

*charles* **SCHWAB**  
INDEPENDENT  
BRANCH SERVICES

**FRANCHISE DISCLOSURE DOCUMENT**  
**CHARLES SCHWAB & CO., INC.**  
a California corporation  
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San Francisco, California 94105  
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[www.schwab.com](http://www.schwab.com)

**Franchise Business:** The Independent Branch Leader (“**IBL**”) will operate a branch office (“**Independent Branch**”) of Charles Schwab & Co., Inc., a registered broker-dealer and investment adviser, under the Charles Schwab® trade name and logo and offer retail clients non-discretionary investment advice and access to a variety of approved financial products and services.

**Total Initial Investment:** The total investment necessary to begin operation of a Charles Schwab® Independent Branch is \$55,730 to \$120,575. This includes \$25,000 to \$50,000 that must be paid to the franchisor or its affiliates before the Independent Branch opens.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days (or such earlier date as required by applicable state law) before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of the disclosure document in another format, contact Gage Gilham, Vice President, Independent Branch Services, Charles Schwab & Co., 211 Main Street, San Francisco, California 94105; Phone: (415) 667-1600, Fax: (800) 977-8315 ; e-mail: [gage.gilham@schwab.com](mailto:gage.gilham@schwab.com).

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “**A Consumer’s Guide to Buying a Franchise**,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

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## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, about other franchisors or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE ALL DISPUTES (WITH LIMITED EXCEPTIONS) FIRST BY NON-BINDING MEDIATION AT A MUTUALLY ACCEPTABLE LOCATION. IF WE DO NOT RESOLVE THE DISPUTE THROUGH MEDIATION, THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE THE DISPUTE EITHER THROUGH ARBITRATION IF THE DISPUTE IS WITHIN THE JURISDICTIONAL SCOPE OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (“FINRA”) OR THROUGH LITIGATION. ARBITRATION MUST OCCUR AT THE FINRA OFFICE CLOSEST TO THE LOCATION OF YOUR INDEPENDENT BRANCH. LITIGATION MUST OCCUR IN THE STATE OR FEDERAL COURTS LOCATED CLOSEST TO YOUR INDEPENDENT BRANCH.

2. THE FRANCHISE AGREEMENT IS GOVERNED BY THE LAW OF THE STATE IN WHICH YOU OPERATE YOUR INDEPENDENT BRANCH.

3. YOU MUST COMPENSATE US FOR ANY INDEPENDENT BRANCH CLIENTS THAT MOVE THEIR ASSETS FROM US TO ANOTHER FINANCIAL SERVICES FIRM WHERE YOU OR YOUR EMPLOYEES WORK FOLLOWING TERMINATION OR EXPIRATION OF THE FRANCHISE AGREEMENT.

4. THE FRANCHISOR HAS MINIMUM PERFORMANCE REQUIREMENTS THAT YOU MUST MAINTAIN. FAILURE TO MAINTAIN A MINIMUM CLIENT SATISFACTION INDEX SCORE, OR FAILURE TO GROW YOUR AGGREGATE CLIENT ASSETS EACH YEAR BY A MINIMUM OF \$10 MILLION IN NET NEW CLIENT ASSETS UNTIL YOU REACH \$100 MILLION IN AGGREGATE CLIENT ASSETS, COULD RESULT IN TERMINATION OF YOUR FRANCHISE AGREEMENT AND A LOSS OF YOUR INVESTMENT.

5. YOU MUST PURCHASE THIS FRANCHISE AS A SOLE PROPRIETORSHIP. THIS MEANS YOU WILL HAVE UNLIMITED LIABILITY AND YOUR PERSONAL AND MARITAL ASSETS MAY BE AT RISK.

6. IF YOU ARE IN GOOD STANDING UNDER THE FRANCHISE AGREEMENT AND OTHERWISE MEET THE CONDITIONS FOR EXERCISING THE RENEWAL OPTION, BUT WE ARE NO LONGER AWARDING NEW FRANCHISES AT THAT TIME, WE WILL

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EITHER ALLOW YOU TO EXERCISE YOUR RENEWAL OPTION OR REPURCHASE YOUR FRANCHISE RIGHTS.

7. IF YOU ARE MARRIED, YOUR SPOUSE MUST CONSENT TO YOUR EXECUTION OF THE FRANCHISE AGREEMENT AND AGREE THAT YOUR OBLIGATIONS UNDER THE FRANCHISE AGREEMENT ARE BINDING ON THE MARITAL COMMUNITY WHICH PLACES THE SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK.

8. THE E&O INSURANCE WE OBTAINED MAY NOT BE SUFFICIENT TO COVER YOU. ALSO, IF CLAIMS BY OTHER IBLS REACH THE ANNUAL COVERAGE LIMIT, YOU MUST INDEMNIFY US FOR ANY LOSS. YOU ARE SOLELY RESPONSIBLE FOR OBTAINING ADDITIONAL INSURANCE COVERAGE IF YOU DETERMINE THAT YOU NEED IT.

9. A SCHWAB BRANCH MARKET WILL ENCOMPASS AT LEAST ONE ZIP CODE. WE WILL INFORM YOU OF THE BOUNDARIES OF THE SCHWAB BRANCH MARKET WHEN YOU ARE PRESENTED WITH THE PROPOSED OR APPROVED SITE.

10. WE MAY UNILATERALLY CHANGE THE BOUNDARIES OF YOUR SCHWAB BRANCH MARKET DURING THE TERM OF THE FRANCHISE AGREEMENT IN OUR DISCRETION.

11. YOU AND YOUR EMPLOYEES MUST KEEP WITH US ALL PERSONAL SECURITIES ACCOUNTS WITH LIMITED EXCEPTIONS IN WHICH YOU OR THEY OWN AN INTEREST OR WHICH YOU OR THEY CONTROL. THIS REQUIREMENT ALSO APPLIES TO PERSONAL SECURITIES ACCOUNTS OWNED BY YOUR OR YOUR EMPLOYEES' SPOUSE, MINOR CHILDREN, AND OTHER PERSONS WHO LIVE IN THE SAME HOUSEHOLD AS YOU OR YOUR EMPLOYEES. YOU MAY WANT TO CONSIDER THIS BEFORE YOU PURCHASE THIS FRANCHISE.

12. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchises. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

The effective date of this document in the states requiring franchise registration appears on the following page.

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