



# Schwab Personal Choice Retirement Account® (PCRA)

## Options Application—Trustee

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### 1. Introduction

This application is necessary in order for an authorized plan fiduciary ("Plan Fiduciary"), such as a plan sponsor ("Plan Sponsor"), to authorize a Directed Trustee ("Trustee") or other authorized party, such as a Recordkeeper or Individual Trustee, to add options trading to a retirement plan ("Plan"). The Plan must authorize options trading prior to the form being completed. Please review the terms of your Plan to confirm.

We respect your privacy and will not sell your application or other personal information to anyone. We may later use the information to work in conjunction with your Retirement Plan provider to open your Account and provide you service on the Account, as well as to notify you about products or services you may find useful. Read about Schwab's privacy and security policy at [schwab.com/privacy](https://schwab.com/privacy).

### 2. Options Trading Permission

In order to establish that options trading is permitted under the terms of the Plan, the Plan Fiduciary must first complete Section I of the PCRA Plan Trading Menu in the PCRA Plan Application and Agreement.

Is options trading selected in the Plan trading menu?

☐ Yes

☐ No (If "No," Schwab cannot accept this application.)

### 3. Retirement Plan Information

In order for the Plan participants to be approved for options trading, **all** sections of this application must be completed.

Plan Master Account Number

Net Assets of the Plan

Plan Fiduciary Name

Plan Name

Plan Tax ID Number

### 4. Directed Trustee (or Recordkeeper or Individual Trustee) Information

By completing this application, the Plan Fiduciary represents and confirms that they authorize the Directed Trustee, or other party as indicated below, to provide additional ongoing instructions to Schwab, such as directions to process changes to the Account.

All parties with trading authority must complete a separate **PCRA Options Application—Trustee** for each Plan that allows options trading for which the party is a Directed Trustee.

Capacity of Authorized Party

☐ Directed Trustee

☐ Recordkeeper

☐ Individual Trustee

☐ Other: \_\_\_\_\_

Mailing Address (no P.O. boxes)

City

State

Zip

Phone Number

## 5. Agreement

In consideration of Charles Schwab & Co., Inc. accepting and carrying an options account for the Plan, I (as Trustee acting on behalf of the Plan) hereby understand and agree that in addition to the provisions of the Account Agreement, the following shall apply:

### Plan Fiduciary Authorization

The Plan Fiduciary hereby directs Schwab to rely upon and treat any direction or instruction provided by the Recordkeeper or Trustee (together, the "Directing Party[ies]") as a direction or instruction of the Plan Fiduciary authorized to provide such direction or instruction under the terms of the Plan or under any subsequent delegations of fiduciary authority and applicable law. The Plan Fiduciary hereby represents that the Directing Parties are authorized and directed to complete any requested documentation to establish options trading in the Plan and to represent on behalf of the Plan Sponsor that they agree to the terms of the Charles Schwab & Co., Inc. Options Trading Rules contained herein.

### Handling of Account

I understand that the PCRA ("Account") shall be handled in accordance with the rules of the Options Clearing Corporation (OCC), the applicable exchange, and/or other regulatory agencies, and I understand that I will not violate these rules.

### Options Disclosure Documents

I will not enter an order for any listed options until I have received and read the OCC disclosure document titled *Characteristics and Risks of Standardized Options*.

### Options Agreement

I understand that the purchase and writing of options contracts involve inherent risks and that the Plan is financially able to bear such risks and withstand any losses resulting from trading.

### Options Positions Covered

I understand that I may not write a call option nor buy a put option unless there is an adequate quantity of the underlying security in the participant's Account. I further understand that I may not sell a cash-secured equity put option without sufficient cash to be secured to cover that cash-secured put option.

### Exercise Limitation

I understand that the various options exchanges may restrict transactions in particular options or the exercise of options contracts at their discretion from time to time.

### Size Limits of Options and Exercises

I will not, acting alone or in concert with others, whether directly or indirectly, violate the position or exercise limitations that may be fixed from time to time by the exchange or market where such options contracts are traded.

### Options Commissions

I understand that due to the short-term nature of options, it is likely that I will be trading options to a greater degree than other securities and that I will be charged a commission each time such a transaction is made.

### Suitability

I agree to advise Schwab prior to entering my next options order if there is any change in the Plan's investment objective or financial situation.

### Assignments

I understand that exercise assignment notices for options contracts are allocated among customer short positions pursuant to a manual procedure that randomly selects from among all customer short options positions, including those contracts that are subject to exercise. All short options positions are liable for assignment at any time. A more detailed description of Schwab's random allocation procedure is available upon request.

### Consent to Recording

I understand that Schwab may record telephone conversations with customers in order to permit the verification of data concerning options and other securities transactions.

### Responsibility for Investments

I understand that Schwab will not give legal, tax, or investment advice regarding particular stocks, including advice involving suitability of and investment strategies for particular stocks, to the Trustees, Independent Recordkeeper, Plan Sponsor or participants of the Plan.

## 6. Signature

I understand that the booklet *Characteristics and Risks of Standardized Options* will be sent to me when the Account is approved for options trading. I agree to read the booklet prior to conducting any trades in the Account, and I agree to be bound by the Options Application Agreement included with this Options Application.

### Signature and Date Required

X

Signature: Directed Trustee

Today's Date (mm/dd/yyyy)

Print Name

Please return the completed form with your original signature to:

Charles Schwab & Co., Inc.  
Retirement Business Services Operations  
P.O. Box 982604  
El Paso, TX 79998-2604

Please keep a copy for your records.

# Schwab Personal Choice Retirement Account® (PCRA)

## Options Application Agreement

### Options Trading Rules

#### Calls

- Underlying stock for listed calls may have contracts written against it in multiples of one call option contract per 100 shares, unless otherwise specified.
- Securities purchased for covered call writing must be paid for by the standard settlement date. Proceeds from the option will be credited to the investor's account, unless otherwise specified.
- All underlying securities not already held in an account at Schwab must be delivered FREE AND IN GOOD DELIVERABLE FORM before covered calls may be written.
- Covered call writing may be done against marginable securities held in an account, provided the account is in compliance with the Federal Reserve Board's Regulation T and Schwab's Margin and Short Account Rules.
- Convertible or exchangeable securities may, in some cases, be available for covered call writing, at our discretion. Contact Schwab for specific information.

#### Puts

- A short put is considered covered when a put is written against stock sold short. Listed puts may be written against the underlying short stock in multiples of one put contract per 100 shares, unless otherwise specified. A put is also covered when there is sufficient cash to cover the stock purchase if the put is assigned.
- No additional margin will be required if a put is written against stock sold short if the margin requirements are met on the short stock.

#### Qualified Spreads

A "spread" involves being both the buyer and writer of the same type of option (puts or calls) on the same underlying interest, with the options having different exercise prices and/or expiration dates.

The purchased option is required to expire in the same or later month than the option sold. When there is more than one possible way to pair available options in your PCRA, Schwab has the discretion to determine spread pairings. Schwab may pair options in a manner that does not produce the lowest possible margin requirements.

#### Straddles and Combinations

A "straddle" is an equal number of calls and puts purchased (or written) on the same security with

the same strike price and same expiration. If the strike prices and/or the expiration differ, the order or position is defined as a "combination."

#### Payment and Settlement

Unless the amount required for an options trade is met by one of the following methods, we may, at our discretion, decline to accept your order.

- Cleared funds in account
- Funds in our between-investment cash sweep feature
- Making the trade versus executed market sell orders

Money in your Schwab cash sweep feature qualifies as "money in your account" for purposes of entering or opening an options transaction.

#### Assignments

Short options assignments will be allocated among position holders on an automated random selection basis.

#### OCC Disclosure Document

Before trading options, read the booklet *Characteristics and Risks of Standardized Options*, published by the Options Clearing Corporation (the OCC Disclosure Document). A copy will be sent when your Account is approved for options trading.

#### Manipulation of Auto Execution Prohibited

Most options exchanges have automated execution ("Auto Ex") systems that provide rapid executions for retail-size market and marketable limit orders in listed options at the quoted bid or offer, up to a maximum number of contracts. This maximum number varies by options class and generally ranges between 20 and 100 contracts per order. Exchange rules prohibit investors from engaging in "order splitting," i.e., dividing a large order that is ineligible for Auto Ex because of its size into two or more smaller orders to make them eligible for Auto Ex treatment. Orders placed within less than 15 seconds of each other will be aggregated for purposes of evaluating whether impermissible order splitting has occurred. For example, if the option ABCDE had a maximum Auto Ex size of 50 contracts, it would be impermissible to divide a 100-contract order and enter two 50-contract orders contemporaneously for the purpose of receiving Auto Ex treatment. Orders of this type should be entered either for the full, undivided amount or more than 15 seconds apart. Depending on the facts and circumstances, multiple orders placed more than 15 seconds

apart may still be evaluated for order splitting if submitted for the purpose of obtaining Auto Ex treatment. SEC and exchange rules regarding market manipulation and Auto Ex systems also prohibit investors from submitting orders into the limit-order book of an options exchange for the purpose of influencing the prices at which subsequent Auto Ex orders could be executed. (Typically, this is a limit order that improves the exchange's quoted market.) For example, it may be manipulative for an investor to enter a limit order to buy a small number of options contracts at a price above the prevailing inside bid, and enter a contemporaneous Auto Ex order to sell a larger number of those options (which could be executed at the new, higher bid price set by the investor's own limit order). The order-splitting and manipulation prohibitions apply even when the orders are coming from multiple accounts if these accounts have a common beneficial owner. The prohibitions may also apply to orders in separate options series if these series are substantially similar. Violation of antimanipulation laws and exchange Auto Ex rules could result in the imposition of criminal penalties, fines and other sanctions against you by regulatory agencies; the reversal of trades executed in violation of exchange rules; and/or the removal of options trading privileges or closing of your Schwab account(s).



## Options Agreement

### Terms and Conditions

In consideration of Schwab accepting your orders to trade options contracts for your Account referenced in Section 2 of the Options Application, you agree that the following terms and conditions apply to your Account, in addition to the other terms and conditions contained in the Schwab Account Agreement applicable to your Account.

#### 1. Risks of Options Trading

The purchase or writing of options contracts involves a high degree of risk and is not suitable for all investors.

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

- Understand the risks inherent in options trading;
- Are financially able to withstand options trading losses, including the loss of your entire investment; **and**
- Have determined that options trading is suitable for you, considering your financial situation and investment objectives.

Neither Schwab nor its officers, employees, or agents is authorized to give tax advice. You should consult a professional tax advisor regarding the tax effect of options transactions in your Account.

#### 2. OCC Disclosure Document

When Schwab approves your account for options trading, we will give you the booklet *Characteristics and Risks of Standardized Options* (the OCC Disclosure Document). You agree not to enter any orders for options transactions until you have read and understood the OCC Disclosure Document. Any information contained in the OCC Disclosure Document, including information regarding the federal income tax consequences of options transactions, is subject to change.

#### 3. Importance of Accuracy on Your Application

You represent that the information you've provided on the application to add option, margin, and short capabilities is accurate. You agree to notify Schwab if there are important changes in the investment objectives or financial situation you have described in your application.

#### 4. Provision of Services

When Schwab approves your Account for options trading, we will act as your broker to purchase, sell, assign, transfer, exercise, endorse, clear or otherwise handle puts, calls and other contracts relating to securities, securities-related indices, and other underlying instruments. You agree that if you place orders for options trading in more than one market, we may use our discretion in selecting the market in which to enter your order in the absence of specific instructions from you. **We may, at our discretion and without notice, restrict or**

**prohibit options trading or certain types of options transactions or specific options transactions in your Account.**

#### 5. Payment

Options transactions are settled on the first business day after the day your order is executed. We may decline to accept your order to purchase options contracts if there are not sufficient cleared funds (that is, funds on which no holds or other restrictions are imposed) available in your Account to pay the purchase price, if you do not have sufficient equity in your Account to meet applicable margin requirements, or for other reasons subject to our discretion. In all cases, options transactions must be settled on the first business day after the day your order is executed, and it is your responsibility to deposit necessary funds and maintain sufficient equity in the Account.

#### 6. Covered Options Transactions

If you are approved for covered options and cash-secured equity put transactions only, you may sell call (put) option contracts when you hold in your Account a sufficient long (short) position in the securities underlying the contracts; purchase call (put) option contracts when you hold in your Account a sufficient short (long) position in the securities underlying the contracts; or sell put option contracts when you hold cash in your Account equal to the aggregate exercise value of the put contracts sold.

#### 7. Maintenance of Required Equity and Liquidation

If you write options contracts, you agree to maintain equity collateral in your Account in accordance with the terms of the Account Agreement. If you do not maintain enough equity in your Account to secure your options obligations adequately, or if you do not satisfy, in a timely manner, any money or collateral call (relating to settlement of a trade or otherwise), we may (but are not required to), without prior notice, take any action with respect to and for your Account that we, in the reasonable exercise of our discretion, consider necessary for our protection.

These actions may include:

- Buying or selling short;
- Hedging existing security positions;
- Risking any or all securities underlying options purchased, endorsed, or handled for your Account; **and/or**
- Buying or selling for your Account any options contract we consider necessary or appropriate.

Our failure to take any of the above actions in any particular instance will not be considered a waiver of our right to take such actions in later instances. You agree to reimburse us for all expenses, fees, commissions, or losses

(including taxes, transfer fees, and other fees) we incur as a result of such actions.

#### 8. Short Options Positions

If you write a call option contract, you agree to honor all assignments by delivering to us the underlying securities in negotiable form or cash (in the case of index options) at the times prescribed by the securities exchanges and/or the Financial Industry Regulatory Authority (FINRA). If you fail to do so, we may act as your agent to buy in such securities at the current market price and deliver these securities or cash to fulfill your delivery commitment. We may exercise our discretion regarding the timing and manner of any such purchases. In case the following situations occur:

- You write a call option contract in a security that becomes subject to a reorganization transaction (such as a tender offer or other offer in which value is offered in exchange for or with respect to ownership of such security); **and**
- You are assigned an exercise notice on such contract; **and**
- You are unable to cover your obligation to deliver, either through delivery of the security to us or our buying in the position; **then**
- You agree to pay us the losses that we sustain as a result of your failure to deliver. If you write a put option contract, you agree to honor all exercise assignments in a timely manner. You agree to pay all expenses, fees, commissions, and/or losses (including taxes) incurred as a result of the transactions described above.

In addition, at our discretion, we will pair options positions in the Account that constitute a spread position. You agree to accept the matching logic employed by Schwab to determine spread pairings, and you agree to maintain sufficient equity in your Account to meet the equity requirements that may result from such pairings, as determined by Schwab in its discretion.

#### 9. Exercises

If you exercise a long option contract, you agree to pay the full aggregate exercise price provided for by the option contract. We'll accept exercise instructions for same-day execution on business days prior to 4:00 p.m. Eastern time for index option contracts, and prior to 5:00 p.m. Eastern time for equity option contracts. We will accept exercise instructions until 5:00 p.m. Eastern time on the last trading day of expiring options. You acknowledge that the OCC and the national securities exchanges have established cutoff times for delivering exercise instructions. Your long option contracts may expire worthless if you do not deliver your instructions by the expiration time noted in the OCC Disclosure Document. We are not



obligated to give you prior notice of option expiration dates, and you will have sole responsibility for taking action to exercise an option contract before the option expires. However, if you hold in your Account long equity option contracts that are greater than or equal to \$0.01 in-the-money, and we do not receive exercise instructions from you on the last trading day of the option, we may, at our discretion (but are not required to), take action.

We may place a market order to sell the long option position at or before, in our discretion, market close on the last trading day of the expiring option. We may instruct the OCC not to exercise valuable options. Or we may exercise valuable option contracts for your Account, and in the absence of instructions from you, new positions we create in this way may be closed out at the opening of the next business day. We may exercise for cash settlement long index option contracts that are any amount in-the-money. If you do not notify us to exercise a valuable option contract by the prescribed time and the right to exercise expires, you agree to waive, and to release us and our officers, employees, and agents from, any and all claims of damage or loss, then or at a later time sustained, as a result of an option contract not being exercised.

#### 10. Assignments

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

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

#### 11. Position and Exercise Limits—Rules

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

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

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

#### 12. Account Agreement

All options transactions will be conducted through your Account and are subject to the Account Agreement between you and Schwab. As used here, "Account Agreement" means: the terms and conditions stated in this Options Agreement; the applicable Schwab Account Application; the Margin and Short Account Agreement; the Disclosure of Credit Terms and Policies; if any; and any other written agreements between you and Schwab, all as amended from time to time.

