



March 31, 2026

Schwab's Model Market Center™ Disclosure Brochure

(For Independent Registered Investment Advisers)

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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 1-800-435-4000. 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 Adviser does not imply a certain level of skill or training on the part of Schwab or its representatives.

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

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Introduction

Charles Schwab & Co., Inc. (“Schwab,” “we,” or “us”) is a dual registrant investment adviser and broker-dealer. Schwab is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (“Advisers Act”). Schwab is registered as a broker-dealer with the SEC under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

Schwab is organized as a California corporation formed in 1971. Schwab is an indirect, wholly owned subsidiary of The Charles Schwab Corporation (“CSC”), a Delaware corporation that is publicly traded and listed on the New York Stock Exchange (symbol: SCHW). Schwab’s principal place of business for its investment adviser is in San Francisco, California and the principal place of business for its broker-dealer is in Westlake, Texas.

Advisory Business

Model Market Center™

Model Market Center (“MMC”) is a web-based offering available to independent investment advisors that custody assets at Schwab (“Advisor(s)” or “you”) and use the iRebal® platform (“iRebal”) available on Schwab Advisor Center® (“SAC”) for account rebalancing and trading. iRebal is a technology offering that is administrative in nature, subject to its own terms and conditions through SAC and not part of the advisory services described in this brochure. The advisory services provided through MMC are limited in nature, offered solely to Advisors that use Schwab’s custody platform, and consist of the selection of managers based on eligibility criteria and due diligence described below. Schwab does not impose a minimum account balance or a minimum for Advisor assets under management (“AUM”) at Schwab to participate.

MMC provides Advisors with access to models created and managed by unaffiliated third-party money managers (“Third-Party Manager(s)”) and Schwab affiliate Charles Schwab Investment Management, Inc. (“CSIM”), doing business as Schwab Asset Management®. Third-Party Managers and CSIM will collectively be referred to throughout as “Managers.” MMC provides Advisors with access to models for use with their client (“Client(s)”) accounts custodied at Schwab. Advisors that agree to the MMC Advisory Agreement will obtain access to MMC, which contains the list of MMC models. Advisors, not Schwab or the Managers, are solely responsible for determining the investment strategy to be implemented for their Clients and for determining whether and how to implement a model available through MMC in a Client account. Advisors, not Schwab or the Managers, are responsible for determining the suitability and appropriateness of MMC (and its pricing) and the chosen model and portfolio for their Clients’ investment needs and objectives. Schwab is not making any recommendation that Advisors use any models or Managers included on MMC.

MMC is not a dual contract or overlay portfolio management program. There are no MMC-related agreements between Advisors and Managers, or between Clients and Schwab. Any advisory services provided by Advisors to their Clients are governed by separate agreements between the Advisors and their Clients. Schwab does not provide advisory services to Clients through MMC. Schwab has no discretionary authority or control with respect to any account using an MMC model and will only affect securities transactions for MMC Client accounts as a broker-dealer pursuant to instructions from the Advisor directed through iRebal. We are not an “investment manager” or otherwise a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974, as amended, with respect to your Client accounts because of MMC.

As described below, there are two categories of models available on MMC: (i) models without a Strategist Fee, that consist of exchange traded funds (“ETFs”) and mutual funds (collectively “Funds”) and (ii) models with a Strategist Fee, that consist of equity securities and, in some cases, Funds. Schwab receives compensation from the participating Third-Party Managers for both types of models. For models without a Strategist Fee, Schwab’s compensation is based on the underlying Funds that Managers use in the models, which generally consist of Funds managed by the Manager or an affiliate of the Manager (“Manager Affiliated Funds”). For models with a Strategist Fee, Schwab’s compensation is based on any Funds in the model and a fee that is set by the Managers, not Schwab. Schwab also imposes eligibility criteria for all Third-Party Managers that consider, among other things, the AUM that Third-Party Managers have at Schwab. This compensation and eligibility criteria create conflicts of interest when Schwab evaluates Third-Party Managers for MMC. Please refer to “Eligibility Requirements for Third-Party Managers” and “Fees and Compensation” for additional information on conflicts of interest.

After subscribing to a model, the model becomes available in the Advisor’s iRebal environment, where Advisors can assign the MMC model to one or more of its Client accounts and/or blend the MMC model with other models created by the Advisor. Through iRebal, Advisors can establish parameters and enter instructions relating to the implementation of the selected MMC model for its Client accounts. For example, Advisors can set instructions to trigger rebalancing in a Client’s account in accordance with a model and can establish buy or sell instructions for alternate securities, instead of the model’s target securities.

When Managers make updates or changes to model allocations, the allocation changes are made available to Advisors via iRebal. If Managers make changes to securities in a MMC model allocation, Advisors are responsible for validating and applying any security-level customizations (e.g., instructions to generate buys and sells for alternate securities, setting rebalance bands) to the new model securities. Advisors are solely responsible for accepting any updates and directing all account rebalancing and trading activities through iRebal.

Advisors are fiduciaries to their Clients and are responsible for determining the initial and ongoing appropriateness and suitability of any model or Manager available on MMC, along with the asset allocations and investments that it selects for use with one or more of its Client accounts. MMC models are available to Advisors for use with Client accounts as they see fit, including the determination of whether to use margin or other account features in connection with MMC models. Models may be selected for implementation with a Client account through iRebal or used for informational purposes, and Advisors are solely responsible for the decision to rely on the models. Schwab does not determine whether a model is suitable for a particular Advisor, Client or type of Client. Schwab does not provide advice or recommendations relating to any particular model or a model’s allocations, nor does it influence or have responsibility for the fees, expenses, or costs related to any model (including the underlying securities) or Manager.

Managers enter the allocation information regarding each model in MMC and provide data to a third-party provider, including performance and model definition data, that is displayed in MMC. Each Manager agrees to enter accurate information and is solely responsible for the accuracy and completeness of the information it makes available on MMC. Performance data reporting from a third-party provider is available for applicable models on MMC. It is your responsibility to monitor the performance of any models you select for use with your Client accounts. Schwab does not monitor the performance of any model or Manager. Although Schwab does establish eligibility criteria for and conduct operational due diligence of

Third-Party Managers, Schwab does not conduct any investment due diligence of models or review or verify the accuracy or adequacy of information regarding Managers' MMC models. Schwab does not calculate nor make available any Client or Advisor performance through MMC.

Schwab is not obligated to provide your Clients with any information about MMC or the models available. Any such information is solely your responsibility, and you, in consultation with your legal and compliance resources, should determine whether you are obligated to disclose any models used or referred to when managing Client accounts. As fiduciaries to their Clients, each Advisor is solely responsible for determining and carrying out any disclosure obligations it has to its Clients, including with respect to each Advisor's use of MMC, iRebal or other service Schwab provides; the fees that Clients pay for Funds used in the models; and the conflicts of interest associated with MMC.

Neither the Advisors nor Third-Party Managers participating in MMC are employees or agents of Schwab, nor are they affiliated, controlled by, or under common control or ownership with Schwab or any of its affiliates. Each Advisor and Third-Party Manager participating in MMC is a separate, independent business. Any contrary representation by an Advisor or Third-Party Manager, either orally or written, is unauthorized and does not in any way alter the relationship between the Advisor, or the Third-Party Manager, and Schwab. For a discussion of affiliated manager CSIM, see "About CSIM and Other Financial Industry Activities and Affiliations," below.

The services provided through MMC are delivered solely through iRebal on SAC.com. Schwab does not provide the services described in this brochure in person or over the phone or in any manner other than through MMC and iRebal web-based platform. Schwab encourages visiting the MMC platform for additional information.

Eligibility Requirements for Third-Party Managers

Schwab uses eligibility criteria shown below (as well as any additional criteria that Schwab may require from time to time), to determine which Third-Party Managers participate in MMC. Schwab may, without notice, change or waive criteria for Third-Party Managers on a case-by-case basis. Schwab may, without notice, modify the eligibility criteria. The Third-Party Manager eligibility criteria are as follows:

- 1. Licensing and Registration.** Each manager must be registered with the SEC as an investment adviser. Schwab makes no representation about any manager's continued compliance with, or exclusion or exemption from, any federal, state, or other jurisdiction's investment adviser requirements.
- 2. Education and Investment Experience.** Representatives/employees of the manager that perform investment advisory functions related to the manager's MMC participation have at least one of the following:
 - A minimum of 10 years of experience managing money and investments as a primary occupation; or
 - A bachelor's degree from an accredited four-year institution and a minimum of five years of experience managing money and investments as a primary occupation; or
 - A minimum of five years of experience managing money and investments as a primary occupation, and one or more of the following designations: CFA, CFP, CPA-PFS, CIC, CIMA, or CAIA.
- 3. Overall Relationship with Schwab.** Schwab considers the overall business relationship with managers, including total AUM that a manager has at Schwab (such as mutual funds, ETFs, and managed account programs) and participation in multiple revenue generating platforms at Schwab (Schwab's Mutual Fund Marketplace ["MFMP"], Schwab Managed Accounts Select®, and Schwab Managed Accounts Access®). This means that Schwab limits participation to managers who have significant existing relationships with Schwab. Schwab also considers a manager's operational processes and any legal and regulatory concerns.
- 4. Securities in Models.** Each manager must provide models with Funds, including share classes, or equity securities that are eligible to be custodied and traded at Schwab. This means that models available on MMC include mutual funds that are available through Schwab's MFMP that generate revenue for Schwab.
- 5. Manager Due Diligence.** Each manager must cooperate with Schwab's operational due diligence process. See the "Manager Evaluation" section below. As a result of these reviews, Schwab may terminate a manager from MMC.
- 6. Inception Date.** Each manager generally must have been in existence with performance being tracked (not back tested) for at least 5 years.
- 7. Global Investment Performance Standards ("GIPS").** Each manager must be a GIPS-compliant firm or must undergo a periodic GIPS-audit of their investment performance by an independent, Public Company Accounting Oversight Board ("PCAOB") accredited auditor that Schwab deems appropriate and provide the results of such audit to Schwab upon request.
- 8. Manager Agreement.** Each manager must have a current executed Model Market Center Participation Agreement and agree to MMC's terms and conditions.

These eligibility requirements create conflicts of interest. For example, because Schwab limits eligibility based on a manager's AUM at Schwab and participation in other platforms that generate revenue for Schwab, Schwab has a conflict of interest because it is narrowing the universe of managers to Third-Party Managers (and their associated models) that have more assets and substantial pre-existing relationships at Schwab which results in a direct or indirect economic benefit to Schwab or its affiliates. As a result of the eligibility criteria, MMC includes managers who create and maintain strategies that buy, hold and sell Funds on a discretionary basis as part of Schwab's managed account programs. These strategies, like models available on MMC, include mutual funds that are available on Schwab's Mutual Fund Marketplace and generate revenue for Schwab. In addition, some of the Funds may be manager affiliated funds or Schwab Affiliated Funds. Schwab receives compensation from the managers that participate on MMC, based in part on the Funds underlying the manager's models on the platform, which creates an incentive for Schwab to include managers and models that generate the most revenue for Schwab. For more detail, see "Fees and Compensation" and "Other Charges and Compensation." These conflicts are mitigated in part through Schwab's operational due diligence process described below. Schwab reviews managers for eligibility criteria and conducts operational due diligence on the managers, as described herein, but does not approve or review the models that a manager seeks to include on MMC when deciding which managers to include in MMC. Once a manager is approved for MMC, it can submit one or more of its models. Schwab does not consider or review the models that will or could be included on MMC in advance of approving a manager. Accordingly, Schwab does not base its decision to include a manager on MMC on the potential compensation that Schwab might receive from the inclusion of a manager's model in MMC. Schwab does not influence a manager's selection of Funds for models available on MMC.

MMC participation is not open to all managers that satisfy the eligibility criteria. Schwab, in its sole discretion, can limit the number of managers or models selected to participate in MMC. The Advisor is solely responsible for selecting each manager and model for its Client accounts and should understand that there may be other managers and models not available on MMC that would perform better, or be less costly, or otherwise be more suitable for their Clients.

Manager Evaluation

Schwab has selected managers, each a registered investment adviser, to provide models on MMC. Schwab performs initial and ongoing operational due diligence of managers, other than CSIM.

CSIM is not subject to the same operational due diligence that Schwab performs on Third-Party Managers. The model strategies provided by CSIM are not subject to evaluation by Schwab but are subject to a periodic due diligence review conducted by an unaffiliated third-party consultant, hired by Schwab, which reviews operational risk in areas such as governance and organizational structure, as well as compliance. The use of a third-party consultant hired by Schwab to perform operational due diligence on CSIM gives rise to a conflict, in that the third-party consultant may be incented to provide a positive evaluation of CSIM to retain the contract with Schwab. Schwab provides oversight of third-party service providers.

Schwab evaluates some aspects of Third-Party Managers' operational infrastructure, compliance program, and internal control environment. Schwab does not perform a comprehensive review of the manager and its model strategies available on MMC. There can be no assurance that the model strategies in MMC would be selected for MMC if they were subject to such comprehensive review.

Schwab does not recommend any managers in MMC to you or your Clients, whether affiliated with Schwab or not. Schwab does not offer Advisors any incentive to allocate assets to CSIM or any other manager.

Schwab makes no representation as to whether any manager or model strategy in MMC is appropriate for an Advisor's Clients. Each Advisor and its Clients are responsible for determining whether any investment strategy or any manager in MMC is appropriate for a Client based on the Client's asset allocation, investment objectives, risk tolerance and time horizon. You and your Client are also responsible for the determination of your Client's asset allocation, investment objectives, risk tolerance and time horizon. Schwab does not monitor the style adherence or performance of managers in MMC. However, Schwab reserves the right to remove a manager or any model from MMC at any time for any reason and will notify you and the manager in such case.

MMC Model Definition

MMC permits Managers to define their models to assist Advisors' understanding of the style and objectives of MMC models and their underlying allocation attributes. Managers can classify their models using the general criteria (described below) for your convenience and to facilitate your evaluation of models. Schwab does not evaluate or verify the appropriateness of Managers' use of model classification or criteria with respect to model investment objectives, asset classes, or underlying securities investments. Model definition remains the responsibility of Managers and model evaluation remains the responsibility of the Advisors using MMC at all times.

1. Objectives/Risk Category

Managers select one of the investment objectives from the list of options available that closely defines the model's objectives. The following investment objectives are provided for informational purposes only: Aggressive, Growth, Moderate, Conservative, Ultra Conservative. Advisors are responsible to design and manage portfolios in accordance with Clients' individual financial circumstances, investment objectives, and preferences. The investment objectives of a particular Client account may differ from the investment objectives described herein or from those of other Clients who may have similar objectives or levels of risk. Schwab may change or add to the list of available investment objectives.

2. Asset Class

Managers assign an Asset Class from the list of available options to a model which most closely defines the attributes of the underlying securities within the model. Schwab may change or add to the list of available Asset Class definitions.

3. Building Block Style

Managers select whether the model generally contains securities (mutual funds, ETFs, and equities) which are actively or passively managed.

4. Turnover

Managers enter the model's average Annual Turnover rate as a percentage. This indicator is intended to help Advisors understand how often or how much the underlying allocations within a model are changed.

5. Allocation Change Frequency

Managers enter the model's expected Allocation Change Frequency. This indicator is intended to help Advisors understand how frequently they should expect the Manager to change allocations within the model. Managers may change a model any time that they deem necessary based on market conditions or other factors. Schwab does not monitor, update, or reallocate Managers' model allocations. Each Manager is solely responsible for monitoring, updating, and reallocating its model allocations and related information.

Cash and Cash Equivalents Allocations

Models available on MMC may contain allocations to cash. Although models may contain cash allocations, you are ultimately responsible in determining the amount of cash or cash equivalents that is appropriate for your Client accounts, based on each Client's individual needs. Schwab makes no determination as to the appropriateness or amount of a cash allocation within an MMC model or Client account.

Schwab, in its capacity as custodian, offers the Cash Features Program for your Client's free credit balance in their account: The Bank Sweep Feature, the Schwab One® Interest Feature and, if your Client accounts are eligible, the Schwab® Government Money Fund – Sweep Shares ("SWGXX") Sweep Feature.

- The Bank Sweep Feature. The Bank Sweep feature and for retirement plan accounts, the Bank Sweep for Benefit Plans feature, automatically make deposits to and withdrawals from deposit accounts at one or more banks (collectively, the "Program Banks"). Bank Sweep deposits will earn interest and are insured by the Federal Deposit Insurance Corporation ("FDIC"), subject to the satisfaction of certain conditions, up to applicable limits.

- The Schwab One® Interest feature. This feature pays you interest on your free credit balances. If your account is set up with the Schwab One® Interest feature as your Cash Feature, your free credit balance will remain in your account and earn interest. A free credit balance in your account is not a deposit, is not guaranteed by, is not the obligation of any other bank, and is not FDIC-insured.
- Schwab® Government Money Fund – Sweep Shares (“SWGXX”) feature. This feature automatically invests your free credit balances in and redeems shares out of SWGXX. An investment in a money market fund such as SWGXX is not a deposit, is not guaranteed by, is not the obligation of any other bank, and is not FDIC-insured.

The free credit balance is the uninvested cash in the Client’s custody account, minus the funds necessary to pay for purchase transactions that are waiting to settle and charges to their account. Your Client selected a cash feature or was informed of the cash feature designated by the account when the brokerage account was opened or thereafter. Eligibility for cash features is determined as set forth in the applicable custody account opening documents. Please refer to the disclosures in the Cash Features Program Disclosure Statement for more information. Advisors are responsible for investing the cash in Client accounts, as appropriate, including purchasing money market funds as part of the overall cash allocation if appropriate for the Client.

Model Performance and Communication with Managers

Advisors are responsible for thoroughly evaluating each Manager and model available on MMC including their registration history, professional background, and investment products offered, among other things.

You are solely responsible for monitoring the performance of any model or Manager selected for use with a Client account. Schwab is not responsible for monitoring performance of any Manager or any model or for the performance of the underlying investments within the model. Past performance of the models available on MMC is not considered for Managers’ inclusion in MMC. Although performance returns are a factor that can be considered when selecting a Manager, selection of a Manager should not be based solely on past performance returns. Past performance is not a guarantee of future results.

MMC Managers make certain information available to Advisors through MMC. Manager-provided materials, including information on MMC, are provided by the Manager for Advisor use only. These materials are not reviewed or approved by Schwab and are not for use with the public or your Clients.

Schwab will provide Advisors with general contact information for Managers via MMC. Advisor is responsible for conducting its own due diligence regarding any Manager and/or model. Schwab cannot guarantee the timeliness of Managers’ responses to questions regarding performance or investments. Schwab will not answer questions about model performance or investment selection on behalf of Managers.

Model Updates and Availability

Managers may remove models from MMC upon notice to Schwab. If an Advisor has Client accounts in a model being removed, the Advisor will receive notice from the Manager. All Advisors will be notified of updates and changes via MMC. After a model has been removed, Advisors will no longer receive updates to the model. Once notified, Advisors are solely responsible for taking appropriate action as a result of any removal.

Managers are responsible for ensuring that the models are current, accurate and complete. If Managers make changes to securities in a MMC model allocation, Advisors are responsible for validating and applying any security-level customizations (e.g., instructions to generate buys and sells for alternate securities, setting rebalance bands) to the new model securities. Advisors are solely responsible for accepting any updates.

Managers may make updates to models on MMC before or after communicating or acting on such updates with respect to Manager’s own client accounts, or other third parties to whom Manager provides such services. Information regarding the composition of MMC models and any updates thereto may be communicated to Advisors via MMC on a delayed basis. Advisors should expect that Managers may have taken action or advised other clients, affiliates, or related persons with respect to updates or changes in the models. As a result, Managers or its related persons likely will have already commenced trading for other clients before Advisors receive or have the opportunity to evaluate or act on model updates or changes. In this circumstance, trades ultimately placed by Advisor may be subject to price movements, particularly with large orders relative to the given security’s trading volume, that may result in Clients receiving prices that are less favorable than the prices obtained by Managers or its related persons for their client accounts or for their own accounts or those of related persons.

Non-Advisory Services Provided by Schwab

Schwab does not provide investment recommendations or discretionary asset management through MMC.

Through MMC, Schwab provides non-advisory implementation services for each Advisor’s investment advice and directions, including by operating the platform and iRebal tool to (a) implement the Advisor’s directions with regard to portfolio selections, allocations, modifications and replacements for the Clients’ accounts, and (b) perform the automatic rebalancing for the Clients’ accounts in accordance with the Advisors’ directions.

Schwab, as a registered broker-dealer under the Securities Exchange Act of 1934, will effect transactions with respect to available models only at the direction of Advisors. Your Clients will receive account statements and trade confirmations, at least quarterly, from Schwab. Neither Schwab nor any of its registered representatives or affiliates acts as an investment advisor by virtue of effecting transactions or trades.

Fees and Compensation

Third-Party Managers pay Schwab directly as described below. Neither you nor your Clients will be charged any direct fees by Schwab to use MMC. For models without a Strategist Fee, Schwab receives compensation from the managers based on the Funds underlying the manager’s models. For models with a Strategist Fee, Schwab retains a portion of the Strategist Fee set by the manager and paid by Advisor. This compensation, described further below, creates an incentive for Schwab to include managers and models that charge a Strategist Fee in MMC. When Schwab earns an asset-based fee, Schwab generally receives greater compensation when an Advisor’s Clients increase the amount of assets in their accounts.

CSIM does not pay Schwab to participate in MMC, however, Schwab has an incentive to include CSIM and its models on MMC given its affiliation. Schwab has a limited number of alternative fee arrangements with certain Third-Party Managers in addition to the ones described below. As the

compensation structure for Schwab varies among Third-Party Managers, Schwab has an incentive to include managers that will pay Schwab more in fees.

In managing the models, most Managers including CSIM use Manager Affiliated Funds that are proprietary mutual funds or ETFs advised by the Manager or its affiliate(s). In such situations, the Manager or its affiliate(s) receive fees from the Manager Affiliated Funds for serving as investment adviser or other service provider to the fund (as detailed in each Fund's prospectus). Please refer to the prospectus and, if applicable, the Manager's Form ADV Part 2A brochure for information regarding this conflict. These fees will be in addition to the management fees that a Manager receives for its ongoing management of models with a Strategist Fee and create a financial incentive for the Manager to include Managed Affiliated Funds in their models. In selecting a model containing Manager Affiliated Funds, Advisors are solely responsible for independently determining whether the use of the model is in the best interest of the Client and making appropriate disclosures to Clients.

You may not explicitly charge your Client for your use of MMC.

Models without a Strategist Fee

In consideration for MMC access and services received, Third-Party Managers pay Schwab monthly fees based on a percentage of the net expense ratio for Manager Affiliated ETFs or flat basis point rate of Manager Affiliated mutual funds which are implemented in your Client accounts through MMC. No additional fees will be assessed to you or to your Client from Schwab for the MMC models without a Strategist Fee.

Third-Party Managers pay monthly fees to Schwab calculated based on the average daily balance of assets purchased in Client accounts that are associated with managers' MMC models as follows:

- Schwab will charge 18% of the prospectus net expense ratio for ETFs.
- Schwab will charge 3 basis points for mutual funds.

Due to the foregoing compensation structure for ETFs and mutual funds, Schwab has an incentive to include models with more expensive ETFs, as Schwab receives a percentage of the net expense ratio of ETFs. Schwab also has an incentive to include models with more mutual funds than ETFs, as Schwab generally makes more on mutual funds than ETFs because Schwab receives compensation for shareholder services, described below in the "Mutual Funds" section. This may result in more expensive advisory services for the Advisor's Clients and will result in greater compensation to Schwab. Schwab mitigates this conflict by not considering the net expense ratio of ETFs or compensation that could be paid to Schwab from the total amount of mutual funds versus ETFs within a model when deciding whether to include a manager within MMC. Schwab reviews managers for eligibility criteria and conducts operational due diligence on the managers but does not approve or review the models that a manager seeks to include on MMC. Accordingly, Schwab does not consider the potential compensation that may be derived from a manager's inclusion in MMC. Nonetheless, for managers already on MMC and models already included therein, Schwab does have an incentive to make available the models that are likely to result in higher compensation to Schwab. These conflicts are mitigated by the due diligence process described above.

Schwab will impose an annual minimum fee of \$100,000 per Third-Party Manager starting in 2025. In 2029, the minimum annual fee will increase to \$300,000. Schwab may waive its right to receive these fees at any time in its sole discretion. Third-Party Managers are not charged fees on Client assets purchased that are not the securities designated in the model or for Funds that are not Manager Affiliated Funds. For example, if you customize a model and purchase individual equities or ETFs or mutual funds that are not Manager Affiliated Funds, Schwab will not collect any fees from Third-Party Managers on these assets.

Managers may lower the net expense ratio on any model allocation position or substitute a model allocation position for a position with a different expense ratio without notifying Schwab.

Models with a Strategist Fee

MMC also includes models that are available with a Strategist Fee. MMC will support the payment of the applicable Strategist Fee payable to the manager by the Advisor as described below. CSIM does not provide models with a Strategist Fee on MMC.

Strategist Fees are calculated based on the Strategist Fee listed by Third-Party Managers in MMC. Advisors authorize Schwab, as custodian, to collect the Strategist Fee from Advisor via withdrawal from Advisor's Management Fee Account. The applicable Strategist Fee is determined by the participating Third-Party Manager, and not by Schwab, and such Third-Party Managers may change the Strategist Fee upon notice to Advisor and Schwab. Third-Party Managers may charge discounted Strategist Fees to certain Advisors, in which case Schwab will collect the discounted Strategist Fee as determined by the Third-Party Manager, instead of the Strategist Fee listed by the Third-Party Manager on MMC.

The Strategist Fee is charged to Advisors in the form of an asset-based fee, calculated in accordance with the following:

- At the end of the month in which an Advisor begins utilizing a model with a Strategist Fee, and associates one or more Client accounts with the model, the Advisor will pay the Strategist Fee, which is withdrawn from Advisor's Management Fee Account by Schwab for remittance to the Third-Party Manager, monthly and in arrears thereafter.
- The Strategist Fee is calculated by Schwab on behalf of Third-Party Managers and accrued on a calendar-month basis. Schwab calculates each monthly Strategist Fee for each Client account as follows:
 - For each account associated with a model with a Strategist Fee, Schwab will calculate the account's daily average market value weighted to the MP's model, less any cash, Funds, or security positions excluded by Advisor, multiplied by the annual basis points charged for the model based on either: (i) Strategist Fee as displayed by the Third-Party Manager in MMC or (ii) the discounted Strategist Fee as provided to Schwab by the Third-Party Manager, divided by number of calendar days in a calendar year.
 - Advisor may remove an account from association with a model with a Strategist Fee. In such event, the Strategist Fee due will be prorated and charged for the month in which the account is removed or unassigned from the model.

As compensation for its MMC services to Third-Party Managers, Schwab retains 15% of the Strategist Fee. The portion of the Strategist Fee retained by Schwab may be amended by Schwab and any Third-Party Manager at any time. Schwab will provide Advisor notice of any such change in accordance with the terms of the MMC Advisory Agreement then in effect between Advisor and Schwab. Because Schwab receives a percentage of the Strategist Fee, there is an incentive for Schwab to include models with more expensive Strategist Fees. This conflict is

mitigated because Schwab does not consider the Strategist Fee when deciding which Third-Party Managers to include in MMC and Strategist Fees are disclosed to Advisors on MMC.

Schwab will impose an annual minimum fee of \$15,000 per Third-Party Manager starting in 2025. Schwab may waive its right to receive these fees at any time in its sole discretion.

In addition to the Strategist Fee, Schwab will continue to collect fees as follows on Manager Affiliated Funds: 3 basis points for mutual funds and 18% of expense ratios of ETFs that populate MMC models with a Strategist Fee.

Other Charges and Compensation

In addition to the fees and revenue that Schwab earns from Third-Party Managers described above, Schwab also earns revenues from other fees and payments from Advisors' Clients. Schwab will continue to collect the following separate and customary brokerages fees and/or charges from Client accounts participating in MMC: transaction fees, commissions and other fees and charges, as applicable as well as certain transfer taxes, industry fees, electronic fund and wire transfer fees, periodic distribution fees, certificate delivery fees, reorganization fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; fees for services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from the participating accounts; Schwab's (or an affiliate's) services in connection with transactions in which Schwab (or an affiliate) receives other compensation in lieu of transaction fees, including, without limitation, custody fees for Non-Publicly Traded Securities; and any other similar costs or charges. MMC participating accounts will be responsible for any such costs and charges. Please see the *Charles Schwab Pricing Guide for Clients of Independent Investment Advisors*. Schwab and CSC also may receive indirect economic benefits if assets in your Client's accounts are held as cash balances earning Schwab One® taxable interest or if trades are executed by a market center in which CSC owns an interest.

Advisors use the iRebal® platform to effect securities transactions, which will generate brokerage commissions, as applicable and other revenues for Schwab and its affiliates in connection with your Clients' account trading activity. This activity may increase based on portfolio turnover. However, Schwab does not control or influence Manager turnover or allocation change frequency and Manager selection is not based on portfolio turnover or allocation change frequency. See discussion of Turnover and Allocation Change Frequency in the "MMC Model Definition" section above. You may direct trades to any brokerage firm of your choice. Schwab may charge your Clients a fee for clearance and settlement of any trade in an account that is executed through a brokerage firm other than Schwab.

If you choose a model that invests in Funds, your Client will incur their pro rata share of the Funds' fees. Any applicable MMC fees will not be reduced to account for such fees. All investments in Funds are subject to the terms of the relevant Fund's prospectus, including associated fees.

Managers that use Manager Affiliated Funds (including CSIM) in their models have a conflict of interest in deciding to use those funds in their models because Managers or their affiliates earn fees from those funds. Manager Affiliated Funds may pay the Manager or their affiliates for investment advisory, administrative and transfer agency services, as well as shareholder and other fund services. You should review the Funds' prospectuses and statements of additional information for more information on fees.

It is possible that Managers will include Schwab affiliated Funds managed by CSIM. Schwab or its affiliates will receive fees and other compensation from Schwab affiliated Funds. For more details, see the "Schwab Funds" and "ETFs" sections below.

In addition, Managers may use Funds that are available in Schwab's MFMP and pay Schwab fees for recordkeeping, shareholder services, and/or other administrative services, and in some cases, pay Schwab fees for additional services or opportunities, such as education and events. Some third-party ETF sponsors or their affiliates make payments to Schwab for ETF-related opportunities, such as education, events and reporting. Any such fees due to Schwab will be in addition to fees paid by Managers for MMC. For more details, see the "Participation or Interest in Client Transactions" section below.

Schwab may have other arrangements for ancillary services with certain MMC Managers (for example, transaction fee waivers or technology integration fees). While the fees for these supplemental arrangements may be combined with the MMC fees for payment to Schwab, they have no effect on the standard MMC fee paid to Schwab.

About CSIM

CSIM is an affiliate of Schwab and acts as the manager for certain model strategies in MMC. CSIM also manages strategies like those available through MMC on platforms sponsored by firms other than Schwab. CSIM has a conflict of interest in managing different strategies that use or consider the use of the same securities. For more information, see the "Model Updates and Availability" section above. CSIM portfolio management personnel make investment decisions based on the investment objectives and parameters set for each strategy or program. In addition, CSIM has adopted policies and procedures to address any conflicts of interest that may arise, including appropriate information barrier policies. For more information, see the CSIM Disclosure Brochure. For more information about CSIM, see the "Schwab Affiliates" section below.

Performance-Based Fees and Side-by-Side Management

Schwab does not receive performance-based fees or participate in side-by-side management in connection with MMC. Schwab is compensated as described in the "Fees and Compensation" section above, and such compensation is not charged on the basis of a share of capital gains upon, or capital appreciation of, the Funds in Client accounts.

Types of Clients

MMC does not provide ongoing investment management services to any clients. MMC is available to independent registered investment Advisors that place their Client assets in custody at Schwab. MMC is not available to or intended for retail clients.

Schwab does not impose minimum Advisor AUM or account value requirements to allow Advisors to access MMC. However, Schwab reserves the right, in its sole discretion, to add additional MMC participation criteria, including AUM or account value minimums, at any time.

Methods of Analysis, Investment Strategies and Risk of Loss

Schwab does not recommend securities transactions or investment strategies in connection with MMC. As explained in the “Advisory Business” section above, Schwab uses eligibility criteria to determine which Managers participate in MMC. Every investment strategy, including those involving the use of model portfolios that involve trading of securities, involves the risk of loss of principal, which your Clients should be prepared to bear.

MMC is a platform that provides Advisors with access to affiliated Managers and unaffiliated Third-Party Managers who make their models available to Advisors who custody assets at Schwab. Schwab will not assist an Advisor in selecting a model. Each Advisor, in its sole discretion, selects MMC models and implements investments that meet its advisory Clients’ investment needs through its own, independent research and due diligence.

MMC may, from time-to-time, provide MMC users with access to third party tools that can help screen and compare models available through MMC. MMC may, at its sole discretion engage with, limit the use of, or terminate such tools, at any time. Advisors with discretionary authority over their Clients’ assets and their advisory clients, bear any risk of loss. Schwab and any third party tools accessible through MMC provide Advisors with access to a wide array of data on investment products available on MMC. Information obtained from third party sources is believed to be reliable, however, Schwab makes no guarantees that the information supplied by them is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use.

There are risks associated with investing, including the possible loss of principal.

Custodian Risks

Schwab is a Securities Investor Protection Corporation (SIPC) member brokerage firm and maintains SIPC protection. SIPC offers protection of up to \$500,000, including a \$250,000 limit for cash, if a member brokerage firm fails. SIPC covers most securities, such as stocks, bonds, ETFs, and mutual funds, but does not protect against market loss.

Cybersecurity Risk

Cybersecurity attacks and other information security events remain a risk to financial institutions, in part because of the use of the internet and mobile and cloud technologies to conduct financial transactions, and the increased sophistication and activities, including the use of artificial intelligence technologies, of organized crime, activists, hackers, foreign state actors, and other external parties. Schwab’s systems, as well as those of our third-party service providers, have been and will continue to be the target of cybersecurity attacks, including malicious code, computer viruses, ransomware, phishing, denial of service attacks, and others that could result in unauthorized access to, or the misuse, loss, destruction or alteration of, data (including confidential client information); account takeovers; and the unavailability of service or other events. Our information security program addresses these risks with complementary tools, controls, and technologies, including from external firms specializing in discrete areas of cybersecurity, to assess the Company’s practices, vulnerabilities, and overall cyber risk posture, and to protect systems, client accounts and data. Despite our efforts to ensure the integrity of Schwab’s systems, we may not be able to anticipate or prevent all cybersecurity attacks or other information security events, especially because the techniques used change frequently or are not recognized until launched, and because attacks can originate from a wide variety of sources. Events that would halt or impair our ability to provide advisory services could still occur, and we will respond with appropriate resources to contain and remediate the cause and restore operations.

Artificial Intelligence Technology Risks

Schwab uses artificial intelligence including but not limited to machine learning, natural language algorithms, and other data-driven technologies (collectively “AI Tools”) to support various aspects of our business and operations. AI Tools can be complex and may rely on internal or third-party data, models, implementation, management, and/or supervision. Schwab relies on many third-party models and services which are proprietary to those vendors; as a result, the AI Tools operate outside of, or beyond, Schwab’s visibility and oversight. Whether provided internally or by a third-party, AI Tools can hallucinate and may be inaccurate, incomplete, biased, or become unavailable, leading to imperfect or erroneous outputs. Use of AI Tools introduces risks related to cybersecurity; data privacy and integrity; and operational disruptions. Further, the U.S. and global legal and regulatory environment relating to the use of AI Tools is rapidly evolving, thereby introducing the risk of non-compliance; requiring changes to Schwab’s implementation of AI Tools (along with potential business interruptions); and/or increased compliance costs. Schwab seeks to mitigate all of these risks through a variety of governance, controls, and workflows. However, such measures cannot eliminate the possibility of adverse impacts.

System Outages Risks

System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to our systems, linkages with third-party systems and power failures, and can have a significant impact on our business and operations. Our systems are vulnerable to disruptions from human error; execution errors; and errors in models such as those used for asset management, capital planning and management, risk management, stress testing and compliance, employee or associated persons misconduct, unauthorized trading, external fraud, computer viruses, distributed denial of service attacks, cybersecurity attacks, terrorist attacks, natural disaster, extreme weather, power outage, capacity constraints, software flaws, events impacting key business partners and vendors, and similar events. It could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to manage client assets and deliver advisory services.

Operational Risks

Operational risks can include risks of loss arising from failures in internal processes, people, or systems, such as routine processing incidents or major systems failures, or from external events, such as exchange outages. For example, computer, communications, data processing, networks, backup, business continuity or other operating, information or technology systems, including those Schwab outsources to other providers, may fail to operate properly or become disabled, overloaded or damaged as a result of a number of factors. These factors could include events that are wholly or partially beyond Schwab’s control and may have a negative impact on our ability to conduct business activities. Though losses arising

from operating, information or technology systems failures could adversely affect an Investor account's performance, such losses would likely not be reimbursable under Schwab's policies.

Algorithm Risks

The iRebal platform is automated. Accordingly, Advisors should be aware that an algorithm is used to rebalance individual Client accounts upon selection of a model or models by the Advisor in accordance with directions from the Advisor. Schwab's use of algorithms, particularly with respect to the services provided by iRebal, carries the risk that changes to an algorithm's code may not have the desired effect with respect to Client accounts, and there is no assurance that an algorithm will always work as intended or produce the optimal results. The algorithms used by Schwab are based on a number of assumptions. The algorithms assume that portfolio holdings quantity and price data is accurate and complete. Any decisions made in reliance upon incorrect data expose Clients to potential risks. There is a risk that the algorithms and data input into the algorithms could have errors, omissions, imperfections, and malfunctions, which are often extremely difficult to detect. Some algorithm issues may go undetected for long periods of time, and some may never be detected. It is also possible that the algorithms do not accurately and efficiently forecast security and portfolio risk. While this risk increases if changes to the algorithms are insufficiently tested prior to implementation, even extensively tested changes may not produce the desired effect over time. Also, while algorithms use inputs based on historical observations, past performance does not guarantee future results. In addition, algorithms and other software used in MMC and iRebal may be subject to failure, viruses, loss of access and other events that may impair access to MMC or iRebal, or otherwise disrupt management of your Clients' accounts. These failures or disruptions could impact Client accounts and Clients' ability to meet their investment objectives, and may result in loss of principal.

Disciplinary Information

The SEC and other regulatory agencies and organizations have taken certain disciplinary actions against Schwab for violations of investment-related statutes, regulations, and rules. The parties settled these matters and Schwab paid fines with respect to certain violations.

1. In June 2022, Schwab and its former affiliate Charles Schwab Investment Advisory, Inc. settled a matter with the U.S. SEC related to historical disclosures and marketing of the Schwab Intelligent Portfolios® advisory program ("SIP Program").

The SEC found that Schwab, along with its former affiliate, Schwab Wealth Investment Advisory, Inc., violated certain provisions of the Advisers Act, and the rules thereunder, from March 2015 through November 2018. The SEC found that Schwab made false and misleading statements in Form ADV Part 2A brochures about the cash allocations in Schwab Intelligent Portfolios accounts, in particular about:

- Schwab's conflict of interest in setting the cash allocations;
- the influence of this conflict of interest on the size of the cash allocations; and
- the negative effect of the cash allocations on performance in Schwab Intelligent Portfolios accounts under market conditions where other assets such as equities outperform cash.

The SEC also found that Schwab failed to sufficiently implement compliance policies designed to prevent the publication of misleading statements. Finally, the SEC found that Schwab made similarly misleading statements in advertisements for the Schwab Intelligent Portfolios.

Without admitting or denying these findings, Schwab agreed to pay a total of \$186,536,861 in disgorgement, pre-judgment interest, and civil penalties. Schwab also agreed to engage an independent consultant to:

- review Schwab's supervisory, compliance, and other policies and procedures designed to ensure that Schwab's SIP Program-related disclosures, advertising, and marketing communications comply with the requirements of the Advisers Act, and the rules thereunder, and with other applicable federal securities laws with respect to the SIP Program; and
- submit a report to both Schwab and the SEC describing the independent consultant's findings and making recommendations. Schwab was required to adopt and implement the independent consultant's final recommendations.

Other Financial Industry Activities and Affiliations

Schwab holds dual registrations to act as both a broker-dealer and a registered investment adviser.

Schwab is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of FINRA and SIPC. 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 and insurance. We also provide certain online data and financial reporting services.

Schwab is also registered as an Investment Adviser under the Investment Advisers Act of 1940 ("Advisers Act"), and acts as a registered investment adviser for other programs, including:

- Managed Account Select®,
- Managed Account Connection®,
- SMP (a mutual fund and ETF wrap fee program),
- Schwab Intelligent Portfolios (automated discretionary managed account program),
- Schwab Advisor Network® (a referral program of investment advisers to investors who are looking for assistance in managing their assets and/or other financial planning activities). Advisors participating in Schwab Advisor Network are independent and not affiliated with Schwab. Investment advisers pay a fee to participate in the Schwab Advisor Network program,

- Retirement Plan Services (discretionary and non-discretionary advice services with Morningstar Investment Management LLC offered by Schwab Retirement Plan Services, Inc.),
- Financial Planning Services (through the Schwab Personal Financial Plan™, Schwab Retirement Consultation, and Schwab Equity Compensation Consultation), and
- Schwab Managed Account Services™ (for clients of independent investment advisors).

The disclosure brochures for these Schwab programs and services are available upon request.

Schwab Affiliates

Schwab is a wholly owned subsidiary of CSC.

Other wholly owned subsidiaries of CSC are engaged in investment advisory, brokerage, trust, custody, or banking services. CSC has adopted policies and procedures reasonably designed to protect against the misuse of information, whether among CSC-affiliated entities or entities or individuals outside of CSC and its affiliates.

CSIM is an affiliate of Schwab that manages various wrap fee programs and provides advisory and/or administrative services to certain affiliated mutual funds and exchange-traded funds marketed under the Schwab Funds® and Schwab ETFs™ names. CSIM acts as investment manager for Schwab Managed Portfolios—Mutual Funds and Schwab Managed Portfolios—ETFs, and for other strategies in the Managed Account Connection® (“Connection”) program.

Schwab Wealth Advisory, Inc. is a registered investment adviser whose representatives offer periodic non-discretionary investment advice in Schwab Wealth Advisory, a fee-based program sponsored by Schwab. The Schwab Wealth Advisory program also includes advice on the use of Schwab Wealth Portfolios managed by CSIM and is available only to Schwab Wealth Advisory program clients. Schwab Wealth Advisory, Inc. representatives may also make recommendations on other discretionary separately managed accounts offered through other Schwab managed account programs.

Charles Schwab SG Pte. Ltd. enables accredited investors in Singapore to trade in the U.S. markets. Charles Schwab U.K. Limited and Charles Schwab Hong Kong, Limited enable retail investors in the United Kingdom and Hong Kong, respectively, to trade in the U.S. markets.

CSC provides services to retirement and other employee benefit plans and participants through its subsidiaries: Charles Schwab & Co., Inc., Charles Schwab Bank, SSB and Charles Schwab Premier Bank, SSB; Charles Schwab Trust Bank; and Schwab Retirement Plan Services, Inc.

Charles Schwab Trust Bank, Charles Schwab Trust Company and Charles Schwab Trust Company of Delaware offer trust and custody products and services.

Charles Schwab Futures and Forex LLC is a Commodities Futures Trading Commission-registered futures commission merchant, a member of the Municipal Securities Rulemaking Board and National Future Association forex dealer member, and offers futures and forex trading to qualified clients.

Charles Schwab Bank, SSB, Member FDIC and Equal Housing Lender is a subsidiary of CSC that offers deposit and lending products to both Schwab brokerage clients and other clients who have no relationship with Schwab.

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

Code of Ethics

Schwab has a code of ethics adopted pursuant to SEC Rule 204A-1 under the Advisers Act (the “Code”). The Code reflects the fiduciary principles that govern the conduct of Schwab employees or associated persons when Schwab acts as an investment adviser as defined under the Advisers Act. 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. The Code prohibits access persons from disclosing portfolio transactions or any other non-public information, except as required to effect securities transactions for clients, or from using the information for personal profit or to cause others to profit. Access persons are also prohibited from engaging in deceptive conduct in connection with the purchase or sale of securities for client accounts. The Code is subject to change as necessary to remain current with regulatory requirements and internal business policies and procedures. A copy of the Code is available upon request.

Participation or Interest in Client Transactions

Schwab receives compensation from certain mutual funds and other investments held in MMC accounts as described below. Schwab and its affiliates earn money or receive benefits in other ways when executing or effecting transactions executed in connection with MMC.

This compensation is in addition to the fees that Third-Party Managers pay to Schwab as discussed above in “Fees and Compensation.”

Broker-Dealer Order Routing and Trade Execution

In arranging for the execution of orders for equities and listed options, Schwab seeks out industry-leading execution services and access to the best-performing markets. Schwab routes orders for execution to unaffiliated broker-dealers, who may act as market maker or manage execution of the orders in other market venues, and also routes orders directly to major exchanges and alternative trading systems.

Schwab considers a number of factors in evaluating execution quality of market venues, third-party algorithms, and trading counterparties, including execution price relative to benchmark and opportunities for price improvement, market depth and order size, speed and accuracy of executions, the availability of efficient and reliable order-handling systems, liquidity, the likelihood of execution when limit orders become marketable, and service levels. 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 obtained to ensure orders are routed to market venues that have provided high-quality executions over time.

Schwab receives payments, such as liquidity or order flow rebates, from market venues to which orders are routed, and also pays fees for execution of certain orders.

Quarterly information regarding the market venues to which we route orders and payments received is available on our website at schwab.com/legal/order-routing-1 or in written form upon request. Information regarding the specific routing destination and execution time of your orders for up to a six-month period is also available upon request.

Schwab may execute fixed income orders for customers as agent or as principal for our own account. In the bond market, there is no centralized exchange or quotation service for most fixed income products.

Prices generally reflect activity by market participants or dealers linked to various trading systems. A small number of corporate bonds are listed on national exchanges. Although Schwab seeks access to major trading systems, exchanges, and dealer markets in an effort to obtain competitive pricing, at any given time it is possible that securities could be available through other trading systems, exchanges, or dealers at superior or inferior prices compared to those available at Schwab. All prices are subject to change without prior notice.

Mutual Funds

Schwab's Mutual Fund Marketplace ("MFMP") gives investors access to a wide range of mutual funds and share classes from different mutual fund companies. Schwab receives compensation from mutual fund companies or their affiliates for the recordkeeping, shareholder services and other administrative services that Schwab provides to shareholders of the funds ("Shareholder Services"). These Shareholder Services include data and reporting; transaction processing; settlement of trades; dividend distribution; record maintenance; and distribution of statements, confirmations, prospectuses, and other regulatory shareholder documents. To the extent that any part of the fees described below are paid out of fund assets, those amounts are included in the fund's operating expense ratio ("OER"), which means they are indirectly borne by the fund's shareholders.

Certain funds or fund families pay a flat platform fee, an asset-based platform fee or a combination of these fee structures to compensate Schwab for activities related to Schwab's sponsorship of the MFMP. This payment to Schwab can be based on any number of factors, such as the level of assets invested in the funds, purchases of the funds over the period, net flows into the funds (gross purchases less redemptions), or other qualitative factors such as Schwab's assessment of the quality of the relationship with fund companies. These platform fees are paid to Schwab in addition to the other shareholder services fee discussed elsewhere in this document. These platform fees equate to an annual fee of 0.10% or less of the average fund assets at Schwab (assuming the flat or tiered platform fee were converted from dollars to an annual asset-based fee.). This platform fee is generally paid by the fund advisor or another fund affiliate out of its own resources, and not directly out of fund assets.

Fund companies that make their funds available at Schwab are segmented into relationship tiers based on their overall relationship with Schwab, a combination of their fund assets held at Schwab and the asset-based fee for Shareholder Services paid to Schwab, in addition to any fixed fee(s) paid to Schwab. This tiered structure creates conflicts of interest, as fund companies that are in the top tiers will have greater access to Schwab representatives and advisors that custody their clients' assets at Schwab, who in turn may be more likely to recommend funds that are familiar to them, and Schwab earns more revenue from fund companies in the top tier. However, these tiers will not impact or influence selection of any fund on the Mutual Fund OneSource Select List® or other tools and lists prepared by Schwab and used by Schwab representatives to make recommendations and provide advice. All funds, regardless of tier, have access to required regulatory data and reporting. Some fund companies pay an additional fee to Schwab to gain access to additional data and reporting that would otherwise not be available based on that fund company's tier. These payments can range up to \$3,000,000 annually.

T. Rowe Price makes payments to Schwab for marketing and promotional services that Schwab provided from February 2022 to August 2025 for certain actively managed T. Rowe Price mutual funds and ETFs with respect to Schwab's clients and the clients of Registered Investment Advisors that custody assets at Schwab. This payment is in addition to and separate from payments T. Rowe Price makes to Schwab for shareholder and administrative services.

Certain MMC models provided by CSIM utilize T. Rowe Price funds, resulting in additional payments to Schwab from T. Rowe Price.

Schwab Mutual Fund OneSource® Service and Other No-Transaction-Fee Funds

Through its Mutual Fund OneSource® service and other NTF funds, Schwab offers a selection of no-load and load-waived retail and non-retail share classes of mutual funds, including certain institutional share classes that are available with no transaction fee to investors. The compensation Schwab receives from mutual fund companies for shareholder services for OneSource/NTF funds may differ based on when the fund first became available at Schwab or other factors. If a retail, non-retail, or institutional share class was first made available on OneSource/NTF, the asset-based annual fee for shareholder services could be up to 0.45%, but typically is 0.40%, which is higher than other share classes. At this standard rate, the fund or fund affiliate pays Schwab \$40 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. In some cases, Schwab applies a monthly minimum fee of \$2,000 per month per NTF fund if the asset-based fee calculated each month for that fund is less than the minimum monthly fee. The fee applies starting with the first or seventh full month, depending on when the fund was added to the platform, after the fund is made available for purchase at Schwab and only if the asset-based fee calculated for the month is. When adding a new fund to Schwab's NTF platform, NTF Funds also pay Schwab establishment fees. The fee for the first fund that Schwab adds does not exceed \$25,000 and the fee for each additional fund within a fund family that Schwab adds is \$3,000.

Outside of the OneSource/NTF service, certain fund companies pay an asset-based fee for shareholder services on institutional share classes made available with no transaction fee ("Institutional NTF" or "INTF") and held by clients of investment advisors and other institutional investors, including certain large retail investors. Fees on new institutional class shares acquired or held at Schwab are typically 0.17% per year but can range up to 0.19%. At a rate of 0.19%, the fund or fund affiliate pays Schwab \$19 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. The asset-based annual shareholder services fee on existing assets converted from transaction fee funds could be up to 0.15%, but typically is 0.12%, while shareholder services fees on existing assets that converted from Schwab Mutual Fund OneSource to INTF could be up to 0.45% but typically are 0.40%. At rates of 0.12% and 0.40%, the fund or fund affiliate pays Schwab \$12 or \$40 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. When adding new INTF funds, the funds also pay Schwab establishment fees. The fee for the first fund that Schwab adds does not exceed \$25,000 and the fee for each additional fund within a fund family that Schwab adds as NTF is \$1,000. When adding a new interval fund to Schwab's OneSource/NTF or INTF

platforms, interval funds also pay Schwab establishment fees. The fee for the first interval fund that Schwab adds does not exceed \$25,000, and the fee for each additional interval fund within a fund family that Schwab adds is \$25,000. Based on its shareholder servicing arrangements with fund companies, Schwab receives greater compensation from NTF Fund share classes than it receives from comparable investments made in the Fee Fund category.

Transaction-Fee Funds

For institutional share classes made available with a transaction fee (“TF”) that are held by clients of investment advisors and other institutional investors, including certain large retail investors, the asset-based annual fee for shareholder services is typically 0.10% annually of the average fund assets held at Schwab, although the fee can range up to 0.25% annually. At this standard rate, the fund or fund affiliate pays Schwab \$10 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. In some cases, Schwab applies a minimum monthly fee of \$1,000 per month per TF fund, depending on when the fund was added to the platform. This minimum monthly fee is applied starting with the first full month after the fund is made available for purchase at Schwab and only if the asset-based fee calculated for the month is less than the minimum monthly fee.

When adding a new fund to Schwab’s platform, TF funds also pay Schwab establishment fees. The establishment fees vary but generally do not exceed \$25,000 for the first fund and \$5,000 per each additional fund within a fund family. The fee for each additional fund within an INTF fund family that Schwab adds as TF is \$2,000.

When adding a new interval fund to Schwab’s TF platforms, interval funds also pay Schwab establishment fees. The fee for the first interval fund that Schwab adds does not exceed \$25,000 and the fee for each additional interval fund within a fund family that Schwab adds is \$25,000.

Sponsorship and Educational Opportunities

In addition to the fees described above, certain mutual fund and ETF fund families pay additional fees to Schwab for the services Schwab provides related to various educational events or marketing opportunities. The fees Schwab receives for administering these events and marketing opportunities are separate and distinct from, and in addition to, the asset-based, per-position, and other fees paid to Schwab by fund companies for the Shareholder Services described elsewhere in this document. The amount of such fees varies depending on the type and number of opportunities in which the fund participates each year.

ETFs

Some third-party ETF sponsors or their affiliates make payments to Schwab for ETF-related opportunities, including data and reporting, and education and events. Certain ETF sponsors pay Schwab up to \$4,000,000 annually for access to data and reports. The total amount of the fees paid by each ETF sponsor to Schwab for education and events will vary depending on the type and number of opportunities in which the ETF firm participates.

Schwab receives payment from third-party active semi-transparent (also known as non-transparent) ETFs or their sponsors for platform support and technology, shareholder communications, reporting, and similar administrative services for third-party active semi-transparent ETFs available at Schwab. This fee will vary but typically is an asset-based fee of 0.10% per annum of the assets held at Schwab. Neither Schwab’s affiliate CSIM nor Schwab active semi-transparent ETFs pay a separate fee to Schwab for these services described, although CSIM reimburses Schwab, in its capacity as an affiliated financial intermediary of CSIM’s, for Schwab’s costs in providing certain professional, administrative, and support services for the Schwab ETFs™. Schwab’s affiliate CSIM, serves as investment adviser to the Schwab ETFs, and receives a fee for its services from the Schwab ETFs.

Schwab Funds®

Schwab currently has one affiliated mutual fund family, Schwab Funds. Schwab’s affiliate, CSIM, serves as investment adviser and/or administrator to the Schwab Funds. These Schwab Funds pay CSIM a fee for investment advisory and/or administrative services, the amount of which are described in the funds’ prospectuses.

All Schwab Funds are part of Schwab’s Mutual Fund OneSource service. Consequently, like unaffiliated Mutual Fund OneSource and NTF mutual funds, certain of the Schwab Funds pay Schwab an asset-based fee for the shareholder services that Schwab provides.

Some Schwab Funds have adopted a shareholder servicing plan pursuant to which they may pay fees to Schwab for shareholder services ranging up to 0.25% annually. Pursuant to its shareholder servicing plan, The Schwab Government Money Fund may pay Schwab up to an additional 0.10% annually for sweep administrative services that Schwab provides to shareholders invested in sweep shares of the Schwab Government Money Fund. Some Schwab Funds do not make any payments to Schwab under a shareholder servicing plan. Many of the Schwab Funds have adopted a unitary fee structure under which a single fee is paid to CSIM, and out of which CSIM pays for certain services provided to the funds; CSIM and its affiliates are entitled to retain any portion of this fee not paid out to a service provider.

In aggregate, the fees Schwab receives from Schwab Funds are greater than the compensation Schwab receives from unaffiliated fund companies participating in the Schwab Mutual Fund OneSource service.

Personal Trading

Schwab monitors the personal securities holdings and trading of Schwab 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 a regular basis.

Schwab representatives are prohibited from engaging in activities that violate federal or state securities laws, or rules and regulations of the exchanges or regulatory agencies. These prohibitions include rules against (1) frontrunning customer orders—which is when a Schwab representative buys or sells a security to possibly capitalize on advance knowledge of an imminent customer transaction that is expected to influence the market price; (2) passing such information to others for that purpose, so-called “shadowing”—which means misusing confidential customer trade information for possible personal benefit; and (3) purchasing shares in initial public offerings.

Brokerage Practices

Schwab does not select or recommend broker-dealers as part of MMC. Client accounts linked to MMC are custodied at Schwab, as explained in the “Advisory Business” section above.

Review of Accounts

Schwab does not review models, or any Client accounts associated with MMC, as explained in the “Advisory Business” section above.

Client Referrals and Other Compensation

Schwab receives compensation from Third-Party Managers participating in MMC, as explained in the “Fees and Compensation” section above.

Custody

Schwab has custody of Client assets in Client accounts and, at least quarterly, provides account statements to clients detailing account positions and activities during the preceding period as long as the Client account holds a position or balance. You will also receive a copy of this account statement. 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. You and your Clients should review these account statements carefully.

Investment Discretion

Schwab does not have or accept discretionary authority to manage accounts on Clients’ behalf as part of MMC.

Voting Client Securities

Schwab does not have or accept authority to vote your Clients’ securities (i.e., proxy voting) as part of MMC.

Financial Information

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



March 28, 2026

Summary of Material Changes to the Disclosure Brochures (Form ADV, Part 2A)

For the following service since March 2025:

- Charles Schwab & Co., Inc. Disclosure Brochure for Model Market Center™

This brochure, which describes the offer of Model Market Center to independent investment advisors, has undergone the following changes since March 28, 2025:

- **Change of address:** Schwab's principal office and place of business has moved back to San Francisco, California from its temporary location in Lone Tree, Colorado.
- **Clarification to trade execution description:** Schwab has clarified the description of equity order routing for non-directed trades:
 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading: Broker-Dealer Order Routing and Trade Execution
- **Updated payments to Schwab for data and reporting:** The brochure has been updated to reflect new maximum payments from mutual fund and ETF sponsors for data and reporting provided by Schwab.

- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading: Mutual Funds, ETFs
- **Added new risk:** Schwab has updated the brochure to reflect risks related to use of Artificial Intelligence technology:
 - General Risks: Artificial Intelligence Technology Risks