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Schwab Financial Planning Services Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Charles Schwab & Co., Inc. ("Schwab"). If you have any questions about the contents of this brochure, please contact us at the phone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Schwab's description of itself in this brochure as a registered investment advisor does not imply a certain level of skill or training on the part of Schwab or its representatives.

Additional information about Schwab is also available on the SEC's website at www.adviserinfo.sec.gov.

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Advisory Business

Charles Schwab & Co., Inc. ("Schwab") is a wholly owned subsidiary of The Charles Schwab Corporation ("CSCorp"), a Delaware corporation that is publicly traded and listed on the NYSE (symbol: SCHW). Schwab has been registered as an investment advisor since July 24, 1987.

Schwab offers the following fee-based financial planning services described in this brochure (collectively, the "Service"): the Schwab Personal Financial Plan™ (the "PFP"), the Schwab Retirement Consultation (the "RC") and the Schwab Equity Compensation Consultation (the "ECC"). In each of these services, a representative of Schwab's affiliated registered investment advisor, Schwab Private Client Investment Advisory, Inc. ("SPCIA"), who specializes in financial planning (the "Specialist") will work with you to analyze your goals and then provide a written report on the following aspects of financial planning as they relate to your situation (the "Analysis"). Specialists perform this service on Schwab's behalf pursuant to an interaffiliate agreement between Schwab and SPCIA.

PFP

- Current financial position, including your federal tax bracket, estimated taxable income and helpful tax-planning information.
- Retirement needs, including projected retirement income and expenses, illustrating possible savings and investment combinations to help you meet your retirement goals.
- Investment and portfolio planning, including assessment of your existing portfolio, risk preferences and investing time horizon.
- Education funding needs for one or more individuals (such as children, spouse or yourself).
- Resource protection, including information on such subjects as the financial impact of death or disability, and an assessment of survivors' needs versus their estimated resources.
- Estate planning, including analysis of projected estate-settlement costs and the possible remainder of your estate that could be passed on to your heirs.

RC

- Current financial position (as described above).
- Retirement needs (as described above).
- Investment and portfolio planning (as described above).

ECC

- Stock option grants, including an analysis of your grants and their vesting schedules, expiration dates, and current and potential future values under various sets of assumptions.
- Key concepts, including an explanation of the differences between incentive and non-qualified option grants, and the strategies for taking advantage of each.
- Information on the general tax implications of exercising stock options in different ways.
- Asset allocation, including an analysis of your current portfolio and any asset imbalances in light of both your options and other investments.
- Cash flow, including a multiyear report to help you prepare for the tax implications of exercising your options.

The Specialist will help you identify and prioritize your goals using information that you have provided. The Specialist will also analyze and help you interpret the guidance and suggestions contained in the Analysis. Finally, your Specialist will help you prioritize your next steps and assist you in developing an action plan. Your Analysis will be prepared with various sources of information, including a questionnaire you complete, government reports and publications, tax and financial planning publications, and material and computer programs prepared by Schwab and third parties. You are not obliged to maintain a brokerage account with Schwab in order to receive the Service.

The Service does not include recommendations of specific securities to buy or sell or analyses of securities owned by you. The Service does suggest a general asset allocation based on your stated risk tolerance, age, investment time horizon and investment experience.

You should carefully consider all relevant factors before deciding how or whether to implement recommendations contained in the Analysis or delivered as part of the Service. You should consult with your tax advisor or CPA on all tax-related matters and with your attorney on all legal matters before taking any action. Schwab has no discretionary authority or responsibility with respect to your brokerage accounts. Schwab does not give legal or tax advice. After Schwab has presented and explained the Analysis to you, all contractual obligations associated with the Service will end. The Analysis is a discrete, one-time report that applies to your financial situation at the time of delivery of the Service and does not provide ongoing advice. Therefore, it is important for you to monitor your personal situation and current events, such as changes in tax laws and financial markets.

If you choose to implement through Schwab any or all of the recommendations in the Service described above, Schwab may execute transactions for your account as agent or principal as described below. If you choose to consult with an outside professional advisor about implementing our recommendations, your advisor will be acting independently of Schwab.

Fees and Compensation

Standard Service fees are \$2,000 for the PFP and ECC and \$1,100 for the RC. Where additional or more in-depth analysis is required, or requested by you, the fee may be higher due to the addition of hourly fees—currently \$150 per hour. Discounts may apply to certain client groups (such as employees of certain businesses and clients of certain independent investment advisors who have a business relationship with Schwab), to clients enrolled in other Schwab investment advisory services, to clients purchasing multiple versions of the Service, or as a result of special promotions or marketing campaigns. Discounts may also be given to employees of Schwab and its affiliates. The fee is payable when you sign the Financial Planning Services Agreement and return it to Schwab. If you decided to cancel your participation in the Service, you should inform your Specialist within five (5) business days of signing the Financial Planning Services Agreement in order to receive a full refund. An employer, independent investment advisor or other group may arrange to pay the Service fees on behalf of its employees, clients or members.

Pursuant to an agreement between Schwab and SPCIA, Schwab pays SPCIA a fee for the services performed by Specialists in connection with the Service. This fee is equal to: (1) the costs and expenses incurred by SPCIA in connection with delivering the Service, plus (2) an additional amount of 10% of those costs and expenses. Schwab also provides SPCIA with human resources, legal, compliance, supervisory, operational and other administrative and technological support services. SPCIA receives no other compensation in connection with the Service.

Specialists are not compensated for recommending particular investment products or services.

Performance-Based Fees and Side-by-Side Management

Schwab does not receive performance-based fees in connection with the Service.

Types of Clients

The Service is available to investors in need of in-depth, one-time personalized financial planning.

Methods of Analysis, Investment Strategies and Risk of Loss

Schwab does not implement or recommend investment transactions as part of the Service. The methods of analysis that Schwab uses to produce the Analysis, and to inform the Specialist's discussion of the

Analysis, include the creation of personal financial statements (i.e., current cash flow statement, projected cash flow, current net worth, projected net worth statement, and Monte Carlo analysis, which is described below) based on the information you provide through statements and conversations. The accuracy of the information you provide is crucial to the usefulness of the Analysis.

The Analysis is based on the information you provide and on the static assumptions—e.g., fixed return rates and fixed life expectancies. In reality these variables will not be static—market fluctuations will affect overall asset performance, and uncertain life expectancies may cause clients to outlive their resources or fail to accumulate necessary resources.

Monte Carlo analysis is a statistical method that helps assess the effect of these risks by:

- Randomizing return rates, which helps analyze the risk of market fluctuations (uses the standard deviation entered along with the account's return rate).
- Where appropriate based on a particular client's situation, randomizing the life expectancy, which helps analyze the risk of dying sooner than expected.

Monte Carlo analysis is a projection of the future that attempts to represent the majority of all possible outcomes under a given set of inputs, and does not represent the full universe of all possible futures. Monte Carlo analysis is not a guarantee of future outcomes.

Disciplinary Information

The SEC and other regulatory agencies and organizations have taken certain disciplinary actions against us for violations of investment-related statutes, regulations, and rules. The matters have been settled, and Schwab has paid fines with respect to certain violations.

1. A disciplinary action initiated by the Financial Industry Regulatory Authority ("FINRA") asserted that Schwab violated Municipal Securities Rulemaking Board Rule G-14 by: (1) failing to report required information about certain municipal securities transactions to the Real-Time Transaction Reporting System ("RTRS") within 15 minutes of trade time in the first and fourth quarters of 2010; and (2) failing to report the correct yield to RTRS for certain municipal securities transactions in the second quarter of 2010. Without admitting or denying these assertions, Schwab consented to a censure and a fine of \$35,000 on July 26, 2012.

2. Schwab entered into a consent order with the State of Nevada on November 2, 2011, in which Schwab was fined \$10,000 for failing to detect the lack of Nevada state registration of a non-employee investment advisor. Schwab was found to have violated its own procedures and Nevada Administrative Code Section 90.321 for failing to determine that the non-employee was acting as a professional investment advisor at the time the accounts were set up or during the course of his management of the accounts at issue.

3. A disciplinary action initiated by FINRA asserted that Schwab violated Municipal Securities Rulemaking Board Rule G-14 by: (1) failing to report required information about certain municipal securities transactions to the RTRS within 15 minutes of trade time; and (2) failing to report the correct trade execution time to the RTRS for some of these transactions. Without admitting or denying these assertions, Schwab consented to a censure and a fine of \$12,500 on June 17, 2011.

4. In January 2011, Schwab and its affiliate Charles Schwab Investment Management, Inc. (together, for purposes of this disclosure, "Schwab") reached agreements with the SEC, FINRA, the Illinois Secretary of State, Securities Department ("Illinois") and the Connecticut Department of Banking, Securities and Business Investments Division ("Connecticut") to settle matters related to the Schwab YieldPlus Fund® (the "Fund").

As part of the SEC settlement, the SEC found that Schwab violated certain investment-related laws and regulations related to the offer, sale and management of the Fund from 2005 through 2008. In particular, the SEC found that Schwab: (1) deviated from the Fund's concentration policy with respect to investments in non-agency mortgage-backed securities, without shareholder approval; (2) made materially misleading statements and omissions about the Fund and its associated risks before and during the decline of its net asset value ("NAV"); (3) materially understated the Fund weighted average maturity ("WAM"); (4) willfully aided and abetted misstatements and omissions appearing in Fund sales materials and other documents; and (5) lacked policies and procedures reasonably designed to prevent the misuse of material nonpublic information about the Fund. Without admitting or denying these allegations, Schwab agreed to pay a total of approximately \$118,944,996 in disgorgement of fees and penalties. As part of the settlement with the SEC, Schwab will also take a number of actions to improve procedures and reinforce Schwab's commitment to its clients. These actions include retaining an independent consultant to conduct a comprehensive review of Schwab's policies, practices and procedures designed to prevent the misuse of material nonpublic information by or related to Schwab's mutual funds. The SEC settlement was approved by the United States District Court for the Northern District of California on February 16, 2011. Additionally, the SEC has brought related complaints against two former employees of Schwab.

The amount to be paid by Schwab pursuant to the SEC settlement includes approximately \$18,000,000 to be paid by Schwab in settlement of the FINRA matter in which FINRA made related factual allegations against Schwab and found that Schwab's conduct violated FINRA's just and equitable principles of trade and its rules pertaining to communications with the public and supervision.

Schwab has also agreed to pay approximately \$8,567,364 in settlement of the Illinois matter in which Illinois made related factual allegations against Schwab and found that Schwab's conduct violated Illinois Securities Law provisions relating to supervision of securities and advisory activity by employees and to maintenance of written procedures reasonably designed to comply with securities laws and regulations.

Schwab has also agreed to pay an amount not to exceed approximately \$2,800,000 in settlement of the Connecticut matter in which Connecticut made related factual allegations against Schwab and found that Schwab violated applicable Connecticut laws and regulations by failing to reasonably supervise its employees.

Schwab and certain affiliated entities and individuals (the "Schwab Parties") were named as defendants in a number of Fund-related class action lawsuits filed in the United States District Court for the Northern District of California in 2008. These lawsuits were consolidated into a single class action complaint that alleged violations of state law and federal securities law similar to those described above. On March 30, 2010, the court granted plaintiffs' motion for summary judgment holding defendants liable for plaintiffs' state law claim regarding changes to the investment policy of the Fund, which plaintiffs alleged were made without shareholder approval in violation of the Investment Company Act of 1940. Although the judgment was subject to a potential appeal and further proceedings on damages, the Schwab Parties entered into a settlement agreement to settle the plaintiffs' federal securities law claims for approximately \$202,700,000 and the plaintiffs' California law claims for approximately \$35,000,000. On April 19, 2011, the court entered an order granting plaintiffs' and defendants' motions for final approval of the settlement agreements.

5. A disciplinary action initiated by the New York Stock Exchange ("NYSE") asserted that Schwab: (a) submitted inaccurate electronic blue sheets in violation of NYSE Rules 410A and 401; and (b) failed to properly supervise the preparation of its electronic blue sheets in violation of NYSE Rule 342. Effective January 5, 2006, the NYSE approved a stipulation of facts and consent to penalty ("Stipulation") between Schwab and the NYSE Division of Enforcement. Without admitting or

denying guilt, Schwab consented to the Stipulation that it violated the foregoing rules and regulations. As part of the Stipulation, Schwab consented to a censure and a fine of \$300,000. Schwab also agreed to conduct a validation of all required blue-sheet data elements and notify the NYSE in writing that it has completed the validation.

6. A disciplinary action initiated by the NYSE asserted that Schwab: (a) violated NYSE Rules 342(a) and (b) in that Schwab failed to establish and maintain appropriate procedures for supervision and control, including a separate system of follow-up and review, with respect to certain business activities relating to protection of customer assets in accounts managed by non-employee investment advisors and carried by Schwab; and (b) violated Section 17(A) of the Securities Exchange Act of 1934 and Rules 17A-4(b)(4) and 17A-4(f) thereunder and NYSE Rule 440 by failing to preserve and maintain certain electronic communications in the required format and for the required retention periods. Effective October 17, 2005, the NYSE approved a stipulation of facts and consent to penalty ("Stipulation") between Schwab and the NYSE Division of Enforcement. Without admitting or denying guilt, Schwab consented to the Stipulation that it violated the foregoing rules and regulations. As part of the Stipulation, Schwab consented to a censure and a fine of \$1 million. Schwab also undertook: (a) to retain an outside consultant to conduct a review of its policies and procedures with respect to the disbursement of funds from accounts managed by investment advisors; (b) to have the consultant provide a report to the NYSE's Division of Enforcement within 120 days of the date the decision becomes final; and (c) to submit to the NYSE a written representation setting forth the implementation of the recommendations contained in the consultant's report within 60 days of the report's issuance.

7. On September 14, 2004, the SEC issued an order instituting public administrative and cease-and-desist proceedings pursuant to Sections 15(b) and 21B of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act"), making findings, imposing remedial sanctions and issuing a cease-and-desist order as to Schwab ("Order"). Schwab consented to entry of the Order without admitting or denying the SEC's findings made in the Order. The SEC found that from at least January 2001 through October 2003, Schwab engaged in a practice that enabled certain mutual fund shareholders to place mutual fund orders after the time the funds calculated their net asset values ("NAV") for that day. Specifically, Schwab allowed clients of investment advisors to place substitute mutual fund orders after 4:00 p.m. Eastern time ("ET"), the time as of which those funds calculated their NAV. The order substitutions were permitted when one of these clients' original pre-4:00 p.m. ET mutual fund orders was rejected by Schwab's computer system because it could not be processed as submitted. The SEC found that this practice violated Rule 22c-1(a) under the Investment Company Act and Schwab's own internal policy requiring any orders Schwab received after 4:00 p.m. ET to get the next day's fund price. These substitute orders were not made pursuant to any improper agreements between Schwab personnel and the investment advisor or the investment advisor's clients. The SEC imposed on Schwab the following sanctions: (1) that Schwab cease and desist from committing or causing any violations and any future violations of Rule 22c-1(a) under the Investment Company Act; (2) censure of Schwab; and (3) imposition of a civil money penalty in the amount of \$350,000.

8. A disciplinary action initiated by the NYSE asserted that during the time period between approximately February 1997 and September 2003, Schwab: (a) violated NYSE Rule 346(f) by having persons associated with it without permission of the NYSE that Schwab knew, or through the exercise of reasonable care should have known, were subject to statutory disqualification; (b) violated NYSE Rule 351(a)(5) by failing to promptly report to the NYSE certain arrests, arraignments, indictments, convictions, guilty pleas and/or contest pleas to criminal offenses, other than minor traffic violations of employees; (c) violated NYSE Rule 342 by failing to reasonably supervise its business in order to ensure compliance with federal securities laws and NYSE rules relating to associations with statutorily disqualified individuals and reporting to the NYSE of events related to employee criminal matters.

Effective July 8, 2004, the NYSE approved a stipulation of facts and consent to penalty ("Stipulation") between Schwab and the NYSE Division of Enforcement. Without admitting or denying guilt, Schwab consented to the Stipulation that it violated NYSE rules. As part of the Stipulation, Schwab agreed to censure and a fine of \$250,000. Schwab also agreed to: (a) retain an outside consultant within 30 days of the decision to perform a review and prepare a report; (b) have the consultant provide a report to the NYSE's Division of Enforcement and Schwab's Board of Directors within 120 days from the date the decision becomes final; and (c) submit to the NYSE a written representation setting forth the implementation of the recommendations contained in the report within 60 days of the report's issuance.

9. A disciplinary action initiated by the National Association of Securities Dealers ("NASD") asserted that: (a) during the period August 14, 2002, through March 25, 2003, Schwab violated Municipal Securities Rulemaking Board Rules G-17 and G-30(a) when it relied solely on the bids provided by a broker's broker to determine the fair market value in the liquidation of six municipal security positions for customers; (b) the prices paid to the customers and received by Schwab were below the fair market value for the security in amounts ranging from 6.57% to 38.57%; and (c) Schwab failed to ensure that the transactions were executed at aggregate prices that were fair and reasonable. Effective June 28, 2004, the NASD approved a letter of acceptance, waiver and consent ("AWC") from Schwab. Without admitting or denying guilt, Schwab agreed to censure and a fine of \$30,000 and was required to pay \$30,869.25 plus interest in restitution to the customers. Schwab agreed to provide a copy of its updated written supervisory procedures as they relate to the determination of the fair market value of municipal securities being bought or sold from a public customer to the NASD within 90 days of the acceptance of the AWC.

Other Financial Industry Activities and Affiliations

Schwab is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA). We provide brokerage services to clients located throughout the United States and in some circumstances outside the United States. Incidental to our broker-dealer business, we offer our clients a variety of investment information services and products, including seminars, periodicals, reports, guides, planning tools, brochures and other publications about securities and investment techniques. We also provide certain online data and financial reporting services.

Schwab is also registered as an investment advisor under the Investment Advisers Act of 1940. In addition to the Service, Schwab provides other investment advisory services. The Schwab Private Client™ service is a non-discretionary wrap fee program sponsored by Schwab in which clients receive periodic, ongoing advice from SPCIA representatives. In the Schwab Advisor Network®, Schwab makes referrals of investment advisors to investors who are looking for assistance in managing their assets and/or other financial planning activities. Advisors participating in the Schwab Advisor Network are independent and not affiliated with Schwab. Investment advisors pay a fee to participate in the Schwab Advisor Network program. Other programs in which Schwab acts as a registered investment advisor include the Schwab Managed Portfolios™ ("SMP") and Schwab Managed Account Services™ ("MAS") wrap fee programs sponsored by Schwab.

Schwab does not trade futures and is not a futures commission merchant. However, for our customers that have a desire to trade futures, we have a referral relationship with a Schwab affiliate. Per the terms of the referral relationship, Schwab receives a portion of the commissions that Schwab clients pay that company.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Schwab and SPCIA have a code of ethics adopted pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940 (the "Code"). The

Code reflects the fiduciary principles that govern the conduct of covered representatives when they are acting in an investment advisory capacity. The Code requires that covered representatives comply with applicable federal securities laws; report violations of the Code; and, for those deemed “access persons” by virtue of providing investment advice or having access to certain related information, report their personal transactions and holdings in certain securities periodically and get clearance before buying certain securities, including initial public offerings or private offerings. The Code prohibits access persons from disclosing portfolio transactions or any other nonpublic information to anyone outside of Schwab or its affiliates, except as required to effect securities transactions for clients, or from using the information for personal profit or to cause others to profit. Access persons are also prohibited from engaging in deceptive conduct in connection with the purchase or sale of securities for client accounts. The Code is subject to change as necessary to remain current with regulatory requirements and internal business policies and procedures. A copy of the Code is available upon request.

Participation or Interest in Client Transactions

Schwab does not recommend buying or selling particular securities, nor does it effect securities transactions, as part of the Service.

Personal Trading

Although Schwab does not recommend buying or selling particular securities as part of the Service, Schwab nevertheless monitors the personal securities holdings and trading of its representatives, including, pursuant to the interaffiliate agreement between Schwab and SPCIA, SPCIA representatives. Schwab reviews accounts of such representatives custodied at Schwab and applicable accounts custodied at other firms. The surveillance program monitors holdings and trades against the Code, Schwab’s Compliance Manual, and other applicable policies. Additionally, covered representatives must disclose all securities accounts they own or control after their hire date and review and confirm the accuracy of those accounts on an annual basis during their employment.

Brokerage Practices

Schwab does not select or recommend broker-dealers for client transactions as part of the Service.

Review of Accounts

The Service is not ongoing and does not include periodic review of clients’ financial situations. As described in “Advisory Business” beginning on page 1, clients of the Service receive a written Analysis, the contents of which vary according to clients’ particular financial situations and according to the type of Service—PFP, RC or ECC—selected by the client.

Client Referrals and Other Compensation

The only compensation received by Schwab for providing the Service is the fee paid by clients of the Service. Schwab does not compensate any third party in connection with the Service.

Custody

Schwab does not take custody of client assets or securities in connection with the Service, which is available to people who do not have a Schwab brokerage account.

Investment Discretion

Schwab does not have or accept investment discretion over client accounts as part of the Service.

Voting Client Securities

Schwab does not have or accept authority to vote clients’ securities (i.e., proxy voting) as part of the Service.

Financial Information

Schwab does not require or solicit prepayment of the Service fee and is therefore not required to include a balance sheet for its most recent fiscal year. Schwab is not the subject of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients. Schwab is not the subject of any bankruptcy petition, nor has it been the subject of any bankruptcy petition at any time during the past ten years.