



October 2026

Cash Features Program Disclosure Statement

Please carefully read this document, which replaces prior version(s) of Cash Features Disclosure Statements Schwab has provided to you.

Contents

1. Introduction	3
2. How to Get More Information or Make Changes Involving Your Cash Feature	4
3. Interest Rates and Yields	4
4. Eligibility for Cash Features; Your Responsibility to Monitor	4
(A) Accounts for Clients Residing Outside the United States	5
(B) Changes to Eligibility Requirements	5
(C) If You Are No Longer Eligible for a Cash Feature in Which You Are Enrolled	5
5. Your Limited Ability to Change Your Cash Feature Election	5
6. Schwab's Right to Make Changes to Your Cash Feature and the Cash Features Program	6
7. The Bank Sweep and Bank Sweep for Benefit Plans Features	6
(A) Introduction	6
(B) Program Banks	6
(C) Schwab's Ability to Change the Order of the Program Banks Assigned to Your Account	7
(D) Deposits	8
(E) Withdrawals	9
(F) Interest	10
(G) Account Statements	11
(H) Your Relationship With Schwab and the Program Banks	11
(I) FDIC Insurance	12
8. The Schwab One® Interest Feature	17
9. The Money Fund Sweep Feature	18
10. Benefits to the Affiliated Program Banks, Schwab, The Charles Schwab Corporation, and Other Schwab Affiliates	20
11. Comparison of Schwab Cash Features	21

Contact Us

If you have any questions or need more information about the Cash Features described in this Disclosure Statement, please call us at **1-800-435-4000**. If your Account is an Advisor Services Account, please contact your advisor or call Schwab Alliance at **1-800-515-2157**.

Cash Features Disclosure Statement

1. Introduction

We¹ offer the Cash Features Program, a service to automatically invest, or “sweep,” the “Free Credit Balance”² in your eligible³ Schwab brokerage accounts (“Accounts”), including Accounts managed by an independent investment advisor (“Advisor Services Accounts”), into a liquid investment to potentially earn interest. The Cash Features Program permits you to potentially earn income through a variety of options (“Cash Features” or “Features”) while you decide how those funds should be invested longer term. This document tells you what these Cash Features are and which Cash Features are available to you. It also contains important disclosures about each Cash Feature.

With respect to some Account types, eligibility for Cash Features is determined as set forth in the applicable account application (“Account Application”). Terms not defined herein that are defined in the account agreement applicable to your Account (“Account Agreement”) have the same meanings as in the Account Agreement.

You should also consider higher-return options for funds that are not needed immediately, as yields on any of our Cash Features are generally lower than or equal to those of similar investments or deposit accounts offered outside of the Cash Features Program. Please visit www.schwab.com/cash for investment alternatives. If your Account is an Advisor Services Account, please contact your independent investment advisor (“advisor”) or call Schwab Alliance at **1-800-515-2157**.

Please read this document carefully and keep a copy for your records. You should also read the prospectuses for any Schwab money market funds (“Schwab Sweep Money Funds”) that are available through the Cash Features Program.

Note that we offer no advice, and make no recommendations, regarding whether you should enroll in any Cash Feature, or in which Cash Feature you should enroll.

The Cash Features available in Schwab’s Cash Features Program consist of the following:

- The “Bank Sweep” and, for retirement plan accounts, “Bank Sweep for Benefit Plans” Features, which automatically make deposits to and withdrawals from deposit accounts (“Deposit Accounts”) at one or more banks (collectively, the “Program Banks”), whose deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”), subject to the satisfaction of certain conditions, up to applicable limits described below;
- The “Schwab One® Interest” Feature, which potentially pays you interest on the Free Credit Balance in your Account; and
- The “Money Fund Sweep” Feature, which automatically invests in and redeems shares of a Schwab Sweep Money Fund.

When you opened your Account, you either selected a Cash Feature or were informed of the Cash Feature designated for your Account. If you would prefer, and are eligible for, a Cash Feature other than your current Cash Feature, you may request to change your Cash Feature by contacting us as provided in Section 2.

2. How to Get More Information or Make Changes Involving Your Cash Feature

If you would like more information or have questions about any Cash Feature or would like to make any changes described in this Cash Features Disclosure Statement (“Disclosure Statement”) to or involving a Cash Feature, call **1-800-435-4000**. If your Account is an Advisor Services Account, contact your advisor, or call Schwab Alliance at **1-800-515-2157**.

Current interest rates and yields for each Cash Feature also can be obtained online at [**www.schwab.com/sweep**](http://www.schwab.com/sweep).

3. Interest Rates and Yields

The interest rates and yields for the various Cash Features vary over time. Interest rates and yields for the Bank Sweep and Schwab One® Interest Features can also vary based on account type. There is no guarantee that the interest rate or yield on any particular Cash Feature will be or will remain higher than the interest rate or yield on other Cash Features over any period. In certain circumstances, the interest rate could be zero. For more information regarding interest rates in the Bank Sweep or Bank Sweep for Benefit Plans Features, see the discussion in Section 7(F) below; for more information regarding interest rates under the Schwab One® Interest Feature, see the discussion in Section 8 below; and for more information regarding yields under the Schwab Sweep Money Funds Feature, see the discussion in Section 9 below.

Cash Features are not intended for long-term investments, and yields on any of Schwab's Cash Features can be lower than those of similar investments or deposit accounts offered outside of the Cash Features Program. If you desire to maintain cash balances for other than a short-term period and/or are seeking the highest yields currently available, please contact your Schwab representative or visit [**www.schwab.com/cash**](http://www.schwab.com/cash) for investment options that are available outside of the Cash Features Program to help maximize your return potential consistent with your investment objectives and risk tolerance. If your Account is an Advisor Services Account, please contact your advisor or call Schwab Alliance at **1-800-515-2157** for investment alternatives.

4. Eligibility for Cash Features; Your Responsibility to Monitor

It is your responsibility to monitor your eligibility for the Cash Features and determine the best Cash Feature available to you. Schwab is not responsible for contacting you if you are, or later become, eligible for other higher-yielding Cash Features. Information about eligibility for particular Cash Features is set forth below and is available at any time by contacting us or by going to [**www.schwab.com/sweep**](http://www.schwab.com/sweep).

Eligibility for Cash Features is generally based on the registered ownership of the Account, and applicable laws and regulations. Most Accounts are only eligible for the Bank Sweep and/or the Schwab One® Interest Features. There are certain accounts (listed below) that are only eligible for the Schwab One® Interest Feature. If your Account is one of the below account types and is enrolled in a different Cash Feature, Schwab will periodically review the designated Cash Feature on accounts and will, upon at least 30 days' advance written notice to you, change the Cash Feature on your Account to the Schwab One® Interest Cash Feature. These accounts are only eligible for the Schwab One® Interest Feature:

- Brokerage accounts that are enrolled in Portfolio Margin.⁴
- Brokerage accounts that are approved for Option Trading.
- Brokerage accounts that are pledged against a line of credit at Schwab affiliated banks (PAL).
- Brokerage accounts linked to a Schwab Bank Investor Checking™ account.

(A) Accounts for Clients Residing Outside the United States

Eligibility for particular Cash Features (including Cash Features that pay interest or yield) varies by jurisdiction. Therefore, if you reside outside the United States when you open your Account, or at any time thereafter, your eligibility for a particular Cash Feature could change. Please call the International Services Team at **1-877-686-1937** (or **+1-415-667-8400** if calling from outside the U.S.) if you have questions about which Cash Features are available in your jurisdiction.

(B) Changes to Eligibility Requirements

We can change the eligibility requirements for any Cash Feature or the Cash Features Program or make certain Cash Features available to Accounts that do not otherwise meet the published criteria. As more fully described in Section 6, we will notify you in advance if any change in eligibility affects your Account.

(C) If You Are No Longer Eligible for a Cash Feature in Which You Are Enrolled

If you become ineligible for a particular Cash Feature or if Schwab discontinues your Cash Feature, then you authorize Schwab to designate another Cash Feature for which your Account is then eligible and to transfer the funds from the ineligible or discontinued Cash Feature to the Cash Feature designated by Schwab for you. Schwab will notify you in writing prior to such changes.

If you are an existing Company Retirement Account client or an existing Schwab Personal Choice Retirement Account® client who is currently invested in a Schwab Sweep Money Fund, and if you become ineligible for your existing Schwab Sweep Money Fund due to changes in the terms and conditions of the fund, Schwab will designate the Bank Sweep for Benefit Plans Feature as your Cash Feature.

5. Your Limited Ability to Change Your Cash Feature Election

If you wish to change the Cash Feature in your Account to another Cash Feature for which your Account is eligible, contact us as provided in Section 2.

If you change from a Cash Feature for which your Account is no longer eligible, you may not change back to that Cash Feature until your Account once again meets its eligibility requirements.

If you request a change from your current Cash Feature to one of the alternatives available to you, Schwab will generally affect that change the following Business Day but reserves the right to take longer if necessary to properly process your request.

A request to change your Cash Feature from the Schwab One® Interest Feature or Money Fund Sweep Feature to the Bank Sweep or Bank Sweep for Benefit Plans Feature is subject to the Program Banks' deposit capacity at the time of your request. Therefore, if the Program Banks do not have sufficient capacity at the time of your request, your request could be subject to a delay, which may be substantial.

As a condition to changing your Cash Feature, Schwab will transfer the funds in your prior Cash Feature to your new Cash Feature. In other words, as applicable, we will redeem all shares in your Schwab Sweep Money Fund, withdraw all funds in Deposit Accounts at one or more of the Program Banks, or transfer all funds in your Schwab One® Interest Feature and place the proceeds or funds in your new Cash Feature.

Changing Cash Features can result in the loss of one or more Business Days' interest or dividends. During this time, we will earn and retain interest on your funds, generally at money market rates. See the "Float Disclosure" section in your Account Agreement for more information.

6. Schwab's Right to Make Changes to Your Cash Feature and the Cash Features Program

In addition to our right to change the eligibility requirements for Cash Features (as described in Section 4(B) above), you understand and agree that Schwab can: (1) make changes to the terms and conditions of our Cash Features Program; (2) make changes to the terms and conditions of any Cash Feature; (3) change, add, or discontinue any Cash Feature; (4) change your investment from one Cash Feature to another if your Account becomes ineligible for your current Cash Feature or your Cash Feature is discontinued; and (5) make any other changes to the Cash Features Program or Cash Features as allowed by law. Schwab will notify you in writing of changes to the terms of Cash Features (including, if applicable, a description of the new terms and conditions), changes to the Cash Features we make available, or a change in the Cash Features Program prior to the effective date of the proposed change.

The changes in terms of Cash Features will apply to any Cash Feature in which you participate, until you elect to change to another Cash Feature (to the extent permitted).

A change in your Cash Feature can result in the loss of one or more Business Days' interest or dividends. During this time, we will earn and retain interest on your funds, generally at money market rates. See the "Float Disclosure" section in your Account Agreement for more information.

7. The Bank Sweep and Bank Sweep for Benefit Plans Features

(A) Introduction

The Bank Sweep and Bank Sweep for Benefit Plans Features automatically make deposits to and withdrawals from Deposit Accounts at one or more Program Banks. Subject to the satisfaction of certain conditions, your funds in the Deposit Accounts at each Program Bank are eligible for deposit insurance by the FDIC up to the standard maximum deposit insurance amount (SMDIA) established by the FDIC (\$250,000 as of the date of this Disclosure Statement) per depositor for principal and accrued interest when aggregated with all other deposits held by you in the same insurable capacity at that Program Bank. Please read Section 7(H) below for important information about the deposit insurance coverage for different types of accounts and how the FDIC aggregates balances in multiple accounts when calculating the amount of your coverage.

(B) Program Banks

The Program Banks participating in the Bank Sweep and Bank Sweep for Benefit Plans Features are:

- Charles Schwab Bank, SSB ("Schwab Bank") (which also serves as "Excess Bank," as described below)
- Charles Schwab Premier Bank, SSB ("Schwab Premier Bank")
- Charles Schwab Trust Bank ("Trust Bank")
- TD Bank, N.A. ("TD Bank")
- TD Bank USA, N.A. ("TD Bank USA")

Schwab Bank and Schwab Premier Bank are both Texas-chartered savings banks that are regulated by the Texas Department of Savings and Mortgage Lending and the Federal Reserve Board. Trust Bank is a Nevada-chartered savings bank that is regulated by the Nevada Financial Institutions Division and the Federal Reserve Board. Schwab Bank, Schwab Premier Bank, and Trust Bank are separate but affiliated banks and wholly owned subsidiaries of The Charles Schwab Corporation (and are referred to as the "Affiliated Program Banks"). The Charles Schwab Corporation is a savings and loan

holding company, regulated by the Federal Reserve Board. TD Bank and TD Bank USA are national banks regulated by the Federal Office of the Comptroller of the Currency.

Upon request, we will provide you with the publicly available financial information you would receive if you established a Deposit Account directly with a Program Bank. In addition, you can obtain publicly available financial information about the Program Banks at www.ffiec.gov/NPW or by contacting the FDIC Public Information Center by mail at 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226, or by phone at **1-877-275-3342**.

We cannot guarantee in any way the financial condition of any Program Bank or the accuracy of any publicly available financial information about the Program Banks.

As of the date of this Disclosure Statement, Schwab provides both “Single-Bank” and “Multiple-Bank” Versions of the Bank Sweep Feature, and only a “Multiple-Bank” Version of the Bank Sweep for Benefit Plans Feature.

With the Single-Bank Version of the Bank Sweep Feature, Schwab Bank will be assigned as your Program Bank, and we will automatically make deposits to and withdrawals from Deposit Accounts at Schwab Bank.

With the Multiple-Bank Versions of the Bank Sweep and Bank Sweep for Benefit Plans Features, we will assign up to three Program Banks to your Account.

Schwab intends to move all accounts in the Single-Bank Version of the Bank Sweep Feature to the Multiple-Bank Version. We will provide you with written notice prior to your Account being moved from the Single-Bank Version of the Bank Sweep Feature to the Multiple-Bank Version.

(C) Schwab's Ability to Change the Order of the Program Banks Assigned to Your Account

Your account will be enrolled in one or more Program Banks. After enrollment, Schwab may change the Program Banks assigned to your Account (including the number of Program Banks assigned to your Account) and we may also change the order of the Program Banks assigned to your Account without advance written notice to you. You can see the Program Bank(s) assigned to your Account by checking the Balances page of Schwab.com and in the Schwab Mobile App after you log in. Please contact Schwab if you would prefer to change the Program Banks assigned to your Account.

For any other changes to the Bank Sweep and Bank Sweep for Benefits Plans Features, including Schwab adding a new participating Program Bank or Schwab deleting an existing participating Program Bank, we will provide you with at least 30 days' advance notice of any such changes to the Bank Sweep Feature, and at least 45 days' advance notice of any such changes to the Bank Sweep for Benefit Plans Feature, by message on your Account statement, by mail, or otherwise in writing. You may request a change to the Program Banks, or the order of the program Banks assigned to your Account. If you are currently enrolled in the Single-Bank Version of the Bank Sweep Feature, you may request Schwab to enroll your Account in the Multi-Bank Version of the Bank Sweep Feature. To request a change, please contact us as provided in Section 2.

You may not designate a Program Bank as ineligible to receive your funds. Thus, if you have deposits outside of the Bank Sweep or Bank Sweep for Benefit Plans Feature with any Program Bank, and those deposits combined with the deposits made on your behalf through the Bank Sweep or Bank Sweep for Benefit Plans Feature exceeds the SMDIA (\$250,000 as of the date of this Disclosure Statement), the amount exceeding the SMDIA will not be insured by the FDIC. If you have deposits outside of the Bank Sweep or Bank Sweep for Benefit Plans Feature with any Program Bank and wish to avoid having deposits in excess of the SMDIA, you can elect not to participate in the Bank Sweep or Bank Sweep for Benefit Plans Cash Feature. See the discussion in Section 7(H) for more information.

From time to time, we will add, delete, or replace one or more Program Banks participating in the Multiple-Bank Versions of both Cash Features. These changes could result in increasing or decreasing the overall FDIC insurance available through the Multiple-Bank Versions of the Bank Sweep and Bank Sweep for Benefit Plans Features. We will provide you at least 30 days' advance notice of any such changes to the Bank Sweep Feature, and at least 45 days' advance notice of any such changes to the Bank Sweep for Benefit Plans Feature, by message on your Account statement, by mail, or by other written means. If a Program Bank ceases to participate in either Cash Feature, you will be provided an opportunity to establish a direct depository relationship with that Program Bank, subject to the Program Bank's account opening policies. The consequences of maintaining a direct depository relationship with a Program Bank are discussed under "Your Relationship with Schwab and the Program Banks."

(D) Deposits

1. Allocation of Funds Between DDAs and MMDAs at Program Banks

When funds in your Account are first available (as determined according to your Account Agreement) for deposit into Deposit Accounts at a Program Bank, we, as your agent, will open two Deposit Accounts on your behalf at the Program Bank: a demand deposit account (DDA) and a money market deposit account (MMDA). The Deposit Accounts are a direct obligation of each Program Bank and are not, either directly or indirectly, guaranteed by Schwab or The Charles Schwab Corporation. After we open the Deposit Accounts, we will deposit the Free Credit Balances that accrue in your Account from time to time into the Deposit Accounts. We will determine a minimum balance you will need to maintain in your DDA to satisfy debits in your Account (money you will need for securities purchases, checking and debit card transactions, and the like) and will transfer funds from the MMDA to the DDA as needed to maintain that balance. We will also make other deposits into your DDA if you have reached the limit of six transfers from your MMDA, as described in Section 7(D) below.

2. Single-Bank Version of the Bank Sweep Feature

With the Single-Bank Version of the Bank Sweep Feature, Schwab will automatically deposit a Free Credit Balance of one dollar (\$1.00) or more in your Account on any Business Day into Deposit Accounts at Schwab Bank. **Free Credit Balances will be deposited into those Deposit Accounts without limit even if the amount in the Deposit Accounts exceeds the SMDIA (\$250,000 per depositor in the same insurable capacity as of the date of this Disclosure Statement).** As discussed in more detail in Section 7(H), if your total funds on deposit at Schwab Bank in the same insurable capacity exceed the applicable SMDIA, the FDIC will not insure your funds in excess of the limit. If you have deposits at Schwab Bank outside of the Bank Sweep Feature, and wish to avoid having deposits in excess of the SMDIA, you can request not to participate in the Bank Sweep Feature or switch to the Multiple-Bank Version if your Account is eligible. See the discussion in Section 7(H) for more information. There is no Single-Bank Version for the Bank Sweep for Benefits Plan Feature.

3. Multiple-Bank Versions of the Bank Sweep and Bank Sweep for Benefit Plans Features *General*

With the Multiple-Bank Versions of the Bank Sweep and Bank Sweep for Benefit Plans Features, Schwab will automatically deposit a Free Credit Balance of one dollar (\$1.00) or more in your Account on any Business Day into Deposit Accounts at the first Program Bank on your list in an amount up to \$249,000 (or \$249,000 per joint owner for Accounts held jointly by two or more individuals) (the "Deposit Limits"). Deposit Limits are set slightly below the applicable SMDIA established by the FDIC to help you avoid inadvertently exceeding the SMDIA via accrued interest.

The first \$249,000 in cash in your Account (except for joint tenant accounts, as covered below) will be deposited into the first Program Bank assigned to your Account. Cash balances in your Account between \$249,000.01 and \$498,000 will be deposited into

the second Program Bank assigned to your Account. If your Account has been assigned to three Program Banks, cash balances between \$498,000.01 and \$747,000 will be deposited into the third Program Bank assigned to your Account. Balances in excess of the limits above will be deposited into the “Excess Bank,” Schwab Bank, which will receive deposits without limit even if the amount exceeds the FDIC insurance available to you.

For joint accounts, the Deposit Limit for each Program Bank will be \$249,000 multiplied by the number of joint owners listed on the Account. For example, with a jointly held Account with two owners, balances up to \$498,000.00 would be deposited with the first Program Bank listed, and balances from \$498,000.01 to \$996,000 would be deposited with the second Program Bank listed. After your deposits reach the Deposit Limit at all of the Program Banks in your list, all remaining Free Credit Balances will be deposited into the “Excess Bank” (Schwab Bank), which will receive deposits without limit even if the amount exceeds the FDIC insurance available to you.

(Please note that due to operational limitations, the Deposit Limit for revocable and irrevocable trusts for each Program Bank will be \$249,000 regardless of the number of owners and beneficiaries. As a result, the amount of FDIC insurance for those types of trust accounts may be less than the maximum FDIC insurance coverage available under FDIC rules.)

Imposition of Maximum Deposit Amount Limit

In the unlikely event that it becomes necessary for the Program Banks to limit or reduce the amount of deposits they are able to accept through the Bank Sweep and/or Bank Sweep for Benefit Plans Features, Schwab will impose a maximum deposit amount (the “Maximum Deposit Amount Limit”) limiting the total amount of funds in a single Account that can be placed in Deposit Accounts with the Program Banks for either or both Cash Features. Thereafter, Schwab can either increase or decrease the Maximum Deposit Amount Limit as circumstances warrant.

If a Maximum Deposit Amount Limit is established (or the Maximum Deposit Amount Limit is reduced), Schwab will withdraw any funds in your Deposit Accounts with the Program Banks in excess of the Maximum Deposit Amount Limit and invest those funds in shares of the Schwab® Government Money Fund – Sweep Shares (or such other Schwab Sweep Money Fund that replaces such fund). At such time as a Maximum Deposit Amount Limit is no longer imposed, we will redeem all of the shares of the Schwab Sweep Money Fund and deposit the proceeds in accordance with the procedures of the Bank Sweep and Bank Sweep for Benefit Plans Features described above. Similarly, if a Maximum Deposit Amount Limit is increased, we will redeem an amount of shares of the Schwab Sweep Money Fund and deposit the proceeds in Bank Sweep or Bank Sweep for Benefit Plans Deposit Accounts up to the new higher Maximum Deposit Amount Limit.

Whenever possible, we will provide you with advance notice of the imposition of any Maximum Deposit Amount Limit or any change in the limit that affects your Account. However, in extraordinary circumstances, including, but not limited to, a sudden and significant increase in the amount of Free Credit Balances in customer accounts that are being swept to the Program Banks, we can impose or reduce a Maximum Deposit Amount Limit without prior notice to you. In such a situation, we will provide notification to you as soon as possible thereafter. Such notice may be included by message on your Account statement, by mail, or by other written means.

(E) Withdrawals

As your agent, we will make withdrawals from your Deposit Accounts as necessary to satisfy debits in your Account as set forth in your Account Agreement. Debits will be created: when you purchase securities; when you request funds to be withdrawn; or, if your Account includes cash management features, when you write a check on your

Account, when you make an online payment using the Schwab Bank Bill Pay™ service, or when you use your debit card, and there are insufficient credit balances in your Account to satisfy those transactions. Withdrawals are in the amount of the net debit position in your Account, after applying any credit offsets (e.g., from the proceeds of a sale of securities or the receipt of dividends or interest); no check, debit card drafts, or other item is drawn directly against the Deposit Accounts established for you at the Program Banks.

In the Single-Bank Version of the Bank Sweep Feature, Schwab will make withdrawals from your Deposit Accounts with Schwab Bank. In the Multiple-Bank Versions of the Bank Sweep and Bank Sweep for Benefit Plans Features, funds will be withdrawn from Deposit Accounts with the Program Banks on a “last in, first out” basis, which means that if you have Deposit Accounts with more than one Program Bank, funds will be withdrawn from the Program Banks in the reverse order from which the funds were deposited.

Schwab will first make withdrawals from your DDA at a Program Bank. If the balance in your DDA is insufficient to satisfy a debit, we will transfer funds from your MMDA to cover it, plus enough to maintain a minimum balance. If there are insufficient funds in your Deposit Accounts to satisfy the debit, we will withdraw funds from other available sources as described in your Account Agreement.

Schwab limits the number of transfers from an MMDA at a Program Bank to six during a monthly statement cycle. Any time this limit is reached, we will transfer all remaining funds in your MMDA to the DDA at the Program Bank and make all deposits for the rest of the month into the DDA. At the beginning of the following month, we will transfer funds from the DDA back to the MMDA, leaving any minimum balance required. This limit on MMDA transfers will not limit the number of withdrawals you can make from funds on deposit at the Program Banks through the Bank Sweep and Bank Sweep for Benefit Plans Features, the interest rate you earn, or the amount of FDIC insurance coverage for which you are eligible.

Under federal banking regulations, the Program Banks must reserve the right to require seven days' notice before permitting a transfer of funds out of an MMDA. The Program Banks have indicated that they currently have no intention of exercising this right.

(F) Interest

For both the Bank Sweep and Bank Sweep for Benefit Plans Features, the Program Banks will pay the same interest rate on the DDA and MMDA. Interest rates on the Deposit Accounts may be established at a rate as low as possible consistent with prevailing market and business conditions. Interest will be credited by TD Bank and TD Bank, USA as calculated by Schwab. Retirement and other benefit plan accounts will be paid a reasonable rate consistent with applicable legal and regulatory requirements.

Interest rates can change daily. Interest accrues on your funds from the day they are deposited at the Program Bank, not while they are held by Schwab, until (but not including) the day they are withdrawn. Interest is compounded daily and credited on the 15th of each month (or the following Business Day if the 15th is not a Business Day).

The interest rates paid on the Deposit Accounts can be higher or lower than the interest rates available for other Cash Features or to depositors making deposits directly with a Program Bank or other depository institutions in comparable accounts. You should compare the terms, interest rates, required minimum amounts, and other Features of the Bank Sweep and Bank Sweep for Benefit Plans Features with other Cash Features, and with other savings and investment cash options such as purchased money funds and certificates of deposit.

For the Bank Sweep Feature only, interest rates vary by tiers based on your Deposit Account balances placed with the Program Banks. The Program Banks are not obligated to pay different interest rates on different tiers. The interest rates paid by the Program

Banks for the Bank Sweep Feature could be different from the standard rates the Program Banks pay under the published tiers.

As of the date of this Disclosure Statement, the Program Banks' interest rate tiers for Bank Sweep, which are based on the total cash balance swept from your brokerage account, are:

- Balances of \$0 to \$24,999.99
- Balances of \$25,000.00 to \$99,999.99
- Balances of \$100,000.00 to \$249,999.99
- Balances of \$250,000.00 to \$499,999.99
- Balances of \$500,000.00 to \$999,999.99
- Balances of \$1,000,000.00 or more

Please note that in most instances, other than joint accounts in the Multiple-Bank Version of the Bank Sweep Feature, you will need to maintain substantial uninsured deposit balances at Schwab Bank in order to qualify for one of the highest interest rate tiers.

Please contact us as provided in Section 2 or visit www.schwab.com/sweep to get the current interest rates for each tier. For the Bank Sweep for Benefit Plans Feature, the interest rate will not vary by tiers.

(G) Account Statements

All transactions in the Deposit Accounts maintained for the Bank Sweep and Bank Sweep for Benefit Plans Features will be confirmed on your Account statement, which will also show your opening and closing Deposit Account balances in each Program Bank and the interest earned for the period.

Schwab, not the Program Banks, is responsible for the accuracy of your Account statements, including transactions in the Deposit Accounts maintained through the Bank Sweep and Bank Sweep for Benefit Plans Features. Please contact us as provided in Section 2 for information about your balances or if you have questions about your Account statement. You should retain the Account statements for your records.

(H) Your Relationship With Schwab and the Program Banks

Schwab is acting as your agent in establishing the Deposit Accounts with the Program Banks and in depositing and withdrawing funds. You will receive no evidence of ownership, such as a passbook or certificate. Instead, Deposit Account ownership will be evidenced by a book entry on the account records of the Program Banks and by records that Schwab maintains as custodian of your Accounts.

Unless you establish the Deposit Accounts directly with a Program Bank as described below, any instructions regarding the movement of your funds in the Bank Sweep and Bank Sweep for Benefit Plans Features must be provided by Schwab to the Program Banks, and information concerning the Bank Sweep and Bank Sweep for Benefit Plans Features may only be obtained from Schwab. The Program Banks will not accept instructions directly from you with respect to your Deposit Accounts held through the Bank Sweep and Bank Sweep for Benefit Plans Features nor provide you directly with information concerning these Cash Features.

Schwab can, at its discretion and upon written notice, terminate your use of the Bank Sweep or Bank Sweep for Benefit Plans Feature. If Schwab does, you may establish a direct relationship with the Program Bank(s) at which your sweep deposits are held, subject to its eligibility policies.

Similarly, if you decide to stop participating in the Bank Sweep or Bank Sweep for Benefit Plans Feature, you may establish a direct relationship with the Program Bank(s) at which your Deposit Accounts are held by asking to have the Deposit Accounts

established in your name, again subject to the relevant Program Bank's eligibility criteria. This will result in separating those Deposit Accounts from your Account.

Schwab provides administrative services to the Program Banks in support of the operation of the Bank Sweep and Bank Sweep for Benefit Plans Features. The Affiliated Program Banks pay Schwab an annual per account flat fee for these administrative services. Program Banks that are not affiliated with Schwab instead pay Schwab an administrative fee based upon the total amount of dollars swept to that Program Bank via the Bank Sweep and Bank Sweep for Benefit Plans Features. Schwab reserves the right to increase, decrease, or waive all or part of this fee. We and certain of our affiliates also provide operational, technology, and other services to the Affiliated Program Banks and receive compensation for those services. Affiliated Program Banks consider the amounts paid to Schwab and its affiliates when determining their all-in cost of funds from participating in the Program, which reduces the amount of interest they are willing to pay. In addition, certain of our employees and registered representatives can be compensated in part, based directly or indirectly, on deposit balances in the Bank Sweep and Bank Sweep for Benefit Plans Features or the profitability of the features for the Program Banks and The Charles Schwab Corporation. Information regarding the fee and other compensation we currently receive from the Program Banks for these administrative, operational, technology, and other services may be obtained by written request to: Charles Schwab & Co., Inc., P.O. Box 982600, El Paso, TX 79998.

Other than applicable fees and charges imposed by us on your Accounts, which are described in your Pricing Guide, there will be no charge, fee, or commission imposed on your Account with respect to the Bank Sweep and Bank Sweep for Benefit Plans Features.

(I) FDIC Insurance

1. Overview

Your Deposit Accounts will be eligible for deposit insurance by the FDIC, an independent agency of the U.S. government, at each of your Program Banks up to the SMDIA (\$250,000 as of the date of this Disclosure Statement) per depositor for principal and accrued interest through the date the Program Bank is closed, together with all other deposits held by you in the same insurable capacity at each Program Bank, subject to the satisfaction of certain conditions. As general matter, all deposits (including certificates of deposit) that you maintain with a Program Bank, directly or through any other intermediary (such as Schwab or another broker), in the same insurable capacity in which the Deposit Accounts are maintained, would be aggregated with the Deposit Accounts for purposes of the federal deposit insurance limit.

Under certain circumstances, if you become the owner of deposits at a Program Bank because another depositor dies, beginning six months after the death of the depositor, the FDIC will aggregate those deposits for purposes of the \$250,000 federal deposit insurance limit with any other deposits that you own in the same insurable capacity at the Program Bank. Examples of accounts that may be subject to this FDIC policy include joint accounts, "payable on death" accounts, and certain trust accounts. The FDIC provides a six-month grace period to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible.

You are responsible for monitoring the total amount of deposits that you hold with each Program Bank, including deposits made through the Bank Sweep or Bank Sweep for Benefit Plans Features and deposits made outside of those Features, and including deposits made directly or through an intermediary, to determine the extent of deposit insurance coverage available to you on your deposits, including the Deposit Accounts. Schwab is not responsible for any insured or uninsured portion of the Deposit Accounts or any other deposits.

In the event that federal deposit insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you. There is no specific time period during which the FDIC must make insurance payments available, and Schwab is under no obligation to credit your Account with funds in advance of payments received from the FDIC. Furthermore, you may be required to provide certain documentation to the FDIC and to us before insurance payments are made. For example, if you hold deposits as trustee for the benefit of trust participants, you may be required to furnish affidavits and provide indemnities regarding an insurance payment.

Therefore, until the insurance payment from the FDIC is received by Schwab, your funds on deposit at the failed bank will not be available for any transactions, including:

- Withdrawals
- The payment of Schwab Bank Bill Pay™ service transactions and other payments to third parties from your Account
- Funding securities transactions in your Account

If you have outstanding checks or pending Schwab Bank Bill Pay™ service transactions or other payments to third parties, you will need to take immediate steps to ensure that funding is available for those transactions without reliance on your funds at the failed bank. Your failure to immediately take appropriate action could result in the return of checks, the non-payment of electronic debits and other items presented for payment against your Account, or charges to your margin account.

If your Deposit Accounts are assumed by another depository institution that acquires a Program Bank, pursuant to a merger or consolidation, such deposits will continue to be separately insured from the deposits that you might have established with the acquirer until the expiration of a six-month period from the date of acquisition. Thereafter, any assumed deposits will be aggregated with your existing deposits with the acquirer held in the same insurable capacity for purposes of federal deposit insurance. Any deposit opened at the Program Bank after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

FDIC insurance protects funds that have been deposited in the Program Banks, provided that the requirements for deposit insurance, including appropriate account titling and recordkeeping, have been met. FDIC insurance protects only against the failure of an FDIC-insured Program Bank and does not protect you against the failure of Charles Schwab & Co., Inc. Charles Schwab & Co., Inc. is not an FDIC-insured depository institution.

The description of FDIC insurance requirements in this Disclosure Statement is summary only and is not intended to be a substitute for review of the applicable FDIC regulations and guidance. You should consult with your own attorney concerning the application of FDIC insurance coverage to your specific circumstances.

2. Examples

The application of the \$250,000 federal deposit insurance limit is illustrated by several common factual situations discussed below.

- **Individual Customer Accounts.** Deposit Accounts held by an individual in an account in the name of an agent or nominee of such individual (such as the Deposit Accounts held through Schwab) or held by a custodian (for example, under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act) are not treated as owned by the agent, nominee, or custodian, but are added to other deposits of such individual held in the same insurable capacity (including funds held in a sole proprietorship) and are insured up to \$250,000 in the aggregate. Deposits held through a qualified tuition savings program (529 Plan) will be insured as deposits of the participant and aggregated with

other deposits of the participant if the arrangement and the name of the participant are identified on the institution's account records.

- **Corporate, Partnership, and Unincorporated Association Accounts.** Deposit Accounts held by corporations (including Subchapter S corporations), partnerships, and unincorporated associations, operated for a purpose other than to increase deposit insurance, are added together with other deposits owned by such corporation, partnership, and unincorporated association, respectively, and are insured up to \$250,000 in the aggregate.
- **Joint Accounts.** Deposit Accounts held under any form of joint ownership valid under applicable state law may be insured up to \$250,000 per depositor in the aggregate, separately and in addition to the \$250,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by two persons would be eligible for insurance coverage of up to \$500,000 (\$250,000 for each person), subject to aggregation with each owner's interests in other Joint Accounts at the same depository institution. Joint Accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners. Deposit Accounts qualify for joint ownership treatment only if all owners are natural persons.
- **Health Savings Accounts.** Deposit Accounts held in a Health Savings Account will be eligible for deposit insurance either as an individual account or a revocable trust account. You may wish to consult with your attorney or the FDIC to determine the available coverage.
- **Trust Accounts.** Deposit Accounts held in a trust are generally insured up to \$250,000 per beneficiary if the beneficiary is a natural person, charity, or other nonprofit organization, up to a maximum of 5 beneficiaries regardless of whether the trust is revocable or irrevocable and regardless of the proportional interest of each beneficiary. To qualify as an eligible beneficiary, the beneficiary must be a living person, a charity or a non-profit organization. If a charity or non-profit organization is named as beneficiary, it must qualify as such under Internal Revenue Service (IRS) regulations. A grantor's retained interest is not a "beneficiary" for this purpose. Beneficiaries that will become beneficiaries upon the death of a grantor of the trust also are not considered in the insurance calculation. There are three types of trusts recognized by the FDIC: (1) informal revocable trusts; (2) formal revocable trusts; and (3) irrevocable trust accounts. Informal revocable trusts include accounts in which the owner evidences an intent that, at his or her death, the funds shall belong to one or more specified beneficiaries. These trusts may be referred to as a "Totten trust" account, "payable upon death" account, or "in-trust-for" account. Each beneficiary must be included in the institution's account records. Formal revocable trusts are written trust arrangements in which the owner retains ownership and control of the assets and designation of beneficiaries during his or her lifetime. The trusts may be referred to as "living" or "family" trusts. The beneficiaries of a formal revocable trust do not need to be included in Schwab's account records. Irrevocable trusts include accounts established pursuant to (1) one or more irrevocable trust agreements; (2) a statute creating an irrevocable trust; or (3) death of an owner of a formal revocable trust. Coverdell Education Savings Accounts are considered trusts for purposes of federal deposit insurance.

Deposits in all trusts of the same grantor—informal revocable trusts, formal revocable trusts, and irrevocable trusts—at a Program Bank will be aggregated for insurance purposes. A trust established by two owners, where the owners are the sole beneficiaries, will be treated as a Joint Account under applicable rules and will be aggregated with other Joint Accounts.

3. Retirement Plans and Accounts

The amount of deposit insurance for which Deposit Accounts held through one or more retirement plans or accounts will be eligible, including whether Deposit Accounts held by each plan or account will be considered separately from or aggregated with Deposit Accounts held by other plans or accounts, will vary depending on the type of plan or account and, in some cases, the features of the plan or account. It is therefore important to understand the type of plan or account holding the Deposit Accounts. The following sections discuss in general terms the rules that apply to deposits held through retirement plans and accounts.

- **Individual Retirement Accounts (IRAs).** All Deposit Accounts held in Traditional IRAs, Roth IRAs, Roth Conversion IRAs, Rollover IRAs, Inherited IRAs, Custodial IRAs, SEP-IRAs, and SIMPLE IRAs will be insured up to \$250,000 in the aggregate. However, as described below, Deposit Accounts held by an IRA will be aggregated with Deposit Accounts held by certain employee benefit plans in which the owner of the IRA has an interest. Thus, the owner of an IRA will only be eligible for insurance of \$250,000 for Deposit Accounts held in plans and accounts that are subject to aggregation. See the section below headed “Aggregation of Retirement Plan and Account Deposits.”
- **Pass-Through Deposit Insurance for Employee Benefit Plan Deposits in the Bank Sweep for Benefit Plans Feature.** Subject to the satisfaction of certain conditions and the limitations discussed below, under FDIC regulations, a participant’s non-contingent interests in Deposit Accounts held by many types of employee benefit plans are eligible for insurance up to \$250,000 on a “pass-through” basis. This means that instead of the Deposit Accounts held by an employee benefit plan at Schwab Bank being eligible for only \$250,000 in total, each employee benefit plan participant is eligible for insurance on his or her non-contingent interest in the employee benefit plan deposits up to \$250,000, subject to the aggregation of the participant’s interests in different plans, as discussed below under “Aggregation of Retirement Plan and Account Deposits.” The pass-through insurance provided to an employee benefit plan participant is separate from the \$250,000 federal deposit insurance limit allowed on Deposit Accounts held by the individual in different insurable capacities with Schwab Bank (e.g., individual accounts, joint accounts, and the like).

The types of plans for which the Deposit Accounts are eligible to receive pass-through treatment are employee benefit plans, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“ERISA”), including “Keogh Plans,” whether or not they are technically “employee benefit plans” under ERISA, and eligible deferred compensation plans described in Section 457 of the Internal Revenue Code of 1986 (“the Code”). For purposes of Section 3(3) of ERISA, employee benefit plans are broadly defined to include most employee benefit plans, including most defined benefit plans and most defined contribution plans.

Defined Benefit Plans

The value of an employee’s non-contingent interest in a defined benefit plan will be equal to the present value of the employee’s interest in the plan, evaluated in accordance with the calculation ordinarily used under such plan. Deposit Accounts held by a defined benefit plan that is eligible for pass-through treatment are not insured for an amount equal to the number of plan participants multiplied by \$250,000. For example, an employee benefit plan has on deposit \$500,000 in Deposit Accounts. The employee benefit plan has two participants, one with a non-contingent interest of \$425,000 and one with a non-contingent interest of \$75,000. In this case, the employee benefit plan’s deposit would be insured only up to \$325,000; the plan would be eligible for up to \$250,000 for the participant with the \$425,000 non-contingent interest and up to \$75,000 for the participant with the \$75,000 non-contingent interest.

Overfunded amounts, which are any portion of a plan's Deposit Accounts not attributable to the interest of beneficiaries under the plan, are insured, in the aggregate, up to \$250,000, separately from the insurance provided for any other funds owned by or attributable to the employer or a plan participant.

Defined Contribution Plans

The value of an employee's non-contingent interest in Deposit Accounts held through a defined contribution plan will be equal to the amount of funds on deposit attributable to the employee's account with the plan, regardless of whether the funds on deposit resulted from contributions made by the employee, the employer, or both. Portions of Deposit Accounts held by an employee benefit plan that are attributable to the contingent interest of employees in the plan are not insured on a pass-through basis. Contingent interests of employees in an employee benefit plan are interests that are not capable of evaluation in accordance with FDIC rules and are insured up to \$250,000 per plan.

Aggregation of Retirement Plan and Account Deposits

Under FDIC regulations, an individual's interests in plans maintained by the same employer or employee organization (e.g., a union) that are holding Deposit Accounts will be insured for \$250,000 in the aggregate. In addition, under FDIC regulations, an individual's interest in Deposit Accounts held by (i) IRAs, (ii) deferred compensation plans for certain employees of state or local governments or tax-exempt organizations (e.g., Section 457 plans), (iii) self-directed Keogh Plans of owner-employees described in Section 401(d) of the Code, and (iv) self-directed defined contribution plans will be insured for up to \$250,000 in the aggregate whether or not they are maintained by the same employer or employee organization.

The retirement plans and accounts described below are eligible for the \$250,000 federal deposit insurance limit. All deposits held through such plans and accounts will be aggregated for purposes of the \$250,000 federal deposit insurance limit. This means that all Deposit Accounts you hold through the plans and accounts described below will be eligible for insurance up to a total of \$250,000.

- **Individual Retirement Accounts (IRAs).** All Deposit Accounts held in Traditional IRAs, Roth IRAs, SEP-IRAs, and SIMPLE IRAs will be aggregated for purposes of the \$250,000 federal deposit insurance limit and will be further aggregated with deposits held through other plans described in this section.
- **Section 457 Plans.** These plans include any eligible deferred compensation plan described in Section 457 of the Code.
- **Self-Directed Keogh and 401(k) Plans.** These are deposits held in any plan described in Section 401(d) of the Code, generally referred to as Keogh Plans, and any plans described in Section 3(34) of ERISA, including, but not limited to, plans generally referred to as 401(k) Plans. The plan must be "self-directed" to qualify for the \$250,000 federal deposit insurance limit. FDIC defines "self-directed" to mean the ability of the plan participants to direct funds into a specific depository institution.

All retirement plans and accounts not listed in the preceding three bullet points, including defined contribution plans and plans that do not meet the FDIC's "self-directed" criteria, will be eligible for federal deposit insurance up to \$250,000 per participant, subject to the aggregation rules described above.

4. Questions about FDIC Deposit Insurance Coverage

The description of FDIC insurance requirements above is summary only and is not intended to be a substitute for review of the applicable FDIC regulations and guidance. If you have questions about basic FDIC insurance coverage, please contact us. You can also obtain information by contacting the FDIC, Deposit Insurance Outreach Group, Division of Depositor and Consumer Protection, by letter (550 17th Street, NW, Washington, DC 20429); by phone (**1-877-275-3342**, **1-800-925-4618** [TDD]); by visiting

the FDIC website at www.fdic.gov/deposit/index.html; or by email using the FDIC's online Customer Assistance Form available on its website. However, FDIC insurance coverage is a complicated area, and you should seek advice from your own attorney concerning the application of FDIC insurance coverage to your specific circumstances.

5. No SIPC Coverage of Bank Deposit Accounts

To our knowledge, the Securities Investor Protection Corporation ("SIPC") has not taken a formal position on its coverage of the Deposit Accounts. We recommend that you assume that coverage of your Deposit Accounts established through the Bank Sweep and Bank Sweep for Benefit Plans Features will be limited to FDIC insurance and that you not expect coverage from SIPC.

8. The Schwab One® Interest Feature

If your Account is eligible for, and you select, the Schwab One® Interest Feature as your Cash Feature, your Free Credit Balance will remain in your Account as a direct obligation of Schwab, and we will pay you interest at a tiered rate based on the amount of the Free Credit Balance in your Account. We are not obligated to pay different interest rates on different tiers, however, and we can change the interest rate tiers from time to time. The interest rate can be reduced to zero in certain circumstances.

In addition, we can pay interest rates to certain clients that are different from the standard rates under our published tiers.

As of the date of this Disclosure Statement, the interest rate tiers for the Schwab One® Interest Feature are:

- Balances of \$0 to \$24,999.99
- Balances of \$25,000.00 to \$99,999.99
- Balances of \$100,000.00 to \$249,999.99
- Balances of \$250,000.00 to \$499,999.99
- Balances of \$500,000.00 to \$999,999.99
- Balances of \$1,000,000.00 or more

Interest rates are set at our discretion and can change daily. Interest accrues daily and is credited to your Account on or before the last Business Day of each month. If, on any given day, the interest that we calculate for your Account is less than one-half of one cent (\$0.005), your funds will not earn interest on that day. To participate in the Schwab One® Interest Feature, you must maintain the Free Credit Balance in your Account for the purpose of investing in securities. The Schwab One® Interest Feature is not a bank account or other bank obligation, is not guaranteed by any bank, and is not insured by the FDIC.

If we determine that your use of the Account is inconsistent with investment purposes, or if there is no trading activity within a one-year period, then upon written notice to you, we can stop paying interest on the Free Credit Balance in your Account or change your Cash Feature to a different Cash Feature for which your Account is then eligible.

Schwab is a member of SIPC. SIPC is a nonprofit membership corporation created by the Securities Investor Protection Act of 1970, funded primarily by its member securities brokerage firms registered with the U.S. Securities and Exchange Commission. SIPC provides protection to clients of securities brokerage firms in the event such brokerage firms become insolvent. SIPC provides member institutions up to \$500,000 (including \$250,000 for claims of cash) of coverage per brokerage client in each recognized insurable capacity when aggregated with other securities and cash held by the same brokerage client in the same insurable capacity at the same member institution.

In addition to SIPC coverage, Schwab has secured additional protection that exceeds SIPC limits through an agreement with Lloyd's of London. The additional protection is necessary and available only if assets are not fully recovered when SIPC protection limits have been reached. The additional SIPC coverage is a total of \$600 million across all Schwab brokerage clients.

You will need to maintain a Free Credit Balance that is substantially in excess of SIPC's \$250,000 coverage limit for cash in order to qualify for one of the highest interest rate tiers, but your Free Credit Balance may be eligible for protection in excess of SIPC coverage through Schwab's excess SIPC coverage policy with a private insurer. These tiers and our excess SIPC coverage may change from time to time. Please contact us as provided in Section 2 or visit www.schwab.com to view the current interest rate tiers and interest rate for each tier.

9. The Money Fund Sweep Feature

Generally, only Managed Accounts,⁵ some benefit plan accounts, and other retirement accounts are eligible for the Money Fund Sweep Feature.

- Accounts that have the Money Fund Sweep Feature as their Cash Feature will continue to have their Free Credit Balance swept into the Money Fund Sweep Feature, but you cannot change the Schwab Sweep Money Fund into which such Free Credit Balances are swept.
- Accounts that have the Money Fund Sweep Feature as their Cash Feature and change to the Schwab One® Interest, Bank Sweep, or Bank Sweep for Benefit Plans Feature are not permitted to change back to the Money Fund Sweep Feature at a later date.

The Money Fund Sweep Feature automatically invests in and redeems shares of the Schwab Sweep Money Fund available to you. You can find out which Schwab Sweep Money Fund is available by checking your Account Application or by contacting us as provided in Section 2.

You may also contact us for a free prospectus for any Schwab Sweep Money Fund. You should review the prospectus carefully before investing or sending money. For more information, visit www.schwabfunds.com.

If the Money Fund Sweep Feature is your Cash Feature, a Free Credit Balance of one dollar (\$1.00) or more in your Account on any Business Day will be swept into your Schwab Sweep Money Fund⁷ and generally will not begin earning dividends until the following Business Day. Schwab has sole discretion to change when and how often sweeps occur, upon advance written notice to you.

Schwab will automatically redeem shares of your Schwab Sweep Money Fund to satisfy debits in your Account as set forth in your Account Agreement; typically, shares will first be redeemed from the Free Credit Balance in your Account and next from your Cash Feature. If the Money Fund Sweep Feature is your Cash Feature, Schwab will redeem shares in your Schwab Sweep Money Fund to satisfy debit balances in your Account or, if applicable, to provide necessary collateral to your margin and short account at any time.

Investments in the Schwab Sweep Money Funds are subject to restrictions described in the applicable Schwab Sweep Money Fund's prospectus. For more complete information about a Schwab Sweep Money Fund, including charges and expenses, read the fund's prospectus carefully. Although investments in Schwab Sweep Money Funds provide a means of earning a return on cash, and while Schwab Sweep Money Funds generally seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in them.

There can be no assurance that a Schwab Sweep Money Fund will maintain a stable net asset value of \$1.00 per share. In the event that a Schwab Sweep Money Fund is

no longer able to maintain the net asset value of its shares at \$1.00, you authorize and instruct Schwab, without further notice to you, to redeem all of your Schwab Sweep Money Fund shares as soon as commercially practicable and deposit the proceeds in your Account. As a result of Schwab providing redemption requests for all of its clients, however, you should anticipate that the Board of Trustees of such a Schwab Sweep Money Fund will likely invoke the right to suspend the fund so as to facilitate an orderly liquidation of the Schwab Sweep Money Fund. If this occurs, it is unlikely that we will be able to accept redemption requests received on or up to two days before the date of the suspension order. Orders received during this time period may be reversed, and your Account may be debited. As a result, you may not have liquid funds available in your Account that you requested.

If, on any given day, the accrued daily dividend for your Schwab Sweep Money Fund as calculated for your Account is less than one-half of one cent (\$0.005), your Account will not earn a dividend for that day. In addition, if you do not accrue at least one daily dividend of \$0.01 during a pay period, you will not receive a money market dividend for that period.

Money funds that invest at least 99.5% of their assets in cash and U.S. government securities are defined as “government money funds” and are permitted to continue to use a stable net asset value (“NAV”). Money funds that limit shareholders to natural persons are defined as “retail money funds” and are also permitted to continue to use a stable NAV. Money funds other than those defined as “government” or “retail” will be required to operate with a floating NAV. Further details about any particular money fund can be found in the fund’s prospectus and other disclosure documents. Besides the Schwab Sweep Money Market Fund, Schwab has other money market funds available for purchase (but are not available on a sweep basis), which have different investment objectives and may have higher yields in some market conditions.

An investment in a Schwab Sweep Money Fund is not a deposit or other obligation of, nor is it guaranteed by, any bank, and it is not insured by the FDIC. However, Schwab is a member of SIPC, as indicated in Section 8 above, and Schwab Sweep Money Funds custodied at Schwab are considered securities for SIPC purposes. SIPC provides protection to clients of securities brokerage firms in the event such brokerage firms become insolvent. SIPC does not insure against the failure of the issuer of a security or a decrease in value of a particular investment. In other words, it would not protect you against losses in a Schwab Sweep Money Fund or the insolvency of a Schwab Sweep Money Fund. In addition, the excess SIPC coverage described in Section 8 above also would apply to investments in the Schwab Sweep Money Fund.

Until the proceeds from redemption requests are received for your Account, your funds invested in the Schwab Sweep Money Fund will not be available for:

- Withdrawals
- The payment of Schwab Bank Bill Pay™ service transactions and other payments to third parties from your Account
- Funding securities transactions in your Account

If you have outstanding checks or pending Schwab Bank Bill Pay™ service transactions or other payments to third parties, you will need to take immediate steps to ensure that funding is available for those transactions without reliance on your funds invested in the Schwab Sweep Money Fund. Your failure to immediately take appropriate action could result in the return of checks, the non-payment of electronic debits and other items presented for payment against your Account, or charges to your margin account.

10. Benefits to the Affiliated Program Banks, Schwab, The Charles Schwab Corporation, and Other Schwab Affiliates

The Affiliated Program Banks intend to use the cash balances in the Deposit Accounts to fund current and new investments. In addition, Schwab Bank and Schwab Premier Bank intend to use the cash balances in the Deposit Accounts to fund current and new lending activities. The profitability on such activities is generally measured by the difference, or “spread,” between the interest rate paid on the Deposit Accounts and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by an Affiliated Program Bank on the loans and investments made with the funds in the Deposit Accounts. The income that the Affiliated Program Banks will have the opportunity to earn through their lending and investing activities is expected to be greater than the fees earned by Schwab and its affiliates from managing and distributing the Schwab Sweep Money Funds. The cash balances can also be used to provide funds to develop products and services for Schwab-affiliated companies to the extent permitted by applicable law.

Schwab is contractually obligated to sweep some customer cash enrolled in the Bank Sweep feature to TD Bank and TD Bank, USA. Because as a contractual matter, the rates paid to Schwab customers for cash swept to TD Bank and TD Bank, USA is the same as the rates paid by the Schwab-affiliated Banks, we do not believe customers are materially affected by this practice, especially because any Schwab customer bank deposits above FDIC insurance limits (no matter where the initial deposits are swept) are all swept to the same bank, Schwab Bank.

Schwab may adjust eligibility for a particular sweep vehicle in part based on optimizing the financial benefits to Schwab and to its affiliates. This practice benefits Schwab and its affiliates by potentially lowering their cost of capital and their borrowing costs. Because the rates paid to customers for cash in Bank Sweep is the same as the rates paid to customers in Schwab One Interest (and are anticipated to remain the same), we do not believe customers are materially affected by this practice, other than through the difference between FDIC insurance for bank sweep deposits and SIPC protection for cash held at a broker-dealer. Cash held in a multi-bank sweep program is subject to a higher level of FDIC insurance protection than the amount of cash subject to SIPC protection through Schwab One interest.

Schwab provides administrative services to the Program Banks, including the Affiliated Program Banks, in support of the operation of the Bank Sweep and Bank Sweep for Benefit Plans Features. The Affiliated Program Banks pay Schwab an annual per account flat fee for these administrative services. Program Banks that are not affiliated with Schwab instead pay Schwab an administrative fee based upon the total amount of dollars swept to that bank via the Bank Sweep and Bank Sweep for Benefit Plans Features. We reserve the right to increase, decrease, or waive all or part of this fee. We, and certain of our affiliates, also provide operational, technology, and other services to the Program Banks and may receive compensation for those services. In addition, certain of our employees and registered representatives can be compensated, in part, based directly or indirectly on deposit balances in the Bank Sweep and Bank Sweep for Benefit Plans Features or the profitability of the features for the Affiliated Program Banks and The Charles Schwab Corporation. Information regarding the fee and other compensation we currently receive from the Program Banks for these administrative, operational, technology, and other services may be obtained by written request to: Charles Schwab & Co., Inc., P.O. Box 982600, El Paso, TX 79998.

With respect to the Money Fund Sweep Feature, Charles Schwab Investment Management (“CSIM”), a Schwab affiliate, earns management fees on Schwab Sweep Money Funds. In low-interest-rate environments, CSIM may, in its discretion, waive some of those management fees on a temporary basis. However, as interest rates

increase, CSIM generally would end any such fee waivers. As a result, the management fees earned by CSIM would increase in a higher-interest-rate environment. Information regarding the fees currently earned by CSIM on the Money Fund Sweep Feature may be obtained by written request to: Charles Schwab & Co., Inc., P.O. Box 982600, El Paso, TX 79998.

Finally, with respect to the Schwab One® Interest Feature, Schwab may, and intends to, use the Free Credit Balances in your Account to fund margin loans to Schwab customers. This allows Schwab to earn more than it would if it funded margin loans through alternative sources of funding.

11. Comparison of Schwab Cash Features

The following table compares the Bank Sweep and Bank Sweep for Benefit Plans, Schwab One® Interest, and Money Fund Sweep Features in a summary manner. It is qualified in its entirety by the more detailed information provided elsewhere in this document.

Affiliations With Schwab

- **Bank Sweep and Bank Sweep for Benefit Plans Features**

Free Credit Balances may be deposited at Schwab Bank, Schwab Premier Bank, and/or Trust Bank, each an FDIC-insured depository institution affiliated with Schwab (in addition, Free Credit Balances may be deposited at TD Bank and/or TD Bank, USA, which are both FDIC-insured depository institutions that are not affiliated with Schwab).

- **Schwab One® Interest Feature**

We pay interest on the Free Credit Balance in your Account held by Schwab.

- **Money Fund Sweep Feature**

Schwab Sweep Money Funds are advised by Charles Schwab Investment Management, Inc. ("CSIM"), a wholly owned asset management subsidiary of The Charles Schwab Corporation.

Interest Rates and Yields

- **Bank Sweep and Bank Sweep for Benefit Plans Features**

For purposes of the Bank Sweep Feature, the Program Banks potentially pay interest at rates that can vary by tiers based on your Deposit Account balances placed with the Program Banks through your Account.

For purposes of the Bank Sweep for Benefit Plans Feature, the Program Banks do not pay interest on Deposit Account balances based on interest rate tiers. The Program Banks pay the same interest rate regardless of the total amount of your Deposit Account balances.

- **Schwab One® Interest Feature**

Interest rates are set at the discretion of Schwab. We potentially pay interest on Free Credit Balances based on the interest rate tier determined by an Account's Free Credit Balance. There is no guarantee or assurance that interest rates will be comparable to the interest rates or yields available through any other Cash Feature.

- **Money Fund Sweep Feature**

The Schwab Sweep Money Funds seeks to achieve the highest yield (less fees and expenses) consistent with prudence and its investment objectives.

Differences in Risk

- **Bank Sweep and Bank Sweep for Benefit Plans Features**

Deposit Accounts are a direct obligation of a Program Bank and are not, either directly or indirectly, guaranteed by Charles Schwab & Co., Inc. or The Charles Schwab Corporation.

The Deposit Accounts are insured by the FDIC up to \$250,000 per depositor, per bank (including principal and accrued interest), when aggregated with all other deposits held by you in the same insurable capacity at the same institution.

While the Deposit Accounts are not subject to market risk, they are subject to the risk of a bank's failure. In the event that a Program Bank fails and payments from the FDIC become necessary, insurance payments will be made by the FDIC to Schwab as your agent. Information regarding the FDIC receivership process and claims on the federal deposit insurance fund appears at Section 7(H)1 above.

A Maximum Deposit Amount Limit could apply, as described in Section 7(C)3.

- **Schwab One® Interest Feature**

Free Credit Balances held at Schwab are not bank deposits and are not insured or guaranteed by the FDIC but are covered by SIPC. See Section 8.

Schwab is a member of SIPC, which protects its members' securities up to \$500,000 (including \$250,000 for claims of cash). An explanatory brochure is available on request or at www.sipc.org.

In the event of the liquidation of your broker, there is no specific time period during which SIPC must give you access to your cash or securities.

- **Money Fund Sweep Feature**

Your investment in a Schwab Sweep Money Fund is not a bank deposit and is not insured or guaranteed by the FDIC or any other government agency. Schwab Sweep Money Funds are not guaranteed by Charles Schwab & Co., Inc. or The Charles Schwab Corporation; however, your investment is covered by SIPC against custodial loss (but not investment loss) in the event your brokerage firm becomes insolvent. SIPC coverage does not insure against a decrease in value of a particular investment.

- Schwab is a member of SIPC, which protects its members' securities up to \$500,000 (including \$250,000 for claims of cash). Schwab Sweep Money Funds are not considered cash but are treated as securities for SIPC coverage. An explanatory brochure is available on request or at www.sipc.org.

Although Schwab Sweep Money Funds seek to preserve the value of your investment at \$1.00 per share, Schwab Sweep Money Funds are subject to a number of risks, any of which could cause you to lose money.

Please review the Schwab Sweep Money Fund's prospectus and other disclosure materials prior to investing in a Schwab Sweep Money Fund.

There is no specific time period during which a Schwab Sweep Money Fund must make payments when it is liquidating, and Schwab will not credit your Account with funds in advance of payments received from the Schwab Sweep Money Fund.

See Section 9 for more information.

Differences in Benefits to Schwab

- **Bank Sweep and Bank Sweep for Benefit Plans Features**

The Affiliated Program Banks will use the cash balances in the Deposit Accounts to fund current and new investments, and Schwab Bank and Schwab Premier Bank will use the cash balances in the Deposit Accounts to fund current and new lending activities. The income that the Affiliated Program Banks earn through such activities is expected to be greater than the fees earned by Schwab and its affiliates from managing and distributing Schwab Sweep Money Funds or paying interest under the

Schwab One® Interest Feature. The Program Banks pay fees to Schwab in connection with the Bank Sweep Features.

- **Schwab One® Interest Feature**

We may use Free Credit Balances to fund margin and other lending activities and investments. The income that we earn through our lending and investing activities is expected to be greater than the fees earned by Schwab and its affiliates from managing and distributing Schwab Sweep Money Funds.

- **Money Fund Sweep Feature**

The Schwab Sweep Money Funds pay certain fees to CSIM and Schwab and pay various other expenses. Investors should carefully consider information contained in the prospectus for their Schwab Sweep Money Fund, including investment objectives, risks, and fees. Request a prospectus by calling us. Read the prospectus carefully before investing. For more information visit www.schwabfunds.com.

Differences in Conflicts of Interest

- **Bank Sweep and Bank Sweep for Benefit Plans Features**

Interest rates paid on Bank Sweep may be set as low as possible, consistent with prevailing market and business conditions. Retirement and other benefit plan accounts will be paid a reasonable rate consistent with applicable legal and regulatory requirements.

- **Schwab One® Interest Feature**

In setting interest rates, Schwab has the option to pay as low a rate as possible, consistent with its view of prevailing market and business conditions. Retirement and other benefit plan accounts will be paid a reasonable rate consistent with applicable legal and regulatory requirements.

In addition, Schwab may use the Free Credit Balances in your Account to fund margin loans to other Schwab customers, which allows Schwab to earn more than it would if it funded margin loans through alternative sources of funding.

- **Money Fund Sweep Feature**

Schwab Sweep Money Funds seek to achieve the highest yield (less fees and expenses) consistent with prudence and their investment objectives. A Schwab Affiliate, CSIM, earns management fees on Schwab Sweep Money Funds and will sometimes waive those fees in a low-interest-rate environment. As interest rates increase, CSIM generally would end any such waivers, and therefore CSIM would earn higher management fees in a higher-interest-rate environment.

Differences in Tax Treatment

- **Consult a Tax Professional**

Schwab will report to the IRS interest paid that is taxable. Investment income from certain programs (including the Bank Sweep for Benefit Plans Feature or plans involving IRA or ERISA accounts) may qualify for tax exemptions or tax deferrals. We do not provide tax advice, and you should consult a tax professional for additional information.

- **Bank Sweep and Bank Sweep for Benefit Plans Features**

Interest paid by the Program Banks under the Bank Sweep and Bank Sweep for Benefit Plans Features that is taxable will be reported by Schwab to the IRS on Form 1099.

- **Schwab One® Interest Feature**

Interest paid by Schwab under the Schwab One® Interest Feature that is taxable will be reported by Schwab to the IRS on Form 1099.

- **Money Fund Sweep Feature**

Income earned under the Schwab Sweep Money Funds that is taxable will be reported by Schwab to the IRS on Form 1099.

¹ The terms “we,” “us,” “our,” and “Schwab” in this document refer to Charles Schwab & Co., Inc.

² The term “Free Credit Balance” means the uninvested cash in your Account, minus (i) funds necessary to pay for purchase transactions due to settle within one Business Day after funds are eligible to be swept to a Cash Feature; (ii) charges to your Account, including, but not limited to, Visa® transactions, ATM withdrawals, Electronic Fund Transfers, wire transfers, and checking transactions; (iii) any unposted Visa® transactions; and (iv) credit balances that are designated as collateral for your obligations, such as a cash balance resulting from a short sale. “Business Day” is any day that the New York Stock Exchange and the Federal Reserve Bank of New York are open. (Although our offices are open on certain bank holidays, these days are not considered Business Days for purposes relating to the transfer of funds.)

³ Schwab Global Accounts are not eligible for the Cash Features Program. Schwab earns income through its lending and investing activities with respect to Free Credit Balances in Schwab Global Accounts.

⁴ Portfolio Margin is an optional brokerage account feature that bases margin requirements on the risk of the entire portfolio rather than calculated through Regulation T requirements.

⁵ The term “Managed Accounts” means (1) Accounts enrolled in Schwab-sponsored discretionary and non-discretionary wrap fee programs, which include, but are not limited to, the Schwab Managed Portfolios™, Managed Account Connection®, Managed Account Select®, and Schwab Wealth Advisory™ services; and (2) Accounts discretionarily managed by affiliated and unaffiliated third-party investment advisors through the Managed Account Access® and Managed Account Marketplace® services.

⁶ If your Account is an existing Schwab Brokerage Account (an older account type that has not been offered to new clients since 2001), this feature is generally available if you have a Free Credit Balance of at least \$1,000 in your Account at the time you select this feature. If your Free Credit Balance falls below \$100 at any time, your Free Credit Balance will not be swept until it meets the \$1,000 minimum again.



**Investment and Insurance Products: Not a Deposit
Not FDIC Insured • Not Insured by any Federal Government Agency
No Bank Guarantee • May Lose Value**

Charles Schwab & Co., Inc.; Charles Schwab Bank, SSB; Charles Schwab Premier Bank, SSB; and Charles Schwab Trust Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products are offered by Charles Schwab & Co., Inc., Member SIPC. Deposit products and services are offered by Charles Schwab Bank, SSB; Charles Schwab Premier Bank, SSB; Charles Schwab Trust Bank; TD Bank, N.A.; and TD Bank USA, N.A., Members FDIC.

Independent investment advisors are not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc. ("Schwab"). Certain investment advisors, such as Charles Schwab Investment Management, Inc. ("CSIM") and Schwab Wealth Advisory, Inc. ("SWAI"), are affiliated with Schwab.