

# Section 19(a) Notice FAQs

Section 19(a) notices were sent to some shareholders of certain Schwab Funds®, Schwab ETFs™, and Laudus Funds®. The below questions and answers are intended to help you better understand what this notice is, and what it means for you. The information contained in these FAQs is provided for informational purposes only and is not intended to substitute for obtaining accounting, tax, or financial advice from a professional tax planner or financial planner.

## Q: Why did I receive a Section 19(a) notice?

A: You are invested in a fund that required a Section 19(a) notice. Section 19(a) of the Investment Company Act of 1940, as amended (the 1940 Act) requires that a written notice be provided to shareholders when a portion of a distribution is from a source other than net income earned by the fund. This notice is not being provided for tax reporting purposes, and will not affect your 1099 or any other tax documents you may have received.

## Q: What is happening?

A: As mentioned in your Section 19(a) notice, all or a portion of the dividends distributed by some Schwab Funds, Schwab ETFs, and Laudus Funds have been reclassified from net investment income distributions to return of capital or other capital source distributions.

## Q: Why is this happening?

A: U.S. registered investment companies utilize both book accounting (in compliance with Generally Accepted Accounting Practices) and tax accounting (in compliance with the Internal Revenue Code). Book accounting and tax accounting methodologies can differ at times, which can result in different amounts of distributable income to shareholders. Sometimes when this occurs, the difference in distributable income is reported to shareholders in a Section 19(a) notice as a return of capital or other capital source distribution.

## Q: How will this affect my taxes?

A: This notice is not for tax reporting purposes and is being provided only for informational purposes to comply with the requirements of Section 19(a) of the 1940 Act and does not affect your tax position. You may receive a Form 1099, if applicable, specifying how the distributions paid by the fund should be characterized for purposes of reporting the distributions on your tax return (e.g., ordinary income, long-term capital gain or return of capital). If you have further questions regarding your tax return, please contact your tax adviser.

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