

November 2019

Certificate of Deposit Disclosure Statement

The information contained in this Disclosure Statement may not be modified by any oral representation made prior or subsequent to the purchase of your certificate of deposit.

Charles Schwab & Co., Inc. (“Schwab”) is making the certificates of deposit (CDs) described below available to its customers. The CDs may be made available pursuant to an arrangement between Schwab and a depository institution or between Schwab and another broker-dealer. Each CD is a deposit obligation of a depository institution domiciled in the United States or one of its territories (an “Issuer”), the deposits and accounts of which are insured by the Federal Deposit Insurance Corporation (FDIC) within the limits described below. Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of Schwab. CDs may be purchased both upon issuance (the “primary market”) and in the secondary market.

Schwab will advise you of the names of Issuers currently making CDs available and, if your CD is purchased in the primary market, the date on which your CD will be established with the Issuer (the “Settlement Date”). Upon request, you will be provided with financial information concerning the Issuer of a CD that you would receive upon request if you established a deposit account directly with the Issuer. Schwab does not guarantee in any way the financial condition of any Issuer or the accuracy of any financial information provided by the Issuer.

Schwab may from time to time offer CDs issued by one or more of its affiliates. Schwab and Charles Schwab Bank are each wholly owned subsidiaries of The Charles Schwab Corporation.

The Issuer may use proceeds from the sale of the CDs for any purpose permitted by law and its charter, including making loans to eligible borrowers and investing in permissible financial products. Schwab or one of its affiliates may from time to time act as a broker or dealer in the sale of permissible financial products to the Issuer.

The CDs that you may purchase from any one Issuer will be eligible for FDIC insurance up to \$250,000 (including principal and accrued interest) for each insurable capacity (e.g., individual, joint, IRA, etc.). For purposes of the \$250,000 federal deposit insurance limit, you must aggregate all deposits that you maintain with the Issuer in the same insurable capacity, including deposits you hold directly with an Issuer and deposits you hold through Schwab and other intermediaries.

Please be aware that if an Issuer is a U.S. branch of a foreign (non-U.S.) bank with multiple FDIC-insured branches, deposits held by you in the same insurable capacity, either directly or through intermediaries, at all of the FDIC-insured branches of the foreign (non-U.S.) bank will be aggregated for deposit insurance purposes. You are responsible for determining whether deposits at the U.S. branches of a foreign bank other than the U.S. branch that issued a CD available through Schwab are FDIC-insured.

The extent of, and limitations on, federal deposit insurance are discussed in “Deposit Insurance: General” and “Deposit Insurance: Retirement Plans and Accounts.”

Terms of CDs

The maturities, rates of interest, and interest payment terms of CDs available through Schwab will vary. Both interest-bearing and zero-coupon CDs may be available. You should review carefully the trade confirmation and any supplement to this Disclosure Statement for a description of the terms of the CDs. You should also review the investment considerations discussed in “Important Investment Considerations.”

The CDs will mature on the date indicated on the trade confirmation. The CDs will not be automatically renewed or rolled over (unless as instructed to do so by you through our Rollover Program) and interest on the CDs will not continue to accrue or accrete (in the case of zero-coupon CDs) after maturity. At maturity, the CD balances will be remitted by the Issuer to Schwab and credited to your account with Schwab. If the maturity date is not a business day, the CD balances will be paid on the next succeeding business day. A “business day” shall be a day on which Schwab and the banks in both the Issuer’s domicile and New York are open for business.

If you purchase a callable or non-callable CD in the secondary market at a premium, you will receive only the par amount if the CD is called or matures.

Interest-Bearing CDs. Interest-bearing CDs pay interest at either a fixed rate or a variable rate. A fixed-rate CD will pay the same interest rate throughout the life of the CD. The interest rate on variable-rate CDs may increase or decrease from the initial rate at predetermined time periods (“step rates”) or may be reset at specified times based upon the change in a specific index or indices (“floating rates”). The dates on which the rates on step-rate CDs will change or the rates on floating-rate CDs will reset, as well as a description of the basis on which the rate will be reset, will be set forth in the trade confirmation or a supplement to this Disclosure Statement.

Interest-bearing CDs are offered in a wide range of maturities and are made available in minimum denominations and increments of \$1,000.

Unless otherwise specified in the trade confirmation or any supplement to this Disclosure Statement, interest earned on interest-bearing CDs with original maturities of one year or less will be paid at the maturity of such CDs, and interest earned on interest-bearing CDs with original maturities of more than one year will be paid monthly, quarterly, semi-annually, or annually and at maturity. Interest on variable-rate CDs will be reset periodically, and interest will be paid monthly, quarterly, semi-annually, or annually and at maturity as specified in the trade confirmation or a supplement to this Disclosure Statement.

Interest payments on interest-bearing CDs are automatically credited to your account with Schwab. Interest will accrue up to, but not including, the interest payment date, the maturity date, or any call date. If an interest payment date falls on a day that is not a business day, interest will be paid on the first business day following the interest payment date. For specific rate information for any interest period, please contact Schwab.

Interest on CDs is not compounded. Interest on CDs in the primary market is calculated on the basis of the actual number of days elapsed over a 365-day year. However, the amount of interest on CDs that are purchased in the secondary market may be based on other interest rate calculations. Please contact Schwab with questions concerning the interest rate calculation on a secondary-market CD.

Zero-Coupon CDs. Zero-coupon CDs do not bear interest, but rather are issued at a substantial discount from the face or par amount, the minimum amount of which is \$1,000. Interest on the CD will accrete at an established rate, and the holder will be paid the par amount at maturity.

Call Feature. Some CDs may be subject to redemption on a specified date or dates at the sole discretion of the Issuer (a "call"). If the CD is called, you will be paid the outstanding principal amount and interest accrued or accreted up to, but not including, the call date. The dates on which the CD may be called will be specified in the trade confirmation or a supplement to this Disclosure Statement. See "Important Investment Considerations" for information about callable CDs.

Your Relationship With Schwab and the Issuer

You will not receive a passbook, certificate, or other evidence of ownership of the CD from the Issuer. The CDs are evidenced by one or more master certificates issued by the Issuer, each representing a number of individual CDs. These master certificates are held by The Depository Trust Company (DTC), a sub-custodian that is in the business of performing such custodial services. Schwab, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation of your purchase. You will also be provided with a periodic account statement from Schwab that will reflect your CD ownership. You should retain the trade confirmation and the account statement(s) for your records. The purchase of a CD is not recommended for persons who wish to take actual possession of a certificate.

Your account statement from Schwab will provide an estimate of the price you might receive on some or all of your CDs if you were able to sell them prior to maturity. Any prices on your statement are estimates and are not based on actual market prices. Schwab's pricing policies are set forth in your statement. Your deposit insurance coverage and, if your CD is callable, the amount you would receive if your CD is called will be determined based on the outstanding principal amount of your CD (or the accreted value, in the case of a zero-coupon CD), not the estimated price. See "Deposit Insurance: General" and "Secondary Market."

Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of Schwab. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by the Issuer.

If you choose to remove Schwab as your agent with respect to your CD, you may transfer your CD to another agent, provided that the agent is a member of DTC (most major brokerage firms are members; many banks and savings institutions are not). If you choose to remove Schwab as your agent, Schwab will have no further responsibility for payments made with respect to your CD.

Important Investment Considerations

Buy and Hold. CDs are most suitable for purchasing and holding to maturity. If your CD is callable by the Issuer, you should be prepared to hold your CD according to its terms. Though not obligated to do so, Schwab may maintain a secondary market in the CDs after their Settlement Date. If you are able to sell your CD, the price you receive

will reflect prevailing market conditions and your sales proceeds may be less than the amount you paid for your CD. If you wish to dispose of your CD prior to maturity, you should read with special care "Additions or Withdrawals" and "Secondary Market."

Compare Features. You should compare the rates of return and other features of the CDs to other available investments before deciding to purchase a CD. The rates paid with respect to the CDs may be higher or lower than the rates on deposits or other instruments available directly from the Issuer or through Schwab. **Long-term CDs may not be appropriate for all investors.**

Callable CDs. Callable CDs present different investment considerations than CDs not subject to call by the Issuer and other non-callable deposits, and may not be appropriate for every investor. You should carefully review the trade confirmation and/or any supplement to this Disclosure Statement for the terms of the CD, including the time periods when the Issuer may call the CD.

The Issuer decides in its sole discretion whether to call a CD before maturity in accordance with the CD's terms. The Issuer is not obligated to call the CDs. Schwab does not control or influence whether or when an Issuer decides to exercise a call. You should be aware that the Issuer will call the CDs, if at all, when it is most advantageous for the Issuer to do so without reference to your investment needs. The Issuer is most likely to call the CDs when interest rates on comparable deposit obligations are lower than the interest rate paid on the CDs.

If the Issuer chooses to call the CD, you will be paid the outstanding principal amount and interest accrued up to, but not including, the call date (or the accreted value in the case of a zero-coupon CD). Payments will be distributed on each interest payment date as described in the applicable supplement. The estimated market value of the CD on your account statement does not determine the amount you will receive if the CD is called.

Schwab will use reasonable efforts to notify you of the Issuer's decision to call the CD. The failure of Schwab to notify you will not affect the validity of the call.

Depending on the terms of the CDs, you may face the risk that (i) the CD may be paid off prior to maturity as a result of a call by the Issuer and your return would be less than the yield that the CD would have earned had it been held to maturity; (ii) if the CD is called by the Issuer, you may be unable to reinvest your funds at the same rate as the original CD; and/or (iii) the CD may not be called and you may be required to hold the CD until maturity.

You should only invest in callable CDs if you understand that the timing of the return of your principal may be uncertain, as described above. Despite the call feature, you should be prepared to hold your CD to maturity.

Schwab is not responsible to you for any losses you may incur as a result of an Issuer's decision to exercise or not exercise a call. You do not have the right to redeem or cause the Issuer to redeem the CDs (except for the limited early withdrawal rights described in this Disclosure Statement).

Variable-Rate CDs. Variable-rate CDs present different investment considerations than fixed-rate CDs and may not be appropriate for every investor. Depending upon the type of variable-rate CD (step rate or floating rate) and the interest rate environment, the CD may pay substantially more or substantially less interest over the term of the CD than would be paid on a fixed-rate CD of the same maturity. Furthermore, if the CD is subject to call by the Issuer, (i) you may not receive the benefits of any anticipated increase in rates paid on a variable-rate CD if the CD is called or (ii) you may be required to hold the CD at a lower rate than prevailing market interest rates if the CD is not called. You should carefully review any supplement to this Disclosure Statement that describes the step rate or the basis for resetting a floating rate and, if the CD is subject to call by the Issuer, the time periods when the Issuer may call the CD.

Insolvency of the Issuer. In the event the Issuer approaches insolvency or becomes insolvent, the Issuer may be placed in regulatory conservatorship or receivership, with the FDIC typically appointed the conservator or receiver. The FDIC may thereafter pay off the CDs prior to maturity or transfer the CDs to another depository institution. If the CDs are transferred to another institution, you may be offered a choice of retaining the CDs at a lower interest rate or receiving the CDs' payout. See "Deposit Insurance: General" and "Payments Under Adverse Circumstances."

Reinvestment Risk. If your CD is paid off prior to maturity as a result of the Issuer's insolvency, exercise by the Issuer of any right to call the CD, or a voluntary early withdrawal (see "Additions or Withdrawals"), you may be unable to reinvest your funds at the same rate as the original CD. Schwab is not responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

SEC Investor Tips. The Securities and Exchange Commission periodically publishes tips for investors in various financial products, including CDs, on its website. You may access these investor tips at www.sec.gov.

Deposit Insurance: General

Your CDs are insured by the FDIC, an independent agency of the United States government, up to \$250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity at any one Issuer. If an Issuer is a U.S. branch of a foreign (non-U.S.) bank with multiple FDIC-insured branches, deposits held by you in the same insurable capacity, either directly or through intermediaries, at all of the FDIC-insured branches of the foreign (non-U.S.) bank will be aggregated for deposit insurance purposes. Generally, any accounts or deposits that you may maintain directly with a particular Issuer, or through any other intermediary in the same insurable capacity in which the CDs are maintained, would be aggregated with the CDs for purposes of the \$250,000 federal deposit insurance limit.

In the event an Issuer fails, interest-bearing CDs are insured up to \$250,000 for principal and interest accrued to the date the Issuer is closed. Zero-coupon CDs are insured to the extent of the original offering price plus interest at the rate quoted to the depositor on the original offering, accreted to the date of the closing of the Issuer. Interest is determined for insurance purposes in accordance with federal law and regulations. The original offering price of a zero-coupon CD plus accreted interest is hereinafter called the "accreted value."

Under certain circumstances, if you become the owner of CDs or other deposits at an Issuer 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 CDs or deposits that you own in the same insurable capacity at the Issuer. 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 any one Issuer, directly or through an intermediary, in order for you to determine the extent of deposit insurance coverage available to you on your deposits, including the CDs. You also are responsible for determining whether deposits at the U.S. branches of a foreign (non-U.S.) bank other than the branch that issued the CD available through Schwab are FDIC-insured. Schwab is not responsible for any insured or uninsured portion of the CDs or any other deposits.

BY YOUR PURCHASE OF A CD, YOU ARE DEEMED TO REPRESENT TO THE ISSUER AND SCHWAB THAT YOUR DEPOSITS WITH THE ISSUER (OR IF YOU ARE ACTING AS A CUSTODIAN, THE DEPOSITS OF THE BENEFICIARIES), INCLUDING THE CD, WHEN AGGREGATED IN ACCORDANCE WITH FDIC REGULATIONS, ARE WITHIN THE \$250,000 FEDERAL DEPOSIT INSURANCE LIMIT.

If your CDs or other deposits at the Issuer are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that you might have established with the acquirer until (i) the maturity date of the CDs or other time deposits that were assumed, or (ii) with respect to deposits that are not time deposits, the expiration of a six-month period from the date of the 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 Issuer after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

In the event that you purchase a CD in the secondary market at a premium over the par amount (or over the accreted value in the case of a zero-coupon CD), that premium is not insured. Similarly, you are not insured for any premium reflected in the estimated market value of your CD on your account statement. If deposit insurance payments become necessary for the Issuer, you can lose the premium paid for your CD and will not receive any premium shown on your account statement. See "Secondary Market."

The application of the \$250,000 federal deposit insurance limit is illustrated by several common factual situations discussed below. Please review "Deposit Insurance: Retirement Plans and Accounts" for the application of the \$250,000 federal deposit insurance limit to retirement plans and accounts.

Individual Customer Accounts. Deposits of any one Issuer held by an individual in an account in the name of an agent or nominee of such individual (such as the CDs held in a Schwab account) 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 Schwab's account records.

Corporate, Partnership, and Unincorporated Association Accounts. Deposits of any one Issuer owned 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. An individual's interest in deposits of any one Issuer held under any form of joint ownership valid under applicable state law may be insured up to \$250,000 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.

Revocable Trust Accounts. Deposits of any one Issuer held in a revocable trust are generally insured up to \$250,000 per beneficiary if the beneficiary is a natural person, charity, or other nonprofit organization. There are two types of revocable trusts recognized by the FDIC.

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 "transfer on death" account. Each beneficiary must be included in Schwab'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.

Under FDIC rules, FDIC coverage will be \$250,000 per beneficiary, multiplied by the number of beneficiaries, regardless of the proportional interest of each beneficiary in the revocable trust. However, if the trust has more than \$1,250,000 in deposits at the Issuer and more than five beneficiaries, the funds will be insured for the greater of \$1,250,000 or the aggregate amount of all beneficiaries’ proportional interests, limited to \$250,000 per beneficiary.

Deposits in all revocable trusts of the same owner—informal and formal—at the same Issuer will be aggregated for insurance purposes. A revocable 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.

Irrevocable Trust Accounts. Deposits of any one Issuer held pursuant to one or more irrevocable trust agreements created by the same grantor (as determined under applicable state law) will be insured for up to \$250,000 for the interest of each beneficiary, provided that the beneficiary’s interest in the account is noncontingent (i.e., capable of determination without evaluation of contingencies). According to the FDIC, **Coverdell Education Savings Accounts** will be treated as irrevocable trust accounts for deposit insurance purposes. The deposit insurance for each beneficiary’s interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee, or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts at an Issuer created by the same grantor will be aggregated and insured up to \$250,000.

Medical Savings Accounts. Deposits of any one Issuer held in a Medical Savings Account, sometimes referred to as an Archer Medical Savings Account, will be eligible for deposit insurance as either an individual account, a revocable trust account, or an employee benefit plan. You may wish to consult with your attorney or the FDIC to determine the available deposit insurance coverage.

Deposit Insurance: Retirement Plans and Accounts

Retirement Plans and Accounts—Generally. The amount of deposit insurance for which CDs of any one Issuer held through one or more retirement plans or accounts will be eligible, including whether CDs held by each plan or account will be considered separately from or aggregated with deposits held by other plans or accounts, will vary depending on the type of plan or account. It is therefore important to understand the type of plan or account holding the CDs. The following sections generally discuss the rules that apply to deposits held by retirement plans and accounts.

Individual Retirement Accounts (IRAs). Deposits of any one Issuer held in an IRA will be insured up to \$250,000 in the aggregate. However, as described below, the deposits of any one Issuer held by an IRA will be aggregated with the deposits of the same Issuer 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 deposits of any one Issuer held in plans and accounts that are subject to aggregation. See “Aggregation of Retirement Plan and Account Deposits.”

Pass-Through Deposit Insurance for Employee Benefit Plan Deposits. Subject to the limitations discussed below, under FDIC regulations a participant’s noncontingent interests in the deposits of any one Issuer 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 deposits of one Issuer held by an employee benefit plan being eligible for only \$250,000 of insurance in total, each employee benefit plan participant is eligible for insurance of his or her noncontingent interest in the employee benefit plan up to \$250,000, subject to the aggregation of the participant’s interests in different plans, as discussed 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 deposits held by the individual in different insurable capacities at the same Issuer (e.g., individual accounts, joint accounts, etc.).

The types of plans for which deposits may 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, as 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 noncontingent 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. Deposits of any one Issuer 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, a plan has on deposit \$500,000 of CDs from one Issuer. The employee benefit plan has two participants, one with a noncontingent interest of \$425,000 and one with a noncontingent interest of \$75,000. In this case, the employee benefit plan’s deposits would be insured only up to \$325,000; the plan would be eligible for up to \$250,000 of insurance for the participant with the \$425,000 noncontingent interest and up to \$75,000 of insurance for the participant with the \$75,000 noncontingent interest.

Overfunded amounts, which are any portion of a plan’s deposits not attributable to the interests 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 noncontingent interest in deposits of any one Issuer 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 deposits of any one Issuer held by an employee benefit plan that are attributable to the contingent interests 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 is holding deposits of the same Issuer will be insured for \$250,000 in the aggregate. In addition, under FDIC regulations, an individual’s interest in the deposits of one Issuer held by (i) IRAs, (ii) deferred compensation plans for certain employees of state or local governments or tax-exempt organizations (i.e., 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 maintained by the same employer or employee organization.

Questions About FDIC Deposit Insurance Coverage

If you have questions about basic FDIC insurance coverage, please contact Schwab. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one insurable capacity. You may also obtain information by contacting the FDIC, Deposit Insurance Outreach, Division of Supervision and Consumer Protection, by mail (550 17th Street NW, Washington, DC 20429), phone (1-877-275-3342 or 1-800-925-4618 [TDD]), or email using the FDIC’s

online Customer Assistance Form at ask.fdic.gov/FDICCustomerAssistanceForm.

Payments Under Adverse Circumstances

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available.

Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

As explained above, the \$250,000 federal deposit insurance limit applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you at the Issuer in the same insurable capacity. The records maintained by the Issuer and Schwab regarding ownership of CDs would be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to Schwab before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original par amount plus accrued interest (or the accreted value, in the case of zero-coupon CDs) to the date of the closing of the relevant Issuer, as prescribed by law, and subject to the \$250,000 federal deposit insurance limit. No interest or accreted value is earned on deposits from the time an Issuer is closed until insurance payments are received.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between receiving the CD payout and maintaining the deposit at a different rate. There may be a delay in receiving notification from the healthy institution, and the healthy institution may lower the rate on the CDs prior to providing notice. Schwab will advise you of your options in the event of a deposit transfer as information becomes available.

Schwab will not be obligated to you for amounts not covered by deposit insurance, nor will Schwab be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal and accrued interest or the accreted value of a CD prior to its scheduled maturity, or (iii) payment in cash of the principal and accrued interest or the accreted value of your CDs prior to maturity in connection with the liquidation of an Issuer or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD that had been purchased at a premium in the secondary market is based on the original par amount (or, in the case of a zero-coupon CD, its accreted value) and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, Schwab will not be obligated to credit your account with funds in advance of payments received from the FDIC.

Additions or Withdrawals

No additions are permitted to be made to any CD. When you purchase a CD, you agree with the Issuer to keep your funds on deposit for the term of the CD. Accordingly, except as set forth below, no early withdrawals of CDs will be available. The early withdrawal provisions, if any, applicable to your CD may be more or less advantageous than the provisions applicable to other deposits available from the Issuer.

In the event of death or the adjudication of incompetence of the owner of a CD, early withdrawal of the entire CD will generally be permitted without penalty. Withdrawal of a portion of the owner's interest will not

be permitted. Written verification acceptable to the Issuer will generally be required to permit early withdrawal under these circumstances.

Pursuant to the Code, the beneficiary of an IRA (but not a Roth IRA) must begin making withdrawals from the IRA after age 70½. CDs held in an IRA are not eligible for early withdrawal simply because the beneficiary must begin making mandatory withdrawals from the IRA. IRA beneficiaries should purchase CDs with maturities that correspond to the mandatory withdrawal requirements or look to the secondary market for liquidity. See "Secondary Market."

In the event that a customer wishes to make an early withdrawal and such withdrawal is permitted, Schwab endeavors to obtain funds for the customer as soon as possible. However, Schwab will not advance funds in connection with early withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date.

Secondary Market

Schwab, though not obligated to do so, may maintain a secondary market in the CDs after their Settlement Date. If you wish to sell your CD prior to maturity and Schwab does not maintain a secondary market, Schwab may attempt to sell your CD in a secondary market maintained by another broker-dealer. Schwab cannot provide assurance that you will be able to sell your CDs prior to their maturity. In addition, a secondary market for the CDs may be discontinued at any time without notice. Therefore, you should not rely on any such ability to sell your CDs for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to maturity, or having access to proceeds prior to maturity.

In the event that a buyer is available at a time you attempt to sell your CD prior to its maturity, the price at which your CD is sold may result in a return to you that may differ from the yield that the CD would have earned had it been held to maturity, since the selling price for a CD in such circumstances will likely be based on a number of factors, such as interest rate movements, time remaining until maturity, and other market conditions. Also, the price at which a CD may be sold if a secondary market is available will reflect a markdown retained by Schwab. Similarly, the price you pay for any CD purchased in the secondary market may include a markup established by Schwab. **In the event you choose to sell a CD in the secondary market, you may receive less in sale proceeds than the original principal (par) amount of the CD or the estimated price on your account statement.**

In the event that a CD is purchased in the secondary market at a premium over the par amount (or accreted value, in the case of a zero-coupon CD), the premium is not insured. Therefore, if deposit insurance payments become necessary for the Issuer, the owner of a CD purchased in the secondary market can incur a loss of up to the amount of the premium paid for the CD. See "Deposit Insurance: General."

The uninsured premium being paid for an interest-bearing CD can be determined from the price set forth in your trade confirmation. Price on CDs is expressed in relation to par (100.00). Any amount over 100.00 represents the premium. For example, if your trade confirmation states that the price for a CD purchased in the secondary market is 100.25, there is a premium that will not be insured by the FDIC. A price of 99.75 would not include a premium. The trade confirmation will also inform you if the CD has accrued interest, which will be insured as long as the par amount of CDs held by you in one insurable capacity at the Issuer, plus the accrued interest, does not exceed the \$250,000 federal deposit insurance limit.

In the case of a zero-coupon CD purchased in the secondary market, the uninsured premium can initially be calculated by subtracting the accreted value from the "total amount" paid. This uninsured premium does, however, decline over time. The accreted value of a zero-coupon CD, which is based upon the original issue yield and price, can be obtained at the time of purchase from Schwab.

If you purchase a callable CD in the secondary market at a premium, you will receive only the par amount if the CD is called.

Fees

Schwab typically receives a fee from each Issuer in connection with the placement of the CDs. Schwab may seek to negotiate a higher or lower placement fee based on Schwab's view of competitive necessities. The amount of the placement fee paid to Schwab will affect the interest rate the Issuer is willing to pay on the CDs. Placement fees paid to Schwab generally range from 0 to 65 basis points (0.65%). Except for the markup or markdown (discussed above in connection with secondary-market transactions) and a handling fee (if any, disclosed in your trade confirmation), you will not be charged any commissions in connection with your purchase of a CD.

Federal Income Tax Consequences

The federal income tax consequences of owning CDs will vary depending upon the terms of your CD and the type of account in which you hold your CD. In addition, there may be tax consequences upon the sale, early withdrawal, or other disposition of your CD. These tax consequences may differ for non-U.S. persons. You should consult your own tax advisor to determine the federal, state, local, and other income and estate tax consequences of your CD purchase.

Notice to Purchasers of Structured CDs

When you purchase a structured CD through Schwab, we confirm you received the offering materials from the Issuer (either through Schwab or from another party) that describe the terms of the structured CD and related information ("Offering Materials"). The Offering Materials supersede this Disclosure Statement to the extent of any inconsistency between them.

By "structured CD," we mean any CD on which the return is directly or indirectly linked to or determined or measured by reference to a stock market, commodities or other asset index, a commodity or basket of commodities, a currency basket or currency pair, an equity security or basket of securities, changes in interest rates, or any combination of the foregoing.

The information contained in this Disclosure Statement may not be modified by any oral representation made prior or subsequent to the purchase of your CD.

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