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Schwab Retirement Planner™

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

About Schwab

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 under the Investment Advisers Act of 1940 (the "Advisers Act") since 1987. In addition to the Service described in this brochure and defined below, Schwab provides other investment advisory services to individuals and institutions.

Schwab Retirement Planner™

Schwab Retirement Planner (the "Service") is a feature of the Schwab Index Advantage™ Program (the "Program") offered by Schwab's affiliate, Schwab Retirement Plan Services, Inc. ("SRPS") to defined contribution plans (each a "Plan"). You, as Plan sponsor or other named fiduciary ("Sponsor" or "You") have selected both the Program and the Service on behalf of one or more Plans. Within the Service, GuidedChoice® Asset Management, Inc. ("GuidedChoice"), an independent investment advisor, manages assets on a discretionary basis in the Plan accounts ("Managed Accounts") of your Plan participants ("Participants").

More information about the Service and other investment advisory services provided by GuidedChoice is available in the *Form ADV Part 2A: Firm Brochure* for GuidedChoice.

Schwab's Investment Advisory Role in Schwab Retirement Planner

Schwab, together with SRPS, has selected GuidedChoice as the independent investment advisor for the Service. Schwab, together with SRPS, also performs initial and ongoing review of GuidedChoice's ability to deliver the Service. These are the only investment advisory services provided by Schwab in the Service, and You and other Sponsors, and not your Participants, are Schwab's only investment advisory clients with respect to the Service.

Schwab does not provide discretionary asset management in the Managed Accounts. Schwab does not engage in ongoing review of, nor does it change or otherwise affect, GuidedChoice's investment management methodology, nor does Schwab undertake any duty to screen or monitor the investment performance of any Managed Account or to supervise any services provided by GuidedChoice. Schwab does not prepare, verify or endorse information or materials prepared or distributed by GuidedChoice. You, and not Schwab, are responsible for selecting and monitoring GuidedChoice with respect to its management of the Managed Accounts. Neither Schwab nor any of its registered representatives or affiliates acts as an investment advisor by virtue of gathering information for or facilitating enrollment in the Service. Schwab does not, through the Service, render any advice as to the value of, or the advisability of, investing in securities or other property on a regular basis pursuant to an arrangement or understanding that such advice shall serve as a primary basis for investment decisions in Managed Accounts.

Non-Advisory Services Provided by Schwab in Schwab Retirement Planner

Schwab is also a registered broker-dealer and has contracted with SRPS to perform certain non-advisory, ministerial services in the Service. Pursuant to this agreement, Schwab's registered representatives collect information about Participants on behalf of

GuidedChoice, and provide information to your Participants about GuidedChoice, in order to facilitate delivery of GuidedChoice's discretionary investment management of the Managed Accounts.

You have selected Charles Schwab Bank ("Schwab Bank") to provide directed trustee or custodial services to your Plan. Schwab will effect transactions (including purchase and sale of Fund shares as defined below) with respect to your Plan through an arrangement with Schwab Bank as directed trustee or custodian to your Plan. Schwab as broker-dealer will effect transactions only at the direction of GuidedChoice. Neither Schwab nor any of its registered representatives or affiliates acts as an investment advisor by virtue of effecting Fund share transactions or trades.

Additional Important Information about Schwab Retirement Planner

As Sponsor, You direct Schwab and SRPS to make the Service available to your Participants. Investment options in the Service are limited to eligible investments chosen by Sponsors from a list of index mutual funds ("Funds") selected and made available by SRPS through the Program (the "List"). Schwab does not select Funds for the List. The List is available to You through the Program independent of the Service.

You may engage an independent investment consultant, acting in a fiduciary capacity ("Investment Consultant"), to modify the model allocations used by GuidedChoice in the Managed Accounts within ranges set by GuidedChoice. Only your Investment Consultant, and not You independently, may make such modifications. You are solely responsible for selecting, hiring and monitoring any Investment Consultant for your Plan, and for determining or agreeing to the fees paid to the Investment Consultant by your Plan, corporate assets or Participants. Schwab has no responsibility for such matters and does not require or recommend the retention of any such Investment Consultant in connection with the Service or the Program.

The Service is a mandatory feature of the Program. If You terminate your Plan's participation in either the Program or the Service, You will also have terminated your Plan's participation in the other as well.

Your Plan's Participants may terminate their individual use of the Service at anytime by making their own independent investment selections via www.schwab.com/workplace or by calling SRPS at 1-877-285-4929.

As part of the Program, You select Schwab Bank Savings ("SBS"), a capital preservation feature for investment of capital preservation allocations within the Service. Through SBS, a money market deposit account ("MMDA"), a type of savings deposit, is established at Schwab Bank. The MMDA will bear interest at a reasonable rate determined by Schwab Bank prior to the last business day of each calendar month. Please refer to the Schwab Bank Savings Disclosure documents for product description and important disclosures.

Funds You select from the List will comprise the index mutual fund investment options under your Plan ("Plan's Fund Line-Up") in addition to the SBS capital preservation vehicle. As part of the Program, You are currently required to select a minimum of 10 asset classes for your Plan's Fund Line-Up, of which three asset classes comprise Schwab Affiliated Funds and of which an additional asset class consists of SBS as the sole capital preservation vehicle under the Program. Of these ten asset classes currently

required by the Program, five asset classes are mandated by the Service. Neither Schwab nor SRPS advises Plans on the selection of Funds from the List for a Plan's Fund Line-Up, but SRPS will provide You or your Investment Consultant with tools and information. In each category, if a Fund managed by an affiliate of Schwab ("Affiliated Fund") is available and the Fund otherwise meets the eligibility criteria, that Affiliated Fund is included as an available Fund for that category. In some categories, an Affiliated Fund is one option along with one or more unaffiliated Funds; in other categories, the Affiliated Fund is the sole Fund option.

The Service features an automatic savings increase by which Participants' Plan contribution rates are increased annually in incremental percentages and result in more assets invested under the Managed Accounts. You, as Sponsor, determine the annual savings adjustment, up to the legal limit or a lesser percentage. Participants may opt out of the automatic savings increase feature or elect an alternative savings increase schedule without opting out of the Service in its entirety. In addition, GuidedChoice® may provide a savings rate recommendation to a Participant. Implementation of the GuidedChoice savings rate recommendation will only occur upon affirmative election by the Participant.

As part of your Plan's conversion to the Program, You must direct Schwab to default existing Participants into the Service as provided for under Section 404(c)(5) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and relevant Department of Labor regulations. Prior to the conversion to the Program, existing Participants may affirmatively elect to make their own investment selections and not use the Service.

Once a Plan is converted to the Service, for Plans using an automatic enrollment feature (which means that newly eligible employees are automatically enrolled as provided for under the terms of the Plan), the Managed Accounts in the Service are structured to be a qualified default investment alternative ("QDIA") under ERISA. As such, Participants subject to automatic enrollment will be defaulted into the Service unless they affirmatively elect otherwise. However, if the Plan does not use an automatic enrollment feature, then, post-conversion, newly eligible Participants will not be defaulted into the Service. Participation in the Service in those cases will occur only upon an affirmative election by the newly eligible Participant. You can elect to have your Plan offer immediate eligibility under automatic enrollment option or You can elect some other eligibility date(s).

Fees and Compensation

SRPS charges a fee for the Service, generally based on a 90-day cycle starting from the date the Plan initiates the Program. The fee is assessed as an asset-based fee ("Fee") of up to 45 basis points (0.45%) based on the Participant's Managed Account balance using an annualized rate based on average daily net assets. The annualized rate of the Fee is described in terms of basis points. The annualized rate of the Fee is pro-rated (i.e., charged pro rata) for the number of days the Participant is in the Service during the 90-day cycle and then is applied to the participant's average daily Managed Account balance for the time period the Participant is in the Service during the 90-day cycle. The Fee is charged in arrears and is not payable in advance.

Assets not included in the Service (a self-directed brokerage option which includes Schwab Personal Choice Retirement Account® ["PCRA"], company stock, loan funds, or frozen funds) are not

included in the Fee calculation. Fund trade restrictions do not affect this fee. Participants enrolled by default through automatic enrollment will receive a 90-day grace period during which the Fee will not apply.

You, as Plan Sponsor, may direct Schwab to deduct the Fee from Participants' Managed Accounts or may pay the Fee in whole or in part from Plan assets or corporate assets. The Fee is deducted from the Managed Accounts or billed in whole or in part to You after the close of the 90-day cycle. The typical annualized Fee schedule is as shown in the following table. The Fee is negotiable based on factors such as total Plan size and relationship with Schwab, and generally declines as the Participant's Managed Account balance increases.

TIER	ANNUALIZED RATE	PARTICIPANT MANAGED ACCOUNT BALANCE RANGE
1	45 bps	\$0.00 – \$150,000.00
2	40 bps	\$150,000.01 – \$250,000.00
3	35 bps	> \$250K

Schwab pays a portion of the Fee to GuidedChoice for its provision of investment advisory services. Schwab or SRPS may also pay additional amounts to GuidedChoice for set up, infrastructure services under the Program and the Service. More information about GuidedChoice is available in its *Form ADV Part 2A: Firm Brochure* for GuidedChoice. You will also be provided Sponsor disclosures by SRPS.

Services Covered by the Schwab Retirement Planner™ Fee

The Fee covers GuidedChoice's discretionary investment management services and Schwab's roles within the Service, as described earlier. Trade orders in Fund shares do not carry a transaction fee in the Service. The waiver of such transaction fees in Managed Accounts is not a feature of the Service or the Program.

In addition to the Fee, each Fund is subject to investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses related to investments in the Funds, as set forth in the prospectuses of the Funds. These fees and expenses are paid by the Funds but ultimately are borne by Fund shareholders (i.e., the Participants), and are in addition to the Fee. Most Funds available through the Service are available outside of the Service without paying the Fee. Participants may be able to obtain some or all of the types of services available through the Service on a stand-alone basis from Schwab or other firms. The Fee also may be higher or lower than the fees charged by other firms for comparable services.

As discussed in "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," when, at GuidedChoice's direction, Schwab executes transactions of the Participant Managed Account assets in a Fund, Schwab may receive compensation from the Fund on the amount a Participant invests. Any such amounts will be indirectly paid by a Participant as part of the operating expense ratio charged by the Fund.

Performance-Based Fees and Side-by-Side Management

Schwab does not charge any performance-based fees (fees based on a share of capital gains on or appreciation of the assets of accounts) in the Service.

Types of Clients

The Service is open to defined contribution Plans. The Plans, and not their Participants, are Schwab's clients with respect to the Service.

The Program is generally available to Plans with more than \$20 million in investable assets, subject to exceptions in the sole discretion of Schwab or its affiliate SRPS. There is no stated minimum Managed Account size required for Participants to participate in the Service.

Methods of Analysis, Investment Strategies and Risk of Loss

Schwab does not formulate investment recommendations or manage assets in connection with the Service. Please see *Form ADV Part 2A: Firm Brochure* for GuidedChoice® for details on the methods of analysis and investment strategies employed by GuidedChoice. Schwab, together with SRPS, selected GuidedChoice, an independent investment advisor, for its experience performing managed account/discretionary asset allocation services for Plans and Participants. Another factor was Schwab's familiarity and experience working with GuidedChoice, including an established business relationship. In particular, a significant factor in selecting GuidedChoice was its experience providing investment advice that is the product of a computer program applying a methodology GuidedChoice has developed, maintained, and administered as an independent investment manager. Schwab also considered GuidedChoice's status as a financial expert independent of Schwab. As noted above, Schwab, together with SRPS, performs initial and ongoing due diligence and vendor review of GuidedChoice as the independent investment advisor for the Service, including review of GuidedChoice's overall ability to deliver the Service, such as review of test scenarios.

As with any investment whose performance is tied to the markets, the value of any Managed Account's investment in Funds will fluctuate, which means that Participants could lose money invested in their Managed Accounts. The value of any Managed Account is based primarily on the prices of the underlying Funds that the Managed Account purchases. In turn, the price of each underlying Fund is based on the value of its securities. Before investing in a Managed Account, Participants should assess the risks associated with the management of the Managed Account by GuidedChoice, with the underlying Funds in which the Managed Accounts invest, and with the types of investments made by the Funds and underlying fund allocation. Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. There is no guarantee any Participant's Managed Account will provide adequate income at or through such Participant's retirement (or the retirement of a designated beneficiary). There is no guarantee that any particular interest rate will be achieved in the SBS option. The MMDA (including principal and accrued interest) is insured by the FDIC, an independent agency of the U.S. government, up to \$250,000 for all deposits held in the same insurable capacity at any one bank. Participants' funds become eligible for deposit insurance immediately upon placement by Schwab Bank's Business Trust Division (the "Business Trust") into the MMDA at Schwab Bank. Generally, any accounts or deposits that a Participant may maintain directly with Schwab Bank, or through any other intermediary, in the same insurable capacity in which the MMDA is maintained would be aggregated with the MMDA for purposes of the \$250,000 federal deposit insurance limit. Under FDIC regulations, an individual's interest in the deposits of one bank held by certain types of retirement plans and

accounts will be aggregated for purposes of the \$250,000 deposit insurance limit. Participants are responsible for monitoring the total amount of deposits that they hold with Schwab Bank, in order to determine the extent of deposit insurance coverage available to them on their deposits, including the MMDA. Neither Schwab Bank's Business Trust Division nor the Plan are responsible for any insured or uninsured portion of the MMDA or any other deposits. Please refer to the Schwab Bank Savings Disclosure documents furnished to You as Sponsor for product description and important disclosures.

Disciplinary Information

The SEC and other regulatory agencies and organizations have taken certain disciplinary actions against Schwab 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 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. ("CSIM") (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 value ("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 FINRA. Schwab provides brokerage services to clients located throughout the United States and in some circumstances outside the United States. Incidental to Schwab's broker-dealer business, Schwab offers its 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. Schwab also provides certain online data and financial reporting services.

Schwab's affiliate, CSIM, serves as investment advisor to both fund families and receives investment advisory or management fees. Schwab Funds® (including the Affiliated Funds) and Laudus Funds® pay CSIM a fee for investment advisory services.

Schwab is also registered as an investment advisor under the Investment Advisers Act of 1940 (the "Advisers Act"). In addition to the Service, Schwab provides other investment advisory services to individuals and institutions. For example, 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. Participants utilizing the self-directed brokerage option may seek and receive referrals to investment advisors participating in the Schwab Advisor Network. Other programs in which Schwab acts as a registered investment advisor include the Schwab Private Client™ service, a nondiscretionary wrap fee program in which clients receive periodic, nondiscretionary advice, and the Schwab Managed Portfolios™ ("SMP"), Schwab Managed Account Access® ("Access"), and Schwab Managed Account Connection™ ("Connection") discretionary wrap fee programs sponsored by Schwab. Schwab Private Client Investment Advisory, Inc. ("SPCIA") provides nondiscretionary investment advice within the Schwab Private Client service sponsored by Schwab and described earlier.

Schwab's affiliate Schwab Bank provides bank deposit and lending services, including the SBS feature described in this brochure, and acts as directed trustee or custodian to retirement and other benefit plans and accounts, such as the Plans in the Program.

Schwab and its affiliates SRPS and Schwab Retirement Plan Services Company ("SRPSC") make retirement advice services available through GuidedChoice® and Morningstar® Investment Management, unaffiliated third parties, as part of bundled service offerings on designated recordkeeping platforms, both in the Managed Account Service and the GuidedSavings program. In the GuidedSavings program, Schwab facilitates the delivery of third-party investment advice to participants of defined contribution plans and certain nonqualified plans serviced by Schwab's affiliate SRPS. Plans serviced by SRPS receive this advice through the GuidedSavings service ("GuidedSavings"). GuidedSavings is made available solely at the discretion of plan sponsors. GuidedChoice is the investment advisor for GuidedSavings. Based on information collected about a participant's assets, investing needs, goals and time horizon, GuidedChoice presents the participant with a recommended allocation selected from among the mutual funds and collective trust funds ("Funds") available through the participant's retirement plan (each, a "Portfolio"). The participant may accept or reject the Portfolio, with the option of changing their investment profile and receiving a new recommendation or choosing not to utilize the Service. If the participant accepts the Portfolio, the Provider will instruct Schwab to place the trades necessary to effect that Portfolio. Schwab does not earn an explicit asset-based investment advisory fee for GuidedSavings. More information about the investment advisory services provided by GuidedChoice is available in the *Form ADV Part 2A: Firm Brochure* for GuidedChoice.

The potential conflicts created by the Service, and the steps taken by Schwab to address those conflicts, are described in "Participation or Interest in Client Transactions" beginning on page 6.

Schwab does not trade futures and is not a futures commission merchant for the Service. For certain other clients wishing to trade futures, Schwab has a referral relationship with optionsXpress, an affiliate of Schwab. Per the terms of the referral relationship, Schwab receives a portion of the commissions that Schwab clients pay optionsXpress.

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

Code of Ethics

Schwab has a code of ethics adopted pursuant to SEC Rule 204A-1 under the Advisers Act (the "Code"). The Code reflects the fiduciary principles that govern the conduct of Schwab and its employees when acting as an investment advisor—such as when advice is delivered through the Service. The Code requires that Schwab's covered employees—including registered representatives who collect information from Participants and assist with enrollment in the Service—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 non-public information to anyone outside of Schwab, 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 may receive compensation from the Funds on the amount invested in Managed Accounts. When Managed Accounts invest in unaffiliated Funds, Schwab may receive compensation from the Fund for shareholder and related services (which may include recordkeeping) provided by Schwab on the amount the Managed Accounts invest. The amounts paid to Schwab by unaffiliated Funds will vary depending on the particular Fund in which the Managed Account invests, although the fees typically range from 0.00% to 0.40% of assets annually, but may range up to 0.45% in rare cases. If these fees are paid out of fund assets, they may be indirectly paid by the Managed Accounts as part of the operating expense ratio ("OER") of the unaffiliated Fund.

When Managed Accounts invest in Schwab Affiliated Funds, CSIM receives a management fee from the fund on the amount the Managed Accounts invest. The management fees paid to CSIM for Schwab Affiliated Funds will vary depending on the particular fund in which Managed Accounts invest and may range from 0.08% to 0.50% of assets annually. In addition, Schwab also receives compensation from the Schwab Affiliated Funds for the shareholder and related services (which may include recordkeeping) Schwab provides to fund shareholders. The amounts paid to Schwab for Schwab Affiliated Funds will vary depending on the particular fund in which the Managed Accounts invest and may range from 0.02% to 0.10% of assets. These fees are paid out of fund assets, and therefore they are indirectly paid by Managed Accounts as part of the OER of the Schwab Affiliated Fund.

Schwab Bank intends to use the cash balances in the SBS capital preservation vehicle to fund current and new lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or "spread," between the interest rate paid on the SBS capital preservation vehicle and other costs of maintaining SBS, and the interest rate and other income earned by Schwab Bank on the loans and investments

made with the funds in the SBS account. Schwab Bank's discretion to determine a reasonable rate for SBS represents a conflict of interest.

Addressing Potential Conflicts

The Managed Account asset allocation models used in the Service have been developed and are applied by GuidedChoice®; not Schwab. The particular mix of Funds in any Managed Account, or any group of Managed Accounts, is determined by GuidedChoice and, in some cases, any Investment Consultant You have engaged within ranges established by GuidedChoice, but not by Schwab. Moreover, the portion of the Fee paid to GuidedChoice is not determined by the particular mix of funds in any Managed Account or any group of Managed Accounts.

Schwab Bank has no discretion or authority to determine the percentage of Managed Account assets deposited into SBS. SBS is required to bear a reasonable rate of return under Section 408(b)(4) of ERISA.

Personal Trading

Schwab monitors the personal securities holdings and trading of its employees, including its registered representatives involved in the Service. Schwab reviews employee accounts 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, Schwab representatives must disclose all securities accounts they own or control after their hire date and must review and confirm the accuracy of those accounts on an annual basis during their employment.

Brokerage Practices

Schwab does not select or recommend third-party broker-dealers as part of the Service. Pursuant to its agreement with Schwab Bank, Schwab acts as broker in connection with processing transactions in Fund shares in the Service but not as part of the Fee. Transaction fees are waived for purchases and sales of Funds appearing on the List whether the Participants use the Service or not. As noted in "Participation or Interest in Client Transactions" on this page, Schwab and its affiliates may receive compensation from third-party Funds for administration, distribution and/or shareholder servicing.

Review of Accounts

With respect to the Service, GuidedChoice reviews and may provide instructions and directions to rebalance Participant accounts every 90 days pursuant to its discretionary authority or to reallocate on an annual basis each Participant's asset allocation based on GuidedChoice's review of each Participant's data.

As noted earlier, neither Schwab nor SRPS reviews the content of, nor is responsible for, the advice or recommendations provided by GuidedChoice. Schwab and its affiliates do not supervise, nor do they monitor the advice provided by, GuidedChoice. Schwab does engage in initial and ongoing due diligence regarding its selection of GuidedChoice® as independent investment advisor for the Service, which may include sampling of Participant account statements furnished by GuidedChoice. The quarterly account statements and periodic trade confirmations received by Participants in the Service from either SRPS or SRPSC only reflect the trades made per the instructions provided by GuidedChoice.

Please see the *Form ADV Part 2A: Firm Brochure* for GuidedChoice for details on the review of Participant Managed Accounts by GuidedChoice.

Client Referrals and Other Compensation

The Service does not rely upon client referrals from any non-Schwab entity or person. Schwab receives direct compensation from the Plan or the Sponsor, as described in “Fees” beginning on page 2, and the indirect compensation received by Schwab is described in “Advisory Business” and “Participation or Interest in Client Transactions.” Schwab pays a fee to GuidedChoice in connection with the Service, as also described in “Fees.”

Custody

Schwab Bank’s Business Trust Division, a qualified custodian, provides directed trustee or custodial services to Plans serviced by SRPS. Sponsors will receive trust or custody statements from Schwab Bank, and should carefully review those statements.

Investment Discretion

Schwab does not have or accept investment discretion over the Managed Accounts utilized in the Service as part of the Program.

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 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.