



U.S. Tax and Estate Disclosure to Non-U.S. Persons

Non-U.S. citizens or residents who have brokerage accounts in the United States should be aware that certain investments may result in U.S. tax reporting, U.S. tax withholdings, U.S. estate administration and U.S. estate taxes. Charles Schwab wants to make you aware of the basics as to certain estate planning and tax considerations that you should take into account when you make your investment decisions. This disclosure is based on the laws in effect as of April 1, 2008, which are subject to change, possibly retroactively, and no assurance can be given that the U.S. Internal Revenue Service (IRS) may not take a position contrary to the positions described herein. This disclosure of certain U.S. tax and estate procedures is not meant to be legal or tax advice, and you should consult with your own personal estate planning or tax advisors before making any investment.

U.S. Tax Documentation

You must have on file with us one of the four versions of the Form W-8 (either W-8BEN, W-8IMY, W-8ECL or W-8EXP). These forms are used to verify your status as a non-U.S. citizen or resident and, when properly completed, can minimize withholding taxes on payments you receive. We will do our best to assist you in determining which version of the form is appropriate for you. However, this determination ultimately depends on your own particular tax situation and may necessitate consulting your own tax advisor. You may also want to visit the IRS website for more information (www.irs.gov).

U.S. Tax Reporting

Brokerage firms located in the United States are required to report to the U.S. Internal Revenue Service once a year on Form 1042-S all U.S. source income for each account at the firm. (Note: This would include accounts which are introduced to Charles Schwab & Co., Inc. [U.S.] by a foreign affiliate for execution, clearance and settlement of securities transactions.) "U.S. source income" is, in general terms, defined under U.S. tax regulations as dividend and interest income earned on securities issued by U.S. companies or U.S.-registered mutual funds. In addition, interest earned on U.S. Treasury and U.S. government agency securities is U.S. source income. Therefore, to the extent that you have dividends or interest from U.S. companies, U.S.-registered mutual funds, the U.S. Treasury or U.S. government agencies, that amount will be included in the annual report we are required to send to the IRS. Generally, foreign source income is not reported to the IRS. "Foreign source income" is dividends and interest earned on

securities issued by non-U.S. companies and non-U.S.-registered mutual funds. Also, gain from the sale or redemption of securities (whether issued by U.S. companies, U.S.-registered mutual funds, the U.S. Treasury, U.S. government agencies or non-U.S. companies or non-U.S.-registered mutual funds) held by non-U.S. citizens or residents is generally not reportable. Special tax rules apply to income and gains from shares in real estate investment trusts, interests in certain partnerships and certain other securities.

U.S. Tax Withholding

Brokerage firms located in the United States are required to withhold U.S. income tax on U.S. source income.

- Dividends: Generally, dividends paid on stock issued by U.S. companies and U.S.-registered mutual funds will be subject to a 30% tax withholding (which means that 30% of each dividend payment is deducted by us and sent to the IRS). Please note that this tax rate may be reduced if you can claim the benefit of an income tax treaty between the jurisdiction of your residence and the United States and you have claimed such treaty benefit on Form W-8BEN. A non-U.S. taxpayer who invests in offshore, non-U.S.-registered mutual funds will not be subject to U.S. tax withholding on dividends received from such mutual funds.
- Interest: Interest earned on bonds and commercial paper issued by U.S. companies, by the U.S. Treasury and by U.S. government agencies is generally exempt from U.S. tax withholding provided the original issue date of any such instrument is after July 18, 1984. However, even though generally no U.S. tax is to be withheld on interest earned on bonds issued by U.S. companies, the U.S. Treasury or U.S. government agencies, the interest earned on such U.S. securities must be reported to the IRS by us on our annual report on Form 1042-S because it is U.S. source income. See "U.S. Tax Reporting" section of this document.

You should consult with your own tax advisor to determine whether any U.S. tax withheld from any income credited to your account may qualify for a foreign tax credit in your jurisdiction of residence.

U.S. Estate Proceedings

In the event of your death, disposition of the assets in your account depends on how title to your account is held. If, for example, title to the account is held in joint tenancy with another person, title will pass automatically to the surviving joint tenant

(although the tax clearance described below will still be required). Similarly, if title to your account is held in trust, disposition of the assets of the account will be in accordance with the terms of the trust instrument.

If title to your account does not pass automatically, an estate proceeding will be required before we can distribute the assets in your account. The executor or personal representative of your estate in your country of residence will contact an attorney in the U.S. for assistance in filing for appointment with the probate court in the state in which your account is held to conduct an ancillary administration of your U.S. assets. Your U.S. personal representative will then be entitled to collect the proceeds of your account for disposition in accordance with your will (or the applicable laws of intestate succession if you die without a will) after the tax clearance described below has been obtained.

Upon the death of the beneficial owner, the U.S. brokerage firm is forbidden under U.S. tax law from transferring the assets from the decedent's account until the IRS has concluded its estate tax audit. Charles Schwab generally may only transfer or release the assets in an account after the executor, surviving joint tenant, trust beneficiary or other person legally entitled to receive the decedent's assets provides to Charles Schwab an original "Transfer Certificate" (IRS Form 5173) received from the Internal Revenue Service. Executors, surviving joint tenants, trust beneficiaries or other persons legally entitled to receive the decedent's assets can request and obtain the Transfer Certificate from the Department of the Treasury, Internal Revenue Service Center, Cincinnati, OH 45999, U.S.A.; telephone: (267) 941-1000; fax: (202) 435-5274.

Transfer Certificates are issued after an investigation when the IRS is satisfied that the tax imposed upon the estate, if any, has been fully discharged or provided for. Customers will likely be asked to provide the IRS with copies of the estate tax return and corroborating documentation. In addition, the IRS will typically require copies of the decedent's last will and testament and codicils thereto, if any, with English translations if appropriate, as well as copies of any death or inheritance tax returns and corrective statements filed with a tax or regulatory authority outside the U.S., and a copy of the decedent's death certificate. In addition, state inheritance tax laws of the jurisdiction in which the brokerage account is located may also require filings before a transfer of assets will be permitted.

You should consult with your estate planner and tax advisor to determine how title to your account should be held. Advance planning can save you and your family or heirs significant time and cost in the event of your death.

U.S. Estate Tax

Certain assets located in the United States which are beneficially owned by non-U.S. citizens or residents are subject to estate tax at graduated rates. Such assets include certain types of securities held in a brokerage account which were beneficially owned by the deceased person at the time of death. As for joint accounts, the surviving joint tenant will have the burden of proving his/her respective contributions in order to determine the amount subject to tax.

Investments which are subject to U.S. estate tax:

- Stock issued by U.S. companies
- U.S.-registered mutual funds (including money market funds)

Investments which are NOT subject to U.S. estate tax:

- Stock issued by non-U.S. companies
- Non-U.S.-registered mutual funds
- Bonds and commercial paper issued by any U.S. or non-U.S. issuer (provided interest on such bonds or commercial paper is exempt from withholding tax as described above)
- U.S. Treasury securities
- U.S. government agency securities

Charles Schwab wishes to serve your investment needs in a fair and honest manner, and believes that you should be aware of the basics as to certain U.S. tax and estate considerations that you should take into account as part of your investment decision-making process. Again, the foregoing is not U.S. legal or tax advice. You should consult with your own legal and tax advisor prior to making any investment.

Pursuant to IRS Circular 230, the information contained in this disclosure is not intended to and cannot be used to avoid IRS penalties.

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