

Q&A Regarding Schwab's Money Market Fund Holdings

for select securities as of September 19, 2008

We can state categorically that Schwab money market funds continue to maintain a \$1.00 net asset value. Our funds hold high-quality securities. Our two priorities in managing these funds are to maintain the \$1.00 net asset value and meet the daily liquidity needs of our clients.

Schwab money market funds continue to meet all redemption requests.

Schwab has both taxable and municipal money market funds, and the following questions and answers address both.

Rule 2a-7

Q: What is Rule 2a-7?

A: Rule 2a-7 money market funds invest only in high-quality money market instruments that present minimal credit risk, meet strict diversification requirements, and mature in 13 months or less. The portfolio must maintain a weighted average maturity of 90 days or less. By complying with these strict requirements, money market funds seek to maintain a stable net asset value of \$1.00 per share and provide daily liquidity to investors.

All Schwab money market funds are actively managed to be Rule 2a-7 compliant.

LEH—Lehman Brothers Holdings Inc.

Q: Do Schwab money market funds have exposure to Lehman Brothers?

A: No, the Schwab taxable and municipal money market funds do not have any exposure to Lehman Brothers securities.

AIG—American International Group, Inc.

Q: Do Schwab money market funds have exposure to AIG?

A: No, the Schwab taxable and municipal money market funds do not have any exposure to AIG securities.

WM—Washington Mutual, Inc.

Q: Do Schwab money market funds have any exposure to Washington Mutual?

A: No, Schwab's taxable and municipal money market funds do not have any exposure to Washington Mutual.

MER—Merrill Lynch & Co., Inc.

Q: Do Schwab taxable money market funds have exposure to Merrill Lynch?

A: Yes. Please refer to the table below for details:

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets	Maturity Date
Schwab Value Advantage Money Fund®	SWVXX, SWBXX, SWAXX, SNAXX	Variable Rate Notes	\$75 MM	0.13%	11/14/2008
		Variable Rate Notes	\$150 MM	0.26%	11/17/2008
Schwab Money Market Fund™	SWMXX	Variable Rate Notes	\$100 MM	0.70%	11/14/2008
Schwab Cash Reserves™	SWSXX	Variable Rate Notes	\$50 MM	0.17%	11/17/2008
Schwab Advisor Cash Reserves®	SWQXX, SWZXX	Variable Rate Notes	\$25 MM	0.12%	11/14/2008
		Variable Rate Notes	\$50 MM	0.24%	11/17/2008

Q: Do Schwab municipal money market funds have exposure to Merrill Lynch?

A: Yes. The municipal money market funds own securities called tender option bond (TOB) trusts which have liquidity facilities from Merrill Lynch, permitting the funds to redeem investments upon seven days' notice. TOB trusts are fully backed by high-credit-quality municipal bonds. See the table below for exposures by fund.

The table does not reflect securities that have been sold for which we are awaiting payment.

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets
Schwab Municipal Money Fund™	SWXXX, SWTXX, SWLXX, SWOXX	Tender Option Bonds	\$252.6 MM	1.49%
Schwab AMT Tax-Free Money Fund™	SWFXX, SWWXX	Tender Option Bonds	\$27.34 MM	0.86%
Schwab California Municipal Money Fund	SWCXX, SWKXX	Tender Option Bonds	\$149.61 MM	1.46%
Schwab CA AMT Tax-Free Money Fund™	SNKXX	Tender Option Bonds	\$16.07 MM	3.12%
Schwab NY AMT Tax-Free Money Fund	SWNXX, SWYXX	Tender Option Bonds	\$40.85 MM	1.40%
Schwab New Jersey AMT Tax-Free Money Fund	SWJXX	Tender Option Bonds	\$11.2 MM	1.42%
Schwab Pennsylvania Municipal Money Fund	SWEXX	Tender Option Bonds	\$28.66 MM	5.52%
Schwab Massachusetts AMT Tax-Free Money Fund	SWDXX	Tender Option Bonds	\$6.4 MM	1.31%

MS—Morgan Stanley

Q: Do Schwab taxable money market funds have exposure to Morgan Stanley?

A: Yes. Please refer to the table below for details:

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets	Maturity Date
Schwab Advisor Cash Reserves®	SWQXX, SWZXX	Variable Rate Note	\$20 MM	0.09%	12/2/2008
Schwab Money Market Fund™	SWMXX	Variable Rate Notes	\$240 MM	1.67%	12/2/2008
Schwab Value Advantage Money Fund®	SWVXX, SWBXX, SWAXX, SNAXX	Variable Rate Notes	\$140 MM	0.25%	12/2/2008

Q: Do Schwab municipal money market funds have exposure to Morgan Stanley?

A: Yes. The municipal money market funds own securities called tender option bond (TOB) trusts which have liquidity facilities from Morgan Stanley, permitting the funds to redeem their investments upon seven days' notice. TOB trusts are fully backed by high-credit-quality municipal bonds. See the table below for exposures by fund.

The table does not reflect securities that have been sold for which we are awaiting payment.

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets
Schwab Municipal Money Fund™	SWXXX, SWTXX, SWLXX, SWOXX	Tender Option Bonds	\$243.11 MM	1.44%
Schwab AMT Tax-Free Money Fund™	SWFXX, SWWXX	Tender Option Bonds	\$27.92 MM	0.88%
Schwab California Municipal Money Fund	SWCXX, SWKXX	Tender Option Bonds	\$268.41 MM	2.62%
Schwab CA AMT Tax-Free Money Fund™	SNKXX	Tender Option Bonds	\$10.17 MM	1.97%
Schwab NY AMT Tax-Free Money Fund	SWNXX, SWYXX	Tender Option Bonds	\$41.51 MM	1.42%
Schwab New Jersey AMT Tax-Free Money Fund	SWJXX	Tender Option Bonds	\$21.31 MM	2.71%
Schwab Pennsylvania Municipal Money Fund	SWEXX	Tender Option Bonds	\$19.78 MM	3.81%
Schwab Massachusetts AMT Tax-Free Money Fund	SWDXX	Tender Option Bonds	\$13 MM	2.68%

GS—Goldman Sachs

Q: Do Schwab taxable money market funds have exposure to Goldman Sachs?

A: No, Schwab taxable money market funds have no exposure to Goldman Sachs.

Q: Do Schwab municipal money market funds have exposure to Goldman Sachs?

A: Yes. The municipal money market funds own securities called tender option bond (TOB) trusts which have liquidity facilities from Goldman Sachs, permitting the funds to redeem their investments upon seven days' notice. TOB trusts are fully backed by high-credit-quality municipal bonds. See the table below for exposures by fund.

The table does not reflect securities that have been sold for which we are awaiting payment.

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets
Schwab Municipal Money Fund™	SWXXX, SWTXX, SWLXX, SWOXX	Tender Option Bonds	\$192.2 MM	1.14%
Schwab AMT Tax-Free Money Fund™	SWFXX, SWWXX	Tender Option Bonds	\$44.8 MM	1.41%
Schwab California Municipal Money Fund	SWCXX, SWKXX	Tender Option Bonds	\$64.3 MM	0.63%
Schwab CA AMT Tax-Free Money Fund™	SNKXX	Tender Option Bonds	\$16 MM	3.12%
Schwab NY AMT Tax-Free Money Fund	SWNXX, SWYXX	Tender Option Bonds	\$24 MM	0.83%
Schwab Pennsylvania Municipal Money Fund	SWEXX	Tender Option Bonds	\$11.8 MM	2.28%
Schwab Massachusetts AMT Tax-Free Money Fund	SWDXX	Tender Option Bonds	\$21 MM	4.30%

WB—Wachovia

Q: Do Schwab taxable money market funds have exposure to Wachovia?

A: Yes. Please refer to the table below for details:

Variable Rate Notes are issued by Wachovia Bank.

Commercial Paper is issued by Variable Funding Capital Corporation, which is fully supported by Wachovia.

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets	Maturity Date
Schwab Value Advantage Money Fund®	SWVXX, SWBXX, SWAXX, SNAXX	Variable Rate Note	\$100 MM	0.18%	11/25/2008
		Commercial Paper	\$115 MM	0.20%	9/25/2008
		Commercial Paper	\$279 MM	0.49%	9/29/2008
		Commercial Paper	\$125 MM	0.22%	9/30/2008
Schwab Money Market Fund™	SWMXX	Variable Rate Notes	\$50 MM	0.35%	9/29/2008
		Commercial Paper	\$30 MM	0.21%	9/30/2008

WB—Wachovia

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Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets	Maturity Date
Schwab Cash Reserves™	SWSXX	Variable Rate Note	\$31 MM	0.11%	11/25/2008
		Commercial Paper	\$65 MM	0.22%	9/24/2008
		Commercial Paper	\$29 MM	0.10%	9/29/2008
		Commercial Paper	\$160 MM	0.55%	9/30/2008
Schwab Advisor Cash Reserves®	SWQXX, SWZXX	Variable Rate Notes	\$35 MM	0.17%	11/25/2008
Schwab Retirement Advantage Money Fund®	SWIXX	Variable Rate Notes	\$10 MM	1.13%	11/25/2008
Schwab Investor Money Fund®	SW2XX	Variable Rate Notes	\$15 MM	0.63%	11/25/2008
U.S. Liquid Dollar Asset Fund	USD2Z	Variable Rate Notes	\$9 MM	0.83%	11/25/2008

Q: Do Schwab municipal money market funds have exposure to Wachovia?

A: Yes. The municipal money market funds own three types of securities supported by Wachovia Bank: commercial paper and variable rate demand obligations (VRDOs), issued by state or local agencies, as well as tender option bonds (TOBs), fully backed by high-credit-quality municipal bonds. Wachovia provides credit support and/or liquidity for each of these securities. Both TOBs and VRDOs have liquidity facilities from Wachovia, permitting the funds to redeem their investments upon seven days' notice. See the table below for exposures by fund.

The table does not reflect securities that have been sold for which we are awaiting payment.

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets
Schwab Municipal Money Fund™	SWXXX SWTXX SWLXX SWOXX	Commercial Paper	\$123.8 MM	0.73%
		Tender Option Bonds	\$323.6 MM	1.61%
		Variable Rate Demand Notes	\$306.4 MM	1.81%
Schwab AMT Tax-Free Money Fund™	SWFXX, SWWXX	Tender Option Bonds	\$51.67 MM	1.63%
		Variable Rate Demand Notes	\$7 MM	0.22%
Schwab California Municipal Money Fund	SWCXX SWKXX	Tender Option Bonds	\$91.4 MM	0.89%
		Variable Rate Demand Notes	\$19.9 MM	0.19%
Schwab CA AMT Tax-Free Money Fund™	SNKXX	Tender Option Bonds	\$5 MM	0.97%
Schwab NY AMT Tax-Free Money Fund	SWNXX, SWYXX	Variable Rate Demand Notes	\$28.5 MM	0.98%
		Tender Option Bond	\$42.6 MM	1.46%

WB—Wachovia
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Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets
Schwab New Jersey AMT Tax-Free Money Fund	SWJXXX	Variable Rate Demand Notes	\$62.6 MM	7.96%
Schwab Pennsylvania Money Fund	SWEXX	Tender Option Bonds	\$10 MM	1.93%
		Variable Rate Demand Notes	\$16.14 MM	3.11%
Schwab Massachusetts AMT Tax-Free Money Fund	SWDXX	Tender Option Bonds	\$7.8 MM	1.60%

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 1-800-435-4000. Please read the prospectus carefully before investing.

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