

charles SCHWAB



March 30, 2012

Schwab Managed Account Services™

Disclosure Brochure

for Clients of Schwab Investor Services

Charles Schwab & Co., Inc.
211 Main Street
San Francisco, CA 94105
Tel: 1-800-435-4000
www.schwab.com

This wrap fee program brochure provides clients with information about Charles Schwab & Co., Inc. and certain of its managed account programs that should be considered before you become a client of these services. If you have any questions about the contents of this brochure, please contact your Schwab investment professional or call us at 1-800-435-4000. This information has not been approved or verified by any governmental authority.

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

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Services, Fees and Compensation

Introduction

This brochure describes the following managed account programs provided by Charles Schwab & Co., Inc. ("Schwab") for clients of its Schwab Investor Services enterprise: the Managed Account Select® ("Select") program and the Managed Account Connection™ ("Connection") program (Select and Connection are each referred to as a "program").

The Select program allows you to select one or more money managers ("MMs") to manage your account pursuant to a stated investment strategy. These MMs and their investment strategies are evaluated and monitored by Charles Schwab Investment Advisory, Inc. ("CSIA"), an affiliate of Schwab. The MMs in the Select program are not affiliated with Schwab.

The Connection program is a managed account program which includes the following MMs: Charles Schwab Investment Management, Inc. ("CSIM") and Windhaven Investment Management, Inc. ("Windhaven"), both of which are affiliates of Schwab, and Pacific Investment Management Co. LLC ("PIMCO"), which is not affiliated with Schwab. The investment strategies in the Connection program are not evaluated for inclusion in the program by CSIA, although CSIA provides limited due diligence assistance to Schwab with respect to PIMCO.

In each program, an MM manages the investment portfolio in your account (referred to as a "managed account") on a discretionary basis. This means that the MM determines which assets to buy, hold, and sell, subject to any permissible restrictions you may impose on your account. You pay an asset-based fee to participate in each program. The fee covers services provided by Schwab, including the services of a representative to assist you with evaluating and implementing the programs, the custody of securities in your portfolio, the execution of transactions in equity securities by Schwab and the administration of the programs, as well as the discretionary asset management services provided by the MMs. The representative assisting you is normally a Schwab representative, but may also be, in the case of managed accounts included in billing groups with accounts enrolled in the Schwab Private Client™ non-discretionary wrap fee program ("SPC"), employees of Schwab's affiliated investment advisor, Schwab Private Client Investment Advisory, Inc. ("SPCIA"). Collectively, all such representatives are referred to in this brochure as "SRs." The fee does not cover trades executed by broker-dealers other than Schwab in the Select or Connection programs; Schwab is the only broker-dealer used to execute transactions for equity strategies managed by CSIM in the Connection program. Schwab generally will route orders for equity securities to UBS Capital Markets, L.P. or UBS Securities LLC. In addition to the program fees, Schwab may receive separate compensation for some transactions and services as described below. Clients of the programs may include individuals, trusts, charitable organizations, pension and profit-sharing plans, investment clubs, corporations and other business organizations.

The Select and Connection programs are sponsored by Schwab. In the Select program, Schwab selects the MMs and investment strategies that are available in the Select program and monitors the MMs' performance periodically, although you are responsible for monitoring individual transactions in your account. In the Connection program, CSIM utilizes Schwab Equity Ratings® which are provided by Schwab, for CSIM's equity strategies. The Connection program also includes Windhaven Portfolios™ managed by Windhaven™ and municipal bond ladder strategies managed by PIMCO.

For both programs, Schwab provides custody, execution, reporting, program administration and related services for client accounts. An SR assists you in determining your investment objectives and asset allocation, the program(s) in which to participate and which MMs and investment strategies to select for your accounts. After you open a managed account, an SR will review with you the MMs' performance and your asset allocation at least once a year (or more frequently if necessary because of a change in your situation or investment objectives).

MM Asset Management Services

Your selection of an MM to manage your account is subject to acceptance by the MM. An MM may decline to manage your account based on your investment objectives, financial situation, requested investment restrictions or other matters. If the MM accepts management of your account, the MM you select will provide discretionary investment advisory services for your account and will be responsible for all investment decisions in your account (except for any reasonable restrictions you may impose on the management of your account, as described below). You will authorize the MM you select to manage your assets on a discretionary basis by purchasing and/or selling individual stocks, bonds, money market instruments, money market funds, or other instruments as and when the MM sees fit without your approval of each transaction. In managing your account, the MM will employ the investment strategy you have chosen for your account. Each MM and its investment strategies are described in the MM's brochure and its MM Profile (see "Information About MMs"). The MM's discretionary authority will remain in full force and effect, even if you become incompetent or disabled, unless revoked or terminated by you in a written notice to Schwab. In your client account application, you agree not to effect trades in your account while an MM is managing the account, and you may be blocked from placing any trades in your account. You should not attempt to place trades in your account unless and until you terminate your MM's authority by giving Schwab at least two business days' notice. MMs are not authorized to withdraw or transfer any money, securities or other property either in your name or otherwise, except as necessary to pay for or execute transactions in your account.

In filling out your client account application, you will provide information about yourself and your investment objectives. Schwab will forward to any MM you designate a copy of your client account application.

You will have the opportunity to impose reasonable restrictions on the management of your account. You may request that specified securities or, in some cases, categories of securities not be purchased for your account, but your MM may decline your requested restriction if your MM deems it unreasonable. The MM managing your account is responsible for implementing and monitoring any restrictions you place on the management of your account. Accounts with investment restrictions may perform differently than accounts without restrictions; performance may be lower or higher for accounts with restrictions than those without restrictions. Since the MM's performance composite typically does not include accounts with restrictions, if your account does have restrictions, then the performance of your account may be different than the MM's performance composite.

Working with an SR, you may have the opportunity to instruct the MM to realize gains or losses in your account for tax reasons. This may include the sale of positions with unrealized losses/gains above a certain amount, or the sale of specified securities. The MM will use reasonable efforts to implement your request to harvest tax losses or gains.

In any and all transactions effected by or through Schwab in your account, Schwab is acting exclusively as a broker-dealer, and not as an investment advisor. Any MM you select is responsible for managing your account under the applicable program in a manner consistent with that MM's stated investment strategy, subject to any reasonable restrictions imposed by you. Schwab is not responsible for the MM's performance, its adherence to its investment strategy or your restrictions, its compliance with applicable laws and regulations, or other matters within the MM's control.

You may contact an MM directly, although it is generally expected that you will direct questions concerning your account to an SR, and that any contact you have with an MM will be facilitated by an SR. You may change MMs or investment strategies, or switch an account from one program to another, at any time by submitting the form prescribed by Schwab for that purpose. An MM also may terminate a relationship with you at any time upon 30 days' notice to you and Schwab.

SR Services—Change in Your Circumstances

Subject to the availability of the programs to certain account types, an SR will help you determine whether either or both of the programs are appropriate for you, as well as assist you in selecting a particular investment strategy and MM. In deciding whether to participate in the programs, you should review with an SR your financial situation, asset allocation, investment objectives, risk tolerance and time horizon.

If material changes occur to your financial circumstances or investment objectives, or you wish to impose or modify restrictions on the management of your account, you should promptly inform an SR. The SR will respond to your questions and meet with you at least once a year to discuss with you whether the management of your account continues to reflect your investment objectives and financial requirements. Your SR will communicate such information as necessary to the MM managing your account.

Schwab's Execution Services

The program fee covers execution of equity orders, including exchange-traded funds ("ETFs"), by Schwab, as well as execution of fixed income orders by Schwab on an agency basis, but the program fee does not include execution of orders by Schwab as principal in fixed income securities in the Select program. (In the Connection program, CSIM and Windhaven™ do not have fixed income strategies, and PIMCO will generally use broker-dealers other than Schwab for fixed income transactions.) "Principal trades" are trades in which a firm like Schwab sells securities from its own account to a client account or purchases securities for its own account from a client account. When Schwab or another firm acts as principal for its own account, it accepts the risk of market price and liquidity fluctuations when executing customer orders, and attempts to profit from the bid-ask spread for equity transactions and from dealer markups and markdowns for bond transactions.

Execution of Transactions in Equity Securities

Because the program fee covers execution of orders in equity securities only when executed through Schwab, MMs place most of their orders for the purchase or sale of equity securities (including ETFs) with Schwab; for Connection equity strategies managed by CSIM, you agree in your account application that CSIM will only use Schwab to execute all brokerage transactions (which means you may not receive as high a quality of execution if CSIM used broker-dealers other than Schwab). Schwab generally will route orders for equity securities to UBS Capital Markets, L.P. or UBS Securities LLC (together, referred to as "UBS"), which are not affiliated with Schwab.

Pursuant to an agreement between Schwab's parent company, The Charles Schwab Corporation ("CSCorp"), and UBS, UBS manages the execution of most types of equity, ETF and options trade orders for which customers have not provided specific instructions, and order routing services for most types of directed orders.

Exchanges and broker-dealers frequently offer rebates for customer orders routed to them for execution. Although Schwab does not receive rebates or other payments from UBS, part of the consideration CSCorp received for the sale of its capital markets business to UBS in 2004 related to the services agreements with UBS and Schwab's commitments to route most types of equity, ETF and listed options orders through UBS.

UBS routing and execution services are subject to Schwab's execution quality standards for seeking best execution. In certain circumstances, Schwab itself may route orders directly to a market for execution. Schwab considers a number of factors in evaluating execution quality, including execution price and opportunities for price improvement, market depth and order size, the trading characteristics of the security, speed and accuracy of executions, the availability of efficient and reliable order handling systems, and service levels and the cost of executing orders at a particular market or firm. Price improvement occurs when an order is executed at a price more favorable than the displayed national best bid or offer, and may be available for stocks and ETFs

traded on the exchanges and dealer markets, and for listed options. Schwab regularly monitors the execution quality provided by UBS and the various markets to which UBS and Schwab may route orders, to ensure orders are routed to markets that have provided high-quality executions over time.

Execution of Transactions in Fixed Income Securities

Fixed income securities generally trade in dealer markets, but some corporate bonds also trade on national securities exchanges. If a fixed income security is traded in the dealer markets, Schwab generally will execute an order for a Select account as principal, unless the MM directs Schwab to execute the orders as agent. The principal transactions include a dealer markup or markdown by Schwab (not included in the program fee). Schwab expects that any MM placing an order for fixed income securities through the Select program will seek quotations from other dealers as well as Schwab. If an MM places an order for fixed income securities with Schwab, Schwab will seek the best price reasonably available at that time by searching our Schwab BondSource® ("SBS") electronic inventory and trading system. Schwab uses SBS except on rare occasions (e.g., for very large orders) in an effort to achieve a better price for clients. SBS accesses an extensive inventory of fixed income securities from Schwab and a network of hundreds of other broker-dealers whose fixed income inventories are included in SBS.

As MMs seek best execution based on net price and other factors, they have the ability to place orders for fixed income securities with dealers other than Schwab. Most MMs managing fixed income investment strategies have advised Schwab that they anticipate placing most of their fixed income orders with dealers other than Schwab (which may include a markup or markdown by those dealers not included in the program fee).

When an MM buys a new bond issue for your account through Schwab acting as principal, Schwab receives a syndicate fee (also known as a dealer concession) which ranges from less than 0.01% to 2% of the par value, or face amount, of the bond, depending on the particular bond issue. The dealer concession is a standard custom and practice regarding payment to syndicate members for distributing, and for providing certain operational services associated with, new issues. Schwab as a dealer receives the same amount for any given new issue as other dealers participating in the same tier of the syndicate, and every new issue buyer (the customer) pays the same price no matter from which dealer a purchase is made.

In the Connection program, PIMCO will generally execute fixed income transactions (in municipal securities) with dealers other than Schwab (although PIMCO is not precluded from executing transactions with Schwab, and Schwab is not precluded from acting as principal in those transactions). Clients will be responsible for any related transaction costs, including, but not limited to, markups or markdowns charged by such other broker-dealers.

Trades Through Other Broker-Dealers

The program fee does not cover commissions for agency trades that an MM places with a broker-dealer other than Schwab, or markups or markdowns charged by those other broker-dealers on principal trades. (The program fee does cover commissions for equity trades routed by Schwab to UBS.) MMs, therefore, will have an incentive to execute most transactions in equity securities through Schwab. This incentive could, in some circumstances, conflict with an MM's duty to obtain best execution of transactions in your account. However, an MM (other than CSIM) may execute trades through other broker-dealers when required by applicable law or when an MM reasonably believes that another broker-dealer will provide better execution, net of any additional resulting transaction charges, than would be the case if the transaction were executed through Schwab. With regard to fixed income and bond ladder strategies, most MMs will generally place transactions with other dealers acting as principal. Such dealers will receive a markup or markdown that is not included in the program fee. Because such transactions would be subject to markups and markdowns outside of the program fee if placed through Schwab or another dealer, this conflict does not arise in connection with trades by these MMs.

In addition to cost considerations, an MM may consider various other factors in its best-execution analysis as described in the MM brochure, including the liquidity of the security and the need for timely execution. Other broker-dealers may provide an MM with brokerage and research services, as disclosed in the MM's brochure. To be eligible to receive a trade from an MM for your account, the other broker-dealer must have an agreement with Schwab under which Schwab will clear and settle transactions executed by that broker-dealer, or the MM must have agreed to use an electronic system to issue settlement instructions to Schwab for trades executed by other broker-dealers. This is described in more detail under the heading "Prime Brokerage, Step-In and Trade-Away Services" in your Schwab account application agreement.

Aggregation of Transactions

Your MM may aggregate or bunch transactions for your account with transactions for other clients for execution purposes under appropriate circumstances. For these purposes, other clients may include clients of the same MM under another Schwab bundled fee program. In addition, if an MM executes trades with another broker-dealer (as described above), other clients may include additional clients of the MM not participating in any Schwab program or service. This practice will not ordinarily affect or otherwise reduce the costs charged to your account for those transactions. The transactions (as well as any expenses incurred in transactions effected through other broker-dealers) will be allocated according to the MM's policies governing aggregation and allocation of transactions. These policies may require your MM to assign to your account the average price resulting from the aggregated trades. Your MM may allocate partial fills of a block security transaction among clients' accounts randomly, pro rata based on the size of the account, or under some other policy adopted by your MM. Your MM's trade allocation policies may result in certain clients paying higher or lower prices for securities than may otherwise have been obtained if the transactions had been executed separately. Additional information about an MM's policies for aggregation and allocation may be contained in the MM's Form ADV brochure ("MM brochure").

Transactions may be executed for your account through Schwab at different times, in different markets and at less advantageous prices than applicable to trades for other clients of your MM with the same strategy. An MM may have policies and procedures that determine when it will send trades in the program to Schwab in relation to sponsors of other separately managed account programs or other broker-dealers selected by the MM. The MM may include disclosure about its policies and procedures in its MM brochure.

Some MM's, such as the overlay manager for a Diversified Portfolio strategy, may manage accounts based on recommendations or a model portfolio received from another money manager (the "model provider"). In such cases, trades for your account may be placed by an MM at different times, and may be executed in different markets and at less advantageous prices, than trades for accounts with the same strategy managed directly by the model provider. These differences may result from the application of the model provider's policies and procedures in addition to the MM's trading policies and procedures.

Custody

Schwab acts as sole custodian for all assets in client program accounts and performs all custodial functions customarily performed for securities brokerage accounts, including crediting of interest and dividends on account assets. You will retain ownership of all cash, securities and other instruments in your account. The program fee compensates Schwab for these services. If you have accounts and assets at Schwab that are not in the programs, any fees you are charged for the maintenance of such accounts, for custody of assets and for other account-related services will be separate from and in addition to your program fee.

Reporting

Schwab will send you a monthly account statement detailing positions and activity in your account during the preceding month. The statement

will include a summary of all transactions made on your behalf, all contributions and withdrawals made to or from your account, all fees and expenses charged to your account, and the value of your account at the beginning and end of the period. The statement may be based upon information obtained from third parties. Schwab believes that the data obtained from these third parties is accurate, but has no independent means of verifying and cannot guarantee such accuracy. You also will receive a separate confirmation of each transaction, unless you elect to receive a quarterly report containing confirmation information for trades occurring during that calendar quarter. Schwab is not responsible for reviewing transactions in, or the value of, your account.

A third party will calculate investment performance for your account. You will receive this performance information quarterly (with exceptions for Windhaven Portfolios™ noted immediately below). Schwab believes that the data obtained from the third party is accurate, but does not independently verify and is not responsible for its accuracy.

For Windhaven Portfolios, clients who first became clients of Windhaven™ through a Schwab referral and subsequently enroll in Windhaven Portfolios will receive performance information directly from Windhaven until early 2012, when Schwab will assume responsibility for sending ongoing reporting.

MM's may provide performance information directly to you; however, that information may not be calculated on a uniform and consistent basis, and Schwab does not review that information and is not responsible for its accuracy.

Program Fee

Schwab charges an asset-based fee for the services provided by Schwab and the MM's. The following table shows the fee schedule expressed as an annual rate; the program fee is charged to your account on a quarterly basis. The program fees are negotiable based on a number of factors that may result in a particular client paying a fee that is less than the standard fees; SR's with accounts in the programs receive a discount. From time to time, Schwab may also reduce or eliminate the program fee for particular clients or groups of clients as a result of promotional offers. The exact fee schedule that will apply to your account is specified in your Schwab account application and any amendments. Schwab may change the fee schedule applicable to your account by notice to you in accordance with your account application and your Schwab account agreement.

Your account is assigned to a fee category based on the asset type(s) of the managed account (e.g., equity, Diversified Portfolios, fixed income [other than bond ladders], bond ladders or Windhaven Portfolios) you have chosen. (Preferred stock strategies are charged according to the same fee category as fixed income strategies.) The program fee is blended for assets in the same category—i.e., as the market value of your accounts in the same category reaches a higher breakpoint, as set forth below, the assets within each breakpoint category are charged a lower rate. Schwab will calculate your quarterly program fee by multiplying the daily value of the assets in your account for each calendar day in the quarter by the applicable daily fee rate (i.e., the annual rate divided by the number of days in that year) and then adding together the fee for each calendar day in the quarter. On the last business day of each quarter, Schwab estimates the value of your account assets by using the asset values of the account on the next-to-last business day of that quarter. Because the program fee is billed to your account quarterly rather than yearly, the fee you pay on an annual basis may be higher than the annual rate due to the effects of compounding.

If you enroll an existing Schwab account in Windhaven Portfolios that Windhaven was already managing for you outside of the Connection program, your account will be billed differently than described above in the first calendar quarter of your enrollment: (1) the program fee for Windhaven Portfolios—and not the fee you previously paid to Windhaven outside of the Connection program—will apply for the entire quarter even if your account was only enrolled for a portion of that quarter; (2) the program fee will be billed to your account up to two weeks after the

end of the first calendar quarter of your enrollment; (3) the program fee will be calculated by applying the annual rate to the asset value of your account on the last business day of that first quarter and then dividing that multiple by four; and (4) you will not be able to group an account previously managed by Windhaven™ at Schwab outside of the Connection program with other accounts for purposes of achieving fee breakpoints f

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March 30, 2012

**Summary of Material
Changes to the Following
Disclosure Brochures
(Form ADV Part 2)**

since March 31, 2011

- Schwab Private Client™
- Schwab Managed Portfolios™
- Schwab Managed Account Services™
for clients of Investor Services
(including Windhaven Portfolios™)

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Introduction

Charles Schwab & Co., Inc. ("Schwab") is required under the Investment Advisers Act of 1940 (the "Advisers Act") to create and provide to clients like you disclosure brochures for the investment advisory services we provide, including: Schwab Private Client™, Schwab Managed Portfolios™ and Schwab Managed Account Services™. The Advisers Act also requires that we update our disclosure brochures annually and provide existing clients with a summary of the material changes to the brochure(s) for their service since the date of the last annual update—in this case, March 31, 2011.

This document summarizes the material changes to these disclosure brochures and to the brochures of Schwab affiliates who also participate in the services as portfolio managers. Third-party portfolio managers participating in these services are responsible for distributing their own summaries separately.

If you'd like to receive a copy of any of these updated disclosure brochures, please call 1-877-566-9109 (or +1-415-667-8400 when calling from outside the U.S.) or email UpdatedDisclosures@schwab.com. You can also find copies of our latest disclosure brochures on the website of the United States Securities and Exchange Commission (SEC) at www.adviserinfo.sec.gov.

Securities, products, and services are not available in all countries and are subject to country-specific restrictions.

Schwab Private Client™

Schwab Private Client Disclosure Brochure

This brochure, which describes Schwab's role as the sponsor of the Schwab Private Client wrap fee program ("SPC"), has undergone the following material changes since March 31, 2011.

- **Services, Fees and Compensation.** Schwab's investment advisory role within SPC changed and is now limited to sponsorship of the service. Schwab's affiliated investment advisor, Schwab Private Client Investment Advisory, Inc., now acts as the portfolio manager for accounts enrolled in SPC.
- **Compensation.** Schwab added two new categories of non-employee representatives—Independent Branch Leader Financial Consultants and their Independent Branch Services Financial Consultant employees. Their compensation provides an incentive to recommend enrollment in SPC or another Schwab investment advisory service.
- **Compensation.** Schwab added a new category of Schwab employee representatives—Local Market Financial Consultants. Their compensation provides an incentive to recommend enrollment in SPC or another Schwab investment advisory service.
- **Disciplinary Information.** Two new disciplinary actions were taken against Schwab: (1) a consent decree with the State of Nevada resulting in a \$10,000 fine for failing to detect that a non-employee was acting as a professional investment advisor, without being authorized to do so under Nevada law, on certain Schwab accounts; and (2) a disciplinary action by the Financial Industry Regulatory Authority resulting in a censure and a \$12,500 fine for failing to input required information about certain municipal securities transactions into the Real-Time Transaction Reporting System.

**Schwab Private Client Investment Advisory, Inc.
Disclosure Brochure**

This brochure, which describes the role of Schwab's affiliate, Schwab Private Client Investment Advisory, Inc. as the non-discretionary portfolio manager for accounts enrolled in SPC, has undergone no material changes since its original publication on January 1, 2012.

Schwab Managed Portfolios™

Schwab Managed Portfolios Disclosure Brochure

This brochure, which describes Schwab's role as the sponsor of the Schwab Managed Portfolios wrap fee program ("SMP"), has undergone the following material changes since March 31, 2011.

- **Compensation.** Certain retirement accounts became newly eligible to invest in SMP–Mutual Fund Third Party portfolios.
- **Compensation.** Schwab added two new categories of non-employee representatives—Independent contractor Independent Branch Leader Financial Consultants and their Independent Branch Services Financial Consultant employees. Their compensation provides an incentive to recommend enrollment in SMP or another Schwab investment advisory service.
- **Compensation.** Schwab added a new category of Schwab employee representatives—Local Market Financial Consultants. Their compensation provides an incentive to recommend enrollment in SMP or another Schwab investment advisory service.
- **Disciplinary Information.** Two new disciplinary actions were taken against Schwab: (1) a consent decree with the State of Nevada resulting in a \$10,000 fine for failing to detect that a non-employee was acting as a professional investment advisor, without being authorized to do so under Nevada law, on certain Schwab accounts; and (2) a disciplinary action by the Financial Industry Regulatory Authority resulting in a censure and a \$12,500 fine for failing to input required information about certain municipal securities transactions into the Real-Time Transaction Reporting System.

Charles Schwab Investment Advisory, Inc. Disclosure Brochure

This brochure, which describes the role of Schwab's affiliate, Charles Schwab Investment Advisory, Inc., as the portfolio manager for accounts enrolled in SMP, has undergone no material changes since its last revision on March 31, 2011.

Schwab Managed Account Services™

Schwab Managed Account Services Disclosure Brochure (for clients of Investor Services)

This includes Managed Account Select® (“Select”) and Managed Account Connection™ (“Connection”).

This brochure, which describes Schwab’s role as the sponsor of the Select and Connection wrap fee programs, has undergone the following material changes since March 31, 2011.

- **Compensation.** Certain retirement accounts became newly eligible to enroll in Connection with Schwab’s affiliated investment advisor, Windhaven Investment Management, Inc., as discretionary portfolio manager.
- **Compensation.** Schwab added two new categories of non-employee representatives—Independent contractor Independent Branch Leader Financial Consultants and their Independent Branch Services Financial Consultant employees. Their compensation provides an incentive to recommend enrollment in Select, Connection, or another Schwab investment advisory service.
- **Compensation.** Schwab added a new category of Schwab employee representatives—Local Market Financial Consultants. Their compensation provides an incentive to recommend enrollment in Select, Connection, or another Schwab investment advisory service.
- **Disciplinary Information.** Two new disciplinary actions were taken against Schwab: (1) a consent decree with the State of Nevada resulting in a \$10,000 fine for failing to detect that a non-employee was acting as a professional investment advisor, without being authorized to do so under Nevada law, on certain Schwab accounts; and (2) a disciplinary action by the Financial Industry Regulatory Authority resulting in a censure and a \$12,500 fine for failing to input required information about certain municipal securities transactions into the Real-Time Transaction Reporting System.

**Charles Schwab Investment Management, Inc.
Disclosure Brochure**

This brochure, which describes the role of Schwab's affiliate, Charles Schwab Investment Management, Inc. ("CSIM"), as a portfolio manager for accounts enrolled in Managed Account Connection™ ("Connection"), has undergone the following material changes since March 31, 2011.

- **Item 4.** CSIM no longer offers or manages a fixed-income separately managed account strategy, and, therefore, all discussions of this product have been removed from the brochure. There were further changes to Items 5, 8 and 12 to reflect the closure of this product.
- **Item 8.** CSIM has added discussion of additional risks and modified discussion of certain risks currently disclosed in the brochure where CSIM believes that additional disclosure would be beneficial to investors in the current market environment.
- **Item 9.** CSIM has updated the disciplinary disclosure for CSIM relating to the Schwab YieldPlus Fund® and Schwab Total Bond Market Fund™ to reflect additional finalized details of the matter.

**Windhaven Investment Management, Inc.
Disclosure Brochure**

This brochure, which describes the role of Schwab's affiliate, Windhaven Investment Management, Inc. ("Windhaven"), as a portfolio manager for accounts enrolled in Managed Account Connection™ ("Connection"), has undergone the following material changes since March 31, 2011.

- **Advisory Business.** As of December 31, 2011, the amount of assets managed by Windhaven on a discretionary basis had increased to \$8.5862 billion.

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