Subject: Schwab Emerging Markets Equity ETF  
Schwab International Small-Cap Equity ETF  

Background Information on the Funds

As more fully explained in the Registration Statement (No. 811-22311), the Trust is registered under the Investment Company Act of 1940 (the “1940 Act”) as an open-end management investment company. The Fund is an exchange-traded “index fund” (“ETF”).

The Schwab Emerging Markets Equity ETF’s investment objective is to provide investment results, before fees and expenses that correspond generally to the price and yield performance of the FTSE All Emerging Index. The FTSE All Emerging Index is comprised of large and mid-capitalization companies in emerging market countries, as defined by the index provider. The FTSE All Emerging Index defines the large and mid capitalization universe as approximately the top 90% of the eligible universe. As of June 30, 2009, the Underlying Index was composed of 824 stocks in 23 developed market countries.

The Schwab International Small-Cap Equity ETF’s investment objective is to provide investment results, before fees and expenses that correspond generally to the price and yield performance of the FTSE Developed Small Cap ex-US Liquid Index. The FTSE Developed Small Cap ex-US Liquid Index is comprised of small-capitalization companies in developed countries outside the United States, as defined by the index provider. The FTSE Developed Small Cap ex-US Liquid Index defines the small capitalization universe as approximately the bottom 10% of the eligible universe with a minimum free float capitalization of $150 million. As of June 30, 2009, the Underlying Index was composed of 1,820 stocks in 23 developed market countries.

Charles Schwab Investment Management, Inc. serves as the investment advisor for the Funds. SEI Investments Distribution Co. is the distributor for the Funds. State Street Bank and Trust Company is the custodian and transfer agent for the Funds.

As described more fully in the Fund’s prospectus (“Prospectus”) and Statement of Additional Information (“SAI”), the Fund will issue and redeem shares on a continuous basis at their net asset value (“NAV”) only in large blocks of 100,000 shares (each, a “Creation Unit”).
Only certain large institutional investors known as "Authorized Participants" may purchase or redeem Creation Units directly with the Funds at NAV. These transactions are usually in exchange for a basket of securities similar to the Fund's portfolio and an amount of cash. Except when aggregated in Creation Units, Shares of the Funds are not redeemable securities. Shareholders who are not Authorized Participants may not redeem shares directly from the Funds at NAV.

Dividends from net investment income, if any, are generally declared and paid quarterly by the Funds. Distributions of net realized securities gains, if any, generally are declared and paid once a year, but the Trust may make distributions on a more frequent basis for the Funds.

The Depository Trust Company ("DTC") will serve as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The NAV per Share of the Fund will be determined as of the close of trading (normally, 4:00 p.m. Eastern Time ("ET")) on each day that the Exchange is open for business (a "Business Day"). The NAV of the Funds is calculated by dividing the value of the net assets of the Funds (i.e., the value of its total assets less total liabilities) by the total number of outstanding shares of the Funds, generally rounded to the nearest cent. NAV will be available from the Distributor and is also available to National Securities Clearing Corporation ("NSCC") participants through data made available from NSCC.

The Trust's registration statement describes the various fees and expenses for the Funds Shares. For a more complete description of the Fund and the underlying index, visit www.schwab.com.

**Principal Risks**

Interested persons are referred to the Prospectus for a description of risks associated with an investment in the Funds. These risks include stock market risk, foreign markets risk, and the risk that the Funds' return may not match the return of their indexes for a number of reasons including the incursion by the Funds of operating expenses and costs not applicable to their indexes. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Funds' holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

The Funds' prospectus describing correlation, leverage and other risks is available at www.schwab.com.

**Exchange Rules Applicable to Trading in the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.
Trading Hours

Trading in the Shares on ISE is on a UTP basis and is subject to ISE equity trading rules. The Shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Equity Electronic Access Members (“Equity EAMs”) trading the Shares during the Extended Market Sessions are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value (“IIV”). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

Trading Halts

ISE will halt trading in the Shares in accordance with ISE Rule 2101(a)(2)(iii). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, ISE will stop trading the Shares if the primary market de-lists the Shares.

Delivery of a Prospectus

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Fund’s website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust’s registration statement.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The Commission has issued letters (together, the “No-Action Letters”) dated October 24, 2006, November 21, 2005 and August 17, 2001 granting exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 for exchange-traded funds listed and traded on a registered national securities exchange that meet certain criteria.

Regulation M Exemptions

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers,
and other persons who have agreed to participate or are participating in a distribution of securities.

The Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds’ securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)

Broker–dealers who handle purchases or redemptions of Fund shares in Creation Units for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing creation unit aggregations (“Deposit Securities”) or the identity, number and price of shares to be delivered by the Trust to the redeeming holder (“Redemption Securities”). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

SEC Rule 14e-5

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer. In addition, a No-Action has been issued under Rule 14e-5 states that if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more creation unit aggregations of shares, it must be made in conformance with the following:
i. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or

ii. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and

iii. such bids or purchases are not affected for the purpose of facilitating such tender offer.

Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Commission has clarified that Section 11(d)(1) does not apply to broker-dealers that are not authorized participants (and, therefore, do not create creation unit aggregations) that engage in both proprietary and customer transactions in shares of a fund in the secondary market, and for broker-dealer authorized participants that engage in creations of creation unit aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an authorized participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the shares of a fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act states that broker-dealers may treat shares of a fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

SEC Rule 15c1-5 and 15c1-6

The Commission has issued a No-Action letter with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of fund shares and secondary market transactions therein.

This Regulatory Information Circular is not a statutory Prospectus. Equity EAMs should consult the Trust’s Registration Statement, SAI, Prospectus and the Fund’s website for relevant information.
### Appendix A

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Fund Name</th>
<th>Cusip</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCHC</td>
<td>Schwab International Small-Cap Equity ETF</td>
<td>808524888</td>
</tr>
<tr>
<td>SCHE</td>
<td>Schwab Emerging Markets Equity ETF</td>
<td>808524706</td>
</tr>
</tbody>
</table>