

Q&A Regarding Schwab's Money Market Fund Holdings

in Lehman Brothers, AIG, Washington Mutual, and Merrill Lynch securities
as of September 16, 2008

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

We have not delayed redemptions or otherwise restricted withdrawals from any of the funds.

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

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 taxable money market funds have exposure to AIG?

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

Q: Do any of Schwab's municipal money market funds have exposure to AIG?

A: The Schwab Municipal Money Market Fund owned a trace amount (0.0003% of assets) in a security supported by AIG, which it sold on 9/15/08; and we expect to be paid on 9/22/08.

WM—Washington Mutual

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	Par Amount	% Fund Net Asset	Maturity
Schwab Value Advantage Money Fund	SWVXX, SWBXX, SWAXX, SNAXX	Variable Rate Notes	\$75 MM	0.12%	11/14/2008
		Variable Rate Notes	\$150 MM	0.25%	11/17/2008
Schwab Money Market Fund	SWMXX	Variable Rate Notes	\$100 MM	0.60%	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	0.10%	11/14/2008
		Variable Rate Notes	\$50 MM	0.21%	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 which permit the funds to redeem their investments upon 7 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. We expect the funds to receive payment for these securities by 9/23/08.

Fund Name	Symbol(s)	Security Type	Par Amount	% of Fund Net Assets
Schwab National Municipal Money Fund	SWXXX, SWTXX, SWLXX, SWOXX	Tender Option Bonds	\$289.5 MM	1.60%
Schwab AMT Tax-Free Money Fund	SWFXX, SWWXX	Tender Option Bonds	\$58.13 MM	1.71%
Schwab California Municipal Money Fund	SWCXX, SWKXX	Tender Option Bonds	\$149.61 MM	1.39%
Schwab CA AMT Tax-Free Money Fund	SNKXX	Tender Option Bonds	\$16.07 MM	3.02%
Schwab NY AMT Tax-Free Money Fund	SWNXX, SWYXX	Tender Option Bonds	\$40.85 MM	1.30%
Schwab New Jersey AMT Tax-Free Money Fund	SWJXX	Tender Option Bonds	\$13.6 MM	1.66%
Schwab Pennsylvania Municipal Money Fund	SWEXX	Tender Option Bonds	\$28.66 MM	5.27%
Schwab Massachusetts AMT Tax-Free Money Fund	SWDXX	Tender Option Bonds	\$6.4 MM	1.19%

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 800-435-4000. Please read the prospectus carefully before investing.