligible securities in the collateral account at or above what Schwab Bank requires. If the value of the eligible collateral declines, you should deposit sufficient additional funds or acceptable securities as soon as possible. You should consider keeping a readily available cash reserve or additional securities on hand for this purpose.
- **Your collateral account also secures any obligations owed to Schwab.** In addition to securing your Pledged Asset Line obligations, your collateral account secures any obligations owed to Schwab. If you fail to pay those obligations, Schwab may sell securities in your collateral account and debit the collateral account to satisfy those obligations. Such sales and debits by Schwab would reduce the assets held in the collateral account and could result in a demand by Schwab Bank on your Pledged Asset Line.
- **Schwab Bank may sell your securities without contacting you.** Under certain circumstances, Schwab Bank may not be able to reach you before selling securities in your collateral account. Even if you have been contacted and provided a specific date by which you should add collateral to the collateral account or make a payment to Schwab Bank, Schwab Bank may still take steps it deems necessary to protect its financial interests, including immediately selling the securities without contacting you again.
- **You are not entitled to choose which securities in your account are liquidated or sold.** Because the securities are collateral for the loan or line of credit, Schwab Bank has the right to decide which securities to sell in order to protect its interests.
- **You are not entitled to an extension of time.** While Schwab Bank may, in its sole discretion, agree to grant an extension of time for you to respond to a demand under certain conditions, you do not have a right to an extension.
- **You may incur adverse tax consequences if your securities are sold or otherwise liquidated in connection with your pledge of securities as loan collateral.** If Schwab Bank sells some or all of your securities, such sales may be at prices higher than your initial acquisition cost. This may result in a taxable event, and you may be liable for taxes on the gain realized on the sale. You should consult your tax advisor in order to understand fully the tax implications associated with pledging securities as loan collateral.
- **There may be alternative ways of borrowing funds that are less expensive and involve less risk.** Neither Schwab Bank nor Schwab in any way represents that the Pledged Asset Line is the least expensive or least risky method of borrowing funds. You should carefully explore all other options available to you to determine which option is best for your personal situation.

Brokerage Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value

Charles Schwab & Co., Inc. and Charles Schwab Bank, SSB are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products are offered by Charles Schwab & Co., Inc., Member SIPC. Deposit and lending products and services are offered by Charles Schwab Bank, SSB, Member FDIC.