

# Investment Advisory Agreement



This Agreement is entered into as of \_\_\_\_\_, between Schwab Charitable and \_\_\_\_\_ Investment Advisor ("IA").

Schwab Charitable is a California nonprofit public benefit corporation, which is exempt from federal income tax as an organization described in Section 501(c)(3). Schwab Charitable wishes to engage the IA to provide the services stated below on a (*choose one*):

## **Discretionary basis**

## **Non-discretionary basis**

Schwab Charitable and the IA agree as follows:

### **Appointment of IA and Establishment of Account**

Schwab Charitable hereby appoints the IA to provide advice as to the investment of certain of Schwab Charitable's assets. The above-named IA acknowledges that Schwab Charitable is its client regarding the investment services and the legal owner of the assets, although the Account Holder<sup>1</sup> has certain advisory privileges.<sup>2</sup>

Individual accounts (each, an "Account") will be established for each portion of assets for which the IA provides advice.

### **Authority of the IA** (*choose either paragraph A or B below*):

**A. Authority of the Discretionary IA.** Assets contributed to the Account will not be liquidated by Schwab Charitable. Rather, the IA will have complete discretion with respect to investment and reinvestment of the assets in the Account with full power and authority to direct such purchases and sales as it may deem appropriate, subject to the Investment Guidelines in Exhibit D to this Agreement. The Investment Guidelines may be amended at any time by Schwab Charitable in writing, which will be communicated to the IA at least thirty (30) days prior to the effective date of the amendment. If the IA is being appointed with discretion over an existing Account which is currently invested in Schwab Charitable's investment pools, all investment pools will be liquidated upon appointment of the IA and assets moved into a money market fund to be invested by the IA.

**B. Authority of the Non-Discretionary IA.** Assets contributed to the Account will not be liquidated by Schwab Charitable. Rather, the IA will recommend liquidation and purchase of investments to Schwab Charitable as it may deem appropriate, subject to the Investment Guidelines of Schwab Charitable specified in Exhibit D to this Agreement. Schwab Charitable will review and approve the IA's recommendations as appropriate. The IA will arrange for execution of approved purchases and sales. The Investment Guidelines may be amended at any time by Schwab Charitable in writing, which will be communicated to the IA at least thirty (30) days prior to the effective date of the amendment. If the IA is being appointed to provide recommendations to an existing Account which is currently invested in Schwab Charitable's investment pools, all investment pools will be liquidated upon appointment of the IA and assets moved into a money market fund, until investment advice is received from the IA.

### **Management of the Account**

The IA shall manage the investments so as to avoid any conflicts of interest, including but not limited to conflicts with respect to the acquisition and/or disposition of assets. For purposes of this Agreement, any purchase of assets from or sale of assets to Schwab Charitable by (i) another account of the IA; (ii) any account of the IA or a related person of the IA or a family member of either; or (iii) an entity controlled by the IA, shall be considered a conflict of interest. The IA also shall manage the investments in Schwab Charitable in a manner that will provide sufficient liquidity to support grantmaking activities.

### **Custody**

All assets excluding private investment funds will be held in custody at Charles Schwab & Co., Inc. ("Schwab").

## Brokerage and Best Execution

Schwab Charitable is a large trader per SEC Rule 13h-1. All transactions shall be executed through Schwab unless otherwise designated in Exhibit C to this Agreement.

\_\_\_\_\_ **Please initial if the IA intends to use non-Schwab brokers to execute trades in the Account. If initialed, the IA shall document its brokerage activities in Exhibit C to this Agreement. The IA shall promptly notify Schwab Charitable of any changes in such brokerage activities.**

## Proxy Voting

The IA shall be responsible for voting proxies solicited by, or with respect to, the issuers of securities held in the Account in the best interest of Schwab Charitable, unless the IA expressly disclaims proxy voting authority below. Notwithstanding the preceding, however, Schwab Charitable may expressly retain the right and obligation to vote any proxies or take action relating to the specified securities held in the Account if it deems appropriate. Any such notice is deemed an amendment of this Agreement. If the IA's authority to vote proxies is withheld or limited by Schwab Charitable, it is expressly understood and agreed that the IA shall have no liability or responsibility with respect to the voting of proxies appurtenant to securities or other property held in the Account.

\_\_\_\_\_ **Please initial if the IA does not wish to vote proxies.**

## Responsibilities of IA

The IA shall perform its duties with the care, skill, prudence and diligence under the circumstances that a prudent person acting in such capacity and familiar with such matters would perform such duties. The IA shall at all times direct the investments in the Donor Advised Fund Portfolio<sup>3</sup> in a manner consistent with Schwab Charitable's Professionally Managed Accounts Investment Guidelines specified as Exhibit D to this Agreement. "Portfolio" hereafter refers to an Account or an aggregate of the Accounts of a particular Account Holder, advised by a primary IA and the delegated sub-advisor(s).

## Performance and Benchmark

Schwab Charitable shall monitor the performance of each Portfolio on a quarterly basis against the default benchmark (below) or the custom benchmark specified in Exhibit B. The long-term investment strategy of the Portfolio shall be consistent with the strategy of the benchmark.

### Please initial one:

1) \_\_\_\_\_ **The IA elects the following default benchmark for the Portfolio.<sup>3</sup>**

BENCHMARK	PORTFOLIO WEIGHT
Russell 3000 Index	35%
MSCI ACWI ex-USA Index	25%
Barclays Capital US Aggregate Bond Index	20%
Barclays Capital Short Treasury Index	20%

2) \_\_\_\_\_ **The IA proposes a custom benchmark for the Portfolio,<sup>3</sup> or for this sub-advised Account, as specified in Exhibit B to this Agreement. (Schwab Charitable will review and approve the proposed custom benchmark if consistent with the Investment Guidelines and appropriate for the Portfolio.)**

If the long-term investment strategy of the Portfolio or sub-advised Account changes, IA shall propose a revised benchmark.

## Fees

The IA is entitled to charge a fee for the investment services performed under this Agreement, as specified in Exhibit A to this Agreement. The fee must be approved by Schwab Charitable, and may not exceed 1% of Account assets per annum. The fee is payable quarterly. In any partial calendar quarter, the fee will be prorated, based on the number of days the Account was open during the quarter. The IA is responsible for disclosing the fee to the Account Holder prior to providing investment management for the Account.

## Limitations on Investments

Certain transactions and investments are prohibited or limited, as specified in the Professionally Managed Accounts Investment Guidelines as specified in Exhibit D to this Agreement.

## Private Investments

The IA understands that interests in privately-offered investment funds may be subject to “clawback” provisions, whereby a fund’s general partner or managing member may require investors to return distributions to the fund at any time during the fund’s existence and for a period of time thereafter.

If the IA causes an Account to acquire interests in private funds (funds excluded from registration under the Investment Company Act by virtue of Section 3(c)(1) or Section 3(c)(7)), the IA understands and acknowledges that Schwab Charitable may, from time to time: (i) instruct the IA to maintain other liquid assets in the Account in an amount sufficient, in the sole opinion of Schwab Charitable, to meet any demand by a private fund’s general partner or managing member upon Schwab Charitable to return distributions, and (ii) reserve a portion of the assets in the Account in an amount Schwab Charitable believes sufficient to meet future clawback demands, and these assets will not be available for grantmaking. The IA further understands and acknowledges that notwithstanding the prior sentence, if there are insufficient liquid assets in the Account to meet a clawback demand, Schwab Charitable may require the original Account Holder to contribute to Schwab Charitable an amount equal to the clawed-back amount.

## Representations

Each party to this Agreement represents that it has all necessary power and authority to execute, deliver and perform this Agreement and all transactions contemplated hereby, including the Investment Guidelines in the Fund’s Investment Policy in Exhibit D to this Agreement and such execution, delivery and performance will not violate any applicable law, rule, regulation, governing document (e.g., trust agreement or charter), contract or other material agreement binding upon that party.

Each party also represents that this Agreement has been duly authorized by appropriate action and, when executed and delivered, will be binding upon each party in accordance with its terms.

The IA further represents as follows:

The IA is and shall remain duly registered as an Investment Advisor under the Investment Advisers Act of 1940, as amended (“Advisers Act”) or under the laws of one or more states or is excluded from such registration. If registered, the IA is and shall remain in material compliance with the Advisers Act or the applicable law(s) of the state(s) in which it is registered as an Investment Advisor.

The IA has the financial resources, personnel, properties and assets adequate for the performance of its obligations under this Agreement, and the IA will notify Schwab Charitable promptly of any developments that may adversely impact the IA’s ability to perform its obligations hereunder.

There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the IA, threatened against or affecting the IA that might materially affect its ability to perform its obligations under this Agreement.

The IA will not receive payments for any services, including Investment Advisory services from the Account, if the IA is currently or becomes an Account Holder, a secondary Account Holder, or a successor Account Holder with respect to the Account, or a family member or affiliate of such individual or entity as defined in Exhibit D to this Agreement, *Criteria for Professionally Managed Accounts*.

The IA shall promptly notify Schwab Charitable if at any time any of the preceding representations ceases to be true in all material respects.

## Communications

Instructions with respect to securities transactions may be given orally, and confirmed in writing as soon as practicable thereafter. Notices or other communication required to be given under this Agreement shall be sent in person, by U.S. mail, by email, by overnight mail, or by facsimile transmission (with original to follow by U.S. mail) and shall be deemed given when received at the addresses specified below or at such other address as a party to receive notice may specify in a notice given in accordance with this provision.

## Severability

If any part of this Agreement is declared null and void, such part shall be deemed separate and severable, and the remainder of this Agreement shall remain in full force and effect.

## Duration and Termination

This Agreement shall be effective on the date noted above and shall remain in force and effect until terminated. Either party may terminate this Agreement at any time by giving written notice to the other. Upon termination by either party no further instructions from the IA will be accepted for the Account. Termination of this Agreement will not affect (i) the validity of any action previously taken by IA under this Agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination of this Agreement; or (iii) Schwab Charitable's obligation to pay fees as set forth in this Agreement.

## Amendment; Assignment

This Agreement may only be amended by a writing signed by both parties. The IA may not "assign" this Agreement (as that term is used in the Advisers Act) without the written consent of Schwab Charitable.

## Applicable Law

The laws of the State of California as applied to agreements signed and performed in California will apply and bind the parties in any and all questions arising under this Agreement, including without limitation questions of validity, interpretation, and performance, without giving effect to conflicts of law principles thereof.

## Indemnity

The IA agrees to indemnify and hold harmless Schwab Charitable and each person, if any, who controls Schwab Charitable, its directors, employees and agents against any and all loss, liability, claim, damage and expense whatsoever, including reasonable attorneys' fees and expenses ("Losses"), arising out of or based upon any negligent act or omission on the part of the IA in carrying out its duties hereunder, or any material breach of this Agreement (including, but not limited to, any representation and warranty) by the IA, provided that such Losses are not attributable to the willful malfeasance or bad faith of Schwab Charitable.

Schwab Charitable agrees to indemnify and hold harmless the IA and each person, if any, who controls the IA, its directors, employees and agents against any and all loss, liability, claim, damage and expense whatsoever, including reasonable attorneys' fees and expenses ("Losses"), arising out of or based upon any negligent act or omission on the part of Schwab Charitable in carrying out its duties hereunder, or any material breach of this Agreement (including, but not limited to, any representation and warranty) by Schwab Charitable, provided that such Losses are not attributable to the willful malfeasance or bad faith of the IA.

## Dispute Resolution

The parties undertake to use their best efforts to resolve disputes amicably and agree to nonbinding mediation before a neutral mediator, sharing the mediator's fees and costs equally. If not resolved within 30 days after the appointment of a mediator, any and all disputes of any kind whatsoever, whether arising from or relating to this Agreement or otherwise, between the parties hereto, including any officers, directors, agents, representatives, or employees of the parties, shall be finally resolved by binding arbitration pursuant to the Commercial Arbitration Rules then in effect of the American Arbitration Association, Inc. ("AAA"), provided, however, that if any member or person associated with a member of the Financial Industry Regulatory

Authority ("FINRA") is a named party to such arbitration, then the dispute shall be resolved by binding arbitration pursuant to the Code of Arbitration Procedure for Industry Disputes then in effect (the "Code").

This arbitration shall be governed and enforced exclusively by the Federal Arbitration Act, as amended, 9 U.S.C. §§ 1-16. Any party may demand arbitration by submitting the dispute to the AAA or FINRA, as applicable. A panel of three arbitrators shall be selected in accordance with the AAA Rules or the FINRA Code, as applicable. The arbitration shall be conducted in San Francisco, California, unless the arbitrators select a different location. To the extent allowed by law, the award shall be final, binding and non-appealable. Judgment upon the award rendered by the arbitrators may be entered by any court of competent jurisdiction. The parties may, by written Agreement, modify any of the foregoing dispute resolution procedures. Notwithstanding the foregoing, no party to this Agreement shall be precluded from impleading any other party by asserting a third-party claim against such other party in any legal proceeding pending before any court or arbitration tribunal, in which case the dispute resolution provisions of this Agreement shall not be applicable.

### Survival

Any provision of this Agreement which imposes an obligation after termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

### Complete Agreement

This Agreement together with its Exhibits A, B, C and D contains the entire agreement of the parties and supersedes all prior agreements related to the subject matter of this Agreement.

By signing this Agreement, the IA confirms that s/he has read and agrees to consistently manage and oversee the Account(s) in conformance with the Agreement, including Exhibits A, B, C and D. The IA confirms that the Account Holder has reviewed and agreed with the investment strategy and benchmark of the Account(s). The IA further confirms that s/he has fully disclosed to the Account Holder the fee payable to the IA under this Agreement. The IA understands that failure to raise cash on a timely basis to fund Account Holder grant recommendations or other Account obligations could result in termination.

### Schwab Charitable Fund

Account(s): \_\_\_\_\_

\_\_\_\_\_  
Authorized Officer Signature

211 Main Street  
San Francisco, CA 94105

Date: \_\_\_\_\_

### Investment Advisor

\_\_\_\_\_  
Authorized Officer Signature

Printed Name and Title: \_\_\_\_\_

Address: \_\_\_\_\_

Date: \_\_\_\_\_

1 Account Holder(s) are the individuals (up to six) listed on a Schwab Charitable Donor-Advised Fund Account who are eligible to access the online Schwab Charitable Client Center, recommend grants to eligible charities, recommend portfolio asset allocations and maintain Account privileges.

2 Although sponsoring charities frequently permit donors (or other persons appointed by donors) to provide nonbinding recommendations concerning the distribution or investment of assets in a donor advised fund, sponsoring charities must have legal ownership and control of such assets following the contribution. If the sponsoring charity does not have such control (or permits a donor to exercise control over amounts contributed), the donor's contributions may not qualify for a charitable deduction. Staff of the Joint Committee on Taxation, Technical Explanation of H.R. 4, the "Pension Protection Act of 2006" as Passed by the House on July 28, 2006, and as Considered by the Senate on August 3, 2006 (JCX-38-06) at 341.

3 Portfolio refers to an Account or an aggregate of the Accounts of a particular Account Holder, advised by a primary IA and the delegated sub-advisor(s).

**Investment Advisory Fees**

INVESTMENT ADVISORY ANNUAL FEE: \_\_\_\_\_%

NOTE: The fee must be approved by Schwab Charitable and may not exceed 1% of Account assets per annum.

The IA will charge the investment advisory annual fee to the Account quarterly in (*choose terms which apply*):

advance

arrears

other: \_\_\_\_\_

**Custom Billing Terms**

[Empty box for Custom Billing Terms]

**Wrap Fees**

\_\_\_\_\_ Please initial if the IA has entered into a wrap fee arrangement with Schwab for the purpose of simplifying and reducing overall cost in the best interest of our clients. The wrap fee covers investment advisory services and Schwab's applicable brokerage services. As noted above, the annual investment advisory fee will not exceed 1%.

**Investment Policy Statement or Advisory Agreement – Approved Exceptions**

**Custom Benchmark:**

**Exception(s) to Investment Guidelines:**

**Exception(s) to Investment Advisory Agreement:**

Under SEC Rule 13h-1, Schwab Charitable is required to notify all executing brokers of its large trader status prior to trading in the Account whenever National Market System\* (“NMS”) securities are traded.

The IA shall promptly notify Schwab Charitable of any NMS security types to be executed by non-Schwab brokers in the Account and provide a list of brokers where the NMS securities will be traded.

The IA shall promptly notify Schwab Charitable of any changes in security types traded and broker relationships. All notifications pursuant to this shall be directed to Schwab Charitable at [scinvest@schwab.com](mailto:scinvest@schwab.com).

Please select NMS security types to be traded away from CS&Co.

**Trade Away Securities Checklist (Select all that apply)**

SECTION A	SECTION B
Equities	Debt Securities
Closed End Mutual Funds	Open End Mutual Funds
ETFs	
ETNs	
REITs	
Covered Options	

**Trade Away Broker List**

For any selected security type in Section A, please list all brokers to be utilized. If all selected security types are in section B, no further action is necessary.

BROKER	CONTACT PERSON	E-MAIL/PHONE #

\* The SEC defines NMS securities as exchange-listed equity securities and standardized options. NMS securities do not include exchange-listed debt securities, securities futures, or open end mutual funds.



## Introduction

Schwab Charitable<sup>1</sup> allows individuals to contribute \$250,000 or more to open a Professionally Managed Account and to recommend an Investment Advisor (“IA”) to manage the Account’s investments. The Professionally Managed Accounts Investment Guidelines describe the investment objectives and criteria for Professionally Managed Accounts, as well as the investment guidelines with which the IA must comply. It is important to note that assets in the Account are the property of Schwab Charitable, and that Schwab Charitable has ultimate control over the Account’s investments. The IA shall manage the investments in the Account in compliance with Schwab Charitable’s investment guidelines.

## 1. Investment Objectives and Philosophy

The investment objectives of Schwab Charitable are to provide for long-term growth of principal and income without undue exposure to risk to ensure that (1) Schwab Charitable is, at a minimum, able to meet its goal (as stated in its representations to the Internal Revenue Service) of making aggregate grants equal to at least 5% of its net asset value, calculated as a five-year rolling average; and (2) Account Holders are able to recommend grants on a continuing and reasonably consistent basis. Assets of Schwab Charitable overall will be invested in a manner as to avoid being overly speculative, looking instead to the permanent disposition of the assets, and considering the probable income as well as the safety of the assets. In pursuing these objectives, Schwab Charitable endeavors to achieve risk-adjusted total returns that, over time, are commensurate with broad-based market averages.

The investment objective of the Professionally Managed Account Portfolio (the “Portfolio”) shall be consistent with Schwab Charitable’s investment objectives as established and overseen by the Investment Oversight Committee of Schwab Charitable’s Board of Directors (the “Committee”). “Portfolio” hereafter refers to an Account or an aggregate of the Accounts advised by a primary Investment Advisor (“IA”) and its delegated sub-advisor(s) on behalf of an Account Holder.

The IA will work with the Account Holder to establish the recommended investment objectives and strategy for the Portfolio, considering the Account Holder’s granting plans, target returns, risk tolerance, and other unique considerations, consistent with these investment guidelines.

## 2. Criteria for Professionally Managed Accounts

- Minimum account size \$250,000
- IAs must be approved by Schwab Charitable. In approving IAs, Schwab Charitable will consider, among other factors, the length of time the firm has been in existence, its track record, fees, assets under management, and the amount of charitable assets managed by the IA.
- The IA may be appointed to manage the assets on a discretionary or non-discretionary basis. If the IA elects a non-discretionary role, the IA will make arrangements to execute all approved trades. Exceptions to this policy may be requested and will be considered on a case-by-case basis.
- IAs must use the Charles Schwab & Co., Inc. Advisor Custody and Trading Platform (Schwab Advisor Services).
- IAs must adhere to these investment guidelines and to any specific guidelines established for individual Accounts.
- Account Holders, any secondary Account Holders(s), any Successor(s), any Additional Account User(s) (other than Investment Advisors), or certain family members<sup>2</sup> or affiliates of such people may not receive payments for any services, including Investment Advisory services.
- The IA shall vote proxies and respond to legal and corporate actions (such as tender offers, rights offerings, and notices of bankruptcies and class action suits) consistent with its policies, including any policies it has adopted under Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, and in a manner that is in the best interests of Schwab Charitable and consistent with Schwab Charitable’s investment objectives stated above. The IA may disclaim this responsibility in writing to Schwab Charitable. If disclaimed, Schwab Charitable will not undertake to notify the IA as to whether or how the proxies were voted.
- Should the asset level in the Account fall below \$200,000 and remain below \$200,000 for more than one year, the Account will no longer be eligible for professional management and must be reinvested in the investment pools.
- No deviation from this policy is permitted without the prior written approval of Schwab Charitable. Any approved exception(s) must be documented in the Investment Advisory Agreement.

### 3. Sub-advisors

For Portfolios larger than \$1,000,000, the primary IA may recommend that an allocation of Portfolio assets (minimum \$250,000 per Account) be managed in one or more separate Accounts by a sub-advisor conducting advisory business on the Schwab Advisor Custody and Trading Platform (a division of Charles Schwab & Co., Inc.). Separately Managed Accounts may be used to provide exposure to specific investment strategies. Regardless of the separation of a Portfolio into sub-advised Accounts for investment purposes, the Portfolio will be considered in the aggregate for investment oversight and grantmaking. Sub-advisors are subject to these investment guidelines unless otherwise specified in the Investment Advisory Agreement. The primary IA shall oversee the delegated sub-advisors' investment management performance and compliance with these investment guidelines.

### 4. Investment Guidelines (excluding Private Investment Funds)

The IA shall manage the Portfolio's investments in compliance with these guidelines, in a manner which provides sufficient liquidity to support Account Holder's grantmaking activities and to cover Account expenses. This section does not apply to contributions of investment assets. For large contributions of a single security, please see item 8 on the following page "Contributions of Concentrated Positions". For further details related to contributions, please see Schwab Charitable's Program Policy.

#### 1) Diversification

In general, investments should be managed prudently and diversified among asset classes, sectors, and securities within the Portfolio, taking into account the Account Holder's time horizon and planned giving strategy.

Ordinarily, the Portfolio should contain more than one asset class. The Portfolio may contain a single diversified mutual fund or 100% cash only if the IA waives its fees. Permitted asset classes include the following:

ASSET CLASS	PRIMARY PORTFOLIO PURPOSE	EXAMPLES OF SECTORS IN THE ASSET CLASS
Equities	Growth	Consumer Discretionary, Materials, Industrials
Fixed Income	Income	TIPs (real income), Investment Grade
Cash	Stability	Issuer; N/A for Diversified Money Fund
Real Assets	Inflation Protection	Real Estate, Precious Metals

Investments shall be diversified. Excess concentration is prohibited in the Portfolio. For large contribution of a single security, please see Item 8 on the following page "Contributions of Concentrated Positions." Excess concentration with respect to the Portfolio is defined as follows:

- i. Greater than 25% exposure to any one security. Securities include individual stocks, bonds, certificates of deposit, publicly traded REITs, and non-diversified ETFs or ETNs, e.g., precious metal or cryptocurrency funds. (Diversified ETFs and mutual funds are not considered individual securities for the purpose of applying this concentration policy)
- ii. Greater than 25% exposure to emerging-market equities or emerging-market fixed income
- iii. Greater than 50% exposure to emerging markets (equity plus fixed income) or to a single non-U.S. country as defined by MSCI Country Classification Standard
- iv. Greater than 50% exposure to below-investment-grade bonds
- v. Greater than 50% exposure to publicly traded funds that pursue alternative or non-diversified investment strategies, e.g., commodities or cryptocurrencies

Schwab Charitable reserves the right to determine whether the Portfolio should be further diversified.

#### 2) Permitted Investments and Transactions

The following investments and transactions are permitted. Preapproval from Schwab Charitable is required for any investments and transactions not listed below:

- i. Cash, cash equivalents, and money market funds eligible for institutional investors
- ii. Publicly traded stocks, bonds, and CDs, exclusive of flow-through entities which generate K-1s<sup>3</sup>
- iii. Publicly traded mutual funds, publicly traded REITs, ETF and ETNs, exclusive of flow-through entities which generate K-1s<sup>3</sup>
- iv. Covered calls and/or protective puts expiring within 12 months

#### 3) Prohibited Investments and Transactions

The following investments and transactions are prohibited unless specifically listed as a permitted exception in the Investment Advisory Agreement.

- i. Investments owned or managed by the IA, sub-advisor, or their affiliates

- ii. Investments ineligible for settlement and trading on the Charles Schwab & Co., Inc. Advisor Custody and Trading Platform. These may include, but are not limited to, penny stocks, bonds in default, securities issued in a foreign language, nontransferable securities, securities deemed worthless, bearer bonds, Rule 144A securities, emerging-market corporate bonds, and State of Israel bonds.
- iii. Investments with trading restrictions
- iv. Investments ineligible for institutional investors
- v. Derivative securities<sup>4</sup> to increase the actual or potential risk exposure of the Account, including but not limited to:
  - Non-publicly traded structured notes (including, for example, principal-only or interest-only STRIPS or inverse floating-rate securities)
  - Swaps
  - Futures contracts
  - Forward contracts
  - Uncovered options
  - Short sales, margin trading, and such other specialized investment activities requiring margin
- vi. Publicly traded flow-through entities<sup>3</sup> which may expose Schwab Charitable to Unrelated Business Income Tax under Section 511.
- vii. Interval funds
- viii. Private REITs
- ix. Working interests in oil and gas wells
- x. Direct investments in private companies or cryptocurrency
- xi. Private debt
- xii. Investments in private placements for Accounts with less than \$10 million in investable assets. (See “Criteria for Private Investment Funds,” Item 10 on the following page.)
- xiii. An interest in any operating business which, taken together with an Account Holder’s personal and/or affiliated holdings in that business, represents 20% or more of the ownership of the business.
- xiv. Preapproval is required for any purchase or contribution of a single security representing greater than 2% of Schwab Charitable’s asset value.

## 5. Benchmark

The IA shall work with the Account Holder to establish the Portfolio investment strategy and shall propose a performance benchmark consistent with that strategy. The IA may select Schwab Charitable’s default benchmark listed below or may propose a customized benchmark for the Portfolio. A revised benchmark may be proposed upon a change in the IA or in the Portfolio investment strategy.

DEFAULT BENCHMARK	PORTFOLIO WEIGHT
Russell 3000 Index	35%
MSCI ACWI ex-USA Index	25%
Barclays Capital US Aggregate Bond Index	20%
Barclays Capital Short Treasury Index	20%

The Account Holder must agree with the investment strategy and benchmark proposed by the IA for the Portfolio. Schwab Charitable will review and approve proposed custom benchmarks consistent with these guidelines. Custom benchmarks must be documented in the Investment Advisory Agreement.

If the IA expects performance to deviate significantly from the agreed-upon benchmark due to a change in the long-term Portfolio investment strategy, the IA may propose a revised benchmark. The IA should contact Schwab Charitable as soon as possible upon agreeing with the Account Holder to propose a significant change in Portfolio investment strategy.

## 6. Evaluation of IAs

Schwab Charitable shall review Portfolio composition and performance quarterly, in comparison with the Portfolio’s agreed-upon benchmark. While investments are reviewed quarterly, performance is evaluated over a longer period of time and in the context of the Portfolio investment strategy.

Portfolio performance is expected not to deviate substantially from that of the agreed-upon benchmark for a prolonged period (generally greater than one year). Significant variances to the benchmark will be presented to the Committee. Portfolios with significant variances to the agreed-upon benchmark may be flagged for closer ongoing monitoring. If the Account continues to deviate significantly from its benchmark, the IA will be contacted for an explanation.

In the event of sustained underperformance, the IA will be called upon to explain the underperformance in writing

to the satisfaction of Schwab Charitable. At Schwab Charitable's discretion, the IA may be asked to provide a written plan of action to remedy underperformance. Failure to remedy performance issues over a protracted period may result in termination of the Investment Advisory Agreement.

In addition to performance monitoring, other events may result in closer monitoring of an IA or further action by Schwab Charitable. Such events might include, for example, notice of legal or SEC action involving the IA, its funds or personnel; departure of key personnel; or style drift. IAs shall promptly notify Schwab Charitable of significant events which may impact the IA's ability to perform its responsibilities with respect to a Portfolio. The Committee will be kept apprised of significant events impacting Schwab Charitable IAs.

### 7. Right to Terminate Advisory Agreement

Schwab Charitable or an IA may terminate their Investment Advisory Agreement at any time upon written notice from either party. Schwab Charitable will terminate an agreement if the IA consistently underperforms the benchmark for a given portfolio, fails to abide by these investment guidelines or its Investment Advisory Agreement with Schwab Charitable, assumes excessive risk for the return of a given portfolio, or takes any action that would damage the reputation of Schwab Charitable or impede the ability of Schwab Charitable to fulfill its charitable mission.

### 8. Contributions of Concentrated Positions

The contribution of a security representing greater than 25% of the Portfolio value at the time of the contribution is deemed a concentrated position contribution. Diversified ETFs and mutual funds are not considered concentrated positions.

Concentrated position contributions must be liquidated over time – or sufficient additional contributions of unrelated assets made to the Account – so that the value of the concentrated position represents no more than 50% of the Portfolio value within three years and represents no more than 25% of the Portfolio value within five years. During the period of reallocation, the IA is prohibited from making purchases of the concentrated security for the Account.

Occasionally, an Account Holder may contribute a concentrated position with the intention of liquidating the position to fund grantmaking over a period of a few years, rather than investing the Account for longer term potential growth. If this is the case, and the Account will hold only

the concentrated position and cash while selling down the position and recommending grants, the IA shall notify Schwab Charitable at the time of the contribution and shall comply with the following guidelines:

- 50% of the contributed position must be liquidated within three years and an additional 25% within five years, such that the position is reduced by at least 75% within five years.
- The IA shall waive its fees

Each contribution of a concentrated security will have its own timeline for reallocation.

### 9. Excess Business Holdings and Large Position Contributions

Preapproval is required for the contribution of securities representing greater than 2% ownership of any operating business. In no event may an Account hold an interest in any operating business which, taken together with an Account Holder's personal and/or affiliated holdings in that business, represents 20% or more of the ownership of the business.

Additionally, preapproval is required for any contribution of a single security interest representing greater than 2% of Schwab Charitable's assets.

### 10. Criteria for Private Investment Funds

Schwab Charitable recognizes the importance of private investment funds as part of an overall asset allocation and sets the following criteria for investing in private funds. These criteria are designed to provide for thoughtful oversight, thorough due diligence, and sufficient availability of liquid assets for grantmaking:

- An individual Account must have an asset balance of at least \$10 million in order for the IA to recommend a private investment fund.
- The Account Holder has reviewed, understood, and signed the Addendum to New Account Application for Private Funds.
- IAs who wish to recommend private investment funds must provide evidence that they are qualified and have substantial experience in performing the significantly more complex and time-consuming initial and ongoing due diligence required to select and monitor private investments.

- Before recommending private investment funds, the IA will be required to explain the role of private funds in the Portfolio's investment strategy and to confirm that the Account Holder's planned giving strategy will not be impeded by the type and extent of private fund investments.
- Specific criteria for a private investment fund:
  - Complete set of legal, marketing, subscription, and due diligence documents, including a copy of the IA's research and formal investment recommendation is required.
  - The investment should not produce any Unrelated Business Taxable Income ("UBTI") or should utilize a UBTI blocker strategy. If any UBTI is generated, the Account will be debited for the full amount of the tax liability.
  - The purchase of privately held REITs is prohibited. An exception will generally be available for private investments which offer a REIT vehicle to tax-exempt investors solely for the purpose of blocking UBTI generated by the principal investment vehicle.
  - Hedge funds must utilize a third-party administrator and custodian. If an independent administrator and custodian are not used – as is the case with some private equity funds – then the fund must provide evidence of third-party involvement in or oversight of the asset valuation and shareholder accounting processes.
  - Quarterly valuation updates and investor statements are required. (An exception is available for BVCA/ EVCA-compliant European private equity funds, which may report on a semi-annual basis.)
  - Annual financial statements, audited by a PCAOB-registered firm are required.
- Accounts should limit ownership to less than 2% of any private investment fund which could result in effective ownership of any operating business. In no event may an Account make an investment which, taken together with an Account Holder's personal and/or affiliated holdings, could result in effective ownership of 20% or more of any operating business.
- No private fund investment should exceed 3% of the value of Schwab Charitable's assets.

### 11. Custody

All investments (excluding private investments) must be held in custody at Charles Schwab & Co., Inc.

### 12. Exceptions

Any exceptions to these investment guidelines must be approved in writing by either the President of Schwab Charitable or the Vice President of Investment Oversight & Risk Management or by another delegated officer of Schwab Charitable, and documented in the Investment Advisory Agreement.

Any material exception to the above list of prohibited investments and transactions will be presented to the Investment Oversight Committee.

1 Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization. The Schwab Charitable Fund has entered into service agreements with certain subsidiaries of The Charles Schwab Corporation.

2 "Family members" for this purpose means spouses, ancestors, children, grandchildren, great grandchildren, brothers and sisters, as well as the spouses of children, grandchildren, great grandchildren, brothers, and sisters. An entity is an "affiliate" of a person if it is a corporation at least 35% owned (by voting stock), or a partnership at least 35% owned (by profits interest), or a trust at least 35% owned (by beneficial interest) by such person.

3 Flow-through entities are generally considered non-corporate entities for tax purposes. U.S. law generally requires flow-through entities to file an annual K-1 statement. Flow-through entities include, but are not limited to, master limited partnerships, publicly traded limited partnerships, publicly traded grantor trusts, certain income trusts and limited liability companies.

4 The use of short sales, derivatives and margin trading within diversified mutual funds and private placements is permitted to the extent that it is consistent with the fund's prospectus or private placement memorandum.