

## Schwab Funds® 2009 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, mutual fund dividends derived from U.S. government obligations are exempt from state income taxes. A portion of the dividend income paid by the Schwab Funds® listed below qualifies for this exemption. This percentage is shown below. To calculate the amount of income earned from U.S. government obligations, you should multiply the percentage by the ordinary dividends (excluding any short-term capital gain distributions) you received from the fund during the 2009 calendar year.

Shareholders who are residents of California, Connecticut, and New York should note that only the Schwab U.S. Treasury Money Fund™ and the Schwab Inflation Protected Fund™ meet the minimum investment requirements imposed by these states to permit the “pass-through” of this exempt income.

	U.S. Government Obligation %
Schwab Money Market Fund™	6.03%
Schwab Government Money Fund™	48.32%
Schwab U.S. Treasury Money Fund™	85.56%
Schwab Value Advantage Money Fund®*	6.02%
Schwab Investor Money Fund®*	4.86%
Schwab Advisor Cash Reserves™*	7.52%
Schwab Cash Reserves™	7.93%
Schwab Short-Term Bond Market Fund™	34.27%
Schwab Total Bond Market Fund™	18.38%
Schwab YieldPlus Fund®*	17.96%
Schwab GNMA Fund™*	0.00%
Schwab Inflation Protected Fund™*	98.66%
Schwab Premier Income Fund*	4.12%
Schwab Monthly Income Fund—Moderate Payout	9.66%
Schwab Monthly Income Fund—Enhanced Payout	10.05%
Schwab Monthly Income Fund—Maximum Payout	10.95%
Schwab MarketTrack Growth Portfolio™	8.70%
Schwab MarketTrack Balanced Portfolio™	14.17%
Schwab MarketTrack Conservative Portfolio™	18.95%
Schwab Balanced Fund™	20.60%
Schwab Target 2010 Fund	14.52%
Schwab Target 2015 Fund	13.45%
Schwab Target 2020 Fund	11.82%
Schwab Target 2025 Fund	10.83%
Schwab Target 2030 Fund	9.82%
Schwab Target 2035 Fund	8.20%
Schwab Target 2040 Fund	6.51%

\*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 the total tax-exempt distribution you received in 2009 from a particular fund by the appropriate percentage below.

	Schwab Municipal Money Fund™** (%)	Schwab AMT Tax- Free Money Fund™** (%)	Schwab Tax-Free Bond Fund™ (%)	Schwab Tax-Free YieldPlus Fund™ (%)
Alabama	1.60	1.56	1.29	8.24
Alaska	0.35	0.11	0.00	0.00
Arizona	0.70	1.00	6.25	6.97
Arkansas	0.12	0.10	0.00	0.00
California	8.78	3.59	13.48	5.44
Colorado	1.92	2.36	1.42	0.87
Connecticut	0.17	0.13	0.10	0.00
Delaware	0.11	0.19	0.00	0.00
District of Columbia	1.86	0.93	4.05	0.06
Florida	7.16	8.47	6.99	2.87
Georgia	2.61	3.12	2.19	2.01
Hawaii	0.31	0.38	0.00	0.00
Idaho	0.29	0.36	0.00	0.00
Illinois	6.00	9.45	1.86	0.18
Indiana	2.31	6.56	3.49	1.16
Iowa	0.53	0.23	0.60	2.97
Kansas	0.14	1.10	0.36	1.37
Kentucky	2.03	1.47	1.63	0.01
Louisiana	2.16	0.80	0.88	0.48
Maine	0.53	0.01	0.00	0.01
Maryland	0.85	1.79	0.18	0.18
Massachusetts	3.08	3.34	3.61	13.58
Michigan	4.23	4.36	3.86	2.73
Minnesota	0.97	0.73	1.35	0.00
Mississippi	0.42	1.57	0.00	7.12
Missouri	1.67	1.67	1.78	0.27
Montana	0.06	0.32	0.00	0.00
Nebraska	0.56	0.66	0.01	0.00
Nevada	2.46	1.88	4.48	5.92
New Hampshire	0.41	0.48	2.20	0.00
New Jersey	0.94	1.79	4.01	8.72
New Mexico	0.12	0.02	1.57	0.00
New York	7.48	7.16	5.00	6.24
North Carolina	1.80	1.00	1.33	0.53
North Dakota	0.16	0.01	0.01	0.00
Ohio	3.56	6.44	1.81	0.81
Oklahoma	0.14	0.15	1.03	7.42
Oregon	0.73	0.28	1.42	0.22
Pennsylvania	4.28	4.42	2.02	6.40
Puerto Rico	0.00	0.36	0.71	1.83
Rhode Island	0.11	0.00	0.02	0.00
South Carolina	1.69	1.35	0.94	0.00
South Dakota	0.75	0.03	0.16	0.00
Tennessee	2.28	2.63	0.63	0.15
Texas	11.01	8.00	7.89	1.49
Utah	0.97	0.45	0.05	1.23
Vermont	0.56	0.01	0.20	0.00
Virginia	1.82	1.83	1.35	0.00
Virgin Islands	0.00	0.00	0.00	0.00
Washington	4.29	2.21	6.48	2.51
West Virginia	0.42	0.26	0.00	0.00
Wisconsin	2.27	2.74	1.30	0.00
Wyoming	0.23	0.14	0.00	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## 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](http://www.schwab.com).

\*Percentages apply to all share classes.