

Schwab's Securities Lending Fully Paid Program

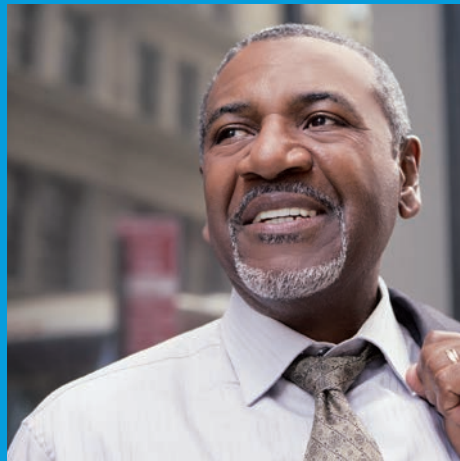
A powerful way to pursue higher yields.



charles
SCHWAB

Own your tomorrow™

Schwab's Securities Lending Fully Paid Program.



Earn income for lending securities to Schwab—
at no cost to you for participating.

Earn income from your securities.

We're offering clients an opportunity to participate in the Securities Lending Fully Paid program. It's a great way to earn income on securities you already own.

When you enroll in the Securities Lending Fully Paid (SLFP) program, you can receive monthly income for lending your fully paid securities¹ to Schwab. You can sell loaned securities or end loans at any time. And there's no cost to you for participating in the program.

The benefits can be considerable. Typically, securities remain in an account, awaiting possible share price increases and capital gains. In the case of Schwab's SLFP program, your qualified shares get a chance to work harder.

The higher the demand for your securities, the higher your potential earnings.

Schwab borrows the shares and lends them to other clients or financial institutions. Securities are usually borrowed to facilitate a short sale. In exchange for lending these shares, you are paid income. In general, the greater the demand for your securities, the higher your potential income.

Schwab's SLFP program: Leveraging expertise and technology.

Unlike the broader markets for common stocks, the market for securities lending is relatively small. However, Schwab has the expertise and technology to connect those who have the securities with those who need them, giving you an opportunity to earn more on your securities.

¹ Fully paid securities are either securities for which you have paid the full purchase price in cash, or excess margin securities that have a market value in excess of 140% of the amount you have borrowed from Schwab.

How the program works.

Here's a simple, step-by-step guide to getting your securities to work harder for you.

Because the Securities Investor Protection Corporation (SIPC) may not cover your securities while Schwab is borrowing them, you will receive collateral for your loans. This protects you in case there is a “termination event,” such as the unlikely event of Schwab filing for bankruptcy protection. Please see the Securities Lending Agreement for information related to collateral and termination events.

After you receive the collateral, Schwab will borrow your securities. From that point on, you'll begin to receive monthly loan income from Schwab. You can view your securities on loan and income payments on Schwab.com and your account statements.

Here's a general overview of the process:

1	2	3	4	5	6	7	8
You complete the Securities Lending Agreement enrollment form.	Schwab creates a new supplemental brokerage account for you.	Schwab makes arrangements for your collateral.	The securities included in the SLFP program are moved into your supplemental account.	Schwab borrows securities from your supplemental account.	Schwab pays you an agreed-upon loan interest rate. ²	You'll receive monthly statements for your supplemental account. ³	You'll be asked to confirm your loan on a quarterly basis, pursuant to regulation.

² Income is calculated daily based on the closing price of the loaned shares and on a 360-day year. Income is credited directly to your Schwab account on a monthly basis. Share price and interest rates may fluctuate based on market conditions, which will affect potential earnings. Income is reported as “other income” in box 3 on IRS Form 1099-MISC for taxable accounts. Interest rates used to calculate earnings are subject to change without prior notice.

³ If your supplemental account has no activity, you'll receive a statement at least quarterly. However, you can view your supplemental account anytime at Schwab.com.



You can sell your loaned shares as your investment needs change.

The loan term can vary significantly—some loans may span many months, while others may be very short term. Typically, as long as there is demand for the security in the market, the shares will remain on loan. Of course, the longer the term, the higher your potential loan income.

In any case, you're not locked into any long-term commitment that would prohibit you from entering orders to sell loaned shares if your investment needs change.

Important considerations.

Market risk. There is the potential for downward pressure on the price of a loaned security if the security is borrowed to facilitate a short sale.

Tax consequences. Instead of actual dividends, you may receive substitute payments in lieu of dividends (PILs). This may have tax consequences, because PILs may not be entitled to the same tax treatment as may have been applied to a dividend payment. Schwab is not required to compensate you for any differential tax treatment between dividends and PILs.

Loss of SIPC protection. Because borrowed securities may not be covered under the programs of the SIPC, loans are secured by collateral provided by Schwab. In the unlikely event of default by Schwab, you can draw upon this collateral, which may be your only restitution if Schwab fails to return the borrowed securities.

Loan term. Schwab may terminate a loan at any time. You will be sent a notification upon the termination of a loan.

Loss of voting rights. During the term of the loan, title to the securities is transferred to Schwab, providing Schwab with all incidents of ownership, including the right to vote on corporate actions and the right to transfer the loaned securities to others.

Program benefits.

- Income accrues daily and is paid monthly.⁴
- You receive at least 100% collateral.
- You only need to enroll an account in the program once. Current or future offers from Schwab to borrow securities in the account can be accepted via Schwab.com, email, or phone.
- The program is available at no cost to you.
- You retain the right to sell loaned shares and can request that your shares be returned at any time.

⁴Income is calculated daily based on the closing price of the loaned shares and on a 360-day year. Income is credited directly to your Schwab account on a monthly basis. Share price and interest rates may fluctuate based on market conditions, which will affect potential earnings. Income is reported as "other income" in box 3 on IRS Form 1099-MISC for taxable accounts. Interest rates used to calculate earnings are subject to change without prior notice.

The opportunity is yours.

The SLFP program represents an opportunity to realize a higher potential return from your securities holdings.

There's no better time to get started.

This program is offered to certain Schwab clients who have securities that are in demand in the securities lending marketplace.

If you'd like to learn more about the SLFP program, please call us at **1-877-793-8872**.



Call 1-877-793-8872 for more information about the SLFP program.

We can help you tap the potential loan income of your securities.

Notice: The principal reason to borrow a security is to facilitate a short sale. Not all securities and account types are eligible for the SLFP program. Any dividends and other distributions paid on securities that you have lent to Schwab will be paid to Schwab. Schwab will pass on to you any cash dividends and distributions to the full extent that you would have been entitled had you not lent such securities to Schwab. Schwab will deposit such cash dividends and distributions into your account on the same day as Schwab receives the cash payment. Such payment by Schwab may not be entitled to the same tax treatment as may have been applied to the receipt of a dividend. Schwab is not required to compensate you for any differential tax treatment between dividends and payments in lieu of dividends. This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, financial planner, or investment manager. Participation in the program is based on enrollment. Share price and interest rates may fluctuate based on market conditions, which will impact potential earnings. Interest rates used to calculate earnings are subject to change without prior notice.

©2015 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.
CC0120501 (0313-2154) MKT33373-05 (05/15)
00145785



Own your tomorrow™