

# Options Trading and Margin Application

## Investment Advisor ("IA") Information (This portion to be completed by IA.)

IA Firm Name (Please print.)

IA Master Account Number

Service Team

IA Contact Name (if follow-up is required)

IA Telephone Number

IA Email Address

### When to use this form:

- Use this form to add or remove options, margin, and short account trading to/from your account.
- To add or remove options trading authorities to/from Investment Advisor master account(s), please use the Options Trading Application for Investment Advisor Masters.
- The following account types are not eligible for Regulation T margin: retirement accounts, such as 401(k)s, and accounts for charitable and nonprofit organizations.
- **For accounts with multiple tenants only: When account holders have different option trading knowledge and experience, the approved option trading level for the account will be based on the option trading knowledge and experience of the account holder with the highest level of knowledge and experience.**
- **For estate accounts only: Options may be added to an estate account for liquidating purposes ONLY.**

### Please remember to:

- **Be sure to read the Margin Disclosure Statement and the Options Application Agreement before completing this application.**
- **Notify your Investment Advisor of the trading strategy you have selected in Section 3.**
- **Use a separate Options Trading and Margin Application for each account. Multiple accounts may be listed only if they have identical tax ID# and named account holder(s).**

All information below must be filled out completely to validate the application. Due to the risk inherent in options trading, the industry regulations require us to ask the questions in Sections 1, 2, 3, and 4. This information will be used to assess your eligibility under exchange rules to trade options and will be treated confidentially. Additional financial information may be requested.

For assistance with completing this form, please contact your Investment Advisor.

## 1. Schwab Account Information

Schwab Account Number(s)\* Multiple accounts may be listed above only if they have identical tax ID# and named account holder(s).

\*Account Number is not required for new accounts.

Name and Title of Account (as shown on your account)

## 2. Select Your Account Features

### Margin\*

- Add margin (or limited margin for eligible retirement accounts) feature only.**\* Complete Section 5 (if applicable) and sign in Section 7.
- Remove the margin feature from my account.** Complete Section 5 (if applicable) and sign in Section 7.

\*Clients residing in certain non-U.S. jurisdictions are restricted from using margin for non-trading purposes.

†Securities regulations require that options spreads positions can only be held in a margin account. If the account is a retirement account, Limited Margin will apply. Limited Margin in a retirement account can support option trading up to Spreads (Level 2). You may apply for Limited Margin without Options by reviewing and accepting the terms of the Supplemental Agreement for Limited Margin and Trading Option Spreads in Your Retirement Account. You may also apply for Spreads (Level 2) by selecting your strategy level on page 2 and reviewing and accepting the terms of the Supplemental Agreement for Limited Margin and Trading Option Spreads in Your Retirement Account.

### Options Trading

- Add the options strategy selected below to my account.**
- Remove options trading from my account.**

### 3. Select Your Investment Strategy

Select the strategy level below that best fits your investment objectives. If you do not indicate a strategy below, Schwab will consider your account for Covered (Level 0) without margin (or limited margin for eligible retirement accounts). If you do not qualify for the strategy level you request, you may be approved for the highest level that is appropriate for your account type, experience, knowledge, and financial situation. If your account is approved for 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.

Please select only one strategy level.

**Covered (Level 0).**\* Capital Preservation and Income. Strategy level includes covered calls, covered puts, buy-writes, unwinds, covered rollouts, protective puts, and cash-secured equity puts. **Covered puts require margin and are not allowed in retirement accounts.**

**Add margin (or Limited Margin for retirement accounts).**

**Long (Level 1).**\* Capital Preservation, 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 (or Limited Margin for retirement accounts).**

Margin (or limited margin for retirement accounts) is required and automatically added for the below strategies.##

**Spreads (Level 2).**\*\* Capital Preservation, Growth, 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).

**Short Uncovered (Level 3).**\* Capital Preservation, Growth, Speculation, and Income. Strategy level includes all of the above, 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 (Level 0), Long (Level 1) and Spreads (Level 2) are the only strategy levels permitted in eligible retirement accounts.

†Securities regulations require that options spreads occur in a margin account. For retirement accounts, the limited margin feature is needed to support Spreads (Level 2). You may apply for limited margin and Spreads (Level 2) by reviewing and accepting the terms of the Supplemental Agreement for Limited Margin and Trading Option Spreads in Your Retirement Account.

‡If your Account is approved for option trading and if your Account is enrolled in the Bank Sweep Cash Feature, Schwab will change the cash feature on your Account to the Schwab One® Interest feature. Schwab will provide you with written notice of a change in your cash feature at least 30 days in advance.

### 4. Tell Us About Yourself

You must complete all fields of this section for each individual who is authorized to trade in this account.

We respect your privacy and will only use the information you provide to service your account(s), communicate with you, and provide information about products and services. Read about Schwab's privacy policy at [www.schwab.com/privacy](http://www.schwab.com/privacy).

#### Individual 1

Name *First* \_\_\_\_\_ *Middle* \_\_\_\_\_ *Last* \_\_\_\_\_

#### Marital Status

Single       Married       Divorced       Widowed

Number of Dependents \_\_\_\_\_

Securities industry regulations require that we collect the following information.

**Employment Information** (Please select only one box.)

Employed     Self-Employed     Retired     Homemaker     Student     Not Employed

**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)

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

City \_\_\_\_\_ State or Province \_\_\_\_\_ Zip or Postal Code \_\_\_\_\_ Country \_\_\_\_\_

**Primary Source of Income** If your income is not from employment (salary and wages), you must identify 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*): \_\_\_\_\_

**Relationship to Account**

If you select Agent or Attorney-in-Fact, complete "Knowledge Level" and "Investment Experience" sections only, and complete the Schwab Power of Attorney form.

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

**You Must Provide Specific Information Below.**

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.

**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 (\$000's of U.S. Dollars)

\_\_\_\_\_  
Liquid Net Worth (\$000's of U.S. Dollars)

\_\_\_\_\_  
Total Net Worth (\$000's of 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 U.S. Dollar Amount per Trade (in 000s)

**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 U.S. Dollar Amount per Trade (in 000s)

**Bonds**

**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 U.S. Dollar Amount per Trade (in 000s)

**Commodities**

Commodities can include precious metals such as gold, agricultural products such as wheat, and energy products such as oil.

**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 U.S. Dollar Amount per Trade (in 000s)

**Other Financial Instruments**

Other financial instruments besides stocks, bonds, or commodities. This can include real estate, cryptocurrency, and collectibles.

**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 U.S. Dollar Amount per Trade (in 000s)

**Individual 2**

\_\_\_\_\_  
Name First

\_\_\_\_\_  
Middle

\_\_\_\_\_  
Last

**Marital Status**

Single  Married  Divorced  Widowed

**Number of Dependents** \_\_\_\_\_

Securities industry regulations require that we collect the following information.

**Employment Information** (Please select only one box.)

Employed  Self-Employed  Retired  Homemaker  Student  Not Employed

**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)

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

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

\_\_\_\_\_  
City

\_\_\_\_\_  
State or Province

\_\_\_\_\_  
Zip or Postal Code

\_\_\_\_\_  
Country

**Primary Source of Income** If your income is not from employment (salary and wages), you must identify 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): \_\_\_\_\_

**Relationship to Account**

If you select Agent or Attorney-in-Fact, complete "Knowledge Level" and "Investment Experience" sections only, and complete the Schwab Power of Attorney form.

Account Holder and Spouse of Joint Owner  Account Holder and Non-Spouse of Joint Owner  Agent or Attorney-in-Fact  
 Trustee/Grantor  Authorized Agent of Organization

**You Must Provide Specific Information Below.**

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.

**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 (\$000's of U.S. Dollars)

\_\_\_\_\_  
Liquid Net Worth (\$000's of U.S. Dollars)

\_\_\_\_\_  
Total Net Worth (\$000's of 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 U.S. Dollar Amount per Trade (in 000s)**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 U.S. Dollar Amount per Trade (in 000s)**Bonds**

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 U.S. Dollar Amount per Trade (in 000s)**Commodities**

Commodities can include precious metals such as gold, agricultural products such as wheat, and energy products such as oil.

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 U.S. Dollar Amount per Trade (in 000s)**Other Financial Instruments**

Other financial instruments besides stocks, bonds, or commodities. This can include real estate, cryptocurrency, and collectibles.

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 U.S. Dollar Amount per Trade (in 000s)**5. Certificate of Authority (for Organization Accounts Only)**

This section is required for, and applies to, Organization accounts only:

- S Corporations
- Sole Proprietorships
- Limited Liability Companies
- C Corporations
- Partnerships
- Non-Incorporated Associations

I, \_\_\_\_\_ (certifying officer), the \_\_\_\_\_  
 (primary role) of \_\_\_\_\_ (name of entity), a \_\_\_\_\_ (type of entity), duly organized or already existing  
 under the laws of the state (or country, if foreign entity) of \_\_\_\_\_

(the "Account Holder"), hereby certify (1) that the person(s) whose signature(s) appear(s) in Section 7 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).



Signature: Certifying Officer

Today's Date (mm/dd/yyyy)

Print Name

Title

**6. Acceptance of Agreements, Certification of Trust and Signature(s)**

Please read and sign below.

**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) Options Trading Rules and (2) Options 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 provided 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.

**For eligible non-retirement accounts only: Acceptance of Margin Application Agreement**

If you have selected to add margin to your account, you are applying for authorization to borrow money from Schwab using your assets as collateral. By signing the Options Trading and Margin 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.

**For Eligible Retirement Accounts Only: Acceptance of Supplemental Agreement for Limited Margin and Trading Options Spreads in Your Retirement Account**

You acknowledge that you have received and read a copy of the attached (1) Supplemental Agreement for Limited Margin and Trading Option Spreads in Your Retirement Account, (2) Supplemental Terms for Using Limited Margin to Execute Options Spreads ("Supplemental Terms") and (3) Margin Risk Disclosure Statement. You acknowledge that your signature signifies and constitutes your agreement that the margin portion in your retirement account and any transactions involving spread option trading will be governed by the Supplemental Terms. For purposes of this Supplemental Agreement and the attached Supplemental Terms, the terms "you," "your," and "Account Holder" refer to each person who signs this Account Application. The terms "we," "us," "our," and "Schwab" refer to Charles Schwab & Co., Inc.

You agree that no provision of this Supplemental Agreement can be amended or waived except in writing signed by an authorized representative of Schwab. You agree that Schwab may at any time, and in its sole discretion, cease to permit limited margin and/or spread option trading in your retirement account without providing advance notice to you. You further agree that Schwab may amend the terms of this Supplemental Agreement at its discretion.

Deemed distributions from your retirement account will generally be subject to federal (and possible state) income tax. By signing this form, you elect to not have federal or state income tax withheld. You understand that you will be liable for payment of federal and state income taxes on the taxable portion of any deemed distribution. You may also be subject to tax penalties under the estimated tax payment rules if your withholding and payment of estimated tax, if any, are not adequate.

You understand that the IRC and related regulations rules regarding limited margin and/or spread option trading in your retirement account may be unclear and that Schwab has not offered or provided you with any tax advice. You understand and agree that a determination by Schwab to treat a transaction as having a particular tax consequence is for the protection of Schwab and not a guarantee that the Internal Revenue Service (IRS) will treat the transaction in the same manner.

This general information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice and is not intended to be construed as tax advice. This information cannot be used for the purpose of avoiding penalties that may be imposed under the IRC or applicable state or local tax law provisions. You assume full responsibility for reviewing the terms of each investment in your account and hereby represent that trading limited margin strategies does not constitute a prohibited transaction as defined under ERISA or the IRC. Where specific advice is necessary or appropriate, Schwab recommends consulting with a qualified tax advisor, CPA, financial planner, or investment manager.

**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.

**7. Signatures**

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, agents or attorneys-in-fact, trustees, and authorized agents must sign and date using blue or black ink.

**X**

\_\_\_\_\_  
Signature: Account Holder, Agent or Attorney-in-Fact, Trustee, or Authorized Agent

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

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

**X**

\_\_\_\_\_  
Signature: Account Holder, Agent or Attorney-in-Fact, Trustee, or Authorized Agent

\_\_\_\_\_  
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 options contract per hundred shares, unless otherwise specified.
2. Securities purchased for covered call writing must be paid for by the standard settlement date. Proceeds from the options 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 calls may be written 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 it 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. Covered puts may only be written in non-retirement accounts with margin approval.
2. A put is also covered when there is sufficient cash to cover the stock purchase if the put were assigned; this is known as a cash-secured put.
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 option (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 Combinations.

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 indices, \$5,000 in equity must be on deposit, and before placing an order to sell uncovered options on broad-based indices, \$5,000 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 options 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 options 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 options 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 options 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 options transaction. Deposits, interest distributions, withdrawals and payments for options 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.)

### Assignments.

Short option 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 options trading.

**Option Equity Requirements\***

<b>Underlying Securities</b>	<b>Long Purchase</b>	<b>Uncovered</b>	<b>Spread<sup>†</sup></b>	<b>Short Straddle</b>
Equities & 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 \$5,000 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> \$0/\$5,000. <sup>‡</sup> <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> \$0/\$5,000. <sup>‡</sup>	The greater of the two uncovered contract requirements, plus the current option premium of the other contract (marked to the market). <b>Minimum:</b> \$5,000.
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 \$5,000 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> \$0/\$5,000. <sup>‡</sup> <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> \$0/\$5,000. <sup>‡</sup>	The greater of the two uncovered contract requirements, plus the current option premium of the other contract (marked to the market). <b>Minimum:</b> \$5,000.

\*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.

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

<sup>‡</sup>Retirement account initial minimum requirement for spreads is \$5,000; special minimums, when applicable under select offers, supersede published minimums.

**Options Agreement****Terms and Conditions.**

In consideration of our accepting your orders to trade options contracts for your Account referenced in Section 1 of the Options Trading and Margin 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 options contracts involves a high degree of risk and is not suitable for all investors.

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

- Understand the risks inherent in options trading;
- Are financially able to withstand options trading losses, including the loss of your entire investment; and
- Have determined that options 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 options transactions in your Account.

**2. Special Statement for Uncovered Option Writers.**

There are special risks associated with uncovered options 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.

- a. 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.
- b. 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.
- c. Uncovered options 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.
- d. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
- e. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.
- f. 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 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 options 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 options 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 options transactions, is subject to change.

**4. Importance of Accuracy on Your Application.**

You represent that the information you've provided on the Options Trading and Margin 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 options 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 indices and other underlying instruments. You agree that if you place orders for options 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 options trading or certain types of options transactions or specific options transactions in your Account.**

#### **6. Payment.**

Options transactions are settled on the first business day after the day your order is executed. We may decline to accept your order to purchase options 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, options 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 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 options 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 options 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 options contract we consider necessary or appropriate. Our failure to take any of the above 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 options contract, you agree to honor all 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 the Financial Industry Regulatory Authority. In the event 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 options 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 options contract, you agree to honor all exercise 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 options contract, you agree to pay the full aggregate exercise price provided for by the options contract. We'll accept exercise instructions for same-day execution on business days prior to 4:00 p.m. Eastern time for index options contracts, and prior to 5:00 p.m. Eastern time for equity options contracts. We'll 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 options 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 options expiration dates, and you will have sole responsibility for taking action to exercise an options contract before the option expires.

However, if you hold in your Account long equity options 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 options 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 options 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 options contracts that are any amount in-the-money. If you do not notify us to exercise a valuable options 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 options contract not being exercised.

#### **11. Assignments.**

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

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

#### **12. Position and Exercise Limits—Rules.**

You agree that you will not, either acting individually or together with others, directly or indirectly:

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

We may, at our discretion and without prior notice, impose house options position limitations. All options trading activity in your Account will be conducted according to the constitutions, rules, regulations and usages of the Options Clearing Corporation, the Financial Industry Regulatory Authority and any applicable exchange and/or regulatory agency.

**13. Multiple Party Accounts.**

When multiple account holders have different option trading knowledge and experience, the approved option trading level in the account will be based on the account holder with the most option trading knowledge and experience. You represent to Schwab that you have conferred with the other account holders regarding the approved option approval level for the account. Each account holder agrees to indemnify and hold Schwab harmless from claims related to the account being approved for the higher level of option trading.

**14. Account Agreement.**

All options 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 Options 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.

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## 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 at 1-877-870-7317. 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 nonequity 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 the NASD 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 options 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. 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 nonequity 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 your 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. 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.

#### **8. 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 verbal 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 manner or timing of the liquidation in order to prevent or minimize losses to you.

#### **9. 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, which may change daily, for borrowing securities. 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.

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.

# Certification of Trust

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

## Certification of Trust

By signing the Application, each Trustee represents and warrants that Charles Schwab & Co., Inc. ("Schwab") is authorized, as a brokerage firm, to open and maintain the Account on behalf of the Trust identified in this Application (the "Trust") in accordance with the account agreements applicable to this Account, including without limitation the authority to accept, hold and deliver assets belonging to the Trust, and to accept orders and other instructions relating to the Trust from the Trustees. The Trustees represent, warrant and certify that either the Trust or applicable law grants the Trustees the power to delegate to others (such as a financial advisor) the authority to give trading instructions with respect to the Account. The Trustees represent, warrant and certify that the Trust expressly grants them the power to buy, sell (including short sales), exchange, convert, tender, redeem and withdraw assets (including delivery of assets to and from the Account and delivery of assets to a Trustee personally), and, if the Margin Borrowing feature is not declined, to trade securities on margin or otherwise (including the purchase and/or sale of options contracts) for and at the risk of the Trust and to grant authority to a brokerage firm, acting as principal or otherwise, to pledge, repledge, hypothecate or rehypothecate assets of the Trust. **The Trustees agree to decline the Margin Borrowing feature if such authorizations for borrowing are not contained in the Trust. Note: Additional documents are required to add someone as a Power of Attorney. 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 Schwab Options Trading and Margin Application. Clients residing in certain non-U.S. jurisdictions are restricted from using margin for non-trading purposes.**

The Trustee(s) represent, warrant and certify 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 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."

# Supplemental Agreement for Limited Margin and Trading Option Spreads in Your Retirement Account

The limited margin feature in a qualified retirement account allows for the use of unsettled cash proceeds to trade stocks and spread options without incurring trade restrictions or good faith violations. The limited margin feature does **not** allow borrowing against the value of the retirement account portfolio to create margin debits, sell securities short, or establish naked options positions. To qualify for limited margin, you must meet eligibility requirements, and read and agree to a limited margin account supplement.

**The following terms, conditions, and disclosures supplement Schwab Account Agreements for the eligible retirement accounts below:**

<b>Traditional IRA</b>	<b>SEP IRA</b>	<b>Roth Inherited IRA</b>
<b>Rollover IRA</b>	<b>SIMPLE IRA</b>	<b>Individual 401(k)</b>
<b>Roth IRA</b>	<b>Inherited IRA</b>	<b>Roth Individual 401(k)</b>

## 1. Eligibility, Rules, and Limitations

- You must meet Schwab's minimum account equity requirement of \$5,000\* for either limited margin or spread option trading in your eligible retirement account. This balance can be comprised of cash, marginable security positions, sweep money market funds, or a combination of these. If you engage in pattern day trading activity in your retirement account, you will also be subject to the \$25,000 Pattern Day Trader minimum equity requirement. Schwab does not recommend that you engage in day trading in your retirement account.
  - \*Special minimums, when applicable under select offers, supersede published minimums.
- Schwab may, at its sole discretion, remove the limited margin and/or spread option trading features from your retirement account.
- Retirement accounts enrolled in discretionary advisory products such as Windhaven® Strategies, ThomasPartners® Strategies, or Institutional Intelligent Portfolios™ are not eligible to add limited margin or spread option trading to their retirement accounts.
- If the retirement account equity drops below the minimum equity requirement, you will no longer be able to open new spread positions until the minimum is met, through deposit, sale of sufficient securities, or transfer of sufficient assets.
- You may not use limited margin to borrow funds or maintain a debit balance.
- Margin activity, if any, will be reflected on your statements. Since the limited margin feature does not support margin borrowing, no margin interest will be charged.
- Schwab does not recommend any transaction or investment strategy in connection with establishing either limited margin or spread option trading.
- There may be tax implications for you resulting from the Internal Revenue Code (IRC) regarding limited margin or spread option trading in your retirement account. Schwab does not give tax advice. Please consult with your own tax advisor.
- Securities regulations require that spread option trading occur in a margin account. Your retirement account will be subject to a combination of cash and margin account regulations, including Federal Reserve Board Regulation T and various Self-Regulatory Organization regulations applicable to margin.
- Eligible retirement accounts are defined as follows:
  - Traditional IRA means an IRA allowing tax-deferred growth, and excludes Roth IRAs, SEP IRAs, and SIMPLE IRAs.
  - Roth IRA means an IRA designated as a Roth IRA as defined in IRC Section 408A, where qualified distributions may be tax-free.
  - Rollover IRA means an IRA that accepts assets transferred from another IRA or employer sponsored retirement savings plan like a 401(k), as defined under IRC Sections 408 and 402. A Rollover IRA may be a Traditional IRA or a Roth IRA.
  - Inherited IRA, also known as a beneficiary IRA, means an IRA for someone who inherits a tax-deferred retirement plan from a deceased person, as described in IRC Section 408(d)(3)(C).
  - Roth Inherited IRA, also known as a beneficiary Roth IRA, means a Roth IRA for someone who inherits a Roth retirement plan from a deceased person, as described in IRC Section 408(d)(3)(C).
  - SEP IRA means an IRA that is a simplified employee pension as defined in IRC Section 408(k).
  - SIMPLE IRA means an IRA that is a simple retirement account as defined in IRC Section 408(p).
  - Individual 401(k), also known as a Solo 401(k), means a retirement plan subject to IRC Section 401(k) that has no employee participants and is a "one-participant retirement plan" as defined in IRC Section 401(a)(35)(E)(iv) and ERISA Section 101(i)(8)(B), i.e., a retirement plan that on the first day of the plan year – (I) covered only one individual (or the individual and the individual's spouse) and the individual (or the individual and the individual's spouse) owned 100 percent of the plan sponsor (whether or not incorporated), or (II) covered only one or more partners (or partners and their spouses) in the plan sponsor.
  - Roth Individual 401(k), also known as a Roth Solo 401(k), means an Individual 401(k) for which contributions are treated as designated Roth contributions as described in IRC Section 402A.
- To trade option spreads, the retirement account must be approved for limited margin and Spreads (Level 2) option trading.

- You must maintain a cash balance equal to or greater than the requirement to exercise the options in the retirement account on the last day prior to expiration. Schwab may close your position without notice if you fail to meet the requirements for options exercise or assignment.
- Schwab may close your position without notice if you fail to meet the requirements for a spread or any other position in your account.
- Spread option trading is subject to all other restrictions and conditions in this Supplemental Agreement.
- Cash-Settled Indexes with American-style expiration are not eligible for spread option trading in your retirement account. Vertical and long calendar spreads on Cash-Settled Indexes with European-style expiration are generally permitted.
- You may not short stock or sell naked (uncovered) options.

**This Supplemental Agreement does not purport to disclose all of the risks and other significant aspects of limited margin and spread option trading in your eligible retirement account. You acknowledge that you will carefully consider whether limited margin or spread option trading is appropriate for you in light of your experience, knowledge, objectives, financial resources, retirement goals and resources, tax strategy, tax consequences, and other relevant circumstances.**

## 2. Acceptance of Risks

By applying to add limited margin and spread option trading to your eligible retirement account, you represent that you:

- Understand the risks and potential tax consequences inherent in using margin and spread option trading in your retirement account;
- Are financially able to withstand trading losses, including the loss of your entire investment, and the potential tax consequences associated with using margin and/or spread option trading in your retirement account;
- Understand that limited margin trades are cash up front and if you pledge any part of your retirement account as security for a loan, the part you pledge may be treated as a "deemed" distribution to you;
- Hereby confirm that you have determined either on your own or with the help of a professional tax advisor that engaging in limited margin and spread option trading in your retirement account will not result in a prohibited pledge of the assets of your retirement account and therefore will not result in a deemed distribution;
- Understand that if a short position or debit balance in the margin portion of your retirement account cannot be covered with assets in your retirement account, adverse tax consequences may occur, including, but not limited to, the possible imposition of excise taxes on deemed excess contributions and being treated as receiving a distribution even though you may not have received a cash or in-kind distribution. You understand that such a distribution could be subject to federal and state income tax and, depending on your age, may be subject to a premature distribution penalty;
- Have determined that limited margin and/or spread option trading is suitable for you, considering your financial situation, investment objectives, retirement goals and resources, and other relevant circumstances; and
- Agree that Schwab has not solicited or recommended that you engage in limited margin and/or spread option trading in your retirement account.
- Agree that any advisor or agent with trading authorization on your account can engage in limited margin and/or spread option trading in your retirement account.

## 3. Acceptance of Supplemental Terms and Tax Withholding Election

You acknowledge that you have received and read a copy of the attached (1) Supplemental Terms for Using Margin to Execute Options Spreads ("Supplemental Terms") and (2) Margin Risk Disclosure Statement. You agree that the margin portion in your retirement account and any transactions involving spread option trading will be governed by the Supplemental Terms. For purposes of this Supplemental Agreement and the attached Supplemental Terms, the terms "you," "your," and "Account Holder" refer to each person who signs this Account Application. The terms "we," "us," "our," and "Schwab" refer to Charles Schwab & Co., Inc.

You agree that no provision of this Supplemental Agreement can be amended or waived except in writing signed by an authorized representative of Schwab. You agree that Schwab may at any time, and in its sole discretion, cease to permit limited margin and/or spread option trading in your retirement account without providing advance notice to you. You further agree that Schwab may amend the terms of this Supplemental Agreement at its discretion.

Deemed distributions from your retirement account will generally be subject to federal (and possible state) income tax. You elect to not have federal or state income tax withheld, and understand that you will be liable for payment of federal and state income taxes on the taxable portion of any deemed distribution. You may also be subject to tax penalties under the estimated tax payment rules if your withholding and payment of estimated tax, if any, are not adequate.

You understand that the IRC and related regulations regarding limited margin and/or spread option trading in your retirement account may be unclear and that Schwab has not offered or provided you with any tax advice. You understand and agree that a determination by Schwab to treat a transaction as having a particular tax consequence is for the protection of Schwab and not a guarantee that the Internal Revenue Service (IRS) will treat the transaction in the same manner.

This general information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice and is not intended to be construed as tax advice. This information cannot be used for the purpose of avoiding penalties that may be imposed under the IRC or applicable state or local tax law provisions. You assume full responsibility for reviewing the terms of each investment in your account and hereby represent that trading limited margin strategies does not constitute a prohibited transaction as defined under ERISA or the IRC. Where specific advice is necessary or appropriate, Schwab recommends consulting with a qualified tax advisor, CPA, financial planner, or investment manager.

# Supplemental Terms for Using Limited Margin to Execute Options Spreads

These terms, conditions and disclosures relate to your eligible retirement account and are part of the Account Agreement between each Account Holder and Charles Schwab & Co., Inc. ("Schwab"). Please read and retain for your files.

## 1. Acknowledgment of Risks of Options Spreads

You should be aware that while Options Spreads can sometimes be considered an approach to reduce trading risks, there are serious consequences that can result from executing Options Spreads. Some, though not all, of the risks that you should consider before trading Options Spreads include:

### ▪ Early Exercise and Assignment Can Create Risk and Loss

Options Spreads are subject to early exercise or assignment. All American-style short option positions are liable for assignment at any time. We allocate exercise 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 assignment) those contracts that are subject to exercise. You acknowledge that the assignment process may result in multiple partial assignments and/or multiple transactions to fulfill a single assignment, and a separate commission charge will apply to each partial assignment or transaction needed to complete an assignment.

These early assignments can not only remove the very protection that you may have been seeking, but can lead to money due and/or greater losses than anticipated when you entered the trade.

In cases where exercise or assignment results in money due or a disallowed short equity position in your retirement account, or has the potential to create such a condition, by entering into this Agreement you authorize Schwab to take such actions as may be necessary with respect to your retirement account to manage risk. These actions may include, without limitation, exercising or entering "Do Not Exercise" instructions for the long side of the spread, selling the long side of the spread, buying to close the short side of the spread, closing other option or equity positions in your retirement account to generate sufficient cash to cover any potential deficit condition, including to generate sufficient cash to buy to close any short equity position, or taking other actions as may be necessary. For more information, see Section 3, "Margin Terms and Disclosure of Credit Policies for Limited Margin Accounts.

### ▪ Execution of Spread Orders Is Often "Not Held" and at the Discretion of the Marketplace

Because Options Spreads are a combination of standardized put and call contracts, they have no benchmarks such as "time and sales" or "NBBO" (National Best Bid/Offer); therefore, the "market" cannot be "held" to a price.

### ▪ Spread Pairing

When you establish a spread position, the purchased option is required to expire on the same or later date than the option sold. When there is more than one possible way to pair available options in your retirement account, Schwab's systems determine spread pairings and may not pair options in a manner that produces the lowest possible margin or equity requirements (hereinafter referred to as either "margin requirements" for standard margin accounts or "equity requirements" for limited margin or cash accounts).

### ▪ Spreads Are Bona-Fide Trades and Not "Legged" or "Paired" Individual Separate Trades

Consolidated quotes may be confusing when trading Options Spreads. An option may be offered on one exchange and bid on another exchange, which can lead the investor to believe that a spread order should be filled, when, in fact, the bids and offers must be on the same exchange. All bona-fide spreads are routed and executed on "one" exchange.

### ▪ Spreads Are Generally Entered on a Single Exchange and Are Acted Upon by a Market Maker or Floor Broker

Spreads are executed at the discretion of a market maker or floor broker and when canceled or filled may require that the market maker take manual action and require manual reporting at times. Delays for reporting of fills and cancels may create additional risks in fast or changing markets.

### ▪ Closing Transactions May Not Be Possible

If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated for indefinite periods or until expiration or assignment.

## 2. Acknowledgment of Tax Risks in Using Limited Margin to Execute Options Spreads

### ▪ Pledging Account as Security

You understand that using your retirement account or any portion thereof as security for a loan, the portion so used is treated as distributed to that individual. You should consult with a professional tax advisor to determine whether establishing the limited margin feature or trading Options Spreads will trigger a taxable distribution. In addition, if

there is an actual extension of credit as a result of the margin account (e.g., failure to pay for trades by settlement, or failure to promptly close any short equity position resulting from options exercise or assignment), Schwab may be required to report the loan as a taxable distribution from your retirement account.

### ▪ Deemed Distributions and Withholding

Deemed distributions from a retirement account are subject to the same withholding requirements that apply to regular distributions. As provided in the Application and Authorization Agreement, in the event of a deemed distribution as a result of the limited margin account, the owner elects out of income tax withholding. However, you remain liable for the tax to the IRS and any applicable state taxing authorities. Retirement account holders under age 59½ may also be subject to an early withdrawal penalty. Should there be a deemed distribution, Schwab will be required to report the deemed distribution to the IRS on Form 1099-R. You will also have an obligation to report any taxable distributions to the IRS.

### ▪ Deemed Contributions

Deemed contributions may arise where there are failed margin calls and loan write-offs. Schwab will be required to report on Form 5498 any deemed contributions to the retirement account.

In addition, you may be responsible for any excise tax applied to deemed contributions.

### ▪ Unrelated Business Income Tax (UBIT)

Retirement accounts are subject to UBIT. Income attributable to debt actually incurred by your retirement account is likely to be taxable at a rate defined in the IRC.

### ▪ Limits on Additional Contributions

Trades requiring margin, including American-style Options Spreads, may require a deposit of additional funds to your retirement account to maintain sufficient margin. However, the IRC places restrictions and limits on the amount of funds that can be deposited to a retirement account. Deposits to the retirement account in excess of such limits may cause adverse tax consequences, including, but not limited to, forfeiture of tax advantages and/or the risk of penalties imposed by the IRS.

## 3. Margin Terms and Disclosure of Credit Policies for Limited Margin Accounts

### ▪ Payment for Transactions

When you execute Options Spreads in the margin portion of your eligible retirement account, you agree to deposit the required

initial equity by the settlement date and to maintain your equity at the required levels. However, by entering into this Agreement, you authorize Schwab to liquidate at any time (including on or before the settlement date) depending on market conditions in order to maintain required equity levels or mitigate risk. In addition, you agree to contribute to your retirement account as necessary to pay any debit remaining. You understand that such a contribution could have adverse tax consequences for you.

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 retirement account to pay the purchase price, if you do not have sufficient equity in your retirement account to meet applicable equity requirements or for other reasons subject to our discretion. In all cases, Options Spreads 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 your retirement account.

#### ■ Maintenance of Collateral

You represent that Options Spreads in your retirement account will not require collateral or result in liabilities or obligations in excess of the value of the assets in your retirement account. You agree that a sufficient cash balance will be available in your retirement account to cover any potential exercise or assignment arising from any Options Spreads; and if an exercise or assignment creates a short position or debit balance in the margin portion of your retirement account, the deficit condition will be covered immediately with assets in your retirement account. You understand that amounts available for purchases within your retirement account may be limited due to amounts needed to satisfy minimum equity requirements.

#### ■ Liquidation

If you do not maintain enough equity in your retirement 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 retirement account that we, in the reasonable exercise of our business judgment, consider necessary for our protection. **Holders of long options in a retirement account must have a cash balance equal to or greater than the requirement to exercise the options in the account on the last trading day prior to expiration or we may close out the position in the open market on a "best-effort" basis prior to the market close.**

Whenever it is necessary for our protection or to satisfy a 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 in your retirement account securing your obligations, or close any or all transactions in your retirement account. With respect to your Options Spreads transactions associated with your limited margin account, Schwab will not seek collateral from any of your other accounts as security for your obligations in your retirement account.

It is our policy to attempt to contact you, when practicable, before taking any action described in this section by sending you a margin call or money due notice (hereinafter referred to as either a "margin call" for standard margin accounts or a "money due notice" for limited margin and cash retirement accounts). 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 in your retirement account 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.

You agree to pay on demand any account deficiencies after liquidation, whether liquidation is complete or partial.

You are responsible for monitoring the status of your account, for ensuring that a sufficient cash balance is maintained in the account and for liquidating positions to minimize losses. Any action we take or do not take to issue a money due notice or liquidate positions 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 manner or timing of the liquidation in order to prevent or minimize losses to you.

#### ■ Short Sales and Other Borrowing

Schwab will not permit the borrowing of funds or the ability to have a debit balance in your retirement account. You may not sell stock short or sell naked (uncovered) options.

#### ■ Interest on Debit Balances

Debit balances are not permitted in your retirement account. No other interest will be charged.

#### ■ Account Agreement

All transactions in the margin portion of your retirement account are subject to the applicable Application and Authorization

Agreement in its entirety and any other written agreements between you and Schwab, all as amended from time to time. In the event of a conflict between the terms of this Application and Authorization Agreement and any other agreement to which Schwab or any of its affiliates and you are parties, the terms of this Application and Authorization Agreement will control.

#### 4. Release and Indemnification of Schwab

You agree that neither Schwab nor any of its officers, directors, employees, agents or representatives will have any liability for any consequential, incidental, special, exemplary, punitive or any other damages with respect to your decision to engage in Options Spreads or in limited margin trading in your retirement account.

To the extent permitted by law, you agree to indemnify Schwab and each person named above from any and all liability or responsibility for any and all claims of whatever nature, losses, costs, charges, fees, expenses, penalties and damages in any way arising from or as a result of Schwab's effecting and/or executing any Options Spreads or limited margin transactions in your retirement account, or the failure or breach at any time of any representation, warranty, or covenant made by you in this Application and Authorization Agreement.

#### 5. Limited Margin Risk Disclosure

When considering the use of a limited margin retirement account, you should determine how the use of margin fits your own investment philosophy. Because of the risks involved, it is important that you fully understand the rules and requirements involved in trading Options Spreads and/or limited margin. The following paragraphs highlight some of these critical aspects of limited margin trading:

**Limited margin trading increases your level of market risk.** Since options are a derivative instrument, limited margin trading of Options Spreads increases your potential market exposure by allowing you to purchase or write options contracts on a greater amount of securities with your investing dollar. Therefore, your exposure to market volatility increases—a volatile market could result in even greater losses. **A decline in the value of positions that you open using limited margin may require you to provide additional funds to Schwab in order to avoid the forced sale or buyback of those positions or other positions in your retirement account.**

**Your downside is not limited to the current equity value in your limited margin account.** If the positions in your retirement account decline in value, so does the value of your retirement account equity. When the value of your retirement account equity falls below the maintenance equity requirements, or Schwab's higher "house" requirements, Schwab can move to protect its position. In order to cover

maintenance equity deficiencies, Schwab may issue you a money due notice --a request for additional cash --or sell or buy back positions in your retirement account. If a sale or buyback does not cover the deficiency, you will be responsible for any shortfall.

**Schwab may initiate the sale or buyback of any positions in your retirement account, without contacting you, to meet a money due notice.** Schwab will attempt to involve you in the case of maintenance equity deficiency; however, market conditions may require the firm to quickly sell or buy back any of your positions without your consent. Because the positions are equity to meet the maintenance equity requirements, Schwab has the right to decide which positions to sell or buy back in order to protect its interests. Even if Schwab has contacted you and provided a specific date by which you can meet a money due notice, the firm can still take necessary steps to protect its financial interests, including immediately selling or buying back the positions without prior notice to you. Schwab's "house" initial and maintenance equity requirements may exceed those established by the Federal Reserve Board and/or the Financial Industry Regulatory Authority (FINRA). Please call Schwab for current initial and maintenance equity requirements. Schwab may change its initial equity requirements at any time and without prior notice. We may also impose at any time 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 equity requirements often take effect immediately and may result in the issuance of a maintenance money due notice. Your failure to satisfy the money due notice may cause Schwab to liquidate, buy back or sell positions in your retirement account. Schwab retains absolute discretion to determine whether, when, and in what amounts we will require additional equity. For example, we may require additional equity if a retirement account contains only one position or a large concentration of one or more positions; if a retirement account contains low-priced, thinly traded, or volatile securities or derivatives; or if some of your equity is or becomes restricted, non-negotiable or limited margin ineligible. 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 money due notice.** While an extension of time to meet equity requirements may be available to customers under certain conditions, a customer does not have a right to the extension.