

# Pledged Asset Line<sup>®</sup> from Charles Schwab Bank

The Pledged Asset Line (PAL) is an uncommitted revolving non-purpose securities-based line of credit offered by Charles Schwab Bank, SSB (“Schwab Bank”), which is secured by assets held in a separate Pledged Account maintained by Charles Schwab & Co., Inc. (“Schwab”).



*Own your tomorrow.*

# Pledged Asset Line<sup>®</sup> at a glance

(Contact your Regional Banking Manager at the number provided below for additional details.)

<b>Purpose</b>	The PAL is an uncommitted revolving non-purpose securities-based line of credit that is due and payable immediately upon demand (“Demand”) by Schwab Bank. As a non-purpose line of credit, proceeds must be used for lawful purposes and may not be used to purchase securities or pay down margin loans. Additionally, PAL proceeds may not be deposited into any brokerage account.
<b>Term and credit commitment</b>	All PAL loan requests are accepted or rejected in Schwab Bank’s sole discretion. PAL has no stated maturity date and is payable immediately upon Demand, in Schwab Bank’s sole discretion.
<b>Eligible borrower types</b>	Eligible borrowers include individual, joint, and revocable living trusts with identical trustee, trustor, and beneficiary registrations.
<b>Minimum line amount</b>	\$100,000
<b>Initial minimum loan amount</b>	The first loan made under the PAL must be equal to or greater than the initial minimum loan amount, which is currently \$70,000.
<b>Interest rates</b>	Interest rates are based on an Index, as determined by Schwab Bank from time to time, plus an Interest Rate Spread. The interest rate will increase or decrease as the Index changes, or if Demand is made on the PAL and Schwab Bank applies a post-Demand spread. The Interest Rate Spread is determined based on the Loan Value of Collateral (as defined in the PAL Agreement) at the time the PAL is opened. Note that changes in the interest rate may cause your monthly payments to change. If interest rates rise, your borrowing costs can increase. In addition, Schwab Bank reserves the right to change any part of the interest rate after the PAL is established, including the Index, Interest Rate Spread, or post-Demand spread, upon further notice.
<b>Payments</b>	<p>Monthly interest charges are due on the payment due date. If current interest charges are not paid on or before the payment due date, you will be deemed to request a loan in the amount of such charges, and Schwab Bank may, at its sole discretion, honor such request and add such amount to the PAL principal amount. If added to the PAL principal amount, this will result in the negative amortization of the loans, and you will pay more finance charges over the life of the PAL and increase the total principal indebtedness. If the monthly payment is not made, or the interest is not capitalized, a \$25 late fee will be imposed for late payments.</p> <p>Upon Schwab Bank’s Demand, all, or any portion of, the outstanding loans plus all accrued and unpaid interest charges, fees, and other obligations are immediately due and payable.</p> <p>You may prepay your PAL in whole or in part at any time. Please note that the assets pledged as collateral for the PAL must be maintained in a Pledged Account at Schwab until the line is paid off in full and closed.</p>
<b>Available credit</b>	The aggregate loans that may be requested are determined based on the Loan Value of Collateral held in the associated Pledged Account(s) and applicable credit limit(s), each as determined by Schwab Bank in its sole discretion, minus outstanding loans. As an uncommitted line of credit, all PAL loan requests are accepted or rejected in Schwab Bank’s sole discretion.
<b>Loan Value of Collateral</b>	Schwab Bank determines the Loan Value of Collateral in its sole discretion. The Loan Value of Collateral is generally determined by (i) calculating the loan value of each position of Eligible Collateral held in the associated Pledged Account(s) (which is the product of the market value of such position and the advance rate assigned by Schwab Bank for such position) and (ii) adding together the loan value for all such positions. Advance rates will generally be determined based on the specific type of Eligible Collateral being pledged,

**Loan Value of Collateral**  
(Continued)

but actual advance rates may vary based on the circumstances. Some collateral may receive advance rates lower than the rate applicable to such collateral type, and in some cases a single account-level advance rate will be assigned for all Eligible Collateral being pledged.

**Compensation disclosure**

If you are a Schwab retail client, your Schwab Financial Consultant and Schwab Bank Regional Banking Manager may receive compensation in connection with the PAL at Schwab Bank. The compensation provided to a Schwab Financial Consultant is determined based on the utilization of the PAL, and is paid on a one-time basis or on a periodic basis during the life of the PAL. The compensation provided to a Schwab Bank Regional Banking Manager is made as a single payment in connection with the opening of the PAL. In addition, a Schwab Investment Consultant may receive compensation in connection with a Schwab Pledged Account that is pledged in support of a PAL. The compensation provided to a Schwab Investment Consultant is determined based on the net new assets deposited into a Schwab Pledged Account.

If you are a client of an independent investment advisor, your Schwab Bank Regional Banking Manager and your advisor's Schwab Relationship Manager may receive compensation in connection with the opening of a PAL at Schwab Bank.

**Collateral account**

Schwab Bank requires that the assets pledged as collateral for the PAL be held in a separate Pledged Account maintained at Schwab, and that, at all times, the Loan Value of Collateral of the assets held in the Pledged Account(s) equal or exceed the greater of (i) the Minimum Loan Value of Collateral (which is currently \$100,000), and the (ii) outstanding loans. Schwab Bank will determine, in its sole discretion, what collateral is Eligible Collateral and the Loan Value of Collateral.

At any time, including in the event that the Loan Value of Collateral is insufficient to satisfy the Minimum Loan Value of Collateral or the outstanding loans, Schwab Bank may Demand immediate payment of all or any portion of the outstanding obligations or require the deposit of additional cash or securities to the Pledged Account. If the Demand is not addressed, the pledged securities may be liquidated without further notice to you or an extension of time. (Prices of securities in your portfolio are constantly shifting, which can increase the risk of a Demand during times of market volatility.)

**Schwab Pledged Account**

Please note that the Pledged Account is a cash or non-margin brokerage product offered by Schwab.

**Brokerage products are:**

- Not insured by the FDIC;
- Not a deposit or other obligation of, or guaranteed by, Charles Schwab Bank, SSB; and
- Subject to investment risks, including possible loss of the principal.

There is no fee to apply for a PAL, and there are no account opening or maintenance fees on the Pledged Account (brokerage commissions and other fees may apply).

**Pledged Asset Lending involves a high degree of risk.**

At any time, including in the event that the Loan Value of Collateral is insufficient to satisfy the Minimum Loan Value of Collateral or the outstanding loans, Schwab Bank may Demand immediate payment of all or any portion of the outstanding obligations, or you may be required to deposit additional cash or securities into your Pledged Account. In addition, the pledged securities may be sold without notice to you, which could result in adverse tax consequences. Additional risks are outlined below and also described in the PAL Application and Loan Documents.

**Responsibility for investment decisions**

For Schwab Retail Clients: Schwab Bank does not provide investment advice with respect to the Pledged Account, any securities pledged to the Pledged Account, or any transactions therein. Unless otherwise specified or agreed, Schwab also does not make recommendations about the Pledged Account, assets pledged to the Pledged Account, or any transactions in the Pledged Account.

For Clients of Independent Investment Advisors: Neither Schwab Bank nor Schwab provides investment advice with respect to the Pledged Account, any securities pledged to the Pledged Account, or any transactions therein.

**Have questions  
or ready to learn more?**

Please contact your Regional Banking Manager at **1-800-986-3700** for additional information about the PAL.

### **Risks Associated With a PAL and Pledging Securities as Loan Collateral**

The PAL requires the pledge of securities to Schwab Bank as collateral. The pledged securities are held in a special securities collateral account at Schwab. Entering into the PAL and pledging securities as collateral involve a high degree of risk, including those risks listed below. If you determine that a PAL is appropriate for you and apply for a PAL, you should read the loan documents and this notice carefully so you understand your obligations as a borrower, guarantor, or pledgor, as the case may be.

**The Pledged Asset Line® is an uncommitted revolving line of credit that is due and payable immediately upon Demand by Schwab Bank.** All loan requests made on the Pledged Asset Line are accepted or rejected in Schwab Bank's sole discretion, and Schwab Bank is not obligated to honor any loan request. Schwab Bank may, in its sole discretion, Demand payment of all or any part of the Pledged Asset Line obligations at any time, for any reason, or no reason.

**Schwab Bank can force the sale of securities in your collateral account.** Schwab Bank can sell any or all of the securities in the collateral account to satisfy the Pledged Asset Line obligations. The Pledged Asset Line is a full recourse obligation, and you will still be responsible for satisfying any obligation that remains outstanding after such a sale.

**You can lose more assets than you deposit in your collateral account.** A decline in the value of the securities in the collateral account may result in Schwab Bank making a Demand on your Pledged Asset Line that requires either the payment of all or a portion of the Pledged Asset Line obligations, or the addition of more collateral to the collateral account. You should monitor the collateral value on a regular basis and keep the value of the eligible securities in the collateral account at or above what Schwab Bank requires. If the value of the Eligible Collateral declines, you should deposit sufficient additional funds or acceptable securities as soon as possible. You should consider keeping a readily available cash reserve or additional securities on hand for this purpose.

**Your collateral account also secures any obligations owed to Schwab.** In addition to securing your Pledged Asset Line obligations, your collateral account secures any obligations owed to Schwab. If you fail to pay those obligations, Schwab may sell securities in your collateral account and debit the collateral account to satisfy those obligations. Such sales and debits by Schwab would reduce the assets held in the collateral account and could result in a Demand by Schwab Bank on your Pledged Asset Line.

**Schwab Bank may sell your securities without contacting you.** Under certain circumstances, Schwab Bank may not be able to reach you before selling securities in your collateral account. Even if you have been contacted and provided a specific date by which you should add collateral to the collateral account or make a payment to Schwab Bank, Schwab Bank may still take steps it deems necessary to protect its financial interests, including immediately selling the securities without contacting you again.

**You are not entitled to choose which securities in your account are liquidated or sold.** Because the securities are collateral for the loan or

line of credit, Schwab Bank has the right to decide which securities to sell in order to protect its interests.

**You are not entitled to an extension of time.** While Schwab Bank may, in its sole discretion, agree to grant an extension of time for you to respond to a Demand under certain conditions, you do not have a right to an extension.

**You may incur adverse tax consequences if your securities are sold or otherwise liquidated in connection with your pledge of securities as loan collateral.** If Schwab Bank sells some or all of your securities, such sales may be at prices higher than your initial acquisition cost. This may result in a taxable event, and you may be liable for taxes on the gain realized on the sale. You should consult your tax advisor in order to understand fully the tax implications associated with pledging securities as loan collateral.

**There may be alternative ways of borrowing funds that are less expensive and involve less risk.** Neither Schwab Bank nor Schwab in any way represents that the Pledged Asset Line is the least expensive or least risky method of borrowing funds. You should carefully explore all other options available to you to determine which option is best for your personal situation.

### **Schwab Bank Suggestions for Managing Risks**

**Regularly monitor your PAL and Pledged Account.** Monitor your PAL and Pledged Account on a regular basis and take steps to ensure that the Loan Value of Collateral held in your Pledged Account is sufficient to support your outstanding loans and the Minimum Loan Value of Collateral of \$100,000. Heighten your monitoring during periods of market volatility. Use online tools or call Schwab Bank to access information about your PAL and Pledged Account, including your outstanding loans, Loan Value of Collateral, and available credit. Before you place trades, use the online collateral lookup tool to obtain information about the potential eligibility and advance rates associated with specific securities.

**Pay interest regularly and borrow less than the available credit.** Consider (i) paying your interest on a regular basis to avoid interest capitalizing and (ii) borrowing less than the available credit to decrease the amount of outstanding loans requiring collateral support.

**Maintain a buffer of additional Eligible Collateral in the Pledged Account.**

At the time that you establish the PAL, pledge Eligible Collateral in excess of the amount required to support the line of credit. At all times thereafter, in order to prevent a Demand, maintain Eligible Collateral in excess of the amount required to support the greater of the Minimum Loan Value of Collateral and outstanding loans.

**Maintain a diversified portfolio in the Pledged Account.** Maintain a diversified portfolio of Eligible Collateral in the Pledged Account as collateral support for PAL obligations.

**Immediately address a Demand.** Consider keeping a readily available liquid cash reserve on hand in order to take immediate action and address a Demand.

Nothing herein should be interpreted as an obligation to lend. Loans are subject to credit and collateral approval. Some restrictions may apply. Loan terms are subject to change without notice.

Charles Schwab & Co., Inc. and Charles Schwab Bank, SSB are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products, including the Pledged Account, are offered by Charles Schwab & Co., Inc. (Member SIPC), are not insured by the FDIC, and are not deposits or obligations of Charles Schwab Bank, SSB. Deposit and other lending products, including the Pledged Asset Line (PAL), are offered by Charles Schwab Bank, SSB, Member FDIC. Charles Schwab Bank, SSB is not acting or registered as a securities broker-dealer or an investment advisor.

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