Schwab Intelligent Advisory™

The following disclosure documents are provided for Schwab Intelligent Advisory:

- **Charles Schwab & Co., Inc. Schwab Intelligent Advisory Disclosure Brochure**
- **Charles Schwab Investment Advisory, Inc. Disclosure Brochure for Schwab Intelligent Portfolios®**

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Charles Schwab & Co., Inc.
Schwab Intelligent Advisory™
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 (SEC) 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.

Contents

Advisory Business

Charles Schwab & Co., Inc. ("Schwab" or "we") 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 sponsors Schwab Intelligent Advisory™ ("SIA" or the "SIA Program"), a hybrid advisory service that combines financial planning and periodic guidance from Schwab planning consultants ("Planning Consultants") with discretionary portfolio management through Schwab Intelligent Portfolios® ("SIP" or the "SIP Program"), a discretionary investment advisory program sponsored by Schwab's affiliate, Schwab Wealth Investment Advisory, Inc. ("SWIA"), and provided as a component of SIA pursuant to a license agreement between Schwab and SWIA.

Schwab Intelligent Advisory

Clients of the SIA Program ("Clients" or "you") receive a tailored financial plan by first accessing the Schwab Intelligent Advisory website and engaging with the SIA Program's self-guided digital planning tool ("Planning Tool"). Clients answer a series of questions in the Planning Tool and enter detailed information about their current financial situation, including assets and liabilities, overall goals and risk tolerance.

The output of the Planning Tool will serve as the basis for an initial scheduled discussion between the client and Planning Consultants. The initial planning conversation may include core wealth management topics like retirement planning, savings, and budget management and culminates in a recommendation about the appropriate SIP strategy or strategies for accounts that the Client wishes to enroll in the SIA Program.

Once enrolled, Clients can stay connected to their plan and accounts online via a customized dashboard and online access to the Planning Tool. Planning Consultants will conduct periodic client consultations, generally once a year, to review the online financial plan and subjects covered in prior consultations as well as any new topics that may have arisen. Client consultations will also be used to review any changes to the client's accounts or financial situation that may warrant updating the online financial plan or selected SIP strategies.

Although Clients will receive financial planning advice on a broad range of subjects and accounts through the SIA Program, only those accounts actually enrolled in SIA (each a "SIA Account" or "Account") will receive discretionary portfolio management through the SIP Program.

Clients must enroll a combined minimum of $25,000 in the SIA Program, which can be met through one or more SIA Accounts. Each enrolled Account must meet an initial minimum requirement of $5,000. Not all clients will be appropriate for the SIA Program. It is designed for investors who are comfortable with online and mobile access and who are conscious of fees and costs, but also want to be able to receive periodic guidance. It is generally not for clients with highly complex needs or a preference for frequent, in-person interactions.

Schwab Intelligent Portfolios

SIP provides discretionary management of a diversified portfolio of exchange-traded funds ("ETFs") and an FDIC-insured cash allocation (the "Cash Allocation"). The portfolio of ETFs includes up to 20 asset classes across stocks, fixed income, real estate, and commodities. The SIP Program is designed to monitor a client's account and automatically rebalance as needed to keep a client's portfolio consistent with their selected risk profile.

SWIA provides administration and related services for the SIP Program. Charles Schwab Investment Advisory, Inc. ("CSIA"), an affiliate of Schwab and SWIA, provides portfolio management services for SIP Program accounts on a discretionary basis consistent with each client's chosen investment strategy. Schwab acts as the qualified custodian for SIP Program accounts, providing trade execution, research and related services. Schwab has no discretionary authority or control over any SIA Account, and will effect only those transactions that it understands to have been instructed by CSIA.

Clients give investment discretion to CSIA to manage their account and make trades in their account. As with similar automated services, clients will not be allowed to make trades in their account. Clients may request that certain ETFs be excluded from their account, but CSIA is not required to accept account restrictions that it deems unreasonable. A request to exclude ETFs from a client's account may result in delays in the management of the account. The client will be notified if the account cannot be managed with the requested investment restrictions. Clients also may request that CSIA use a tax-loss harvesting strategy so that tax losses are generated to offset potential capital gains in their account, subject to meeting minimum balance requirements (currently $50,000 in an individual SIA Account, which is subject to change).

Accounts enrolled in the SIA Program are not margin accounts, meaning clients cannot borrow money to buy securities in the account or use the securities in the account as collateral for a margin loan.

Electronic Delivery

During the SIA Program online application process, clients agree that records and disclosures will be delivered electronically and that agreements will be signed electronically. This includes the disclosure brochures, supplements, and other documents relating to clients' accounts. Each Client has an obligation to maintain an accurate and up-to-date email address and to ensure that he/she has the ability to read, download, print, and retain electronic documents. If a client is unable or unwilling to accept electronic delivery, the client's enrollment in the SIA Program may be terminated. If a client's account is terminated, the client will be required to transfer the account assets to another account at Schwab or at another custodian; otherwise, the client's account assets may be liquidated and proceeds sent to the client.

Methods of Analysis, Investment Strategies, and Risk of Loss

Using asset allocations and ETF selection parameters determined by SWIA, CSIA has created a number of discretionary investment strategies for SIA accounts. These consist of diversified portfolios of ETFs and the Schwab Intelligent Portfolios Sweep Program ("Sweep Program"), which automatically deposits, or "sweeps," free credit balances to deposit accounts at Charles Schwab Bank ("Schwab Bank"), an affiliate of Schwab, SWIA and CSIA. Each investment strategy is designed to be consistent with a certain combination of investment objectives and risk tolerance. Certain investment strategies are intended for taxable accounts and others for tax-deferred accounts (such as individual retirement accounts). Certain investment strategies are intended for clients who are looking for some level of income generation.

SIA Accounts include cash as an investment to help provide a stable foundation within an overall asset allocation that includes other asset classes such as equities, bonds and commodities. The Cash Allocation is designed to provide greater stability, liquidity, diversification and potential inflation protection. The Cash Allocation is determined based on an investor's risk profile, with the most risk-averse or short-term portfolios holding the highest levels of cash and the least risk-averse or longer-term ones holding the lowest levels of cash.

Additional investment strategies or modifications to the parameters of existing strategies may occur at any time without prior notice to Clients.

Investing in securities involves the risk of loss that clients should be prepared to bear. The specific risks associated with the ETFs comprising the SIP Program portfolios, as well as the risks associated with securities held in those ETFs, are described in detail in the CSIA Schwab Intelligent Portfolios Disclosure Brochure.

Selection of ETFs

All ETFs are eligible for consideration, though parameters established by SWIA for the SIP Program place limitations on the universe of ETFs that CSIA may select for SIA accounts.

The parameters require that an ETF be in operation for a certain period of time, have a minimum level of assets, and track its index closely. Also, the difference between the "bid" (the price a buyer is willing to pay for a share of the ETF) and the "ask" (the price a seller wants for that ETF share) must be small. This difference is called the bid-ask spread, and a narrow bid-ask spread usually means that the ETF has a large trading volume.

ETFs that meet these parameters are then ranked according to their fees and expenses. CSIA seeks to select the ETFs most representative of the asset class with the lowest fees and expenses for inclusion in the portfolios. CSIA will generally select both a primary and secondary ETF for each asset class in consideration of, among other things, tax-loss harvesting and requested investment restrictions. In limited circumstances, as determined by CSIA, only one ETF may be used in certain asset classes. In such cases, the tax-loss harvesting feature would not be available for execution in the affected asset class(es). To be eligible for consideration, ETFs designated as the primary ETF in an asset class must have a share price less than a cap that SWIA determines is necessary to enable trading in smaller balance accounts.

Eligible ETFs also include Schwab ETFs™, which are managed by Charles Schwab Investment Management, Inc. ("CSIM"), an affiliate of Schwab, CSIA and SWIA. Schwab ETFs pay fees to CSIM that are described below in "Participation or Interest in Client Transactions."

The percentage of a client account initially invested in Schwab ETFs varies significantly depending on the asset allocation of the investment strategy. Subject to the written parameters described above, CSIA has discretion to allocate any portion, up to 100%, of an investment strategy into Schwab ETFs (excluding the portion in the Cash Allocation), if they meet the selection criteria described above.

Rebalancing

CSIA will use portfolio management software to rebalance accounts if the allocation of the ETFs in a client's account deviates by more than an amount specified in SWIA's parameters from the recommended asset allocation due to changes in ETF values. Rebalancing may also be performed in cases when a client makes changes to their investment profile or when a client requests to impose or modify restrictions on the management of their Program account. Program accounts will be rebalanced by buying and selling ETF shares and depositing or withdrawing funds through the Sweep Program. Program monitoring and trading are subject to systems and technology constraints and availability, and while unlikely, may not take place daily.

Accounts below $5,000 may deviate further than the amount specified in SWIA's rebalancing parameters as well as the target allocation of the selected investment profile. Rebalancing below $5,000 may impact the ability to maintain positions in selected asset classes due to the inability to buy or sell at least one share of an ETF. For example, withdrawal requests may require entire asset classes to be liquidated to generate and disburse the requested cash.

Tax-Loss Harvesting

Subject to meeting the minimum Account balance requirement of $50,000, a client may direct CSIA to employ a tax-loss harvesting strategy in managing their taxable SIA Account. This means that once the tax-loss harvesting threshold is met, CSIA will sell ETFs in the client's account at a loss to offset potential capital gains, although the type and amount of capital gains will not be monitored by CSIA for this purpose. If a client chooses to have tax-loss harvesting for their or their spouse's account, CSIA will use portfolio management software to sell one or more ETFs in the client's Account and replace the ETFs with other ETFs that CSIA reasonably believes are not substantially similar based upon different ETF indexes used by each ETF. The performance of the new ETFs may be better or worse than the performance of the ETFs that are sold for tax-loss harvesting purposes. The utilization of losses harvested through the strategy will depend upon the recognition of capital gains in the same or a future tax period, and in addition may be subject to limitations under applicable tax laws. Losses harvested through the strategy that are not utilized in the tax period when recognized generally may be carried forward to offset future capital gains, if any.

Clients should consult with their professional tax advisors or check the Internal Revenue Service ("IRS") website at www.irs.gov about the consequences of tax-loss harvesting in light of their particular circumstances and its impact on their tax return. The tax-loss harvesting strategy is not intended as tax advice, and neither Schwab, SWIA nor CSIA represents that any particular tax consequences will be obtained.

CSIA monitors for tax-loss harvesting for SIA Program Accounts, and Clients are responsible for monitoring their and their spouse's other accounts (at Schwab or with another firm) to ensure that transactions in the same ETF or a substantially similar security do not create a "wash sale." A wash sale is the sale at a loss and purchase of the same ETF or substantially similar security within 30 days of each other. If a wash sale transaction occurs, the IRS may disallow or defer the loss for current tax reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule postpones losses on a sale if replacement shares are bought around the same time.

The effectiveness of the tax-loss harvesting strategy to reduce the tax liability of the client will depend on the client's entire tax and investment profile, including purchases and dispositions in a client's (or client's spouse's) non-SIA Accounts, and type of investments (e.g., taxable or non-taxable) or holding period (e.g., short-term or long-term). Except as set forth below, CSIA will monitor only a client's (or a client's spouse's) SIA Accounts to determine if there are unrealized losses for purposes of determining whether to harvest such losses. Transactions outside SIA Accounts may affect whether a loss is successfully harvested and, if so, whether that loss is usable by the client in the most efficient manner.

If a client chooses to have tax-loss harvesting for the client's taxable SIA Account, CSIA will seek to avoid the wash sale disallowance rule in any other SIA Account or account enrolled in the SIP Program associated with the same primary account holder Social Security Number. A client may also request that CSIA monitor the client's spouse's SIA or SIP Program Accounts to avoid the wash sale disallowance rule. A client may request spousal monitoring online or via a mobile application. If CSIA is monitoring multiple accounts to avoid the wash sale disallowance rule, the first taxable account to trade an ETF will block the other account(s) from trading in that same ETF for 30 days.

Schwab Intelligent Portfolios® Sweep Program

Each SIP investment strategy includes a Cash Allocation to the Sweep Program for asset allocation purposes. The Cash Allocation will generally range from 6% to 30% of an account's value to be held in cash, depending on the investment strategy the client selects based on the client's risk tolerance and time horizon. Higher cash allocations are for the conservative end of the risk spectrum.

The Cash Allocation will be accomplished through enrollment in the Sweep Program, a program sponsored by Schwab. By enrolling accounts in the SIA Program, clients consent to having the free credit balances in their brokerage accounts swept to deposit accounts ("Deposit Accounts") at Schwab Bank, an FDIC-insured depository institution, through the Sweep Program.

The Sweep Program is a required feature of the SIA Program. If the Deposit Account balances exceed the Cash Allocation for the selected investment strategy, the excess over the rebalancing parameter will be used to purchase securities as part of rebalancing. If clients request cash withdrawals from their accounts, this likely will require the sale of ETF positions in their accounts to bring the target allocation back in line for their chosen investment strategy. If those clients have taxable accounts, those sales may generate capital gains (or losses) for tax purposes.

The terms and conditions of the Sweep Program and Schwab's ability to make changes to the Sweep Program or move balances to a new sweep product are set forth in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement that is made available to clients when they open their accounts. Clients should read this document carefully and retain a copy for their records. Clients grant to SWIA the authority to change the cash investment allocation from the Sweep Program to another cash savings or investment product or vehicle offered by a Schwab entity or a third party, while remaining in line with the Client's goals, risk tolerance and time horizon.

In accordance with an agreement with Schwab, Schwab Bank has agreed to pay an interest rate to depositors participating in the Sweep Program that will be determined by reference to a third party index. Currently, that index is the national average of money market deposit account rates at the $10,000 level as calculated by RateWatch. The current rate and RateWatch's methodology can be found at www.rate-watch.com/national-averages.

Under the agreement between Schwab and Schwab Bank, Schwab Bank may change the method of determining the interest rate upon 30 days' notice to Schwab or upon a regulatory requirement. Schwab will notify clients if it receives such notice from Schwab Bank. This indexed rate may be higher or lower than the interest rates available on other deposit accounts at Schwab Bank or on comparable deposit accounts at other banks. It may also be higher or lower than other cash-equivalent investments, such as money market funds, that are available through Schwab. Schwab does not intend to negotiate for rates that seek to compete with other capital preservation investment options that involve market risk, such as money market funds.

Schwab Bank's revenue from the Cash Allocation in the Deposit Accounts is dependent upon the difference, or "spread," between the interest rate it pays on such deposits and the amount it earns from the investment of such deposits less the FDIC insurance premiums it pays. Therefore, Schwab Bank's ability to earn revenue from the Deposit Accounts is affected by the interest rate negotiated with its affiliated broker-dealer, Schwab. This revenue is a component of the overall revenue to Schwab Bank and its affiliates. Funds in the Deposit Accounts can also benefit Schwab Bank by providing it with increased liquidity, stable funding, and low-cost deposits. Schwab Bank intends to use the assets in the Deposit Accounts to fund current and new lending activities and investments.

A portion of the revenue contributed to the Schwab entities from the Sweep Program is the revenue earned by Schwab Bank in offering the Deposit Accounts. Schwab Bank will pay Schwab a fee for administrative services provided in support of the Deposit Accounts as disclosed in the Schwab Intelligent Portfolios® Sweep Program Disclosure Statement and below in "Participation or Interest in Client Transactions."

Fees and Compensation

Fees

Clients will be charged an annual fee of 0.28% of total client assets enrolled in the SIA Program, excluding cash ("SIA Program Fee"), with a quarterly cap of $900 across all SIA Accounts combined together for billing purposes ("SIA Account Group"). The SIA Program Fee includes the following services: (i) planning services delivered by the Planning Consultants; (ii) ongoing access to financial planning tools, (iii) administration services related to the SIA Program. No portion of the SIA Program Fee is attributable to the discretionary management received through the SIP Program.

Schwab will calculate the SIA Program Fee by multiplying the daily value of the assets in a client's SIA Account(s), excluding cash, for each calendar day in the quarter by the applicable daily fee rate (i.e., the annual rate of 0.28% 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 will estimate the value of the assets (excluding cash) in your SIA account(s) by using the asset values of the SIA account(s) on the next-to-last business day of that quarter.

Trades in SIA Accounts are not subject to Schwab brokerage commissions. When CSIA uses a broker-dealer other than Schwab that is acting as principal (for its own account) to buy or sell ETF shares for clients, that broker-dealer accepts the risk of market price and liquidity fluctuations when executing customer orders. As is industry practice, the broker-dealer adds a fee, called a "spread," to compensate for this risk. The spread is not shown separately on a client's trade confirmation or account statement. Schwab does not act as principal for ETF trades in SIA Accounts and does not receive any part of the spread.

Due to retirement accounts in the Program, for purposes of IRS rules, Schwab makes a nominal calculation that fully offsets in the amount of 0.30% of the compensation its affiliates receive from ETF transactions in SIA Accounts. This includes advisory fees for managing Schwab ETFs™ and fees earned for providing services to third-party ETFs participating in the Schwab ETF OneSource™ program ("ETF OneSource"), if CSIA selects them to include in SIA Accounts. If this affiliate compensation ever exceeds 0.30% of client assets, Schwab will refund the additional amount to SIA Accounts or use it to pay account administrative expenses. In all cases, the result is that clients pay no fee for the discretionary management of SIA portfolios.

Through the SIP Program, SIA uses a combination of Schwab and third-party ETFs. Each ETF, including a Schwab ETF, pays investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses, as set forth in the ETF prospectus. An ETF pays these fees and expenses, which ultimately are borne by its shareholders. Therefore, CSIM will earn fees from SIA Accounts invested in Schwab ETFs.

Clients may incur sales charges, redemption fees and other costs, as well as tax consequences, if they redeem or make other transactions in ETFs, mutual funds or other investments in order to fund SIA Accounts.

To the extent that cash used by clients to fund SIA Accounts comes from redemptions of mutual fund shares, ETFs or other investments outside of the SIA Program, there may be tax consequences or additional costs from sales charges previously paid and redemption fees incurred.

SWIA has an agreement with Schwab whereby Schwab pays SWIA's expenses in connection with SWIA's administration of the SIP Program.

Schwab Bank will pay Schwab a fee for administrative services provided in support of the Deposit Accounts in an amount up to a $20 annual flat fee for each brokerage account that sweeps into a Deposit Account. This fee is more fully described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement.

The fees that clients pay directly and indirectly in the SIA Program may be more or less than they would pay if they purchased separately the types of services in each. Clients may be able to obtain some or all of the types of services available through the SIA Program on a stand-alone basis from other firms. Factors that bear upon the cost of the SIA Program in relation to the cost of the same services purchased separately include, among other things, the type and size of the account (and other accounts that clients may be able to combine to determine fee break points), the historical and expected size or number of trades for an account, and the number and range of supplementary advisory and other services provided to an account.

Compensation

Planning Consultant Compensation

Planning Consultants receive compensation in the form of a salary and a bonus based on factors such as corporate and individual performance. Planning Consultants' compensation does not vary depending on the specific investment recommendations made to SIA Clients.

FC Compensation

Financial Consultants are representatives who are compensated for successful referrals to the SIA Program. Please note that Financial Consultants may be Schwab employees ("FCs") or non-employee independent contractors who, with their own employees, operate Schwab Independent Branches pursuant to a franchise agreement with Schwab. Financial Consultants who work out of Schwab Independent Branches are known as Independent Branch Leaders ("IBLs") or, if employed by such independent contractors, Independent Branch ("IB") Representatives.

In addition to their base salaries, FCs receive compensation for successfully navigating clients to the SIA Program and other investment advisory programs and for servicing those clients after enrollment in such programs. Although Schwab as a company may earn more or less revenue depending on what products and services an FC recommends and a client purchases, Schwab has designed FC compensation to be neutral. This means that, although compensation varies by the type of program an account is enrolled in, that difference is based on "Neutral Factors." Neutral Factors include the time, complexity and expertise necessary to understand and recommend a program and to provide ongoing service to a client enrolled in a given program.

As independent contractors, IBLs receive a monthly "Net Payout" from Schwab, which includes amounts earned on assets in investment advisory programs like the SIA Program and assets in commission-based brokerage accounts, and it is from this Net Payout amount that IBLs pay their IB Representative employees. As with FCs, the amounts earned by IBLs and IB Representatives vary by the type of program an account is enrolled in, based on the same Neutral Factors described above.

Based on these Neutral Factors, amounts earned by FCs, IBLs and IB Representatives on assets enrolled in the SIA Program exceed the amounts earned on assets in commission-based brokerage accounts.

Compensation to Other Schwab Employee Investment Professionals

Other Schwab employee investment professionals, such as Investment Consultants, Investor Development Specialists, and Participant Investor Concierge Financial Consultants, can also earn additional incentive compensation for educating clients in advisory services, including the Program.

For detailed information on the compensation of these and other Schwab representatives, please see our website at www.schwab.com/compensation.

Performance-Based Fees

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

Side-by-Side Management

Not applicable. Schwab does not manage or recommend strategies in the SIA Program.

Benefits to Schwab Affiliates

Schwab affiliates earn revenue from the assets in SIA Accounts. This revenue comes from: (i) revenue earned by Schwab Bank on the Cash Allocation in the investment strategies; (ii) advisory fees received by CSIM from Schwab ETFs™ that CSIA selects to buy and hold in client accounts; (iii) fees received by Schwab from third-party ETFs in client accounts for services Schwab provides to them as participants in ETF OneSource; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution. More information about these revenues and their benefits to Schwab affiliates is set forth under "Schwab Intelligent Portfolios® Sweep Program" and "Fees" above and under "Participation or Interest in Client Transactions" below.

Potential Conflicts of Interest and How They Are Addressed

SWIA, not Schwab, CSIA or Schwab Bank, sets the parameters for the Cash Allocation in each investment strategy. The parameters are set based on a disciplined portfolio construction methodology designed to balance performance with risk management appropriate for a client's goal, investing time frame, and personal risk tolerance, just as with other Schwab managed products. Schwab Bank earns income on the Cash Allocation for each investment strategy. The higher the Cash Allocation and the lower the interest rate paid, the more Schwab Bank earns, thereby creating a potential conflict of interest. The Cash Allocation can affect both the risk profile and performance of a portfolio. To mitigate any potential conflict, SWIA instructs CSIA to construct the SIP Program strategies primarily pursuant to modern portfolio theory, which seeks to construct an optimal return goal for a portfolio based on the level of risk an investor is willing to take.

The interest rate paid to depositors participating in the Sweep Program is determined by agreement between Schwab and Schwab Bank. Since they are affiliates, any potential conflict in determining the interest rate has been mitigated by having the rate determined by reference to an index. For more information about the Cash Allocation in the investment strategies and the revenue earned by Schwab Bank, see "Schwab Intelligent Portfolios Sweep Program" above.

All ETFs, including Schwab ETFs, are eligible for consideration in the SIA Program. SWIA establishes written objective criteria that do not allow CSIA to consider compensation to Schwab or other affiliates in connection with selecting ETFs or managing SIP Program portfolios. CSIA must also follow these written criteria in selecting securities for, and removing securities from, SIA Accounts. Schwab reviews SWIA's and CSIA's performance in providing portfolio management services to SIA Accounts. For more information regarding how ETFs are selected for inclusion in portfolios and on the fees earned by Schwab affiliates on ETFs in client accounts, see "Selection of ETFs" and "Fees" above. Because they are affiliated companies, SWIA has a potential incentive to select and keep CSIA to provide portfolio management services for the SIP Program. CSIA has a potential conflict of interest in selecting Schwab ETFs, which pay compensation to CSIM, and ETFs in ETF OneSource, which pay compensation to Schwab. Schwab also has a potential conflict in selecting the SIP Program as the discretionary management vehicle for SIA Accounts.

In addition, asset classes in SIA Accounts include both market-cap and fundamentally weighted ETFs. Market-cap weighted ETFs track indices based on the market capitalization of the index's underlying holdings. Fundamental ETFs weight holdings based on fundamental factors like sales, cash flow, dividend distribution, and buybacks. SIA Accounts are invested in both market-cap based and fundamentally weighted ETFs with the goal of helping to increase diversification, reduce volatility, and provide better risk-adjusted results over time. Typically, fundamental ETFs have a higher expense ratio than market-cap ETFs. The current method CSIA uses to select fundamentally weighted ETFs is based on asset classification by a third-party provider and, in combination with the selection criteria described above, results in Schwab ETFs being the primary ETF selection for fundamental asset classes in portfolios.

Account Requirements and Types of Clients

The SIA Program is designed for investors who are comfortable with online and mobile access and who are conscious of fees and costs, but also want to be able to receive periodic guidance. It is generally not for clients with highly complex needs or a preference for frequent in-person interactions.

Clients may include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), are not eligible for the SIA Program.

Clients must agree to accept electronic delivery of contracts, disclosure documents, prospectuses, statements, and other materials.

Clients must open their SIA Accounts with a combined minimum of $25,000 in the SIA Account Group and a per-Account minimum of $5,000. Not all clients or prospects will be appropriate for the SIA Program. There is also a minimum balance requirement to request CSIA employ a tax-loss harvesting strategy, and a minimum balance requirement to maintain a tax-loss harvesting strategy.

If you terminate your enrollment in the SIA Program, you must also close your SIA Accounts and instruct Schwab to either (i) liquidate the Account assets and send the proceeds to you or to an account specified by you, or (ii) transfer the assets to another account (at Schwab or another custodian). If you transfer your assets to another account at Schwab, the Sweep Program will not apply to that account. That account will have its own sweep feature which may have terms that are more favorable or less favorable than the Sweep Program.

Schwab may terminate a client from the SIA Program for failing to fund or maintain their SIA Accounts for failure to maintain a valid email address or for any other reason, at Schwab's sole discretion. Schwab may terminate a client from the SIA Program if the Client's requested investment restrictions are deemed to be unreasonable. Schwab will provide at least 30 days' notice before terminating a client from the SIA Program. Depending on the reason for the termination, you may have the opportunity to resolve the reason for the termination. If you are unable to do so and do not make arrangements to transfer the assets in your SIA Account to another brokerage account at Schwab or another custodian, then the following will occur: (i) the ETFs in your account will be sold; (ii) your enrollment in the Sweep Program will terminate; (iii) funds will be disbursed to you; and (iv) your SIA Account will be closed. Upon termination by either the client or Schwab, the SIA Account will no longer be managed.

Retirement Accounts

Schwab does not and will not render advice on a regular basis pursuant to an arrangement or understanding that such advice shall serve as a primary basis for investment decisions with respect to any retirement account. Schwab, SWIA and its employees and agents (i) are not fiduciaries as defined under the Internal Revenue Code; (ii) have no investment or other discretion with respect to assets covered by either the SIP Program or the SIA Program; (iii) will perform no discretionary acts with respect to such assets; (iv) will effect only such transactions as instructed by clients; and (v) will exercise no discretion and provide no advice as to the voting of proxies.

SIP Program Selection and Evaluation

Schwab has selected the SIP Program as the vehicle for discretionary management within the SIA Program, which includes SWIA-established parameters and SWIA's selection of CSIA to provide portfolio management in SIP Program accounts and SIA Accounts. Schwab reviews the performance of SWIA and CSIA, and the performance of its own Planning Consultants, on a periodic basis.

Client Information Provided to Portfolio Manager

At the time of SWIA enrollment, Schwab provides CSIA, through SWIA, with information about that client's chosen investment strategy and any reasonable restrictions applicable to the client's SIA Account. Schwab provides updated information as necessary thereafter in order for CSIA to provide portfolio management services to SIA Accounts.

Client Contact With Portfolio Manager

Clients who wish to contact CSIA regarding their SIA Accounts can do so by making a request to their Planning Consultant.

Additional Information

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, in violation of FINRA Rules 2010 and 3310(a), Schwab failed to implement policies and procedures that were reasonably designed to detect, and cause the reporting of, suspicious incoming wire transactions occurring in August 2011. Without admitting or denying the findings, Schwab consented to the described sanctions and to the entry of findings. Therefore, in December 2013, Schwab was censured, fined $175,000, and required to conduct a comprehensive review of the adequacy of its anti–money laundering policies, systems, procedures (written or otherwise), and training with respect to detecting and reporting suspicious incoming wire transfers.

2. A disciplinary action initiated by FINRA asserted that Schwab failed on 44 occasions during the second quarter of 2011 and on 245 occasions during the first half of the 2012 review period to provide written notification disclosing to its customers a call date that was consistent with the disclosed yield to call, in violation of SEC Rule 10b-10. Without admitting or denying the allegations, Schwab consented on August 23, 2013, to a censure and a monetary fine of $12,500.

3. A disciplinary action initiated by the Chicago Board Options Exchange ("CBOE") alleged that Schwab: (1) violated CBOE Rule 9.21 by disseminating sales literature and failed to withhold the sales literature from circulation prior to incorporating the required changes specified by the CBOE; and (2) violated CBOE Rule 4.2 by failing to adequately supervise its associated persons to assure compliance with Rule 9.21. Without admitting or denying these allegations, Schwab consented to a censure and a monetary fine of $10,000 on May 29, 2013.

4. In May 2013, the CBOE alleged that from approximately November 8, 2011, through approximately December 7, 2011, Schwab failed to have adequate supervisory procedures to assure compliance with SEC Rule 14E-4 relating to partial short tender activity. The CBOE accepted Schwab's offer of settlement consisting of a $10,000 fine and a censure. Schwab neither admitted nor denied the allegations.

5. A disciplinary action initiated by FINRA asserted that Schwab violated Municipal Securities Rulemaking Board ("MSRB") 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.

6. Schwab entered into a stipulation and consent agreement with the state of Florida on March 26, 2012, in which Schwab was fined $1,100,000 and ordered to offer restitution to certain clients for distributing trade confirmations to Florida clients between 2008 and 2011 containing inaccurate information with respect to certain municipal bond, corporate bond and preferred equity security trades, and for failing to have adequate written supervisory procedures with respect to the review of such trade confirmations, in violation of the Florida Administrative Code.

7. 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.

8. A disciplinary action initiated by FINRA asserted that Schwab violated MSRB 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.

9. 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, the Illinois Securities Department ("Illinois") and the Connecticut Department of Banking's 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 paid by Schwab pursuant to the SEC settlement included approximately $18,000,000 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 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 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.

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. 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 SIA Program, Schwab provides other investment advisory services. The Schwab Private Client™ service is a non-discretionary wrap fee program in which clients receive periodic, ongoing advice from a team of Schwab representatives. Other programs in which Schwab acts as a registered investment advisor include Schwab Managed Portfolios™ ("SMP"), Managed Account Select®, and Managed Account Connection® wrap fee programs sponsored by Schwab and the financial planning services provided through the Schwab Personal Financial Plan™ and Schwab Equity Compensation Consultation.

Schwab does not trade futures and is not a futures commission merchant ("FCM"). However, for our customers who have a desire to trade futures, we have a referral relationship with optionsXpress, Inc., an FCM that is an affiliate of Schwab. Per the terms of the referral relationship, Schwab receives a one-time referral fee for Schwab clients who open a futures account at optionsXpress and place a trade.

Schwab acts as the qualified custodian for SIA Accounts and provides execution and related services for SIA Accounts.

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

Code of Ethics

Schwab has a code of ethics adopted pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the "Code"). The Code reflects the fiduciary principles that govern the conduct of Schwab, its employees, independent contractors, and such independent contractors' employees when we are acting as an investment advisor, such as when we refer you to, or provide financial planning within, the SIA Program. The Code requires that Schwab's 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, 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

ETF Trade Execution

Schwab, as broker for SIA Accounts, routes ETF orders for execution to third-party broker-dealers, who may act as market maker or manage execution of the orders in other market venues. Schwab also routes orders directly to all major exchanges and alternative trading systems, including ECNs (electronic trading networks). Schwab may receive remuneration such as liquidity or order flow rebates from a market or firm to which orders are routed, but at all times is committed to best execution.

Schwab considers a number of factors in evaluating execution quality among markets and firms, 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, liquidity and automatic execution guarantees, 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. Schwab regularly monitors the execution quality provided by the various markets and firms to ensure orders are routed to market venues that have provided high-quality executions over time.

ETFs

Through the SIP Program, SIA uses a combination of Schwab and third-party ETFs. The ETFs that are eligible for inclusion in the SIP Program are described above under "Selection of ETFs."

Eligible ETFs include Schwab ETFs™, which are managed by CSIM. Each ETF, including a Schwab ETF, pays investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses, as set forth in the ETF prospectus. An ETF pays these fees and expenses, which ultimately are borne by its shareholders. Therefore, CSIM (a Schwab affiliate) will earn fees from clients who invest in Schwab ETFs.

ETFs in the ETF OneSource program are also eligible to be selected for inclusion in the SIP Program. Schwab has established the ETF OneSource program under which ETFs can be traded without a commission on buy and sell transactions. Schwab receives payments from the third-party ETF sponsors or their affiliates participating in ETF OneSource for record-keeping, shareholder services and other administrative services that Schwab provides to participating ETFs. In addition, Schwab promotes the ETF OneSource program to its customers, and a portion of the fees paid to Schwab offsets some or all of Schwab's costs of promoting and administering ETF OneSource. Schwab does not receive payment to promote any particular ETF to its customers.

ETF sponsors or their affiliates pay a fixed ETF OneSource program fee to Schwab each year for each ETF participating in ETF OneSource. The program fees vary, but can range up to $250,000 per year for each participating ETF. ETF sponsors or their affiliates also pay Schwab an asset-based fee based on a percentage of total ETF assets purchased by Schwab customers after the ETF was added to ETF OneSource.

The amount of the asset-based fee can range up to 0.20% annually. Schwab ETFs do not pay any program or asset-based fees to participate in ETF OneSource.

Assets in SIA Accounts are included in the calculation of the asset-based ETF OneSource fee to be paid to Schwab by an ETF sponsor or its affiliates. Schwab may exclude other assets or other types of transactions from the asset-based ETF OneSource fee paid by an ETF sponsor or its affiliates.

Each SIA Account contains a Cash Allocation which is accomplished through the Sweep Program. By enrolling in the SIA Program, you consent to having the free credit balances in your brokerage account included in the Sweep Program. A portion of the revenue contributed to the Schwab entities from the Sweep Program is the revenue earned by Schwab Bank in offering the Deposit Accounts. Schwab Bank will pay Schwab a fee for administrative services provided in support of the Deposit Accounts in an amount up to a $20 annual flat fee for each brokerage account that sweeps into a Deposit Account.

Personal Trading

Although Schwab does not recommend buying or selling particular securities as part of the SIA Program, Schwab nevertheless monitors the personal securities holdings and trading of its representatives. Schwab reviews such 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 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 as part of the SIA Program. Clients will agree with Schwab that all brokerage transactions will be routed to Schwab for execution. For additional details regarding brokerage practices for the SIA Program, please refer to the CSIA Schwab Intelligent Portfolios® Disclosure Brochure.

Review of Accounts

If you enroll in the SIA Program, you will open a Schwab brokerage account, and we will furnish you with account statements and confirmations of all transactions initiated and effected for your account. You will also receive account statements at least quarterly for each SIA Account which will indicate security purchases and sales; interest, dividends and other earnings; additions to and withdrawals from the account; fees and other charges; and account value. It is your responsibility to review all confirmations and account statements promptly and to communicate directly with us if you have any concerns about the management of your account.

After the initial planning meeting, Planning Consultants will conduct periodic client consultations, which generally occur on an annual basis, but which may occur with varying frequency, depending on the client's needs. On a typically annual basis, Planning Consultants will review the client's situation, validate the client's financial planning needs, and review the strategy chosen for the SIA Accounts.

Clients may update their financial plans online at any time. A consultation with a Planning Consultant is required before any investment strategy changes can be implemented for any enrolled Account. SIA Clients receive electronically a separate confirmation of each transaction and an account statement (at least quarterly) detailing positions and activity in their accounts. The statement includes a summary of all transactions made on the client's behalf, all contributions and withdrawals made to or from the account, all fees and expenses charged to the account, and the account value at the beginning and end of the period. The statement may be based upon information obtained from third parties.

Client Referrals and Other Compensation

Schwab FCs and other employees, as well as IBLs and IB Representatives, receive compensation from Schwab as explained in the "Compensation" section above. The SIA Program does not rely upon client referrals from any non-Schwab entity or person.

Custody

Schwab has custody of assets in the SIA Accounts and will provide an account statement, at least quarterly, for each SIA Account. The account statements detail account positions and activities during the preceding period. Clients should review their account statements carefully.

Investment Discretion

As detailed in the "Advisory Business" section above, the SIA Program includes discretionary portfolio management through SIP, and Clients receive a diversified portfolio of ETFs and a Cash Allocation.

Voting Client Securities

Schwab does not have or accept authority to vote Clients' securities (i.e., proxy voting) in the SIA Program.

Financial Information

Schwab does not require or solicit prepayment of the SIA Fee and is therefore not required to include a balance sheet for its most recent fiscal year. Schwab does not have any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its Clients. Schwab is not and has not been the subject of any bankruptcy petition during the past 10 years.

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Effective March 31, 2017

Charles Schwab Investment Advisory, Inc.
Schwab Intelligent Portfolios®
Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Charles Schwab Investment Advisory, Inc. (CSIA) as an advisor in the Schwab Intelligent Portfolios program. 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. CSIA'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 CSIA or its representatives.

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

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Advisory Business

CSIA is a wholly owned subsidiary of The Charles Schwab Corporation, a Delaware corporation that is publicly traded and listed on the New York Stock Exchange (symbol: SCHW). CSIA has been registered as an investment advisor since November 5, 2009.

This brochure relates to the portfolio management services that CSIA provides for the Schwab Intelligent Portfolios® program (the "SIP Program"). The SIP Program offers clients a diversified portfolio composed of exchange-traded funds ("ETFs") as well as an FDIC-insured cash allocation (the "Cash Allocation") that is based on the client's stated investment objectives and risk tolerance. The portfolio of ETFs includes up to 20 asset classes across stocks, fixed income, real estate, and commodities. The SIP Program is designed to monitor a client's portfolio daily and will also automatically rebalance as needed to keep a client's portfolio consistent with their selected risk profile unless such rebalancing may not be in the best interest of the client.

The SIP Program is sponsored by CSIA's affiliate, Schwab Wealth Investment Advisory, Inc. ("SWIA"), which sets investment policy and parameters and provides administrative and related services for the SIP Program.

The SIP Program is also used to provide discretionary portfolio management in Schwab Intelligent Advisory™ (the "SIA Program") sponsored by Charles Schwab & Co., Inc. ("Schwab"). The SIA Program combines the SIP Program with additional financial planning services provided through Schwab. This brochure combined with the SWIA SIP disclosure brochure and the Schwab SIA disclosure brochure (collectively, "the SIP and SIA Brochures") contain details about the SIP Program and SIA Program. Unless otherwise noted, statements in this brochure about the SIP Program are equally applicable to discretionary portfolio management that occurs in accounts enrolled in the SIA Program.

SWIA has chosen CSIA to provide portfolio management services to the SIP Program accounts on a discretionary basis consistent with investment policy and parameters developed by SWIA and with clients' chosen investment strategy, and to direct appropriate trades in clients' accounts. Schwab acts as the qualified custodian for SIP Program accounts and provides trade routing and/or execution and related services for SIP Program accounts. Some ETFs in the investment strategies are managed by Charles Schwab Investment Management, Inc. (CSIM), which is also an affiliate of Schwab, SWIA, and CSIA.

SWIA offers the SIP Program online through an interactive website and mobile application (collectively, the "SIP Program Website"). Clients use a web application to determine whether the SIP Program is appropriate for them and, if so, are asked a series of questions to determine their investment risk profile, receive a recommended strategy, and select an investment strategy. Clients complete their investment profile online and are asked to carefully consider whether their participation in the SIP Program is appropriate for their investment needs and goals prior to enrollment in the Program. Clients can change their investment strategy by going online and completing a new web-based investment profile.

Clients agree to accept electronic delivery of contracts, disclosure documents, prospectuses, statements, and other materials. Clients can communicate with SWIA via electronic channels (i.e., email, chat, website and mobile application), Schwab branches and telephone. More information about the SIP Program is available in the SWIA disclosure brochure provided to SIP Program clients.

The SIP Program Website allows prospective clients to review information about the SIP Program including general information on the types of ETFs included as well as information about CSIA's approach to allocating client accounts.

Clients may also monitor their portfolio's allocation and activity, monitor their account's performance, and use a goal tracking tool to monitor whether their account is on target to reach their savings or income goal. Clients may also initiate deposits and withdrawals from existing SIP Program accounts or open new SIP Program accounts.

The investment strategies employed in each SIP Program account are governed by a client's agreement with SWIA and by any reasonable restriction(s) on the management of the account that may be requested by a client and accepted by CSIA.

In the SIA Program, clients respond to a series of planning-related questions through an interactive SIA website and a Schwab Planning Consultant provides financial planning advice and recommends an appropriate SIP Program investment strategy or strategies.

CSIA also provides portfolio management services for the Schwab Managed Portfolios™ ("SMP") wrap-fee program ("SMP Program"), which is sponsored by its affiliate Schwab. The SMP Program consists of various investment strategies selected by clients and consisting of either mutual funds ("SMP – MFs") or ETFs ("SMP – ETFs") bought and sold for clients on a discretionary basis as well as a cash investment. For more information on SMP, please refer to Schwab's SMP disclosure brochure, available at www.adviserinfo.sec.gov. As of December 31, 2016, CSIA managed approximately $31,200,000,000 in assets in the Programs. CSIA does not manage any assets on a nondiscretionary basis.

Fees and Compensation

Pursuant to an agreement between CSIA and SWIA, SWIA pays CSIA a fixed annual fee for CSIA's services in the SIP Program, or such other amount as the parties may agree on from time to time.

Performance-Based Fees and Side-by-Side Management

CSIA does not receive performance-based fees.

Types of Clients

Pursuant to the enrollment criteria established by SWIA, clients of the SIP Program may include individuals, revocable living trusts, and individual retirement accounts ("IRAs"). Business entities, government entities, and accounts that are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, are not eligible for the SIP Program.

To be initially invested in an investment strategy, SIP clients must meet all requirements of Schwab and SWIA to open their SIP Program account and fund it with a minimum of $5,000. There is also a minimum balance requirement to employ a tax-loss harvesting strategy, and a minimum balance requirement to maintain a tax-loss harvesting strategy.

SWIA may terminate a client from the SIP Program for failing to fund their account with the required minimum, for withdrawing cash from their account that brings their account balance below the minimum, for failure to maintain a valid email address, or for any other reason, in SWIA's sole discretion. As a result of the account termination, the account will no longer be managed.

Methods of Analysis, Investment Strategies, and Risk of Loss

Pursuant to written investment policy and parameters provided by SWIA (the "Parameters"), CSIA has created a number of investment strategies for the SIP Program that consist of diversified portfolios of ETFs combined with the Cash Allocation in a single account. The Cash Allocation is an allocation to the Schwab Intelligent Portfolios Sweep Program ("Sweep Program"). Each investment strategy is designed to be consistent with a certain combination of investment return objectives and risk tolerances. Certain strategies are intended for taxable accounts and others for tax-deferred accounts. Certain strategies are intended for clients who are looking for a level of income generation. Upon request from SWIA, CSIA may add, remove, or change investment strategies used in the SIP Program.

SWIA sets the Parameters for the Cash Allocation for each investment strategy. These Parameters are set based on a disciplined portfolio construction methodology designed to balance performance with risk management appropriate for a client's goal, investing time frame, and personal risk tolerance, just as with other Schwab managed products. Charles Schwab Bank ("Schwab Bank") earns income on the Cash Allocation for each investment strategy. The higher the Cash Allocation and the lower the interest rate paid the more Schwab Bank earns, thereby creating a potential conflict of interest for SWIA. The Cash Allocation can affect both the risk profile and performance of a portfolio. To mitigate any potential conflict, SWIA instructs CSIA to construct the SIP Program strategies pursuant to modern portfolio theory and behavioral factors seeking an optimal return goal for a portfolio based on the level of risk an investor is willing to take. More information about the Cash Allocation and Sweep Program can be found in the SWIA disclosure brochure provided to SIP Program clients.

Any ETFs are eligible for inclusion in the SIP Program. However, the written Parameters established by SWIA place limitations on the universe of ETFs that CSIA may select for the SIP Program.

The Parameters require that an ETF be in operation for a certain period of time, have a minimum level of assets, and track its index closely. Also, the difference between the "bid" (the price a buyer is willing to pay for a share of the ETF) and the "ask" (the price a seller wants for that ETF share) must be small. This difference is called the bid-ask spread, and a narrow bid-ask spread usually means that the ETF has a large trading volume.

ETFs that meet these Parameters are then ranked according to their fees and expenses. CSIA seeks to select the ETFs most representative of the asset class with the lowest fees and expenses for inclusion in the portfolios. CSIA will select both a primary and secondary ETF for each asset class in consideration of, among other factors, tax-loss harvesting and requested investment restrictions. In limited circumstances, as determined by CSIA, only one ETF may be used in certain asset classes. In such cases, the tax-loss harvesting feature would not be available for execution in the affected asset class(es). To be eligible for consideration, ETFs designated as the primary ETF in an asset class must have a share price less than a cap that SWIA determines is necessary to enable trading in smaller balance accounts.

Eligible ETFs include Schwab ETFs™, which are managed by CSIM, which is an affiliate of Schwab, CSIA and SWIA. Schwab ETFs pay fees to CSIM that are described in "Participation or Interest in Client Transactions" below.

The percentage of a client account initially invested in Schwab ETFs varies significantly depending on the asset allocation of the investment strategy. Subject to the written Parameters described above, CSIA has discretion to allocate any portion, up to 100%, of an investment strategy into Schwab ETFs (excluding the portion in the Cash Allocation), if they meet the selection criteria described above.

CSIA also creates diversified portfolios of ETFs combined with a cash investment in a single account for the SMP Program. The parameters for asset allocation and ETF selection for SMP accounts are established by Schwab and differ from the SIP Program Parameters. There may be times when SIP clients and SMP clients are investing in the same ETF; however, each Program has its own contractual terms of service, different parameters and separate portfolio management teams making trading and investing decisions. The performance of SIP and SMP accounts will differ over time.

CSIA may use written reports prepared by recognized analysts in the industry and may use computer-based models to assist in portfolio management. CSIA may also use statistical and other information published by third-party data providers, industry and government, meetings of professionals within the industry, and research of investment trends.

General Risks

Management Risks

CSIA applies its investment techniques and risk analyses in making investment decisions or recommendations for its clients, but there can be no guarantee that they will produce the desired results. In addition, there is no guarantee that a strategy based on historical information will produce the desired results in the future, and if market dynamics change, the effectiveness of the strategy may be limited. Each strategy runs the risk that CSIA's investment techniques will fail to produce the desired results. There also can be no assurance that all of CSIA's key personnel will continue to be associated with CSIA for any length of time.

Investment Risks

Investments in securities, including ETFs and the securities that they in turn invest in, involve various risks, including those summarized below. In addition, each ETF has its own investment style, which may involve risks different from those described below. Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

Model Risks

CSIA may use quantitative analyses and/or models. Any imperfections, limitations or inaccuracies in its analyses and/or models could affect its ability to implement strategies. By necessity, these tools make simplifying assumptions that may limit their effectiveness. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and/or it may not include the most current information available.

ETF General Risks

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses.

ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so.

Market/Systemic Risks

Equity and fixed income markets rise and fall daily. The performance of client investments is, to varying degrees, tied to these markets. When markets fall, the value of a client's investments will fluctuate, which means a client could lose money.

Asset Allocation/Strategy/Diversification Risks

The asset classes in which an investment strategy in the SIP Program seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the investment strategy will be affected by its allocation among the various asset classes. The asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform CSIA's expectations. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities. Depending on market conditions, there may be times where diversified portfolios perform worse than less diversified portfolios.

Investment Strategy Risks

There are risks associated with the long-term core strategic holdings for each of the investment strategies. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

Trading/Liquidity Risks

A particular ETF may be difficult to purchase or sell or may become difficult to sell after being purchased for a client account. CSIA may be unable to sell ETFs on behalf of a client at an advantageous time and/or price due to then-existing trading market conditions.

Large Investment Risks

SIP Program clients may collectively account for a large portion of the assets in certain ETFs. A decision by CSIA to buy or sell some or all of a particular ETF where SIP Program clients hold a significant portion of that ETF may negatively impact the value of that ETF.

Underlying Securities Risks

Equity-Related Risks

General Risks

The prices of equity securities, and thus the value of ETFs that invest in them, will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

Large- and Mid-Cap Risks

ETFs that focus on large- and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

Small-Cap and International Risks

Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks (see the "Foreign Investment–Related Risks" section below for additional information). During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

Fixed Income–Related Risks

General Risks

Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. As with any investment whose performance is tied to bond markets, the value of a fixed income ETF will fluctuate, which means that you could lose money.

Interest Rate Risks

When interest rates rise, bond prices usually fall, and with them the value of an ETF holding the bonds. A decline in interest rates generally raises bond prices, and with them potentially the value of an ETF share, but could also hurt the performance of an ETF by lowering its yield. The longer the duration of the investments held by an ETF, the more sensitive to interest rate movements its value is likely to be.

Credit Risks

A decline in the credit quality of a fixed income investment could cause the value of a fixed income ETF to fall. The ETF could lose value if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations. The emphasis of a fixed income strategy on quality and preservation of capital also could cause an ETF to underperform certain other types of bond investments, particularly those that take greater maturity and credit risks.

High-Yield Risks

High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities and the ETFs that invest in them may be considered speculative.

Government Securities Risks

Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding

Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

State and Regional Risks

To the extent that an ETF is invested in securities from a given state or geographic region, its value and performance could be affected by local, state, and regional factors, including erosion of the tax base and changes in the economic climate. National governmental actions, such as the elimination of tax-exempt status, also could affect performance. In addition, an ETF may be more sensitive to adverse economic, business, or political developments if a substantial portion of it is invested in municipal securities that are financing similar projects.

Foreign Risks

Investments in securities of foreign issuers or securities with credit or liquidity enhancements provided by foreign entities may involve certain risks such as adverse changes in foreign economic, political, regulatory, and other conditions; differing accounting, auditing, financial reporting, and legal standards and practices; differing securities market structures; and higher transaction costs. In addition, sovereign risk, or the risk that a government may become unwilling or unable to meet its loan obligations or guarantees, could increase the credit risk of financial institutions connected to that particular country.

Foreign Investment–Related Risks

General Risks

Investments in securities of foreign issuers may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory, and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); differing accounting, auditing, financial reporting, taxes, and legal standards and practices; differing securities market structures; and higher transaction costs.

Emerging Markets Risks

These and other risks (e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers) are greater for those ETFs investing in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

Frontier Markets Risks

The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as "next emerging" markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

Geopolitical/Disruption-of-Markets Risks

Geopolitical events may adversely affect global economies and markets and thereby decrease the value of and/or the ease of trading the ETFs invested in those affected markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of the strategy's investments.

Currency Risks

Fluctuations in exchange rates may adversely affect the value of a strategy's foreign currency holdings and investments denominated in foreign currencies.

Risks Related to Other Asset Classes

Commodities Risks

Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing.

Hard Asset Risks

The production and marketing of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate, and conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

Real Estate Risks

Real estate–related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts ("REITs") may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986 and/or to maintain exempt status under the Investment Company Act.

Limitations of Disclosure

The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in CSIA's investment strategies. As CSIA's investment strategies develop and change over time, clients and investors may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Disciplinary Information

CSIA has no legal or disciplinary events that it is required to report.

Other Financial Industry Activities and Affiliations

Pursuant to the Parameters provided by SWIA, CSIA sets the target asset allocations and chooses the ETFs for each investment strategy in the SIP Program.

Eligible ETFs include Schwab ETFs™, which are managed by CSIM, which is an affiliate of Schwab, CSIA and SWIA. Schwab ETFs pay fees to CSIM that are described in "Participation or Interest in Client Transactions" below.

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

Code of Ethics

CSIA has 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 CSIA and its employees when acting as investment adviser. The Code requires that CSIA's covered employees comply with applicable federal securities laws and report violations of the Code. Covered employees who are deemed "access persons" by virtue of providing investment advice or having access to certain related information must report their personal transactions and holdings in, and obtain clearance before buying ETFs used in SIP and SMP Program portfolios. The Code prohibits access persons from disclosing SIP and SMP Program transactions or any other non-public information to anyone except certain designated employees of CSIA, SWIA and Schwab. The Code also prohibits access persons from using the information for personal profit or the profit of others. Access persons may not engage 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.

You can get a copy of the Code by calling SWIA at (855) 694-5208.

Participation or Interest in Client Transactions

ETFs are eligible for inclusion in the SIP Program, whether they are Schwab ETFs or third-party ETFs. However, the written parameters established by SWIA place limitations on the universe of ETFs that CSIA may select for the Program as described in "Methods of Analysis, Investment Strategies, and Risk of Loss" above.

Each ETF, including a Schwab ETF, pays investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses, as set forth in the ETF prospectus. An ETF pays these fees and expenses, which ultimately are borne by its shareholders. Therefore, CSIM (a CSIA affiliate) will earn fees from Schwab ETFs™ that are held in SIP Program accounts.

Schwab has established the Schwab ETF OneSource™ program ("ETF OneSource") under which ETFs can be traded without a commission on buy and sell transactions. SIP Program accounts may include ETFs that participate in ETF OneSource. Schwab receives payments from the third-party ETF sponsors or their affiliates participating in ETF OneSource for recordkeeping, shareholder services and other administrative services that Schwab provides to participating ETFs. In addition, Schwab promotes the ETF OneSource program to its customers, and a portion of the fees paid to Schwab offsets some or all of Schwab's costs of promoting and administering ETF OneSource. Schwab does not receive payment to promote any particular ETF to its customers.

ETF sponsors or their affiliates pay a fixed program fee to Schwab each year for each ETF participating in ETF OneSource. The program fees vary, but can range up to $250,000 per year for each participating ETF. ETF sponsors or their affiliates also pay Schwab an asset-based fee based on a percentage of total ETF assets purchased by Schwab customers after the ETF was added to ETF OneSource. The amount of the asset-based fee can range up to 0.20% annually. Schwab ETFs do not pay any program or asset-based fees to participate in ETF OneSource.

Assets in SIP Program accounts are included in the calculation of the asset-based fee to be paid to Schwab by an ETF sponsor or its affiliates. Schwab may exclude other assets or other types of transactions from the asset-based fee paid by an ETF sponsor or its affiliates.

Personal Trading

As described above, the Code is designed to detect and prevent conflicts of interest and unlawful practices that may arise in connection with an access person's personal securities transactions. Accordingly, the Code requires access persons to obtain prior approval before placing personal trades for ETFs used in SIP and SMP Program portfolios.

Brokerage Practices

All brokerage transactions for securities in SIP Program accounts will be routed to Schwab for execution, which may not always obtain as favorable a price as another broker-dealer. Program monitoring and trading are subject to systems and technology constraints and availability and, while unlikely, may not take place daily.

CSIA may aggregate securities sales or purchases (a trade order) among two or more clients within a single strategy and, where possible and as appropriate, like trades across strategies within SIP. CSIA will not aggregate trades unless it believes that aggregation is consistent with its duty to seek best execution for affected clients in the aggregate and consistent with the terms of the client's investment advisory agreement. CSIA's trading practices (aggregations of trades, allocation of trades, and use of trade rotation and other processes) are designed so that the practices do not unfairly and systematically favor one client over another and that, over time, client accounts are treated equitably.

CSIA may exclude from aggregation those client accounts that have relevant restrictions or client activity (e.g., withdrawals pending) and, therefore, should not participate in the aggregated trade. CSIA reserves the right to not aggregate transactions when to do so would be (i) unfair under the circumstances; (ii) impractical; or (iii) otherwise inappropriate. CSIA generally allocates trade orders pro rata among clients who participated in the aggregated trade order. CSIA will review its aggregation procedures at least annually to confirm that they are adequate to prevent any client from being systematically disadvantaged as a result of the aggregated transactions.

Trade orders for different programs (e.g., the SMP Program and the SIP Program) are generated by different investment teams and typically on different systems and may utilize one or more trading strategies (e.g., price at the time of order arrival, market closing price, volume weighted average price over some specified period). Certain trading strategies place relatively greater emphasis on timing, others on speed of execution, while others place greater emphasis on reducing market impact cost. As a result, the speed of trade order fulfillment and the prices achieved for the same security may vary in different programs or strategies. Certain trading strategies, which may include accounts in programs with different fee structures, may trade in advance of other trade strategies or may be completed more quickly, and, as a result, may achieve different execution on the same or similar securities. In addition, market, regulatory, and/or country limitations (especially in the case of emerging markets) may contribute to differences in security prices.

Clients in the SIP Program direct CSIA to use Schwab to effect securities trades for their account. Large share trade orders can occur when there are large daily flows into or out of the program, CSIA reallocates/rebalances clients' accounts, or CSIA replaces an ETF with another ETF across all applicable client accounts. For these large trade orders, Schwab may solicit bids from other broker-dealers that may act as principal in the transaction, meaning that the other broker-dealer executes the trade in an account in which the broker-dealer has a beneficial ownership interest, or may execute a riskless-principal trade where the other broker-dealer buys (sells) a security from (to) a third party (e.g., another customer or broker-dealer).

In transactions where Schwab uses another broker-dealer acting as principal, the other broker-dealer typically accepts the risk of market price and liquidity fluctuations of executing the transactions. The broker-dealer adds a fee, called a markup or markdown (or "spread"), to compensate for this risk. The spread is not shown separately on a client's trade confirmation or account statement. Schwab does not act as principal for ETF trades in the SIP Program and does not receive the spread. In transactions where Schwab uses another broker-dealer acting as an agent, the other broker-dealer may charge a fee or commission. This fee or commission is not shown separately on a client's trade confirmation or account statements. Schwab does not charge a commission itself or receive the third-party broker-dealer's fee or commission.

Schwab may receive remuneration such as liquidity or order flow rebates from a market or firm to which orders are routed, but its trading practices are designed to achieve best execution. There will be no offset of the SIP Program fee by third-party broker-dealer markups and markdowns or other fees. Instead, these markups and markdowns will reduce the overall return of a client's account.

CSIA may use a trade rotation process among client accounts within a single program or across programs (e.g., within the SMP Program or within the SIP Program, or across the SMP and SIP Programs) when trades need to be executed over more than one trading day. Trades done on the same day or on different days are not guaranteed to receive the same trading price. CSIA may also use a trade rotation process across programs (SMP and SIP) on a daily basis. CSIA will review its rotation procedures at least annually to confirm that they are adequate to prevent any client from being systematically disadvantaged.

Trading orders that can only be partially filled are generally allocated on a pro rata basis, randomly allocated, or allocated on some other basis consistent with the goal of giving all clients equitable opportunities over time. If a single aggregated trade order is filled at varying prices, client accounts subject to the same trading strategy generally receive an average price for trades placed through the same broker, or other steps are taken so that all similarly situated accounts receive fair consideration over time. In some cases, the trading desk may execute one trading strategy at the same time it is executing a trade order for the same security with the same or a different broker to meet account or strategy-specific requirements, in which case the two trades may be treated as distinct trades and may not be subject to pro rata allocation.

When investment opportunities are expected to be in very limited supply (collectively, "limited opportunities"), CSIA will generally consider the needs of clients across programs. When it is not practicable to allocate an opportunity across all eligible accounts, CSIA uses various methods, such as random allocation and sequencing, to give all accounts using the same trading strategy equitable opportunities for allocation over time. This may result in a limited opportunity being allocated to only some of the eligible accounts.

Review of Accounts

CSIA's portfolio managers review, at least quarterly, the performance of the SIP Program investment strategies. SWIA contacts clients participating in the SIP Program at least annually by email to determine whether there have been any changes in their financial situation or investment objectives and whether clients wish to impose any reasonable restrictions on the management of their accounts or reasonably modify existing restrictions. SWIA communicates the information obtained from clients to CSIA as necessary for the management of the account. Schwab Planning Consultants contact clients participating in the SIA Program at least annually to determine whether there have been any changes in their financial circumstances or investment objectives.

Client Referrals and Other Compensation

Neither CSIA nor SWIA makes payments to their respective representatives or other persons for referring clients to the SIP Program. Schwab makes payments to its representatives for referring clients to the SIP Program and SIA Program as detailed in the Schwab SIP disclosure brochure and the Schwab SIA brochure, respectively.

Custody

Schwab has custody of client assets in SIP Program accounts and, at least quarterly, sends SIP Program clients account statements detailing account positions and activities during the preceding period. Account statements include a summary of all transactions made on behalf of the account, all deposits and withdrawals made to or from the account, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period. Clients should review these statements carefully.

Investment Discretion

SWIA has discretionary authority to manage accounts enrolled in the SIP Program, which authority it has granted in turn to CSIA as portfolio manager. This discretionary authority is subject to the reasonable restrictions requested by SIP Program clients and accepted by CSIA or another portfolio manager, as applicable.

Subject to meeting minimum balance requirements, a client may also direct CSIA to employ a tax-loss harvesting strategy in managing the client's taxable account. This means that CSIA will sell ETFs in the client's account at a loss to offset a potential capital gains tax liability. The rebalancing and tax-loss harvesting opportunities may be affected by programming limitations and information clients make available to SWIA. For more information about tax-loss harvesting and rebalancing strategies, please refer to the SWIA brochure, the SWIA website and mobile applications. In addition, clients may restrict up to three ETFs (limited to one per asset class or sub-asset class) in each SIP Program account. ETFs designated for restriction by clients will be replaced with alternatives selected by CSIA, in which case the client will forego the opportunity for tax-loss harvesting from this asset class.

Voting Client Securities

CSIA has adopted written proxy voting policies and procedures ("Procedures"). For proxies voted by CSIA on behalf of each client who delegates voting authority to CSIA ("Delegating Clients"), procedures may be changed as necessary to comply with regulatory requirements and internal policies and procedures and are designed to maximize the economic benefit to Delegating Clients. CSIA has retained a third-party vendor to manage this process and reviews the vendor's own written policies no less than annually to determine consistency with the Procedures and with CSIA's fiduciary duty to Delegating Clients.

For proxy issues which are deemed by CSIA portfolio management staff to raise significant concerns and which relate to those securities that are managed through the Program, CSIA reviews the analysis and recommendation of the vendor. Examples of factors that could cause a matter to raise significant concerns include, but are not limited to: issues whose outcomes have the potential to materially affect a company's industry, or regional or national economy, and matters that involve broad public policy developments that may materially affect the environment in which the company operates. After evaluating all such recommendations, CSIA decides how to vote the shares and will instruct the vendor to vote consistent with its decision.

To address any potential conflicts of interest, CSIA votes proxies of affiliated ETFs in the same proportion as the vote of all other shareholders of the ETF (i.e., "echo vote"), unless otherwise required by law. When required by law, CSIA also "echo votes" proxies of unaffiliated ETFs. When not required to "echo vote," CSIA delegates to the vendor responsibility for voting proxies of an unaffiliated ETF in accordance with the vendor's procedures.

Program clients can get a copy of the Procedures and information about how CSIA has voted their securities in a particular proxy vote by calling SWIA at (855) 694-5208.

Financial Information

CSIA does not require or solicit prepayment of SIP Program fees and is therefore not required to include a balance sheet for its most recent fiscal year. CSIA is not the subject of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients. CSIA is not the subject of any bankruptcy petition, nor has it been the subject of any bankruptcy petition at any time during the past 10 years.

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