

# Request to Add Portfolio Margin to Your Brokerage Account

For important disclosures about our relationship with you and the services we can provide, please visit [schwab.com/transparency](https://schwab.com/transparency).

**Portfolio Margin Trading and Service Team 1-877-893-4779** (inside the U.S.) **+1-317-596-4501** (U.S. residents traveling outside the U.S.)  
**+1-888-686-6916** (multilingual services) **+1-415-667-8400** (Global Services)

## As You're Filling Out This Form, Please Remember To:

- Complete Sections 1 through 4.
- For Organization accounts, you must complete Section 5 as well. Schwab may also require supplemental documentation in order to approve Portfolio Margin.
- See Section 6 for instructions on returning your completed form.
- Have all Account Holders, agents or attorneys-in-fact, trustees, and authorized agents (print additional copies of pages 2, 3, 4, and 5, as needed) complete and sign this form, including all acknowledgment pages.
- Complete a separate application for each account.
- Attach your account application and any other new account documents for new accounts.
- Clients must meet the Portfolio Margin Requirements listed in Section 2 below.
- Certain clients and account types are not eligible for Portfolio Margin, including retirement accounts (401(k) and IRA), Schwab Global Accounts, charitable and non-profit Organization accounts, accounts domiciled in certain foreign jurisdictions, and accounts being managed by third-party investment advisors.
- Thoroughly review all of the risk disclosures and agreements attached to this application.

## 1. Enter Your Account Information

For new accounts, leave this field blank.

**Schwab Account Number:** \_\_\_\_\_

If applicable.

\_\_\_\_\_  
**Client/Trust/Organization Account Name**

## 2. Portfolio Margin Requirements

Portfolio Margin requires:

- A speculative investment objective,
- An initial minimum account equity of \$125,000,
- A margin feature on the account, and
- Approval to trade Level 3 (uncovered) options.

If your account does not already have a margin feature and/or approval to trade uncovered options, you agree that by completing this application you are requesting to add a margin feature and/or approval to trade uncovered options. If your account is not currently approved for Level 3 option trading, we will use this application to review for both Level 3 and Portfolio Margin. If your option trading level is later downgraded, your account will no longer be eligible for Portfolio Margin.

If your account net worth falls below \$100,000, your account will be restricted to risk-off transactions only and Portfolio Margin may be removed from your account.

**Cash Feature**

If your account is approved for Portfolio Margin, please note that your cash feature may change. The cash feature for accounts approved for Portfolio Margin will be Schwab One® Interest. If your current cash feature is not the Schwab One Interest feature, you authorize Schwab to change your cash feature if your account is approved for Portfolio Margin.

Please review the Cash Features Disclosure Statement for further information on the Schwab One Interest feature.

**3. Tell Us About Yourself**

We respect your privacy. Charles Schwab & Co., Inc. ("Schwab") will use the information you provide to open and service your accounts, communicate with you, and provide information about products and services. Read about Schwab's privacy policy at [schwab.com/privacy](https://schwab.com/privacy).

Complete this section for each individual who is authorized to trade in this account.

**Individual 1**

Name *First* *Middle* *Last* *Suffix*

**Relationship to Account:**

If you select Agent or Attorney-in-Fact, complete the Schwab Power of Attorney form.

☐ Account Holder ☐ Agent or Attorney-in-Fact ☐ Trustee/Grantor ☐ Authorized Agent of Organization

Please check only one box.

**Marital Status**

☐ Single ☐ Married ☐ Divorced ☐ Widowed **Number of Dependents** \_\_\_\_\_

Securities industry regulations require that we collect this information.

**Employment Information**

Please select only one box. (If you did not select Employed or Self-Employed, Primary Source of Income is required below.)

☐ Employed ☐ Self-Employed ☐ Retired ☐ Homemaker ☐ Student ☐ Not Employed

Employer Name/Business Name \_\_\_\_\_

Business Street Address (no P.O. boxes) \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**Primary Source of Income** (Required if you selected Retired, Homemaker, Student, or Not Employed above. Please select one option that best describes your primary source of income.)

☐ Spousal income (married) ☐ Alimony/spousal support (not married) ☐ Income from investments or real estate  
☐ Insurance/annuity payment ☐ Retirement fund/pension ☐ Social Security ☐ Disability ☐ No income  
☐ Other (specify): \_\_\_\_\_

**Occupation** (If you selected Employed or Self-Employed, please select one option that best describes your occupation.)

☐ Business Owner/Self-Employed ☐ Financial Services/Banking Professional ☐ Military ☐ Consultant  
☐ Executive/Senior Management ☐ Information Technology Professional ☐ Educator ☐ Other (specify): \_\_\_\_\_  
☐ Medical Professional ☐ Other Professional ☐ Sales/Marketing \_\_\_\_\_  
☐ Legal Professional ☐ Clerical/Administrative Services ☐ U.S. Government Employee (federal/state/local)  
☐ Accounting Professional ☐ Foreign Government Employee (non-U.S.) ☐ Trade/Service (labor/manufacturing/production)

**The Next Two Questions Are Required by Industry Regulations**

Are you or an immediate family member associated with or employed by a stock exchange or member firm of an exchange or FINRA, or a municipal securities broker-dealer?

☐ No ☐ Yes (If "Yes," you must attach a letter from your or your immediate family member's employer or affiliated broker-dealer approving the establishment of your Account when submitting this Application. List the company name \_\_\_\_\_.)

Are you a director, 10% shareholder or policy-making officer of a publicly held company?

☐ No ☐ Yes (If "Yes," enter company name \_\_\_\_\_ and trading symbol \_\_\_\_\_.)

Your **Annual Income** is consistent annual income or estimated annual income from all sources, such as wages, distributions, social security, and pensions. Your **Liquid Net Worth** is the part of your net worth that can be easily turned into cash. Liquid net worth includes investments like stocks and mutual funds but not assets like real estate. Your **Total Net Worth** will include your liquid net worth.

Trust/Organization account information should be based on Trust/Organization assets.

#### Financial Information

For individual or joint accounts, provide financial information for each owner.

For an entity, such as an organization, trust, or corporation, provide the financial information for the entity.

\_\_\_\_\_  
Annual Income (Specify in U.S. Dollars)      Liquid Net Worth (Specify in U.S. Dollars)      Total Net Worth (Specify in U.S. Dollars)

#### Stock Trading

Knowledge Level (Please select only one.)

☐ None ☐ Limited ☐ Good ☐ Extensive

#### Investment Experience

\_\_\_\_\_  
Number of Years Trading (Specify)      Average Number of Trades per Year (Specify)      Average Dollar Amount per Transaction (Specify)

#### Options Trading

Knowledge Level (Please select only one.)

☐ None ☐ Limited ☐ Good ☐ Extensive

#### Investment Experience

\_\_\_\_\_  
Number of Years Trading (Specify)      Average Number of Trades per Year (Specify)      Average Dollar Amount per Transaction (Specify)

#### Individual 2

\_\_\_\_\_  
Name First      Middle      Last      Suffix

#### Relationship to Account:

If you select Agent or Attorney-in-Fact, complete the Schwab Power of Attorney form.

☐ Account Holder ☐ Agent or Attorney-in-Fact ☐ Trustee/Grantor ☐ Authorized Agent of Organization

Please check only one box.

#### Marital Status

☐ Single ☐ Married ☐ Divorced ☐ Widowed      Number of Dependents \_\_\_\_\_

Securities industry regulations require that we collect this information.

#### Employment Information

Please select only one box. (If you did not select Employed or Self-Employed, Primary Source of Income is required below.)

☐ Employed ☐ Self-Employed ☐ Retired ☐ Homemaker ☐ Student ☐ Not Employed

\_\_\_\_\_  
Employer Name/Business Name

\_\_\_\_\_  
Business Street Address (no P.O. boxes)

\_\_\_\_\_  
City      State      Zip Code

**Primary Source of Income** (Required if you selected Retired, Homemaker, Student, or Not Employed above. Please select one option that best describes your primary source of income.)

- ☐ Spousal income (married)    ☐ Alimony/spousal support (not married)    ☐ Income from investments or real estate  
☐ Insurance/annuity payment    ☐ Retirement fund/pension    ☐ Social Security    ☐ Disability    ☐ No income  
☐ Other (specify): \_\_\_\_\_

**Occupation** (If you selected "Employed" or "Self-Employed," please select one option that best describes your occupation.)

- ☐ Business Owner/Self-Employed    ☐ Financial Services/Banking Professional    ☐ Military    ☐ Consultant  
☐ Executive/Senior Management    ☐ Information Technology Professional    ☐ Educator    ☐ Other (specify): \_\_\_\_\_  
☐ Medical Professional    ☐ Other Professional    ☐ Sales/Marketing  
☐ Legal Professional    ☐ Clerical/Administrative Services    ☐ U.S. Government Employee (federal/state/local)  
☐ Accounting Professional    ☐ Foreign Government Employee (non-U.S.)    ☐ Trade/Service (labor/manufacturing/production)

#### The Next Two Questions Are Required by Industry Regulations

Are you or an immediate family member associated with or employed by a stock exchange or member firm of an exchange or FINRA, or a municipal securities broker-dealer?

- ☐ No    ☐ Yes (If "Yes," you must attach a letter from your or your immediate family member's employer or affiliated broker-dealer approving the establishment of your Account when submitting this Application. **List the company name** \_\_\_\_\_ .)

Are you a director, 10% shareholder or policy-making officer of a publicly held company?

- ☐ No    ☐ Yes (If "Yes," enter company name \_\_\_\_\_ and trading symbol \_\_\_\_\_ .)

Your **Annual Income** is consistent annual income or estimated annual income from all sources, such as wages, distributions, social security, and pensions. Your **Liquid Net Worth** is the part of your net worth that can be easily turned into cash. Liquid net worth includes investments like stocks and mutual funds but not assets like real estate. Your **Total Net Worth** will include your liquid net worth.

**Trust/Organization account information should be based on Trust/Organization assets.**

#### Financial Information

For individual or joint accounts, provide financial information for each owner.

For an entity, such as an organization, trust, or corporation, provide the financial information for the entity.

Annual Income (Specify in U.S. Dollars) \_\_\_\_\_    Liquid Net Worth (Specify in U.S. Dollars) \_\_\_\_\_    Total Net Worth (Specify in U.S. Dollars) \_\_\_\_\_

#### Stock Trading

**Knowledge Level** (Please select only one.)

- ☐ None    ☐ Limited    ☐ Good    ☐ Extensive

#### Investment Experience

Number of Years Trading (Specify) \_\_\_\_\_    Average Number of Trades per Year (Specify) \_\_\_\_\_    Average Dollar Amount per Transaction (Specify) \_\_\_\_\_

#### Options Trading

**Knowledge Level** (Please select only one.)

- ☐ None    ☐ Limited    ☐ Good    ☐ Extensive

#### Investment Experience

Number of Years Trading (Specify) \_\_\_\_\_    Average Number of Trades per Year (Specify) \_\_\_\_\_    Average Dollar Amount per Transaction (Specify) \_\_\_\_\_

#### Options Trading

**Please select only one strategy level. You must select Level 3 for Portfolio Margin approval.**

If your account is approved for Level 3 options trading, each Account Holder, agent or attorney-in-fact, trustee, and/or authorized agent on the account will be able to engage in options trading.

- ☐ **Covered (Level 0).** Capital Preservation, Income and Investment Hedge. Strategy level includes covered calls, covered puts, buy-writes, unwinds, covered rollouts, protective puts, and cash-secured equity puts.  
☐ Add margin.

☐ **Long (Level 1).** Growth, Speculation and Income. Strategy level includes all of the above, plus long calls, long puts, long straddles, long combinations, and long strangles.

☐ **Add margin.**

☐ **Spreads (Level 2).** Speculation and Income. Strategy level includes all of the above, plus vertical spreads, calendar spreads, diagonal spreads, condors, butterflies, box spreads, and ratio spreads (long side heavy). For IRA accounts, attach and complete the **Trading Options Spreads in Your IRA Authorization Agreement**.

†Margin is required and automatically added.

**Level 3 required for Portfolio Margin.**

☐ **Short Uncovered (Level 3).** Speculation and Income. Strategy level includes all covered/long/spread strategies, plus uncovered calls, uncovered puts, uncovered rollouts, short straddles, short combinations, short strangles, and uncovered ratio spreads.

Covered (Level 0) is the only strategy level permitted in custodial, ESA, CRA, PCRA, QRP, and charitable and non-incorporated association accounts. Covered Options and Cash-Secured Equity Puts, Purchasing Options, and Spread Trading are the only strategy levels permitted in IRAs.

† Securities regulations require that options spreads occur in a margin account. For IRA accounts, the IRA margin feature is needed to support Spread Trading (Level 2) only. You may apply for IRA margin and Spread Trading (Level 2) by reviewing and accepting the terms of the Trading Options Spreads in your IRA Authorization Agreement. Attach the completed Agreement with this form when you return it to Schwab. Each individual who is authorized to trade in the IRA account must sign the Agreement.

#### 4. Acceptance of Agreements, Certification of Trust and Signature(s)

Please read and sign below.

**Acceptance of Portfolio Margin Application Agreement**

By adding margin to your account, you are applying for authorization to borrow money from Schwab using your assets as collateral. By signing the Request to Add Portfolio Margin to Your Brokerage Account application (the "Application"), you acknowledge that you have received and read a copy of the Margin Disclosure Statement. You further agree that you have received, read and agreed to be bound by the Margin Application Agreement in effect and as amended from time to time. The Margin Application Agreement contains two important sections: (1) Disclosure of Credit Terms and Policies and (2) Margin and Short Account Agreement Terms and Conditions. Finally, you agree that you have received, read, and agreed to be bound by the Schwab One® Account Agreement or the Schwab Account Agreement, whichever applies, as amended from time to time.

Please note that if you have a Power of Attorney (POA) on your account, your agent or attorney-in-fact will have access to your margin account. Additionally, if you hold a Schwab One brokerage account that is linked to a Schwab Bank Investor Checking™ ("Investor Checking") account, the overdraft protection feature on your Investor Checking account may create a margin loan in your Schwab One brokerage account.

**Acceptance of Options Application Agreement**

If you have selected to add options trading to your account, you are applying for authorization to trade options. By applying for authorization to trade options and signing this Application, you agree that you have received, read and agreed to be bound by the Options Application Agreement in effect and as amended from time to time. The Options Application Agreement contains two important sections: (1) Option Trading Rules and (2) Option Agreement. You also acknowledge that you have received, read, and agreed to be bound by the Schwab One Account Agreement or the Schwab Account Agreement, whichever applies, as amended from time to time.

You represent that you are aware of the inherent risks of options trading and that you are financially able to bear such risks and withstand options trading losses, including the loss of your entire investment. You understand that Schwab may periodically request new financial information and review your authorization to trade options.

The booklet "Characteristics and Risks of Standardized Options" will be sent to you when your account is approved for options trading. You agree to read the booklet prior to conducting any trades in your account. You understand that your account will be handled in accordance with the rules of the Options Clearing Corporation and the applicable exchange and/or regulatory agencies, and you agree to conduct activity in your account in accordance with such rules.

**Certification of Trust**

By signing this Application on behalf of a Trust, each trustee signing below (the "Trustee[s]") certifies that the representations and warranties in the attached Certification of Trust are true and complete.

**I/we have completely reviewed the attached document entitled "Risks Related to Portfolio Margin." I/we understand, accept, and agree to be responsible for the risks outlined in that document.**

**Holders of accounts with the margin feature further acknowledge that securities securing loans from Schwab may be lent to Schwab and lent by Schwab to others. I/we agree to the above terms and conditions:**

All Account Holders (including additional Account Holders), agents or attorneys-in-fact, trustees and authorized agents must sign and date using blue or black ink.

**X** \_\_\_\_\_  
 \_\_\_\_\_ Today's Date (mm/dd/yyyy)

Print Name \_\_\_\_\_ Title \_\_\_\_\_

**X** \_\_\_\_\_  
 \_\_\_\_\_ Today's Date (mm/dd/yyyy)

Print Name \_\_\_\_\_ Title \_\_\_\_\_

### 5. Certificate of Authority (for Organization Accounts Only)

This section is required for, and applies to, Organization accounts only: S Corporations, C Corporations, Sole Proprietorships Partnerships, Limited Liability Companies, and Non-Incorporated Associations.

I, \_\_\_\_\_ (certifying officer), the \_\_\_\_\_ (office held) of \_\_\_\_\_  
 (name of organization), a \_\_\_\_\_ (type of organization), duly organized or already existing  
 under the laws of the state (or country if foreign entity) of \_\_\_\_\_ (location of entity), hereby certify (1)  
 that the person(s) whose signature(s) appear(s) in Section 4 is/are authorized to establish and maintain the requested margin borrowing authority or  
 options trading authority (or both) with Schwab on behalf of the Account Holder and to bind the Account Holder to the Margin Application  
 Agreement and Options Application Agreement (as applied for in this Application), pursuant to a duly adopted resolution of the board of directors or  
 other applicable governing body; and (2) that the charter documents, agreements, and applicable laws governing the Account Holder permit the  
 establishment and maintenance of the requested margin account and options trading authorization (as applicable).

☐ By applying for Portfolio Margin, you are confirming that the organizational founding documents do not prohibit Portfolio Margin.

**X** \_\_\_\_\_  
 \_\_\_\_\_ Today's Date (mm/dd/yyyy)

Print Name \_\_\_\_\_ Title \_\_\_\_\_

### 6. Next Steps

Did you remember to:

- ☐ Print copies of pages 2, 3, 4, and 5, as well as all acknowledgment pages, as needed for additional Account Holders, agents or attorneys-in-fact, trustees, or authorized agents? The pages below titled "Risks Related to Portfolio Margin" require a signature from each Account Holder, agents or attorney-in-fact, trustees, or authorized agents.
- ☐ Complete a separate application for each account?
- ☐ Attach your account application and any other new account documents for new accounts?
- ☐ Complete Section 5 for Organization accounts?

## 7. Return Instructions

If you are opening a new account, you will need to submit this form with your other new account materials. Please confirm whether each of your forms can be sent via fax or uploaded through Secure Messaging, because not all forms are accepted using these methods. Adding features (such as options trading) to a new account may take longer than adding them to an existing account.

- **Upload** online with secure messaging (if you are an existing client and have online access to your account).

1. Go to [www.schwab.com](http://www.schwab.com) and log in to your account.
2. Click Message Center (under Service), and then click Upload Document.

- **Fax** to 1-888-526-7252.

- **Bring** to your nearest Schwab branch (visit [www.schwab.com/branch](http://www.schwab.com/branch) for locations).

- **Mail** to any of the following addresses:

**Regular Mail (West)**

Charles Schwab & Co., Inc.  
P.O. Box 982600  
El Paso, TX 79998-2600

**Regular Mail (East)**

Charles Schwab & Co., Inc.  
P.O. Box 628291  
Orlando, FL 32862-8291

**Overnight Mail (West)**

Charles Schwab & Co., Inc.  
1945 Northwestern Drive  
El Paso, TX 79912

**Overnight Mail (East)**

Charles Schwab & Co., Inc.  
1958 Summit Park Dr., Ste. 200  
Orlando, FL 32810

# Risks Related to Portfolio Margin

## Perview of Portfolio Margin

1. Portfolio margin is a margin methodology that sets margin requirements for an account based on the greatest projected net loss of all positions in a "security class" or "product group" as determined by a model using multiple pricing scenarios. Pricing scenarios for options are based on changes in inputs to a theoretical pricing model, including the underlying price and volatility.
2. The goal of Portfolio Margin is to set levels of margin that more precisely reflect actual net risk. The customer may benefit from Portfolio Margin in that margin requirements that are calculated based on net risk are generally lower than alternative "position" or "strategy" based methodologies for determining margin requirements. Lower margin requirements allow the customer more leverage in an account.

## Customers Eligible for Portfolio Margin

3. To be eligible for Portfolio Margin, customers (other than broker-dealers or members of a national futures exchange) must be approved for writing uncovered options.

## Positions Eligible for a Portfolio Margin Account

4. All margin equity securities (as defined in Section 220.2 of Regulation T of the Board of Governors of the Federal Reserve System), warrants on margin equity securities or on eligible indices of equity securities, equity-based or equity-index-based listed options (as defined in Section 3(a)(56) of the Securities Exchange Act of 1934) are eligible to be margined in a Portfolio Margin account.

A Portfolio Margin account may be either a separate account or a sub-account of a client's standard margin account. In the case of a sub-account, equity in the standard account will be available to satisfy any margin requirement in the Portfolio Margin sub-account without transfer to the sub-account.

## Special Rules for Portfolio Margin Accounts

5. A Portfolio Margin account will be subject to a minimum margin requirement of \$.375 for each listed option, multiplied by the contract's or instrument's multiplier, carried long or short in the account. Other eligible products are not subject to a minimum margin requirement.
6. A margin deficiency in the Portfolio Margin account or sub-account, regardless of whether due to new commitments or the effect of adverse market movements on existing positions, must be met within three business days. Failure to meet a Portfolio

Margin deficiency by the end of the third business day will result in a prohibition on entering any new orders, with the exception of new orders that reduce the margin requirement. Failure to meet a Portfolio Margin deficiency by the end of the third business day will result in the prompt liquidation of positions on the fourth business day, to the extent necessary to eliminate the margin deficiency. Notwithstanding any oral or written communications between you and us, we reserve the right to liquidate anytime if the equity in your account falls below Schwab's minimum requirements.

7. Any shortfall in equity, when required, must be met within three business days. Failure to meet a minimum equity deficiency by the end of the third business day will result in a prohibition on entering any new orders, with the exception of new orders that reduce the margin requirement, beginning on the fourth business day and continuing until such time as the minimum equity requirement is satisfied.

Clients participating in Portfolio Margin will be required to sign an agreement acknowledging that their positions and property in the Portfolio Margin account will be subject to the client protection provisions of Rule 15c3-3 under the Securities and Exchange Act and the Securities Investor Protection Act.

## Special Risks of Portfolio Margin Accounts

8. Portfolio Margin generally permits greater leverage in an account, and greater leverage creates greater losses in the event of adverse market movements.
9. Because the maximum time limit for meeting a margin deficiency is shorter than in a standard margin account, there is increased risk that a customer's Portfolio Margin account will be liquidated involuntarily, possibly causing losses to the customer.
10. Because Portfolio Margin requirements are determined using sophisticated mathematical calculations and theoretical values that must be calculated from market data, it may be more difficult for customers to predict the size of future margin deficiencies in a Portfolio Margin account. This is particularly true in the case of customers who do not have access to specialized software necessary to make such calculations or who do not receive theoretical values calculated and distributed periodically by an approved vendor of theoretical values.
11. Trading of margin equity securities, warrants, unlisted securities, and security

futures on margin equity securities or on eligible indices of equity securities or listed options in a Portfolio Margin account is generally subject to all the risks of trading those same products in a standard securities margin account. Customers should be thoroughly familiar with the risk disclosure materials applicable to those products, including the booklet titled "Characteristics and Risks of Standardized Options." Because this disclosure statement does not disclose the risks and other significant aspects of trading in options, customers should review those materials carefully before trading these products in a Portfolio Margin account.

12. Customers should consult with their tax advisors to be certain that they are familiar with the tax treatment of transactions in margin equity securities, warrants, unlisted securities, and security futures on margin equity securities or on eligible indices of equity securities and listed options, including tax consequences of trading strategies involving option contracts.
13. The descriptions in this disclosure statement relating to eligibility requirements for Portfolio Margin accounts, and minimum equity and margin requirements for those accounts, are minimums imposed under the self-regulatory organization rules. Time frames within which margin and equity deficiencies must be met are maximums imposed under the self-regulatory organization rules. Broker-dealers may impose their own more stringent requirements.
14. Customers should bear in mind that the discrepancies in the cash-flow characteristics of certain options are still present even when those products are carried together in a Portfolio Margin account. In addition, discrepancies in the cash flow characteristics of certain unlisted derivatives may also be present when those products are carried in a Portfolio Margin account. Both security features and options contracts are generally marked to the market at least once each business day. However, there may be incongruity between each eligible product in that marks may take place with different frequency and at different times within the day. For example, when a security futures contract is marked to the market, then gain or loss is immediately credited to or debited from, respectively, the client's account in cash. While a change in the value of a long options contract may increase or decrease the equity in the account, the gain or loss is not realized until the option is liquidated, exercised, or assigned. Accordingly, a client may be required to deposit cash in the account in





order to meet a variation payment on a security futures contract even though the client who is in a hedged position and has experienced a corresponding (but yet unrealized) gain on an option. Alternatively, a client who is in a hedged position and would otherwise be entitled to receive a variation payment on a security futures contract may find that the cash is required to be held in the account as margin collateral on an offsetting options position. While a change in the value of a long option contract may increase or decrease the equity in the account, the gain or loss is not realized until the option is liquidated, exercised, or assigned. The general provisions governing Portfolio Margin (including definitions used in this document) are set forth in FINRA Rule 4210(g), which can be found at [www.finra.org](http://www.finra.org).

15. The minimum account equity as defined by FINRA 4210(g) for a Portfolio Margin account is \$100,000. If your account net worth falls below this amount, the account will be restricted to risk-off transactions only. You will have three business days to bring the account net worth back to \$100,000, or your Portfolio Margin account will be converted to a strategy-based margin account (subject to Regulation T). If your equity falls below the applicable maintenance requirement, we may (but are not obligated to) notify you, by mail, telephone, or electronic or other means, of a margin call for an amount sufficient to bring your account up to the

equity level we require.

16. Margin calls require prompt delivery according to our instructions of either additional funds or acceptable securities. Failure to make a required deposit may result in the liquidation of part or all of the securities and other property in your account. Notwithstanding any oral communications between you and us, we reserve the right to liquidate at any time (including on or before the settlement date) if the equity in your account falls below Schwab's minimum requirements. You will continue to be held liable on demand for any debit balance remaining after liquidation of assets in your account. It may not be possible to notify you of a margin call or allow any time to deposit additional collateral. Therefore, we reserve the right to initiate immediate liquidation procedures without notice.
17. In addition to our regular balance calculations, Schwab also performs several alternate calculations. These calculations include a variety of stress tests that measure account risk due to: changes in option-implied volatility, concentration in specific securities or sectors, illiquidity, and inadequate account equity to margin balance levels, as well as other risk measures that may or may not be predisclosed to the Account Holder. Account activity, such as new transactions, changes in collateral market value, and withdrawal of funds, may

contribute to a Portfolio Margin account incurring a margin call.

18. Portfolio Margin does not permit the use of Special Memorandum Account (SMA) balances. If you convert your existing margin account to Portfolio Margin, you will forfeit any accumulated SMA balance. Also, if you convert your Portfolio Margin account to a strategy-based margin account, you may have a margin call as a result of needing to meet the requirements of Regulation T.
19. Liquidating to meet a trade-related margin call is prohibited. Customers that make a practice (defined by FINRA as 3 or more times in a 12-month period) of liquidating to meet trade-related margin calls, will be subject to Portfolio Margin removal.
20. Not all products are eligible for Portfolio Margin. Non-Portfolio Margin eligible products will be held to strategy-based margin requirements. A non-Portfolio Margin eligible equity position held with options on the same underlying security will both be stressed at a minimum of 100%.

#### Acknowledgment for Clients Utilizing a Portfolio Margin Account

By signing below, I/we affirm that I/we have read and understood the Risks Related to Portfolio Margin disclosure statement.

**X**

Signature: Client Name

Today's Date (mm/dd/yyyy)

Print Name

**X**

Signature: Client Name

Today's Date (mm/dd/yyyy)

Print Name



# Options Application Agreement

## Option Trading Rules

### Calls.

1. Underlying stock for listed calls may have contracts written against it in multiples of one call option contract per hundred shares, unless otherwise specified.
2. Securities purchased for covered call writing must be paid for by the standard three-day settlement date. Proceeds from the option will be credited to the investor's account, unless otherwise specified.
3. All underlying securities not already held in an account at Schwab must be delivered **FREE AND IN GOOD DELIVERABLE FORM** before covered calls may be written.
4. Covered call writing may be done against marginable securities held in an account, provided the account is in compliance with the Federal Reserve Board's Regulation "T" and Schwab's Margin and Short Account Rules.
5. Convertible or exchangeable securities may, in some cases, be available for covered call writing, at Schwab's discretion. Contact your Investment Advisor or Schwab for specific information.

### Puts.

1. A short put is considered covered when a put is written against stock sold short. Listed puts may be written against the underlying short stock in multiples of one put contract per hundred shares, unless otherwise specified.
2. A put is also covered when there is sufficient cash to cover the stock purchase if the put is assigned.
3. No additional margin will be required if a put is written against stock sold short if the margin requirements are met on the short stock.

**Qualified Spreads.** A "spread" involves being both the buyer and writer of the same type of options (puts or calls) on the same underlying interest, with the options having different exercise prices and/or expiration dates.

The purchased option is required to expire on the same or later expiration date than the option sold. When there is more than one possible way to pair available options in your Account, Schwab has the discretion to determine spread pairings. Schwab may pair options in a manner that does not produce the lowest possible margin requirements.

**Straddles and Combination.** A "straddle" is an equal number of calls and puts purchased (or written) on the same security with the same strike price and same expiration. If the strike

prices and/or the expiration differ, the order or position is defined as a "combination."

**Writing Uncovered Options.** Before placing an order to sell uncovered options on equities and narrow-based indexes, \$25,000 in equity must be on deposit, and before placing an order to sell uncovered options on broad-based indexes, \$25,000 in equity must be on deposit in your Schwab Account. In calculating equity, the market value of any security, bond or stock may be included and any existing debit balance must be subtracted. Premiums obtained from option writing will be applied against Schwab's equity requirements. The total equity requirement must be in the Account prior to entering the order. Funds in your money market portfolio or Schwab One® Account qualify as money in your brokerage account and are considered good equity. In addition, if you write an uncovered call option contract and are allocated an exercise of the option, you may be required to borrow shares in order to satisfy the delivery requirement of the option contract. In that event, you will be treated as if you had sold the shares short and may be subject to margin fees and stock loan fees.

**Payment and Settlement.** Unless the amount required for an option trade is met by one of the following methods, we may, at our discretion, decline to accept your order.

1. Cleared funds in Account;
2. Funds in our between-investment money market funds;
3. Making the trade versus executed market sell orders, or on the margin loan value of securities held in your Account in an adequate amount.

Funds may be wired to:

Citibank, NA, New York, NY 10043  
ABA #021-000-089  
FBO Charles Schwab & Co., Inc.  
Acct. #40553953

For the account of: (the full title on your Schwab Account)

Account #: (your Schwab Account number)

Funds in your Schwab money market portfolio or Schwab One Account qualify as "money in your Schwab Account" for purposes of entering or opening an option transaction. Deposits, interest distributions, withdrawals and payments for option trades (if sufficient funds are available) are all calculated automatically if you participate in our money market fund or Schwab One Account. (If you would like an application for our money market fund or Schwab One Account, contact Schwab.)

**Option Contract Assignments.** Short option contract assignments will be allocated among position holders on an automated random selection basis.

**OCC Disclosure Document.** Before trading options, read the booklet "Characteristics and Risks of Standardized Options" (the "OCC Disclosure Document"). A copy will be sent when your Account is approved for option trading.

### Manipulation of Auto-Execution Prohibited.

Most options exchanges have automated execution (Auto-ex) systems that provide rapid executions for retail-size market and marketable limit orders in listed options at the quoted bid or offer, up to a maximum number of contracts. This maximum number varies by options class and generally ranges between 20 and 100 contracts per order. Exchange rules prohibit investors from engaging in "order splitting," i.e., dividing a large order that is ineligible for Auto-ex because of its size into two or more smaller orders to make them eligible for Auto-ex treatment. Orders placed within less than 15 seconds of each other will be aggregated for purposes of evaluating whether impermissible order splitting has occurred. For example, if the option ABCDE had a maximum Auto-ex size of 50 contracts, it would be impermissible to divide a 100-contract order and enter two 50-contract orders contemporaneously for the purpose of receiving Auto-ex treatment. Orders of this type should be entered either for the full, undivided amount or more than 15 seconds apart. Depending on the facts and circumstances, multiple orders placed more than 15 seconds apart may still be evaluated for order splitting if submitted for the purpose of obtaining Auto-ex treatment. SEC and Exchange rules regarding market manipulation and Auto-ex systems also prohibit investors from submitting orders into the limit-order book of an options exchange for the purpose of influencing the prices at which subsequent Auto-ex orders could be executed. (Typically, this is a limit order that improves the Exchange's quoted market.) For example, it may be manipulative for an investor to enter a limit order to buy a small number of options contracts at a price above the prevailing inside bid, and enter a contemporaneous Auto-ex order to sell a larger number of those options (which could be executed at the new, higher bid price set by the investor's own limit order). The order-splitting and manipulation prohibitions apply even when the orders are coming from multiple accounts if these accounts have a common beneficial owner. The prohibitions may also apply to orders in separate options series if these series are substantially similar.



Violation of antimanipulation laws and Exchange Auto-ex rules could result in the imposition of criminal penalties, fines and other sanctions against you by regulatory agencies; the reversal of trades executed in violation of Exchange rules; and/or the removal of options trading privileges or closing of your Schwab Account(s).

### Option Equity Requirements\*

Underlying Securities	Long Purchase	Uncovered	Spread†	Short Straddle
Equities and Narrow-Based Indexes	100% of cost, cash up front	20% of the underlying security's market value, minus any out-of-the-money amount, plus the current option premium (marked to the market). <b>Minimum:</b> The greater of \$25,000 equity, or the option premium plus 10% of the underlying security's market value (option premium plus 10% of the strike price for puts), or \$100 per contract.	100% of the long contract premium, plus: <b>Call Spread</b> —The value of the difference between the strike prices, if the exercise price of the long contract is greater than the exercise of the short contract. <b>Minimum:</b> \$2,000 /\$25,000.* <b>Put Spread</b> —The value of the difference between the strike prices, if the exercise price of the short contract is greater than the exercise of the long contract. <b>Minimum:</b> \$2,000 /\$25,000.*	The greater of the two uncovered contract requirements, plus the current option premium of the other contract (marked to the market). <b>Minimum:</b> \$25,000.
Broad-Based Indexes	100% of cost, cash up front	15% of the underlying index, minus any out-of-the-money amount, plus the current option premium (marked to the market). <b>Minimum:</b> The greater of \$25,000 equity, or the option premium plus 10% of the underlying security's market value (option premium plus 10% of the strike price for puts), or \$100 per contract.	100% of the long contract premium, plus: <b>Call Spread</b> —The value of the difference between the strike prices, if the exercise price of the long contract is greater than the exercise of the short contract. <b>Minimum:</b> \$2,000 /\$25,000.* <b>Put Spread</b> —The value of the difference between the strike prices, if the exercise price of the short contract is greater than the exercise of the long contract. <b>Minimum:</b> \$2,000 /\$25,000.*	The greater of the two uncovered contract requirements, plus the current option premium of the other contract (marked to the market). <b>Minimum:</b> \$25,000.

\*Subject to change at any time by Schwab. To protect itself, Schwab may, at its discretion and without prior notice to you, revalue securities, reset requirements or adjust the inflated SMA (Special Memorandum Account) at any time.

†Schwab retains complete discretion to determine how to pair options that may constitute a qualified spread. See "Qualified Spreads."

\*IRA account initial minimum requirement for spreads is \$25,000; special minimums, when applicable under select offers, supersede published minimums.

## Option Agreement

**Terms and Conditions.** In consideration of our accepting your orders to trade option contracts for your Account referenced in Section 1 of the Request to Add Portfolio Margin to Your Brokerage Account application ("Account"), you agree that the following terms and conditions apply to your Account, in addition to the other terms and conditions contained in the Schwab Account Agreement applicable to your Account.

**1. Risks of Option Trading.** The purchase or writing of option contracts involves a high degree of risk and is not suitable for all investors.

By applying to add the option trading feature to your Account, you represent that you:

- Understand the risks inherent in option trading;
- Are financially able to withstand option trading losses, including the loss of your entire investment; **and**
- Have determined that option trading is suitable for you, considering your financial situation and investment objectives.

• Neither Schwab nor its officers, employees or agents is authorized to give tax advice. You should consult a professional tax advisor regarding the tax effect of option transactions in your Account.

**2. Special Statement for Uncovered Option Writers.** There are special risks associated with uncovered option writing that expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all investors approved for options transactions.

- Potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying instrument increases above the exercise price.
- As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option may incur large losses if the value of the underlying instrument declines below the exercise price.
- Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial

capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer, we may request significant additional margin payments. If you do not make such margin payments, we may liquidate stock or options positions in your Account, at our discretion without prior notice, in accordance with your margin agreement.

- For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
- If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or option contract assignment.
- The writer of an American-style option is subject to being assigned at any time until the option expires. By contrast, the writer of a European-style option is subject to option contract assignment only at expiration.



**Note:** It is expected that you will read the booklet entitled "Characteristics and Risks of Standardized Options." Direct your attention to the chapter entitled "Risks of Option Writers." This Statement is not intended to enumerate all of the risks entailed in writing uncovered options.

**3. OCC Disclosure Document.** When we approve your Account for option trading, we will give you the booklet "Characteristics and Risks of Standardized Options," published by the Options Clearing Corporation (the "OCC Disclosure Document"). You agree not to enter any orders for option transactions until you have read and understood the OCC Disclosure Document. Any information contained in the OCC Disclosure Document, including information regarding the federal income tax consequences of option transactions, is subject to change.

**4. Importance of Accuracy on Your Application.** You represent that the information you've provided on the Request to Add Portfolio Margin to Your Brokerage Account application is accurate. You agree to notify Schwab if there are important changes in the investment objectives or financial situation you have described in your application.

**5. Provision of Services.** When we approve your Account for option trading, we will act as your broker to purchase, sell, assign, transfer, exercise, endorse, clear or otherwise handle puts, calls and other contracts relating to securities, securities-related indexes and other underlying instruments. You agree that if you place orders for option trading in more than one market, we may use our discretion in selecting the market in which to enter your order in the absence of specific instructions from you. **We may, at our discretion and without notice, restrict or prohibit option trading or certain types of option transactions or specific option transactions in your Account.**

Unless we otherwise agree with you in writing, Schwab does not monitor your account(s) or investments and has no obligation to update an investment recommendation, financial advice, or financial plan we may give you. Such recommendation, financial advice, or financial plan only applies at the point in time we provide it to you.

**6. Payment.** Option transactions are settled on the first business day after the day your order is executed. We may decline to accept your order to purchase option contracts if there are not sufficient cleared funds (that is, funds on which no holds or other restrictions are imposed) available in your Account to pay the purchase price, if you do not have sufficient equity in your Account to meet applicable margin requirements, or for other reasons subject to our discretion. In all cases, option transactions must be settled on the first business day after the day your order is executed, and it is your responsibility to

deposit necessary funds and maintain sufficient equity in the Account.

**7. Covered Option Transactions.** If you are approved for covered options and cash-secured equity put transactions only, you may sell call (put) option contracts when you hold in your Account a sufficient long (short) position in the securities underlying the contracts; purchase call (put) option contracts when you hold in your Account a sufficient short (long) position in the securities underlying the contracts; or sell put option contracts when you hold cash in your Account equal to the aggregate exercise value of the put contracts sold.

**8. Maintenance of Required Equity and Liquidation.** If you write option contracts, you agree to maintain equity collateral in your Account in accordance with the terms of the Account Agreement. If you do not maintain enough equity in your Account to secure your option obligations adequately, or if you do not satisfy, in a timely manner, any money or collateral call (relating to settlement of a trade or otherwise), we may (but are not required to), without prior notice, take any action with respect to and for your Account that we, in the reasonable exercise of our discretion, consider necessary for our protection.

These actions may include:

- Buying or selling short;
- Hedging existing security positions;
- Risking any or all securities underlying options purchased, endorsed or handled for your Account; **and/or**
- Buying or selling for your Account any option contract we consider necessary or appropriate. Our failure to take any of these actions in any particular instance will not be considered a waiver of our right to take such actions in later instances. You agree to reimburse us for all expenses, fees, commissions or losses (including taxes and transfer and other fees) we incur as a result of such actions.

**9. Short Option Positions.** If you write a call option contract, you agree to honor all option contract assignments by delivering to us the underlying securities in negotiable form or cash (in the case of index options) at the times prescribed by the securities exchanges and/or FINRA. In the event that the call option is uncovered, we will attempt to borrow the securities on your behalf. If we borrow the securities, you agree to pay any fees imposed by us for lending you the securities. If we cannot borrow securities, we may act as your agent to buy in such securities at the current market price and deliver these securities or cash to fulfill your delivery commitment. We may exercise our discretion regarding the timing and manner of any such purchases. In case the following situations occur:

- You write a call option contract in a security that becomes subject to a reorganization transaction (such as a tender offer or other offer in which value is offered in exchange for or with respect to ownership of such security); **and**
- You are assigned an exercise notice on such contract; **and**
- You are unable to cover your obligation to deliver, either through delivery of the security to us, our borrowing the security on your behalf, or our buying in the position; **then**
- You agree to pay us the losses that we sustain as a result of your failure to deliver. If you write a put option contract, you agree to honor all option contract assignments in a timely manner. You agree to pay all expenses, fees, commissions and/or losses (including taxes) incurred as a result of the transactions described above.

In addition, at our discretion, we will pair options positions in the Account that constitute a spread position. You agree to accept the matching logic employed by Schwab to determine spread pairings and you agree to maintain sufficient equity in your Account to meet the equity requirements that may result from such pairings as determined by Schwab in its discretion.

**10. Exercises.** If you exercise a long option contract, you agree to pay the full aggregate exercise price provided for by the option contract. We'll accept exercise instructions for same-day execution on business days prior to 4:00 p.m. Eastern time for index option contracts, and prior to 5:00 p.m. Eastern time for equity option contracts. We will accept exercise instructions until 5:00 p.m. Eastern time on the last trading day of expiring options. The exercise of a put option is considered a short sale unless you have the underlying securities in your Account. You acknowledge that the Options Clearing Corporation (OCC) and the national securities exchanges have established cutoff times for delivering exercise instructions. Your long option contracts may expire worthless if you do not deliver your instructions by the expiration time noted in the OCC Disclosure Document. We are not obligated to give you prior notice of option expiration dates, and you will have sole responsibility for taking action to exercise an option contract before the option expires.

However, if you hold in your Account long equity option contracts that are greater than or equal to \$0.01 in-the-money, and we do not receive exercise instructions from you on the last trading day of the option, we may, at our discretion (but are not required to), take action.

We may place a market order to sell the long option position at or before, in our discretion, market close on the last trading day of the expiring option. We may instruct the OCC not





to exercise valuable options. Or we may exercise valuable option contracts for your Account, and in the absence of instructions from you, new positions we create in this way may be closed out at the opening of the next business day. In the case of long put options, we will only exercise those options if we are able to lend the securities to you for delivery, in which case you may be charged a fee that may change on a daily basis. By allowing us to exercise your put option on the last day of trading, you agree to pay any fees imposed for borrowing shares. An exercise of a put option will be considered a short sale of the underlying security. We may exercise for cash settlement long index option contracts that are any amount in-the-money. If you do not notify us to exercise a valuable option contract by the prescribed time and the right to exercise expires, you agree to waive, and to release us and our officers, employees and agents from, any and all claims of damage or loss, then or at a later time sustained, as a result of an option contract not being exercised.

**11. Option Contract Assignments.** We allocate option contract assignment notices among customer short positions according to an automated procedure. This procedure randomly selects from among all customer short option positions (including positions established on the date of option contract assignment) those contracts that are subject to exercise. All American-style short option positions are liable for option contract assignment at any time. You acknowledge that the option contract assignment process may result in multiple partial option contract assignments and/or multiple transactions to fulfill a single option contract assignment, and a separate commission charge will apply to each partial option contract assignment or transaction needed to complete an option contract assignment.

At your request, we will furnish you with a more detailed description of the automated option contract assignment process.

**12. Position and Exercise Limits—Rules.** You agree that you will not, acting either individually or together with others, directly or indirectly:

- Hold or control any number of option contracts that exceed the position limitations, or
- Exercise a long position in any option contract that exceeds the exercise limitations, all as set from time to time by the exchanges or markets where such option contracts are traded.

We may, at our discretion and without prior notice, impose house option position limitations. All option trading activity in your Account will be conducted according to the constitutions, rules, regulations and usages of the Options Clearing Corporation, FINRA

and any applicable exchange and/or regulatory agency.

**13. Account Agreement.** All option transactions will be conducted through your Account and are subject to the Account Agreement between you and Schwab. As used here, "Account Agreement" means: the terms and conditions stated in this Option Agreement; the applicable Schwab Account Application; the applicable Schwab Account Agreement; the Margin and Short Account Agreement; the Disclosure of Credit Terms and Policies; the Money Market Fund Agreement, if any; and any other written agreements between you and Schwab, all as amended from time to time.



# Certification of Trust

- This Certification sets forth the Trustees' representations and warranties regarding their authority under the Trust.
- Please retain for your files.

By signing the Application, each Trustee represents and warrants that Charles Schwab & Co., Inc. ("Schwab") is authorized to add margin trading, option trading, and the Portfolio Margin feature to the Account. Each trustee represents that the Trust expressly permits margin trading and option trading. Each trustee grants authority to Schwab to pledge, repledge, hypothecate, or rehypothecate Trust assets. **In order to trade options in a Trust Account through Schwab, the Trust must meet certain financial requirements, and the Trustee(s) must meet certain investment experience requirements and complete a separate Request to Add Portfolio Margin to Your Brokerage Account application.**

The Trustee(s) represents, warrants and certifies that either (1) the Trust expressly authorizes that each Trustee, if more than one, is authorized to act individually, independently and without the consent of the other Trustees; or (2) the Trustees (if more than one) have consented to each Trustee acting individually, independently and without the consent of the other Trustees with respect to the Account and that such delegation of authority is expressly authorized by the Trust and applicable law. The Trustees agree that any notice sent to one Trustee will constitute notice to all Trustees. Schwab, in its sole discretion and for its sole protection, may require the written consent of any or all Trustees prior to acting upon the instructions of any Trustee.

The Trustees represent, warrant and certify that neither they nor the Trust impose any obligation upon Schwab for determining the purpose or propriety (i) of any instructions received from any Trustee or (ii) of payments or deliveries to or among Trustees.

By signing this Application, each Trustee further represents, warrants and certifies that there are no other currently acting Trustee(s) of the Trust other than those signing below. Should only one person execute this Application, it is a representation that the signer is the sole current acting Trustee. Finally, the Trustees represent, warrant and certify that the Trust has not been revoked, modified or amended in any manner which would cause the representations contained in this Certification to be incorrect. Each Trustee agrees to notify Schwab immediately in writing of any change that would cause this Certification to become incorrect or incomplete.

Each Trustee hereby, jointly and severally, in both personal and representative capacities, agrees to indemnify Schwab, its affiliates, officers, directors, employees and agents from, and to hold such persons harmless against, any claims, judgments, surcharges, settlements or other liabilities or costs of defense or settlement (including investigative and attorneys' fees) arising out of or related to any act or omission to act by any Trustee with respect to the Account.

The representations and obligations stated in this Certification will survive the termination of the Account.



# Margin Application Agreement

## Disclosure of Credit Terms and Policies

The following Disclosure of Credit Terms and Policies is required by the Securities and Exchange Commission and is part of your Schwab Account Agreement. It describes the terms under which we extend credit and charge interest and how your obligations are secured by property in your Schwab Account.

**1. Interest Charges.** We will charge interest on a daily basis on the credit we extend to you. The daily interest charges are calculated by multiplying your "daily adjusted debit balance" by the "daily margin interest rate." Generally speaking, your daily adjusted debit balance is the actual settled debit balance in your Margin and Short Account, increased by the value of securities held short and reduced by the amount of any settled credit balance carried in your Cash Account.

We calculate your daily adjusted debit balance each day by adjusting your previous day's balance by any debits and credits to your Account and by changes in the value of short positions. If your daily adjusted debit balance is reduced because you deposit a check or other item that is later returned to us unpaid, we may adjust your Account to reflect interest charges you have incurred.

We reserve the right to charge interest on debit balances in the Cash Account. Periodically, we will send you a comprehensive statement showing the activity in your Account, including applicable interest charges, interest rates and adjusted daily debit balances.

**2. Daily Margin Interest Rate.** The "daily margin interest rate" is based on a 360-day year. It is calculated for each day by dividing the applicable margin interest rate by 360. Note that the use of a 360-day year results in a higher effective rate of interest than if a year of 365 days were used. The applicable margin interest rate is set at an offset from Schwab's Base Rate according to a tiered interest schedule based on your margin debit balance. We set the Base Rate at our discretion with reference to commercially recognized interest rates, industry conditions relating to the extension of margin credit, and general credit market conditions. To obtain the interest schedule, refer to your Account Agreement, or call us toll-free at 1-800-435-4000. The current Base Rate is also available by calling 1-877-870-7317.

Your margin interest rate will be adjusted automatically and without notice to reflect any change in the Base Rate. If your interest rate increases for any reason other than a change in the Base Rate, we will give you

written notice at least 30 days prior to that change.

**3. Compounding Interest Charges.** We compound interest on a daily basis. Interest charges will accrue to your Account each day. We will include the charges in the next day's opening debit balance and charge interest accordingly. The interest rates described in Section 2 above do not reflect compounding of unpaid interest charges; the effective interest rate, taking into effect such compounding, will be higher.

**4. Initial Margin Requirements.** The Federal Reserve Board and various stock exchanges determine margin loan rules and regulations. We will not extend credit unless your equity in the Securities and Other Property in your Margin and Short Account is at least \$2,000, or such greater amount as may be required by applicable rules or regulations or by our house policies.

The maximum amount we currently may loan for common stock (equity) securities is 50% of the value of marginable securities purchased in your Margin and Short Account; different requirements apply to non-equity securities, such as bonds or options. If the market value of stock held as collateral increases after you have met the initial margin requirements, your available credit may increase proportionately. Conversely, if the market value decreases, your available credit may proportionately decrease.

Initial margin requirements may change without prior notice. We may impose anytime and without prior notice more stringent requirements on positions that in our sole discretion involve higher levels of risk; for example, higher limits may apply for thinly traded, speculative or volatile securities, or for concentrated positions of securities.

You may purchase only certain securities on margin or use them as collateral in your Margin and Short Account. Most stocks traded on national securities exchanges, and some over-the-counter (OTC) securities, are marginable. At our discretion, we reserve the right not to extend credit on any security.

If the market value of a security drops below Schwab's per-share minimum, the margin maintenance requirement will be 100%. Please contact your Investment Advisor or call us at 1-877-870-7317 for Schwab's current margin requirements.

**5. Margin Maintenance Requirements.** You must maintain a minimum amount of equity in your Account to collateralize your outstanding loans and other obligations. Margin maintenance requirements are set:

- By the rules and regulations of FINRA and other regulatory agencies under whose jurisdiction we are subject; **and**
- According to our sole discretion and judgment. Margin maintenance requirements may change without prior notice.

We may issue a "margin call" (that is, a notification to deposit additional collateral) if your Account equity falls below the margin maintenance requirement. This can happen for various reasons. The most common reason is a decrease in the value of long securities held as collateral or an increase in the value of securities held short.

As a general guideline and when it is practicable to do so, we may (but are not required to) issue a margin call when the equity in your Margin and Short Account falls below Schwab's minimum maintenance requirement. The amount of additional collateral we require usually is an amount sufficient to raise your equity to Schwab's minimum maintenance requirement.

Please contact your Investment Advisor or call us at 1-877-870-7317 for Schwab's current margin requirements.

We retain absolute discretion to determine whether, when and in what amounts we will require additional collateral. In some situations, we may find it necessary to require a higher level of equity in your Account. For example, we may require additional collateral if an Account contains:

- Only one security or a large concentration of one or more securities; **or**
- Low-priced, thinly traded or volatile securities; **or**
- Low minimum liquidating account net worth; **or if**
- Some of your collateral is or becomes restricted or non-negotiable or non-marginable.

We also may consider market conditions and your financial resources.

**6. Short Option Positions.** If you hold put or call option contracts deemed by us to be uncovered, your Account is subject to both initial margin and margin maintenance requirements. For more detailed information on how Schwab calculates these equity requirements, contact us at 1-877-870-7317.

**7. Day Trading Requirements.** Day trading is buying and selling the same security on the same day, excluding:

- A long position held overnight and sold prior to any new purchase of the same security, **or**



- A short position held overnight and purchased the next day prior to any new sale of the same security.

Day traders are subject to a number of stricter requirements. These include a minimum deposit of \$25,000 before any day trades can be made in a margin account, and a different calculation of margin buying power. If you have questions about Day Trader Margin requirements, please call your Schwab Services Specialist or margin specialist.

**8. Short Sales.** A short sale is a margin transaction subject to initial margin and margin maintenance requirements. In most cases, the initial equity requirement for the short sale of an equity security is 150% of the sales proceeds of the security, plus commissions. Proceeds obtained from the short sale will be applied against the initial margin equity requirement and posted as collateral with the lender of the securities. Equity securities selling for \$5.00 or less and odd lots usually may not be sold short. Different requirements apply to non-equity securities. In addition to margin, you may be charged fees for borrowing securities that are delivered in connection with the short sale.

Generally, current margin maintenance rules require you to maintain equity in your Account equal to at least Schwab's minimum maintenance requirement for the market value of each stock "short" in your Account. Please contact your Investment Advisor for Schwab's current margin requirements. The value of securities held short in your Account is "marked to the market" each day.

Increases in the market value will increase your daily adjusted debit balance (on which interest is charged) by the same amount, while decreases in the market value will decrease your daily adjusted debit balance by the same amount.

As a result of increases in your daily adjusted debit balance, the collateral held in your Account may become insufficient. Short sale proceeds are part of the collateral securing our loan of the security to you, and you may not withdraw these proceeds from your Account. You are liable for all dividends paid on securities you have borrowed for the purpose of short sales.

For our protection, we may, at our discretion and without notice, immediately cover your short security positions by purchasing for your Account securities to replace those sold short.

We may cover your position because:

- The lender of the securities recalls them;
- We anticipate an inability to borrow or reborrow these securities; **or**
- For any other reason.

If several Accounts hold short positions in a

security and not all of the positions are to be covered, we may select the positions to be covered on a random basis.

In covering a short position, we may, at our discretion, purchase securities for your Account either on a normal settlement, or next-day or cash settlement basis. The price of securities purchased on a next-day or cash settlement basis is usually higher than that of those purchased on a normal settlement basis. The price of covering the short position may be higher than the price at which you sold short; therefore, you may sustain a loss on that transaction.

You are liable for commissions and other costs of short-sale transactions and for any debit balance that remains after we cover or close out a short position.

When we borrow securities for your Account, we are obligated to return the securities to the lender on demand. If you are unable to cover a short position (either through delivery of the security or through our "buying in" your position) in enough time for us to deliver the security to its lender, you agree to pay us for the losses we sustain as a result of the failure to deliver. For instance, if you have a short position in a security that is subject to a tender offer and you are unable to cover the position in time for us to deliver the security to its lender, we may hold you responsible for the economic value of the tender offer.

**9. Liens and Liquidation.** At our election, all debit balances in your Account, including those resulting from extensions of margin credit, will be immediately due and payable. In the Account Agreement, you granted us a lien on all Securities and Other Property held or maintained for any purpose, including safekeeping, in your Schwab Account or in any other present or future non-retirement Schwab Account in which you have an interest, regardless of whether there are other Account Holders on any of the accounts. This lien secures the full performance of obligations owed to us by you or any Additional Account Holder of your Schwab Account, whether those obligations are incurred in connection with your Schwab Account or any other non-retirement account with us, and extends to property that may not be acceptable as margin collateral under Federal Reserve Board regulations.

If your equity falls below the applicable maintenance requirement, we may (but are not obligated to) notify you by mail, telegram, telephone, or electronic or other means of a margin call for an amount sufficient to bring your Account up to the equity level we require. Margin calls require prompt delivery according to our instructions of either additional funds or acceptable securities. Failure to make a required deposit may result in the liquidation of part or all of the Securities and Other Property in your Account.

**Notwithstanding any oral communications between you and us, we reserve the right to liquidate anytime if the equity in your Account falls below Schwab's minimum requirements.**

You will continue to be held liable on demand for any debit balance remaining after liquidation of assets in your Account. It may not be possible to notify you of a margin call or allow any time to deposit additional collateral. **Therefore, we reserve the right to initiate immediate liquidation procedures without notice.**

You are responsible for monitoring the status of your Account, for ensuring that sufficient collateral is maintained in the Account and for liquidating positions to minimize losses. Any action we take or do not take to issue a margin call or liquidate collateral is undertaken solely to protect our interest as a creditor. You agree that we do not have any responsibility to issue a margin call, to liquidate positions in your Account, or to select the securities to be liquidated or the timing of the liquidation in order to prr minimize losses to you.

**10. Verification.** I authorize Schwab to inquire from any source, including a consumer reporting agency, as to my identity (as required by federal law), creditworthiness and ongoing eligibility for the Account (and that of my spouse, if I live in a community-property state) at account opening, at any time throughout the life of the Account, and thereafter for debt collection or investigative purposes.

## Margin and Short Account Agreement Terms and Conditions

When you buy securities on margin, or enter into short sales or short options, you are borrowing money from Schwab for part of your transactions. All securities and other assets in your Schwab Accounts are pledged as collateral to secure this loan. These margin transactions are riskier and involve the possibility of greater loss than transactions in which you are not borrowing money. If the value of your securities and other assets falls, you may be required to deposit more assets (a "margin call") to secure your loan or your securities, and other assets may be sold to pay down or pay off your loan without prior notice and at a loss or at lower prices than under other circumstances.

You agree to carefully consider your own financial condition, tolerance for risk and investment objectives, as well as market conditions, before you decide to use margin credit or short account features. By applying for a Margin and Short Account and/or placing an order on margin, you acknowledge that you have carefully considered all of these factors, along with the terms of the margin agreement, and have decided that margin financing is appropriate for you.





**1. Payment for Transactions.** You agree that you are responsible for paying for all transactions you make and all authorized transactions in your Margin and Short Account. When you purchase securities on margin, you agree to deposit the required initial equity by the settlement date and to maintain your equity at the required levels. However, Schwab reserves the right to liquidate at any time (including on or before settlement date) depending on market conditions. In addition, you agree to pay any debit remaining in your Account if your positions are liquidated to satisfy a margin call. We may extend credit to you according to applicable laws and regulations and our Disclosure of Credit Terms and Policies. You agree to use this credit primarily for business and investment purposes.

**2. Disclosure of Credit Terms and Policies.** All transactions in the Margin and Short Account are subject to our Disclosure of Credit Terms and Policies. You agree not to enter an order in your Margin and Short Account until you have read and understood the Disclosure of Credit Terms and Policies.

**3. Maintenance of Collateral.** You agree to maintain in your Margin and Short Account collateral of the type and amount required by:

- Applicable Exchange rules and federal regulations,
- Our Disclosure of Credit Terms and Policies, or
- Schwab, at our discretion.

**4. Liquidation.** Whenever it is necessary for our protection or to satisfy a margin call, deficiency, debit or other obligation owed us, we may (but are not required to) sell, assign and deliver all or any part of the Securities and Other Property securing your obligations, or close any or all transactions in your Schwab Account. It is our policy to attempt to contact you, when practicable, before taking any action described in this section. However, we reserve the right to take any such action without prior notice or demand for additional collateral, and free of any right of redemption. Any prior demand, call or notice will not be considered a waiver of our right to sell or buy without demand, call or notice. We may choose which Securities or Other Property to buy or sell, which transactions to close, and the sequence and timing of liquidation. We may take such actions on whatever exchange or market and in whatever manner (including public auction or private sale) that we choose in the exercise of our business judgment. You agree not to hold us liable for the choice of which Securities or Other Property to buy or sell, or of which transactions to close, or for the timing or manner of the liquidation. We may transfer Securities and Other Property from any brokerage account in which you have an interest to any other brokerage account in which you have an interest, regardless of

whether there are other Account Holders on either account, if we determine that your obligations are not adequately secured or to satisfy a margin deficiency or other obligation. You agree to pay on demand any account deficiencies after liquidation, whether liquidation is complete or partial. We are entitled to exercise the rights described in this section in our sole discretion, including whenever any of the following occurs:

- The equity level in your Account falls below required minimums;
- A petition of bankruptcy or for the appointment of a receiver is filed by or against you;
- An attachment is levied against any of your brokerage accounts with us;
- You die or become incapacitated or incompetent; or
- Your Schwab Account is closed

**5. Short Sales.** You agree to designate a sell order as a short sale if, at the time you place the order, you either do not own the security being sold or are unable to deliver the security in a timely manner. You agree that short-sale transactions are subject to certain regulatory rules and cannot be executed under certain market conditions. In addition, depending on market conditions, Schwab cannot guarantee that it will have shares available to facilitate a short sale. Schwab may charge you a fee for borrowing securities that may change daily. Before you submit a short sale order, you will be notified of the current cost of borrowing those shares. By submitting the order, you will have agreed to pay the charge for borrowing the shares, as it may change on a daily basis for as long as you hold the short position.

You agree that we may, **at our discretion and without notice**, "buy in" securities to cover any short security position in your Account at your expense. We may take this action on either a normal settlement, cash or next-day settlement basis.

If you are unable to cover a short security position (either through delivery of the security or through our "buying-in" the security) in enough time so we can deliver the security to its lender (to whom we're obligated), you agree to reimburse us for the losses we sustain as a result of your failure to deliver the security.

**6. Interest on Debit Balances.** We will charge interest on your debit balance according to our Disclosure of Credit Terms and Policies. We post accrued but unpaid interest charges to your Account each month. We compound the interest as described in our Disclosure of Credit Terms and Policies.

**7. Pledge of Securities and Other Property.** We may pledge, repledge, hypothecate or rehypothecate, either separately or together

with Securities of other customers, all Securities and Other Property that you, now or in the future, carry, hold or maintain in your Margin and Short Account. The value of the Securities and Other Property we pledge or repledge may be greater than the amount you owe us, and we are not obligated to retain in our possession and control for delivery the same amount of similar Securities and Other Property.

**8. Loan Consent.** You agree that Securities and Other Property held in your margin account, now or in the future, may be borrowed (either separately or together with the property of others) by us (acting as principal) or by others. You agree that Schwab may receive and retain certain benefits (including, but not limited to, interest on collateral posted for such loans) to which you will not be entitled. You acknowledge that in certain circumstances, such borrowings could limit your ability to exercise voting rights or receive dividends, in whole or in part, with respect to the Securities and Other Property lent. You understand that for Securities and Other Property that are lent by Schwab, the dividends paid on such Securities and Other Property will go to the borrower. No compensation or other reimbursements will be due to you in connection with such borrowings. However, if you are allocated a substitute payment in lieu of dividends, you understand that such a payment may not be entitled to the same tax treatment as may have been applied to the receipt of a dividend. You agree that Schwab is not required to compensate you for any differential tax treatment between dividends and payments in lieu of dividends. Schwab may allocate payments in lieu of dividends by any mechanism permitted by law, including by using a lottery allocation system.

**9. Account Agreement.** All transactions in your Margin and Short Account are subject to the Account Agreement in its entirety and any other written agreements between you and Schwab, all as amended from time to time.



# Margin Disclosure Statement

[www.schwab.com](http://www.schwab.com) | 1-800-435-4000 (inside the U.S.) [international.schwab.com](http://international.schwab.com) | +1-415-667-8400 (outside the U.S.)

- This is important information regarding margin borrowing, if you have requested the margin feature on your brokerage account.
- Please retain this document for your files.
- When using margin, please keep these important rules and conditions in mind.
- A complete list of terms and conditions pertaining to margin trading and short selling, including credit terms and policies, can be found in the Account Agreement. The Account Agreement will be provided to you after account opening or you can access it at any time on our website or by calling us. Please read this important document before opening a margin account.
- For questions regarding margin borrowing, please contact us at the numbers listed above. For clients of independent investment advisors, please call your advisor directly or call Schwab Alliance at 1-800-515-2157.

When considering a margin loan, you should determine how the use of margin fits your own investment philosophy. It is important that you fully understand the risks, rules, and requirements involved in trading securities on margin.

The following paragraphs highlight some of the critical aspects of margin trading:

**Margin trading increases your level of market risk.** Margin trading increases your buying power, allowing you to purchase a greater amount of securities with your investing dollar. Therefore, your exposure to market volatility increases—a declining market could result in even greater losses. *A decline in the value of your securities that you purchase on margin can require you to provide additional funds to Schwab in order to avoid the forced sale of those securities or other securities in your account.*

**Your downside is not limited to the collateral value in your margin account.**

When you buy securities on margin, you are borrowing money from Schwab for part of your transactions. Securities and other assets in your Schwab account(s) are pledged as collateral to secure this loan. These margin transactions are riskier and involve the possibility of greater loss than transactions where you are not borrowing money. If the securities in your account decline in value, so does the value of the collateral supporting your loan. When the value of the collateral falls below the maintenance margin requirements, or Schwab's higher "house" requirements, Schwab can move to protect its position. In order to cover margin deficiencies, Schwab may issue you a margin call—a request for additional cash—or sell securities from your account. If a sale does not cover the deficiency, you will be responsible for any shortfall.

**Schwab may initiate the sale of any securities in your account, without contacting you, to meet a margin call.**

Schwab will attempt to involve you in the case of margin deficiency; however, market conditions can require the firm to quickly sell any of your securities without your consent. Because the securities are collateral for the margin loan, Schwab has the right to decide which security to sell in order to protect its interests. Even if Schwab has contacted you and provided a specific date by which you can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without prior notice to you.

Schwab's "house" initial and maintenance margin requirements may exceed those established by the Federal Reserve Board and/or the Financial Industry Regulatory Authority, Inc. Please call Schwab for current margin requirements.

Schwab retains the right to change its initial margin requirements at any time and without prior notice. We may also impose anytime and without prior notice more stringent requirements on positions that in our sole

discretion involve higher levels of risk; for example, higher limits may apply for thinly traded, speculative or volatile securities, or concentrated positions of securities.

**Schwab may increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice.**

Changes in Schwab's policy regarding "house" maintenance margin requirements often take effect immediately and can result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause Schwab to liquidate or sell securities in your account.

Schwab retains absolute discretion to determine whether, when and in what amounts we will require additional collateral. For example, we can require additional collateral if an account contains only one security or a large concentration of one or more securities; or low-priced, thinly traded or volatile securities; or if some of your collateral is or becomes restricted or non-negotiable or non-marginable. We may also consider market conditions, your financial resources, or other factors deemed by us to be relevant given the circumstances at the time.

**You are not entitled to an extension of time on a margin call.**

While an extension of time to meet margin requirements might be available to customers under certain conditions, a customer does not have a right to the extension.

Some accounts that carry a margin loan balance and hold dividend paying securities may receive a "substitute income payment in lieu of a dividend" (PIL). This payment may be taxable as ordinary income. Taxable accounts that receive a PIL instead of a qualified dividend may also receive a supplemental credit from Schwab. This will be identified on customer statements as a "Schwab substitute income credit." However, when Schwab can identify that a dividend is nonqualified, we will not credit your account with this additional payment.

- This credit is NOT "payment in lieu," and is unrelated to any payment from either the security issuer or the borrower.
- It is a discretionary credit from Schwab which may be discontinued in the future with or without notice.\*
- It may be subject to tax at your ordinary income tax rate. Please consult your tax advisor about your specific tax situation.
- Because individual tax situations differ, Schwab cannot precisely calculate the additional tax costs a client might incur. Therefore, we do not intend, nor should clients expect, for this payment to be an exact reimbursement of any excess tax cost.

\*Please refer to the "Loan Consent" section of your Account Agreement which states that no compensation is due in connection with such loans and that Schwab "is not required to compensate you for any differential tax treatment between dividends and payments in lieu of dividends."

