

2010 Supplementary Tax Information

The enclosed information may be useful in the preparation of your federal, state, and/or city tax returns.

- U.S. Government Obligations Information
- Federal Alternative Minimum Tax (AMT) Information
- Percentage of Income Earned by State and U.S. Territory

U.S. Government Obligations Information

In most states, fund dividends derived from U.S. government obligations are exempt from state income taxes. A portion of the dividend income paid by certain funds qualifies for this exemption. This percentage is shown below. To calculate the amount of income earned from U.S. government obligations, multiply the percentage by the ordinary dividends (excluding any short-term capital gain distributions) you received from the fund during the 2010 calendar year. Shareholders in CA, CT and NY should note that only the funds denoted with an asterisk (*) meet the minimum investment requirements of these states to permit the “pass-through” of exempt income.

	U.S. Government Obligation %
Schwab Money Market Fund™	4.57%
Schwab Government Money Fund™	30.56%
Schwab U.S. Treasury Money Fund™*	86.82%
Schwab Value Advantage Money Fund® ¹	6.05%
Schwab Advisor Cash Reserves™ ¹	4.95%
Schwab Cash Reserves™	6.25%
Schwab Short-Term Bond Market Fund™	39.92%
Schwab Total Bond Market Fund™	19.84%
Schwab YieldPlus Fund®	43.77%
Schwab GNMA Fund™	0.00%
Schwab Inflation Protected Fund™*	99.90%
Schwab Premier Income Fund	10.24%
Schwab Monthly Income Fund—Moderate Payout	9.29%
Schwab Monthly Income Fund—Enhanced Payout	11.40%
Schwab Monthly Income Fund—Maximum Payout	13.22%
Schwab MarketTrack Growth Portfolio™	21.39%
Schwab MarketTrack Balanced Portfolio™	21.42%
Schwab MarketTrack Conservative Portfolio™	21.46%
Schwab Balanced Fund™	21.41%
Schwab Investor Money Fund®	6.36%
Schwab Target 2010 Fund	21.18%
Schwab Target 2015 Fund	21.88%
Schwab Target 2020 Fund	19.26%
Schwab Target 2025 Fund	18.58%
Schwab Target 2030 Fund	15.36%
Schwab Target 2035 Fund	13.60%
Schwab Target 2040 Fund	9.93%
Schwab U.S. TIPS ETF™*	99.97%
Schwab Short-Term U.S. Treasury ETF™*	99.90%
Schwab Intermediate-Term U.S. Treasury ETF™*	99.95%

¹ Percentages apply to all share classes.

Percentage of Income Earned by State and U.S. Territory

Most states do not impose income tax on interest income derived from their own municipal obligations. The following table shows the percentage of income paid by each fund on a state-by-state basis. To calculate the amount of income attributable to a particular state or territory, you should multiply Form 1099-INT Box 8 total tax-exempt income you received in 2010 from a particular fund by the appropriate percentage below. Shareholders who are residents of CA, CT and MN should note that investment thresholds and income limitations may prevent the “pass-through” of state-exempt income.

	Schwab Municipal Money Fund ¹ (%)	Schwab AMT Tax-Free Money Fund ¹ (%)	Schwab Tax-Free Bond Fund ¹ (%)	Schwab Tax-Free YieldPlus Fund ¹ (%)
Alabama	1.29	2.31	0.31	0.00
Alaska	0.51	0.07	0.04	0.94
Arizona	1.24	0.77	3.75	13.15
Arkansas	0.14	0.03	0.01	0.00
California	10.78	8.67	18.77	8.24
Colorado	2.22	2.50	0.53	3.06
Connecticut	0.04	0.11	0.12	0.00
Delaware	0.11	0.08	0.00	0.05
District of Columbia	3.68	1.88	2.52	0.33
Florida	6.52	6.04	9.11	1.99
Georgia	2.06	2.26	1.95	0.19
Hawaii	0.26	0.25	0.23	0.01
Idaho	0.30	0.24	0.19	0.00
Illinois	4.40	11.70	3.21	1.77
Indiana	1.32	2.09	1.68	2.32
Iowa	0.59	0.75	0.80	0.00
Kansas	0.12	0.00	0.99	4.22
Kentucky	1.04	1.91	1.52	0.00
Louisiana	1.73	0.78	1.93	5.60
Maine	0.04	0.20	0.00	0.00
Maryland	0.92	0.98	0.46	0.00
Massachusetts	2.51	3.09	4.65	6.01
Michigan	2.12	2.92	4.84	0.65
Minnesota	2.42	0.31	0.59	0.00
Mississippi	0.45	1.09	0.00	0.00
Missouri	1.72	1.31	1.99	4.78
Montana	0.01	0.04	0.00	0.00
Nebraska	0.54	0.58	0.06	0.08
Nevada	2.01	2.49	2.04	0.00
New Hampshire	0.40	0.38	1.40	0.00
New Jersey	1.72	2.96	2.73	9.90
New Mexico	0.53	0.10	1.07	0.00
New York	10.88	9.37	6.90	3.25
North Carolina	1.48	0.72	1.24	0.04
North Dakota	0.30	0.17	0.00	0.00
Ohio	1.65	4.34	1.48	0.00
Oklahoma	0.22	0.11	1.08	16.85
Oregon	0.82	0.79	0.63	0.00
Pennsylvania	2.77	4.07	2.83	2.04
Puerto Rico	0.02	0.09	1.36	0.42
Rhode Island	0.13	0.00	0.01	0.00
South Carolina	1.41	1.59	0.95	0.00
South Dakota	0.74	0.27	0.49	0.00
Tennessee	3.64	4.13	0.34	0.38
Texas	11.44	9.26	8.39	1.78
Utah	1.23	0.54	0.48	3.80
Vermont	0.23	0.23	0.00	0.00
Virginia	1.84	1.30	2.14	1.64
Virgin Islands	0.00	0.00	0.00	0.00
Washington	3.70	1.60	2.02	6.50
West Virginia	0.88	0.32	0.00	0.00
Wisconsin	2.09	2.20	2.17	0.00
Wyoming	0.82	0.01	0.00	0.00
Total	100.00	100.00	100.00	100.00

Percentage of Income Subject to the Federal Alternative Minimum Tax (AMT)

Depending on your individual tax situation, you may be required to file IRS Form 6251, Alternative Minimum Tax—Individuals. Please refer to box 9 on your Form 1099-INT from Charles Schwab & Co., Inc. for the amount of tax-exempt interest dividends you earned that should be included on IRS Form 6251, if any. For more information about AMT-free products including national and state-specific money funds and ultra-short term bond funds, please visit www.schwab.com.

¹ Percentages apply to all share classes.