

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1995-06-13**  
SEC Accession No. **0000950149-95-000358**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### **SCHWAB CHARLES FAMILY OF FUNDS**

CIK: **857156** | State of Incorporation: **MA** | Fiscal Year End: **1231**  
Type: **497** | Act: **33** | File No.: **033-31894** | Film No.: **95546735**

Mailing Address  
101 MONTGOMERY ST  
SAN FRANCISCO CA 94104

Business Address  
101 MONTGOMERY ST  
SAN FRANCISCO CA 94104  
4156277000

STATEMENT OF ADDITIONAL INFORMATION

THE CHARLES SCHWAB FAMILY OF FUNDS  
101 Montgomery Street, San Francisco, CA 94104

THE SCHWAB MONEY FUNDS:

- SCHWAB MONEY MARKET FUND
- SCHWAB GOVERNMENT MONEY FUND
- SCHWAB U.S. TREASURY MONEY FUND
- SCHWAB TAX-EXEMPT MONEY FUND--SWEEP SHARES
- SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND--SWEEP SHARES
- SCHWAB RETIREMENT MONEY FUND(TM)
- SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)
- SCHWAB NEW YORK TAX-EXEMPT MONEY FUND--SWEEP SHARES

APRIL 6, 1995, AS AMENDED JUNE 13, 1995

This Statement of Additional Information is not a prospectus. It should be read in conjunction with the Prospectuses, which may be amended from time to time, dated June 6, 1995 for Schwab Money Market Fund, Schwab Government Money Fund, Schwab U.S. Treasury Money Fund, Schwab Tax-Exempt Money Fund, Schwab California Tax-Exempt Money Fund and for the Schwab New York Tax-Exempt Money Fund and the Prospectus dated April 6, 1995 for the Schwab Retirement Money Fund and Schwab Institutional Advantage Money Fund, (each a "Fund" and collectively, the "Funds"), eight separately managed investment portfolios of The Charles Schwab Family of Funds (the "Trust"). With respect to the Schwab Tax-Exempt Money Fund, Schwab California Tax-Exempt Money Fund and Schwab New York Tax-Exempt Money Fund, each of which is offered in two classes of shares, this Statement of Additional Information relates to the Sweep Shares of each of those Funds. As of the date of this Statement of Additional Information, the Value Advantage Shares of the Schwab California Tax-Exempt Money Fund are not being offered to the public. Prior to June 6, 1995, the Schwab Tax-Exempt Money Fund, Schwab California Tax-Exempt Money Fund and Schwab New-York Tax-Exempt Money Fund were not offered in multiple classes of shares. The existing shares of those Funds are redesignated as Sweep Shares. The other Funds listed above are not offered in multiple classes of shares. To obtain a copy of one or more of the above-referenced Prospectuses, please contact Charles Schwab & Co., Inc. ("Schwab") at 800-2 NO-LOAD (800-266-5623), 24 hours a day or 101 Montgomery Street, San Francisco, CA 94104.

SCHWABFunds (R)  
800-2 NO-LOAD (800-266-5623)

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

	Page
	----
<S>	<C>
MUNICIPAL SECURITIES . . . . .	2
INVESTMENT RESTRICTIONS . . . . .	8
MANAGEMENT OF THE TRUST . . . . .	14
PORTFOLIO TRANSACTIONS AND TURNOVER . . . . .	19
DISTRIBUTIONS AND TAXES . . . . .	20
SHARE PRICE CALCULATION . . . . .	25
YIELD . . . . .	25
GENERAL INFORMATION . . . . .	28
PURCHASE AND REDEMPTION OF SHARES . . . . .	29
OTHER INFORMATION . . . . .	30
FINANCIAL INFORMATION . . . . .	31
APPENDIX - RATINGS OF INVESTMENT SECURITIES . . . . .	129

</TABLE>

MUNICIPAL SECURITIES

"Municipal Securities" are debt securities issued by a state, its

political subdivisions, agencies, authorities and corporations. Municipal Securities issued by or on behalf of the State of California, its subdivisions, agencies or authorities are referred to herein as "California Municipal Securities." Municipal Securities issued by or on behalf of the State of New York, its subdivisions, agencies or instrumentalities are referred to herein as "New York Municipal Securities."

Municipal Securities that the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund may purchase include, without limitation, debt obligations issued to obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works. Other public purposes for which Municipal Securities may be issued include refunding outstanding obligations, obtaining funds for general operating expenses and obtaining funds to loan to other public institutions and facilities.

Municipal Securities include securities issued to finance various private activities, including certain types of private activity bonds ("industrial development bonds" under prior law). These securities may be issued by or on behalf of public authorities to obtain funds to provide certain privately owned or operated facilities. The Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund may not be desirable investments for "substantial users" of facilities financed by private activity bonds or industrial development bonds or for "related persons" of substantial users for whom dividends attributable to interest on such bonds may not be tax-exempt. Shareholders should consult their own tax advisers regarding the potential effect on them (if any) of any investment in these Funds.

Municipal Securities generally are classified as "general obligation" or "revenue." General obligation bonds are secured by the issuer's pledge of its full credit and taxing power for the payment of principal and interest. Revenue bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source. Private activity bonds and industrial development bonds that are Municipal Securities are in most cases revenue bonds and generally do not constitute the pledge of the credit of the issuer of such bonds.

Examples of Municipal Securities that are issued with original maturities of one year or less are short-term tax anticipation notes, bond anticipation notes, revenue anticipation notes, construction loan notes, pre-refunded municipal bonds and tax-free commercial paper. Tax anticipation notes typically are sold to finance working capital needs of municipalities in anticipation of receiving property taxes on a future date. Bond anticipation notes are sold on an interim basis in anticipation of a municipality issuing a longer term bond in the future. Revenue anticipation notes are issued in expectation of receipt of other types of revenue such as those available under the Federal Revenue Sharing Program. Construction loan notes are instruments insured by the Federal Housing Administration with permanent financing by "Fannie Mae" (the Federal National Mortgage Association) or "Ginnie Mae" (the Government National Mortgage Association) at the end of the project construction period. Pre-

2

3

refunded municipal bonds are bonds that are not yet refundable, but for which securities have been placed in escrow to refund an original municipal bond issue when it becomes refundable. Tax-free commercial paper is an unsecured promissory obligation issued or guaranteed by a municipal issuer. The Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund may purchase other Municipal Securities similar to the foregoing, which are or may become available, including securities issued to pre-refund other outstanding obligations of municipal issuers.

The federal bankruptcy statutes relating to the adjustments of debts

of political subdivisions and authorities of states of the United States provide that, in certain circumstances, such subdivisions or authorities may be authorized to initiate bankruptcy proceedings without prior notice to or consent of creditors, which proceedings could result in material adverse changes in the rights of holders of obligations issued by such subdivisions or authorities.

Litigation challenging the validity under the state constitutions of present systems of financing public education has been initiated or adjudicated in a number of states, and legislation has been introduced to effect changes in public school finances in some states. In other instances there has been litigation challenging the issuance of pollution control revenue bonds or the validity of their issuance under state or federal law which ultimately could affect the validity of those Municipal Securities or the tax-free nature of the interest thereon.

#### RISK FACTORS

The Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund's concentration in securities issued by a single state and its political subdivisions provides a greater level of risk than does a fund that is diversified across numerous states and municipal entities. The ability of a single state and its municipalities to meet their obligations will depend on the availability of tax and other revenues, economic, political, and demographic conditions within the state, and the underlying fiscal condition of the state and its municipalities.

#### CALIFORNIA MUNICIPAL SECURITIES

In addition to general economic pressures which affect the State of California's ability to raise revenues to meet its financial obligations, certain California constitutional amendments, legislative measures, executive orders, administrative regulations and voter initiatives could also result in the adverse effects described below. The following information constitutes only a brief summary, does not purport to be a complete description and is based on information drawn from official statements and prospectuses relating to securities offerings of the State of California that have come to the attention of the Trust and were available prior to the date of this Statement of Additional Information. The accuracy and completeness of the information contained in such official statements and prospectuses has not been independently verified by the Trust.

As used in this section, "California Municipal Securities" includes not only issues which are secured by a direct payment obligation of the State, but also obligations of issuers that rely in whole or in part on State revenues for payment of their obligations. A portion of the State's General Fund surplus is distributed to counties, cities and their various taxing entities; whether and to what extent a portion of the State's General Fund will be distributed in the future to them is unclear.

3

4

Overview. From mid-1990 to late 1993, the State suffered a recession with the worst economic, fiscal and budget conditions since the 1930's. Construction, manufacturing (especially aerospace), exports and financial services, among others, all have been severely affected. Job losses were the worst of any post-war recession.

The recession seriously affected State tax revenues and caused an increase in expenditures for health and welfare programs. As a result, the State has experienced recurring budget deficits. The State Controller reports that expenditures exceeded revenues for four of the five fiscal years ending with 1991-92. Revenues and expenditures were essentially equal in 1992-93. The State General Fund ended the 1993-94 fiscal year with an estimated accumulated deficit of about \$1.8 billion. A further consequence of the large budget imbalances has been that the State depleted its available cash resources and has had to use a series of external borrowings to meet its cash needs.

As a result of the deterioration in the State's budget and cash

situation, the State's credit ratings have been reduced. Since October, 1992, all three major nationally recognized statistical rating organizations have lowered the State's general obligation bond rating from the highest ranking of "AAA" to "A" by Standard and Poor's Corporation, "A1" by Moody's Investors Service, Inc. and "A" by Fitch Investors Service, Inc.

State Appropriations Limit. Subject to certain exceptions, the State is subject to an annual appropriations limit imposed by Article XIII B of the State Constitution on "proceeds of taxes." Various expenditures, including but not limited to debt service on certain bonds and appropriations for qualified capital outlay projects, are not included in the appropriations limits.

#### 1994-95 FISCAL YEAR

Revenues. The 1994-95 Budget Act projected General Fund revenues and transfers in 1994-95 of \$41.9 billion, or about \$2.1 billion more than 1993-94, as revised. This projection includes the receipt of approximately \$360 million in new federal aid to reimburse the State for certain costs related to undocumented foreign immigrants. The State's initial analysis of the federal 1995 fiscal year budget indicates that about \$98 million was appropriated to the State for certain of those costs, but that only about \$33 million of that amount will be received by the State during its 1994-95 fiscal year, with the remainder to be received in its 1995-96 fiscal year. The 1994-95 Budget Act also projected Special Fund revenues of \$12.1 billion, a decrease of 2.4 percent from 1993-94.

Expenditures. The 1994-95 Budget Act projected General Fund expenditures of \$40.9 billion (a 1.6 percent increase from projected 1993-94 expenditures), in order to keep a balanced budget which pays off the accumulated deficit, within available revenues. The 1994-95 Budget Act also projected Special Fund expenditures of \$12.3 billion, a 4.7 percent decrease from 1993-94. The 1994-95 Budget Act balanced the budget with a number of major adjustments, including the receipt of about \$1.1 billion in health and welfare costs, and an increase of about \$526 million in Proposition 98 General Fund support for K-14 schools.

Cash resources at the beginning of the 1994-95 fiscal year were insufficient to meet all obligations without external borrowing, such as occurred in 1992. The 1994-95 Budget Act assumed that the State would use a cash flow borrowing program in 1994-95 which combined one-year notes and two-year warrants, which have now been issued. Issuance of the warrants allows the State to defer repayment of about \$1 billion of its accumulated budget deficit into the

4

5

1995-96 fiscal year. Additional legislation was passed with the 1994-95 Budget Act designed to ensure that the warrants will be repaid in the 1995-96 fiscal year.

The 1995-96 Governor's proposed Budget contains a reforecast of revenues and expenditures for the 1994-95 fiscal year. The reforecast estimates that General Fund revenues and transfers will increase from the 1994-95 Budget Act estimate of \$41.9 billion to over \$42.3 billion, but also estimates that General Fund expenditures will increase to \$41.7 billion from the 1994-95 Budget Act estimate of \$40.9 billion.

#### 1995-96 FISCAL YEAR

Revenues. The Governor's proposed budget for 1995-96 estimates General Fund revenues and transfers of \$42.5 billion, a slight increase over 1994-95, as revised. This slight increase reflects a proposal to shift to the counties greater responsibility for welfare and social services (including a transfer of about \$1 billion in State revenues to counties) and the first year of a proposal to cut personal and corporate income tax rates by 15 percent. Without these two proposals, General Fund revenues and transfers would be projected at approximately \$43.8 billion. Special Fund revenues are estimated at \$13.5 billion, an increase of 10.7 percent from 1994-95 revenues.

Expenditures. The Governor's proposed Budget for 1995-96 estimates General Fund expenditures of \$41.7 billion. Special Fund expenditures are estimated at \$13.8 billion, an increase of 12.2 percent from 1994-95. The proposed budget projects that the General Fund will end the 1995-96 fiscal year with a slight surplus, and that all of the accumulated budget deficits will have been repaid. A report issued in February 1995 by the California Legislative Analyst, however, notes that the Governor's proposed Budget for 1995-96 is subject to a number of major risks, including receipt of expected federal immigration aid and other federal actions that would allow State health and welfare cuts.

The foregoing discussions of the 1994-95 Budget and the proposed 1995-96 Budget are based upon the Budget Act for 1994-95 and the Governor's proposed 1995-96 Budget, respectively, and should not be construed as a statement of fact. The assumptions used to construct a budget, which include estimates and projections of revenues and expenditures, may be affected by numerous factors, including future economic conditions in the State and the nation. There can be no assurances that any estimates will be achieved.

#### ISSUES AFFECTING LOCAL GOVERNMENTS AND SPECIAL DISTRICTS

Proposition 13. Certain California Municipal Securities may be obligations of issuers that rely in whole or in part on ad valorem real property taxes as a source of revenue. In 1978, California voters approved Proposition 13, which limits ad valorem taxes on real property and restricts the ability of taxing entities to increase property tax revenues.

With certain exceptions, the maximum ad valorem tax on real property is limited to 1% of the full cash value to be collected by the counties and apportioned according to law. One exception is for debt service on bonded indebtedness if approved by two-thirds of the votes cast by voters voting on the proposition. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or reduced in the event of declining property value caused by substantial damage, destruction or other factors or adjusted when there is a "change in ownership " or "new

5

6

construction".

The State, in response to the significant reduction in local property tax revenues as a result of the passage of Proposition 13, enacted legislation to provide local government with increased expenditures from the General Fund. This post- proposition 13 fiscal relief has ended.

Proposition 62. This initiative, approved by voters in 1986, placed further restrictions on the ability of local governments to raise taxes and allocate approved tax receipts. Several recent decisions of the California Courts of Appeal have held that parts of Proposition 62 are unconstitutional, however.

Propositions 98 and 111. These initiatives changed the State appropriations limit and State funding of public education below the university level by guaranteeing K-14 schools a minimum share of General Fund revenues. The initiatives require that the State establish a prudent state reserve fund for public education.

Appropriations Limit. Local governmental bodies are also subject to annual appropriations limits. If a local government's revenues in any year exceed the amount permitted to be spent, the excess must be returned to the public through a revision of tax rates or fee schedules over the subsequent two years.

Conclusion. The effect of these constitutional and statutory changes and of budget developments on the ability of California issuers to pay interest and principal on their obligations remains unclear, and may depend on whether a

particular bond is a general obligation or limited obligation bond (limited obligation bonds being generally less affected). There is no assurance that any California issuer will make full or timely payments of principal or interest or remain solvent. For example, in December 1994, Orange County filed for bankruptcy. The California Tax-Exempt Money Fund's concentration in California municipal securities provides a greater level of risk than a fund that is diversified across numerous states and municipal entities.

#### ADDITIONAL ISSUES

**Mortgages and Deeds of Trust.** The California Tax-Exempt Money Fund may invest in issues which are secured in whole or in part by a mortgage or deed of trust on real property. California law limits the remedies of a creditor secured by a mortgage or deed of trust, which may result in delays in the flow of revenues to an issuer.

**Lease Financings.** Some local governments and districts finance certain activities through lease arrangements. It is uncertain whether such lease financings are debt that require voter approval.

**Seismic Risk.** It is impossible to predict the time, magnitude or location of a major earthquake or its effect on the California economy. In January 1994, a major earthquake struck Los Angeles, causing significant damage to structures and facilities in a four county area. The possibility exists that another such earthquake could create a major dislocation of the California economy.

#### NEW YORK MUNICIPAL SECURITIES

The State of New York has experienced fiscal problems for several years as a result of negligible growth, increased human service needs and the lingering recession that hit the State harder than others. Though the State enjoyed good growth throughout the early to mid-1980's, unemployment has risen drastically and over 250,000 jobs have been lost in the past four years. The State's economy is highly developed

6

7

with a large emphasis in service, trade, financial services, and real estate. While very diverse, extensive job losses in each of these areas has placed a burden on the State to maintain employment, company development and a stable tax base.

As reflected in its financial results, the State has a large accumulated deficit. The overall wealth of the State's population as reflected by the per capita income offers a positive credit enhancement and is among the highest in the nation. The debt per capita, though, is also among the highest and poses a large burden on its residents.

The importance of New York City to the State's economy is also an important consideration since it represents a significant portion of the overall economy of the State. The City has struggled to maintain fiscal stability and has performed adequately in contrast to the difficult economic conditions in the New York/New Jersey metropolitan area. Any major changes to the financial condition of the City would ultimately have an effect on the State. The overall financial condition of the State can also be illustrated by the changes of its debt ratings. During the last several years during which the State experienced its financial difficulties, its general obligation long-term debt ratings as determined by Moody's declined from A1 to A in 1990 while S&P downgraded the State's debt from A to A- in early 1992. The State has the second lowest long term debt rating among those states with outstanding general obligation ratings. The short-term debt ratings are within the top two rating categories: MIG-2 for Moody's and SP-1 for S&P. In February 1991, Moody's lowered its rating on New York City general obligation bonds from A to Baal.

The Schwab New York Tax-Exempt Money Fund's concentration in securities issued by the State of New York and its political subdivisions provides a greater level of risk than a fund which is diversified across numerous states and municipal entities. The ability of the State of New York

or its municipalities to meet their obligations will depend on the availability of tax and other revenues; economic, political, and demographic conditions within the state; and the underlying fiscal condition of the state and its municipalities.

ASSET-BACKED COMMERCIAL PAPER  
AND OTHER SECURITIES

The Schwab Money Market Fund, the Schwab Retirement Money Fund(TM) and the Schwab Institutional Advantage Money Fund(TM) can invest a portion of their assets in asset-backed commercial paper and other money market fund Eligible Securities (as that term is hereinafter defined). The credit quality of most asset-backed commercial paper depends primarily on the credit quality of the assets underlying such securities, how well the entity issuing the security is insulated from the credit risk of the originator (or any other affiliated entities), and the amount and quality of any credit support provided to the securities.

Asset-backed commercial paper is often backed by a pool of assets representing the obligations of a number of different parties. To lessen the effect of failures by obligors on these underlying assets to make payments, such securities may contain elements of credit support.

Such credit support falls into two classes: liquidity protection and protection against ultimate default on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that scheduled payments on the underlying pool are made in a timely fashion. Protection against ultimate default ensures payment on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained from third parties,

7

8

through various means of structuring the transaction, or through a combination of such approaches. The degree of credit support provided on each issue is based generally on historical information respecting the level of credit risk associated with such payments. Delinquency or loss in excess of that anticipated could adversely affect the return on an investment in an Asset-Backed Security.

INVESTMENT RESTRICTIONS

Except as otherwise noted, the restrictions below are fundamental and cannot be changed without approval of the holders of a majority of the outstanding voting securities (as defined in the Investment Company Act of 1940, as amended, hereinafter the "1940 Act") of the Fund to which they apply.

THE SCHWAB MONEY MARKET FUND, THE SCHWAB GOVERNMENT MONEY FUND, THE SCHWAB RETIREMENT MONEY FUND(TM), AND THE SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM) MAY NOT:

- (1) Purchase securities or make investments other than in accordance with its investment objective and policies.
- (2) Purchase securities of any issuer (other than obligations of, or guaranteed by, the United States Government, its agencies or instrumentalities) if, as a result, more than 5% of the value of its assets would be invested in the securities of such issuer.
- (3) Purchase, in the aggregate with all other Schwab Money Funds, more than 10% of any class of securities of any issuer. All debt securities and all preferred stocks are each considered as one class.
- (4) Concentrate 25% or more of the value of its assets in any one industry; provided, however, that each Fund reserves freedom of action to invest up to 100% of its assets in certificates of deposit or bankers' acceptances issued by domestic branches of U.S. banks and U.S. branches of foreign banks (which the Fund has determined to be



subject to the same regulation as U.S. banks), or obligations of or guaranteed by, the U.S. Government, its agencies or instrumentalities in accordance with its investment objective and policies.

- (5) Invest more than 5% of its total net assets in securities of issuers (other than obligations of, or guaranteed by, the United States Government, its agencies or instrumentalities) that with their predecessors have a record of less than three years continuous operation.
- (6) Enter into repurchase agreements if, as a result thereof, more than 10% of its net assets valued at the time of the transaction would be subject to repurchase agreements maturing in more than seven days and invested in securities restricted as to disposition under the federal securities laws (except commercial paper issued under Section 4(2) of the Securities Act of 1933). Each Fund will invest no more than 10% of its net assets in illiquid securities.
- (7) Invest more than 5% of its total assets in securities restricted as to disposition under the federal securities laws (except commercial paper issued under Section 4(2) of the Securities Act of 1933).

8

9

- (8) Purchase or retain securities of an issuer if any of the officers, trustees or directors of the Trust or its Investment Manager or the Sub-Adviser individually own beneficially more than 1/2 of 1% of the securities of such issuer and together beneficially own more than 5% of the securities of such issuer.
- (9) Invest in commodities or commodity contracts, futures contracts, real estate or real estate limited partnerships, although it may invest in securities which are secured by real estate and securities of issuers which invest or deal in real estate.
- (10) Invest for the purpose of exercising control or management of another issuer.
- (11) Purchase securities of other investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets. (1)
- (12) Make loans to others (except through the purchase of debt obligations or repurchase agreements in accordance with its investment objectives and policies), except that the Schwab Retirement Money Fund(TM) and the Schwab Institutional Advantage Money Fund(TM) may (i) purchase a portion of an issue of short-term debt securities or similar obligations (including repurchase agreements) that are publicly distributed or customarily purchased by institutional investors, and (ii) lend its portfolio securities.
- (13) Borrow money except as a temporary measure for extraordinary or emergency purposes and then only in an amount up to one-third of the value of its total assets in order to meet redemption requests without immediately selling any portfolio securities. The Fund will not borrow for leverage purposes or purchase securities or make investments while reverse repurchase agreements or borrowings are outstanding. Any borrowings by the Schwab Money Market Fund or the Schwab Government Money Fund will not be collateralized. If, for any reason, the current value of the total net assets of the Schwab Money Market Fund, the Schwab Government Money Fund, the Schwab Retirement Money Fund, or the Schwab Institutional Advantage Money Fund falls below an amount equal to three times the amount of its indebtedness from money borrowed, such Fund will, within three business days, reduce its indebtedness to the extent necessary.
- (14) Write, purchase or sell puts, calls or combinations thereof.
- (15) Make short sales of securities, or purchase any securities on margin

except to obtain such short-term credits as may be necessary for the clearance of transactions.

- (16) Invest in interests in oil, gas, mineral leases or other mineral exploration or development programs, although it may invest in the securities of issuers which invest in or sponsor such programs.

- (1) See the description of the Trustees' deferred compensation plan under "Management of the Trust" in this Statement of Additional Information for an exception to this investment restriction.

9

10

- (17) Underwrite securities issued by others except to the extent it may be deemed to be an underwriter, under the federal securities laws, in connection with the disposition of securities from its investment portfolio.

Except for restrictions (4) and (13), if a percentage restriction is adhered to at the time of investment, a later increase in percentage resulting from a change in values or net assets will not be considered a violation.

THE SCHWAB TAX-EXEMPT MONEY FUND, THE SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND, AND THE SCHWAB NEW YORK TAX-EXEMPT MONEY FUND MAY NOT:

- (1) Purchase securities or make investments other than in accordance with its investment objectives and policies.
- (2) Purchase securities of any issuer (other than obligations of, or guaranteed by, the U.S. Government, its agencies or instrumentalities) if as a result more than 5% of the value of its assets would be invested in the securities of that issuer, except that, with respect to the Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund, provided no more than 25% of the Fund's total assets would be invested in the securities of a single issuer, up to 50% of the value of the Fund's assets may be invested without regard to this 5% limitation. For purposes of this limitation, the Fund will regard the entity which has the primary responsibility for the payment of interest and principal as the issuer.
- (3) Purchase securities (other than securities of the U.S. Government, its agencies or instrumentalities) if as a result of such purchase 25% or more of its total assets would be invested in any industry (although securities issued by governments or political subdivisions of governments are not considered to be securities subject to this industry concentration restriction) or in any one state (although the limitation as to investments in a state or its political subdivision shall not apply to the Schwab California Tax-Exempt Money Fund or the Schwab New York Tax-Exempt Money Fund), nor may it enter into a repurchase agreement if more than 10% of its net assets would be subject to repurchase agreements maturing in more than seven days.
- (4) Invest more than 5% of its total assets in industrial development bonds sponsored by companies which with their predecessors have less than three years continuous operation, although each Fund may invest more than 25% of its total net assets in industrial development bonds.
- (5) Invest more than 5% of its total assets in securities restricted as to disposition under the federal securities laws, although this limitation shall be 10% with respect to the Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund.
- (6) Purchase or retain securities of an issuer if any of the officers, trustees or directors of the Trust or of its Investment Manager individually owns beneficially more than 1/2 of 1% of the securities of such issuer and together own more than 5% of the securities of such issuer.
- (7) Invest in commodities or commodity futures contracts or in real estate

except that each Fund may invest in Municipal Securities secured by real estate or interests therein.

10

11

- (8) Invest for the purpose of exercising control or management of another issuer.
- (9) Purchase securities of other investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets. (2)
- (10) Make loans to others (except through the purchase of debt obligations or repurchase agreements in accordance with its investment objective and policies).
- (11) Borrow money except from banks for temporary purposes (but not for the purpose of purchase of investments) and then only in an amount not to exceed one-third of the value of its total assets (including the amount borrowed) in order to meet redemption requests which otherwise might result in the untimely disposition of securities; or pledge its securities or receivables or transfer or assign or otherwise encumber them in an amount to exceed 10% of the Fund's net assets to secure borrowings. Reverse repurchase agreements entered into by the Fund are permitted within the limitations of this paragraph. No such Fund will purchase securities or make investments while reverse repurchase agreements or borrowings are outstanding.
- (12) Write, purchase or sell puts, calls or combinations thereof, although it may purchase Municipal Securities subject to standby commitments, variable rate demand notes or repurchase agreements in accordance with its investment objective and policies.
- (13) Make short sales of securities or purchase securities on margin, except to obtain such short-term credits as may be necessary for the clearance of transactions.
- (14) Invest in interests in oil, gas or other mineral exploration or development programs, although it may invest in Municipal Securities of issuers which invest in or sponsor such programs.
- (15) Underwrite securities issued by others except to the extent it may be deemed to be an underwriter, under the federal securities laws, in connection with the disposition of securities from its investment portfolio.
- (16) Issue senior securities as defined in the 1940 Act.

Except for restrictions (6) and (11), if a percentage restriction is adhered to at the time of investment, a later increase in percentage resulting from a change in values or net assets will not be considered a violation. None of the Schwab Money Funds has a present intention of borrowing during the coming year and, in any event, each Fund would limit borrowings as required by the restrictions previously stated.

- 
- (2) See the description of the Trustees' deferred compensation plan under "Management of the Trust" in this Statement of Additional Information for an exception to this investment restriction.

## THE U.S. TREASURY MONEY FUND MAY NOT:

- (1) Purchase securities other than obligations issued by the United States Treasury and securities backed by the "full faith and credit" guarantee of the United States Government that mature in 397 days or less. (3)
- (2) Make loans to others (except through the purchase of debt obligations).
- (3) Issue senior securities as defined in the 1940 Act.
- (4) Underwrite securities issued by others except to the extent it may be deemed to be an underwriter, under the federal securities laws, in connection with the disposition of securities from its investment portfolio.
- (5) Invest in commodities or in real estate.
- (6) Invest for the purpose of exercising control over management of another company.

The following restrictions are non-fundamental, and may be changed by the Board of Trustees.

## The U.S. Treasury Money Fund may not:

- (1) Invest more than 10% of its assets in securities which are not readily marketable, including securities which are restricted as to disposition; or
- (2) Engage in short sales, except for short sales against the box.

Each Schwab Money Fund will only purchase securities that present minimal credit risks and (except in the case of the Schwab U.S. Treasury Money Fund) which are First Tier or Second Tier Securities (otherwise referred to as "Eligible Securities"). (4) An Eligible Security is:

- (1) a security with a remaining maturity of 397 days or less (12 months or less in the case of the Schwab Money Market and Government Money Funds): (a) that is rated by the requisite nationally recognized statistical rating organizations ("NRSROs") designated by the Securities and Exchange Commission (the "SEC") (currently Moody's Investors Service, Standard & Poor's Corporation, Duff and Phelps Credit Rating Co., Fitch Investors Services, Inc., Thomson Bankwatch, and, with respect to debt issued by banks, bank holding companies, United Kingdom building societies, broker-dealers and broker-dealers' parent companies, and bank-supported debt, IBCA Limited and its affiliate, IBCA, Inc.) in one of the two highest rating categories for short-

---

(3) See the description of the Trustees' deferred compensation plan under "Management of the Trust" in this Statement of Additional Information for an exception to this investment restriction.

(4) See the description of the Trustees' deferred compensation plan under "Management of the Trust" in this Statement of Additional Information for an exception to this investment restriction.

term debt obligations (the requisite NRSROs being any two or, if rated by one, that one NRSRO), or (b) that itself was unrated by any NRSRO, but was issued by an issuer that has outstanding a class of short-term debt obligations (or any security within that class) meeting the requirements of subparagraph 1(a) above that is of comparable priority and security;

- (2) a security that at the time of issuance was a long-term security but has a remaining maturity of 397 days or less (12 months or less in the case of the Schwab Money Market and Government Money Funds) and (a) whose issuer received a rating within one of the two highest rating categories from the requisite NRSROs for short-term debt obligations with respect to a class of short-term debt obligations (or any security within that class) that is now comparable in priority and security with the subject security; or (b) that has long-term ratings from the requisite NRSROs that are in one of the two highest categories; or
- (3) a security not rated by an NRSRO but deemed by the Investment Manager, pursuant to guidelines adopted by the Board of Trustees, to be of comparable quality to securities described in (1) and (2) and to represent minimal credit risks.

A First Tier Security is any Eligible Security that carries (or other relevant securities issued by its issuer carry) top NRSRO ratings from at least two NRSROs (a single top rating is sufficient if only one NRSRO rates the security) or has been determined by the Investment Manager, pursuant to guidelines adopted by the Board of Trustees, to be of comparable quality to such a security. A Second Tier Security is any other Eligible Security.

The Schwab Money Market Fund, Schwab Government Money Fund, Schwab Retirement Money Fund(TM), and Schwab Institutional Advantage Money Fund(TM) will limit their investments in the First Tier Securities of any one issuer to no more than five percent of their assets. (Repurchase agreements collateralized by non-Government securities will be taken into account when making this calculation.) Moreover, each Fund's total holdings of Second Tier Securities will not exceed 5% of its assets, with investment in the Second Tier Securities of any one issuer being limited to the greater of 1% of the Fund's assets or \$1 million. In addition, the underlying securities involved in repurchase agreements collateralized by non-Government securities will be First Tier Securities at the time the repurchase agreements are executed.

#### MANAGEMENT OF THE TRUST

OFFICERS AND TRUSTEES. The officers and trustees of the Trust, their principal occupations over the past five years and their affiliations, if any, with The Charles Schwab Corporation, Schwab, and Charles Schwab Investment Management, Inc., are as follows:

<TABLE>  
<CAPTION>

NAME	POSITION WITH THE TRUST	PRINCIPAL OCCUPATION
<S>	<C>	<C>

CHARLES R. SCHWAB* Age: 57	Chairman and Trustee	Founder, Chairman, Chief Executive Officer and Director, The Charles Schwab Corporation; Founder, Chairman and Director, Charles Schwab & Co., Inc. and Charles Schwab Investment Management, Inc.; Chairman and Director, The Charles Schwab Trust Company and Mayer & Schweitzer, Inc. (a securities brokerage subsidiary of The Charles Schwab Corporation); Director, The Gap, Inc. (a clothing retailer); Transamerica Corporation (a financial services organization) and AirTouch Communications (a telecommunications company).
ELIZABETH G. SAWI* Age: 43	President and Trustee	Executive Vice President - Mutual Funds, Charles Schwab & Co., Inc. and The Charles Schwab Corporation; President, Charles Schwab Investment Management, Inc. Prior to April 1994, Ms. Sawi was Executive Vice President - Marketing and Advertising for Charles Schwab & Co., Inc. and The Charles Schwab Corporation.
DONALD F. DORWARD Age: 63	Trustee	President and Chief Executive Officer, Dorward & Associates (advertising and marketing/consulting).
ROBERT G. HOLMES Age: 63	Trustee	Chairman, Chief Executive Officer and Director, Semloh Financial, Inc. (international financial services).
DONALD R. STEPHENS Age: 56	Trustee	Managing Partner, D.R. Stephens & Co. (real estate investment). Prior to 1993, Chairman and Chief Executive Officer, Bank of San Francisco.
MICHAEL W. WILSEY Age: 51	Trustee	Chairman, Chief Executive Officer and Director, Wilsey Bennett, Inc. (truck and air transportation, real estate investment and management, investments).

</TABLE>

---

\* Mr. Schwab is an "interested person" of the Trust.

\* Ms. Sawi is an "interested person" of the Trust

14

15

<TABLE> <S>	<C>	<C>
A. JOHN GAMBS Age: 49	Treasurer and Principal Financial Officer	Executive Vice President - Finance and Chief Financial Officer, The Charles Schwab Corporation; Executive Vice President, Chief Financial Officer and Director, Charles Schwab & Co., Inc.; Chief Financial Officer and Director, Charles Schwab Investment Management, Inc.; and Chief Financial Officer, The Charles Schwab Trust Company.
WILLIAM J. KLIPP* Age: 39	Senior Vice President, Chief Operating Officer and Trustee	Senior Vice President, Charles Schwab & Co., Inc., Chief Operating Officer, Charles Schwab Investment Management, Inc. Prior to 1993, Mr. Klipp was Treasurer of Charles Schwab & Co., Inc. and Mayer & Schweitzer, Inc. Prior to

1990, he was Vice President, Director Funding, Merrill Lynch & Co., Inc.

STEPHEN B. WARD Age: 39	Senior Vice President & Chief Investment Officer	Senior Vice President, Charles Schwab Investment Management, Inc. Prior to 1991, Mr. Ward was Vice President and Portfolio Manager for Federated Investors.
FRANCES COLE Age: 39	Secretary	Chief Counsel and Compliance Officer, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. Prior to 1991, Ms. Cole was Senior Counsel for Equitec Securities Company.
TIMOTHY B. PAWLOSKI Age: 36	Assistant Treasurer	Vice President of Finance - SchwabFunds(R), 1991 to 1993, Mr. Pawloski was Director of Finance for Charles Schwab & Co., Inc. and from 1987 to 1991, Mr. Pawloski served as a Senior Manager at Price Waterhouse.
PAMELA E. HERLICH Age: 41	Assistant Secretary	Assistant Corporate Secretary, The Charles Schwab Corporation and Charles Schwab & Co., Inc.; Corporate Secretary, Charles Schwab Investment Management, Inc., Mayer & Schweitzer and The Charles Schwab Trust Company. Prior to 1993, Ms. Herlich was Assistant Corporate Secretary for Mayer & Schweitzer, Inc. and The Charles Schwab Trust Company.
DAVID H. LUI Age: 34	Assistant Secretary	Senior Counsel - Charles Schwab Investment Management, Inc.; from 1991 to 1992, Assistant Secretary and Assistant Corporate Counsel, Franklin Group of Mutual Funds. Prior to 1991, Mr. Lui was an Associate for Thelen, Marrin, Johnson & Bridges, a San Francisco law firm.
CHRISTINA M. PERRINO Age: 33	Assistant Secretary	Senior Counsel - Charles Schwab Investment Management, Inc. Prior to 1994, Ms. Perrino was Counsel and Assistant Secretary for North American Security Life Insurance Company and Secretary for North American Funds.

</TABLE>

\* Mr. Klipp is an "interested person" of the Trust.

15

16

Each of the above-referenced Officers and/or Trustees also serves in the same capacity as described for the Trust for Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, and Schwab Advantage Trust (which has not commenced operations). The address of each officer listed above is 101 Montgomery Street, San Francisco, California 94104

COMPENSATION TABLE(1)

<TABLE>  
<CAPTION>

Name of Person, Position -----	Aggregate Compensation from the Trust -----	Pension or Retirement Benefits Accrued as Part of Fund Expenses from the Fund Complex(2) -----	Estimated Annual Benefits Upon Retirement from the Fund Complex(2) -----	Total Compensation from the Fund Complex(2) -----
<S>	<C>	<C>	<C>	<C>

Charles R. Schwab, Chairman and Trustee	0	N/A	N/A	0
Elizabeth G. Sawi, President and Trustee	0	N/A	N/A	0
William J. Klipp, Seinor Vice President, Chief Operating Officer, and Trustee	0	N/A	N/A	0
Donald F. Dorward, Trustee	26,000	N/A	N/A	58,000
Robert G. Holmes, Trustee	26,000	N/A	N/A	58,000
Donald R. Stephens, Trustee	26,000	N/A	N/A	58,000
Michael W. Wilsey, Trustee	26,000	N/A	N/A	58,000

</TABLE>

- (1.) Figures are for the Trust's fiscal year ended December 31, 1994.
- (2.) "Fund Complex" comprises all 19 funds of the Trust, Schwab Investments, Schwab Capital Trust, and Schwab Annuity Portfolios.

16

17

#### TRUSTEE DEFERRED COMPENSATION PLAN

Pursuant to exemptive relief received by the Trust from the SEC, the Trust may enter into deferred fee arrangements (the "Fee Deferral Plan" or the "Plan") with the Trust's trustees who are not "interested persons" of any of the Funds of the Trust (the "Independent Trustees" or the "Trustees").

As of the date of this Statement of Additional Information, none of the Independent Trustees has elected to participate in the Fee Deferral Plan. In the event an Independent Trustee does elect to participate in the Plan, the Plan would operate as described below.

Under the Plan, deferred Trustee's fees will be credited to a book reserve account established by the Trust (the "Deferred Fee Account"), as of the date such fees would have been paid to such Trustee. The value of the Deferred Fee Account as of any date will be equal to the value the Account would have had as of that date if the amounts credited to the Account had been invested and reinvested in the securities of the SchwabFund or SchwabFunds selected by the participating Trustee (the "Selected SchwabFund Securities"). "SchwabFunds" include certain series of beneficial interest of the Trust, Schwab Investments, Schwab Capital Trust, and Schwab Advantage Trust (which has not yet commenced operations).

Pursuant to the exemptive relief granted to the Trust, each Fund will purchase and maintain the Selected SchwabFund Securities in an amount equal to the deemed investments in that Fund of the Deferred Fee Accounts of the Independent Trustees. These transactions would otherwise be limited or prohibited by the investment policies and/or restrictions of the Funds. See "Investment Restrictions."



Charles Schwab Investment Management, Inc. (the "Investment Manager"), a wholly-owned subsidiary of The Charles Schwab Corporation, serves as the Funds' investment adviser and administrator pursuant to two separate yet otherwise substantially similar Investment Advisory and Administration Agreements (the "Advisory Agreements") between it and the Trust. The Investment Manager is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and currently provides investment management services to the SchwabFunds(R), a family of 19 mutual funds with over \$26 billion in assets as of June 3, 1995. The Investment Manager is an affiliate of Schwab, the Trust's distributor and shareholder services and transfer agent.

Each Advisory Agreement will continue in effect for one-year terms for each Fund to which it relates, subject to annual approval by: (1) the Trust's Board of Trustees or (2) a vote of the majority (as defined in the 1940 Act) of the outstanding voting securities of each Fund subject thereto. In either event, the continuance must also be approved by a majority of the Trust's Board of Trustees who are not parties to the Agreement or interested persons (as defined in the 1940 Act) of any such party, by vote cast in person at a meeting called for the purpose of voting on such approval. Each Advisory Agreement may be terminated at any time upon 60 days notice by either party, or by a majority vote of the outstanding shares of a Fund subject thereto, and will terminate automatically upon assignment.

Pursuant to an Advisory Agreement dated June 15, 1994, the Investment Manager is entitled to receive from the Schwab Money Market Fund a graduated annual fee, payable monthly, of 0.46% of such Fund's average daily net assets not in excess of \$2 billion, 0.45% of such net assets over \$2 billion but not in excess of \$3 billion, and

17

18

0.40% of such net assets over \$3 billion; the Investment Manager is entitled to receive from the Schwab Government Money Fund and the Schwab Tax-Exempt Money Fund a graduated annual fee, payable monthly, of 0.46% of the average daily net assets of each such Fund's average daily net assets not in excess of \$1 billion, 0.41% of such net assets over \$1 billion but not in excess of \$2 billion, and 0.40% of such net assets over \$2 billion.

For the fiscal year ended December 31, 1992, the investment advisory fees paid by the Schwab Money Market Fund, Schwab Government Money Fund and Schwab Tax-Exempt Money Fund were \$13,717,000 (fees were reduced by \$10,480,000); \$4,137,000 (fees were reduced by \$2,875,000); and \$2,700,000 (fees were reduced by \$4,310,000), respectively.

For the fiscal year ended December 31, 1993, the investment advisory fees paid by the Schwab Money Market Fund, Schwab Government Money Fund and Schwab Tax-Exempt Money Fund were \$19,368,000 (fees were reduced by \$11,025,000); \$4,533,000 (fees were reduced by \$2,888,000); and \$3,494,000 (fees were reduced by \$5,424,000), respectively.

For the fiscal year ended December 31, 1994, the investment advisory fees paid by the Schwab Money Market Fund, Schwab Government Money Fund and Schwab Tax-Exempt Money Fund were \$28,697,000 (fees were reduced by \$13,405,000); \$5,434,000 (fees were reduced by \$2,922,000); and \$5,421,000 (fees were reduced by \$6,646,000), respectively.

Pursuant to a separate Advisory Agreement dated June 15, 1994, as may be amended from time to time, the Investment Manager is entitled to receive an annual fee, payable monthly, of 0.46% of each of the Schwab California Tax-Exempt Money Fund, the Schwab New York Tax-Exempt Money Fund, and the Schwab U.S. Treasury Money Fund's average daily net assets not in excess of \$1 billion, 0.41% of such net assets over \$1 billion but not in excess of \$2 billion, and 0.40% of such net assets over \$2 billion. In addition, the

Investment Manager is entitled to receive from the Schwab Retirement Money Fund(TM) and the Schwab Institutional Advantage Money Fund(TM) a graduated annual fee, payable monthly, of 0.46% of each such Fund's average daily net assets not in excess of \$2 billion, 0.45% of such net assets over \$2 billion but not in excess of \$3 billion, and 0.40% of such net assets over \$3 billion.

For the fiscal year ended December 31, 1992, the investment advisory fees paid by the Schwab California Tax-Exempt Money Fund and Schwab U.S. Treasury Money Fund were \$995,000 (fees were reduced by \$1,697,000); and \$147,000 (fees were reduced by \$255,000), respectively.

For the fiscal year ended December 31, 1993, the investment advisory fees paid by the Schwab California Tax-Exempt Money Fund and Schwab U.S. Treasury Money Fund were \$1,437,000 (fees were reduced by \$2,450,000); and \$483,000 (fees were reduced by \$687,000), respectively. During the fiscal year ended December 31, 1993, no investment advisory fees were paid by the Schwab Institutional Advantage Money Fund and the Schwab Retirement Money Fund.

For the fiscal year ended December 31, 1994, the investment advisory fees paid by the Schwab California Tax-Exempt Money Fund, Schwab U.S. Treasury Money Fund, Schwab Institutional Advantage Money Fund, and Schwab Retirement Money Fund were \$2,254,000 (fees were reduced by \$3,274,000); \$1,016,000 (fees were reduced by \$1,442,000); \$124,000 (fees were reduced by \$96,000); and \$75,000 (fees were reduced by \$21,000), respectively.

18

19

#### EXPENSES

The Trust pays the expenses of its operations, including the fees and expenses of independent accountants, counsel, custodian and the cost of reports and notices to shareholders, costs of calculating net asset value, brokerage commissions or transaction costs, taxes, registration fees, the fees and expenses of qualifying the Trust and its shares for distribution under federal and state securities laws and membership dues in the Investment Company Institute or any similar organization. The Trust's expenses generally are allocated among the Funds on the basis of relative net assets at the time of allocation, except that expenses directly attributable to a particular Fund or class of a Fund are charged to that Fund or class, respectively.

#### DISTRIBUTOR

Pursuant to a Distribution Agreement, Schwab is the principal underwriter for shares of the Trust and is the Trust's agent for the purpose of the continuous offering of the Funds' shares. Each Fund pays the cost for the prospectuses and shareholder reports to be prepared and delivered to existing shareholders. Schwab pays such costs when the described materials are used in connection with the offering of shares to prospective investors and for supplementary sales literature and advertising. Schwab receives no fee under the Distribution Agreement. Terms of continuation, termination and assignment under the Distribution Agreement are identical to those described above with respect to the Advisory Agreements.

#### CUSTODIAN AND FUND ACCOUNTANT

PNC Bank, National Association, at the Airport Business Center, 200 Stevens Drive, Suite 440, Lester, Pennsylvania 19113, serves as Custodian for the Trust.

PFPC, Inc., at 103 Bellevue Parkway Wilmington, Delaware 19809, serves as Fund Accountant for the Trust.

#### ACCOUNTANTS AND REPORTS TO SHAREHOLDERS

The Trust's independent accountants, Price Waterhouse LLP, audit and

report on the annual financial statements of each series of the Trust and review certain regulatory reports and the Trust's federal income tax return. Price Waterhouse LLP also performs other professional accounting, auditing, tax and advisory services when engaged to do so by the Trust. Shareholders will be sent audited annual and unaudited semi-annual financial statements. The address of Price Waterhouse LLP is 555 California Street, San Francisco, California 94104.

#### LEGAL COUNSEL

Ropes & Gray, 1001 Pennsylvania Avenue, N.W., Suite 1200 South, Washington, D.C. 20004, is counsel to the Trust.

#### PORTFOLIO TRANSACTIONS AND TURNOVER

##### PORTFOLIO TRANSACTIONS

Portfolio transactions are undertaken principally to pursue the objective of each Schwab Money Fund in relation to movements in the general level of interest rates, to invest money obtained from the sale of Fund shares, to reinvest proceeds from maturing portfolio securities and to meet redemptions of Schwab Money Fund shares. Portfolio transactions may

19

20

increase or decrease the yield of a Schwab Money Fund depending upon management's ability to correctly time and execute them.

The Investment Manager, in effecting purchases and sales of portfolio securities for the account of each Fund, seeks to obtain best price and execution. Subject to the supervision of the Board of Trustees, the Investment Manager generally selects broker-dealers for the Funds primarily on the basis of the quality and reliability of services provided, including execution capability and financial responsibility.

When the execution and price offered by two or more broker-dealers are comparable, the Investment Manager may, in its discretion, utilize the services of broker-dealers that provide it with investment information and other research resources. Such resources may also be used by the Investment Manager when providing advisory services to other investment advisory clients, including mutual funds.

The Trust expects that purchases and sales of portfolio securities will usually be principal transactions. Securities will normally be purchased directly from the issuer or from an underwriter or market maker for the securities. Purchases from underwriters will include a commission or concession paid by the issuer to the underwriter, and purchases from dealers serving as market makers will include the spread between the bid and asked prices.

The investment decisions for each Schwab Money Fund are reached independently from those for other accounts managed by the Investment Manager. Such other accounts may also make investments in instruments or securities at the same time as a Schwab Money Fund. When two or more accounts managed by the Investment Manager have funds available for investment in similar instruments, available instruments are allocated as to amount in a manner considered equitable to each account. In some cases this procedure may affect the size or price of the position obtainable for a Schwab Money Fund. However, it is the opinion of the Board of Trustees that the benefits conferred by the Investment Manager outweigh any disadvantages that may arise from exposure to simultaneous transactions.

##### PORTFOLIO TURNOVER

Because securities with maturities of less than one year are excluded from required portfolio turnover rate calculations, each Schwab Money Fund's portfolio turnover rate for reporting purposes is expected to be zero.

#### DISTRIBUTIONS AND TAXES

## DISTRIBUTIONS

On each day that the net asset value per share of a Schwab Money Fund is determined ("Business Day"), such Fund's net investment income will be declared as of the close of trading on the New York Stock Exchange (normally 4:00 p.m. Eastern time) as a daily dividend to shareholders of record as of the last calculation of net asset value prior to the declaration. In the case of the Schwab Institutional Advantage Money Fund(TM), for shareholders satisfying certain conditions, investment income will be declared as a daily dividend to shareholders of record as of that day's calculation of net asset value. Conditions which must be met in order to receive a dividend for the day on which the order is received by the Transfer Agent are 1) a minimum investment of \$100,000, 2) receipt by Schwab or the Charles

20

21

Schwab Trust Company before 1:30 p.m. Eastern time, and 3) payment in immediately available funds. Shareholders will receive dividends in additional shares unless they elect to receive cash. For each Fund except the Schwab Retirement Money Fund(TM) and the Schwab Institutional Advantage Money Fund, dividends will normally be reinvested monthly in full shares of the Fund (for the Schwab Tax-Exempt Money Fund, Schwab California Tax-Exempt Money Fund and Schwab New York Tax-Exempt Money Fund dividends will normally be reinvested monthly in full Sweep Shares of the Fund) at the net asset value on the fifteenth day of each month, if a Business Day, otherwise on the next Business Day. For the Schwab Retirement Money Fund and the Schwab Institutional Advantage Money Fund, dividends will normally be reinvested monthly in full shares of the Fund at the net asset value on the twenty-fifth day of each month, if a Business Day, otherwise on the next Business Day. If cash payment is requested, checks will normally be mailed on the Business Day following the reinvestment date. Each Schwab Money Fund will pay shareholders who redeem all of their shares all dividends accrued to the time of the redemption within seven days.

Each Schwab Money Fund calculates its dividends based on its daily net investment income. For this purpose, the net investment income of a Fund (other than the Schwab Tax-Exempt Money Fund, Schwab California Tax-Exempt Money Fund and Schwab New York Tax-Exempt Money Fund) consists of: (1) accrued interest income, plus or minus amortized discount or premium, minus (2) accrued expenses allocated to that Fund. For this purpose, for the Schwab Tax-Exempt Money Fund, Schwab California Tax-Exempt Money Fund and Schwab New York Tax Exempt Money Fund, the net investment income of the Sweep Shares of each Fund consists of (1) accrued interest income plus or minus amortized discount or premium (excluding market discount) minus accrued expenses allocable to the Sweep Shares of that Fund. If a Schwab Money Fund realizes any capital gains, such gains will be distributed at least once during the year as determined by the Board of Trustees. Any realized short-term capital losses to the extent not offset by realized capital gains will be carried forward. It is not anticipated that a Schwab Money Fund will realize any long-term capital gains, but if it does so, these gains will be distributed annually. Expenses of the Trust are accrued each day. Should the net asset value of a Schwab Money Fund deviate significantly from market value, the Board of Trustees could decide to value the investments at market value and any unrealized gains and losses could affect the amount of the Fund's distributions.

## FEDERAL INCOME TAXES

It is the policy of each Fund to qualify for taxation as a "regulated investment company" by meeting the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). By following this policy, each Fund expects to eliminate or reduce to a nominal amount the federal income tax to which it is subject.

In order to qualify as a regulated investment company, each of the Funds must, among other things, (1) derive at least 90% of its gross income from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of stocks, securities, foreign currencies or other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in stocks, securities or currencies; (2) derive less than 30% of its gross income from gains from the

sale or other disposition of certain assets (including stocks and securities) held for less than three months; and (3) diversify its holdings so that at the end of each quarter of its taxable year (i) at least 50% of the market value of the Fund's total assets is represented by cash or cash

21

22

items, United States Government securities, securities of other regulated investment companies and other securities limited, in respect of any one issuer, to a value not greater than 5% of the value of the Fund's total assets and 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its assets is invested in the securities of any one issuer (other than United States Government securities or securities of any other regulated investment company) or of two or more issuers that the Fund controls, within the meaning of the Code, and that are engaged in the same, similar or related trades or businesses. These requirements may restrict the degree to which a Fund may engage in short-term trading and certain hedging transactions and may limit the range of the Fund's investments. If a Fund qualifies as a regulated investment company, it will not be subject to federal income tax on the part of its net investment income and net realized capital gains, if any, which it distributes to shareholders, provided that the Fund meets certain minimum distribution requirements. To comply with these requirements, a Fund must distribute at least (a) 90% of its "investment company taxable income" (as that term is defined in the Code) and (b) 90% of the excess of its (i) tax-exempt interest income over (ii) certain deductions attributable to that income (with certain exceptions), for its taxable year. Each Fund intends to make sufficient distributions to shareholders to meet these requirements.

If a Fund fails to distribute in a calendar year (regardless of whether it has a non-calendar taxable year) substantially all of its (i) ordinary income for such year; and (ii) capital gain net income for the year ending October 31 (or later if the Fund is permitted so to elect and so elects), plus any retained amount from the prior year, the Fund will be subject to a nondeductible 4% excise tax on the undistributed amounts. Each Fund intends generally to make distributions sufficient to avoid imposition of this excise tax.

Any distributions declared by the Funds in October, November or December to shareholders of record during those months and paid during the following January are treated, for tax purposes, as if they were received by each shareholder on December 31 of the year declared. A Fund may adjust its schedule for the reinvestment of distributions for the month of December to assist in complying with the reporting and minimum distribution requirements of the Code.

The Funds do not expect to realize any significant amount of long-term capital gain. However, any distributions of long-term capital gain will be taxable to the shareholders as long-term capital gain, regardless of how long a shareholder has held the Fund's shares. If a shareholder disposes of shares at a loss before holding such shares for longer than six months, the loss will be treated as a long-term capital loss to the extent the shareholder received a capital gain dividend on the shares.

A Fund will be required in certain cases to withhold and remit to the United States Treasury 31% of taxable dividends paid to any shareholder (1) who fails to provide a correct taxpayer identification number certified under penalty of perjury; (2) who provides an incorrect taxpayer identification number; (3) who is subject to withholding by the Internal Revenue Service for failure to properly report all payments of interest or dividends; or (4) who fails to provide a certified statement that he or she is not subject to "backup withholding." This "backup withholding" is not an additional tax and any amounts withheld may be credited against the shareholder's ultimate U.S. tax liability.

The Funds may engage in investment techniques that may alter the timing and character of the Funds' income. The Funds may be restricted in their use of these techniques by rules relating to their qualification as regulated

investment companies.

The foregoing discussion relates only to federal income tax law as applicable to U.S. citizens or residents. Foreign shareholders (i.e., nonresident alien individuals and foreign corporations, partnerships, trusts and estates) generally are subject to U.S. withholding tax at the rate of 30% (or a lower tax treaty rate) on distributions derived from net investment income and short-term capital gains. Distributions to foreign shareholders of long-term capital gains generally are not subject to U.S. taxation, unless the recipient is an individual who meets the Code's definition of "resident alien." Different tax consequences may result if the foreign shareholder is engaged in a trade or business within the United States. In addition, the tax consequences to a foreign shareholder entitled to claim the benefits of a tax treaty may be different than those described above. Distributions by a Fund may also be subject to state, local and foreign taxes, and their treatment under applicable tax laws may differ from the federal income tax treatment.

SCHWAB TAX-EXEMPT MONEY FUND,  
SCHWAB CALIFORNIA TAX-EXEMPT MONEY  
FUND AND SCHWAB NEW YORK TAX-EXEMPT  
MONEY FUND

The Code permits a regulated investment company that invests at least 50% of its assets at the close of each quarter in Municipal Securities to pass through to its investors, on a tax-exempt basis, net Municipal Securities interest income. An exempt-interest dividend is any dividend or part thereof (other than a capital gain dividend) paid by the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund or the Schwab New York Tax-Exempt Money Fund and designated as an exempt-interest dividend in a written notice mailed to shareholders after the close of such Fund's taxable year, but not to exceed in the aggregate the net Municipal Securities interest income received by each such Fund during the taxable year. The percentage of the total dividends paid for any taxable year that qualified as exempt-interest dividends will be the same for all shareholders receiving dividends from each Fund during such year, regardless of the period for which the Shares were held. If for any taxable year the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund or the Schwab New York Tax-Exempt Money Fund does not qualify for the special federal tax treatment afforded regulated investment companies, all of its taxable income will be subject to federal tax at regular corporate rates (without any deduction for distributions to its shareholders) when distributed, and Municipal Securities interest income, although not taxed to the Funds, would be taxable to shareholders.

This discussion of federal income taxation presented above only summarizes some of the important federal tax considerations generally affecting purchasers of Fund shares. No attempt has been made to present a detailed explanation of the federal income tax treatment of a Fund and its shareholders, and the discussion is not intended as a substitute for careful tax planning. Accordingly, prospective investors (particularly those not residing or domiciled in the United States) should consult their own tax advisers regarding the consequences of investing in a Fund.

STATE TAXES

With respect to the Schwab California Tax-Exempt Money Fund, if, at the close of each quarter of its taxable year, at least 50% of the value of the total assets of the Fund consists of obligations the interest on which is exempt from California personal income taxation under the Constitution or laws of California or of the United States ("California Exempt Obligations"), then the Fund will be qualified to pay dividends exempt from State of California personal income tax to its non-corporate shareholders (hereinafter

referred to as "California exempt-interest dividends"). The Schwab California

Tax-Exempt Money Fund intends to qualify under the above requirement so that it can pay California exempt-interest dividends. If the Schwab California Tax-Exempt Money Fund fails to so qualify, no part of its dividends will be exempt from State of California personal income tax.

With respect to the Schwab New York Tax-Exempt Money Fund, there is no analogous requirement, so all dividends representing interest on New York Municipal Securities that is exempt from New York personal income taxation will be exempt from New York personal income taxes in the hands of non-corporate shareholders ("New York exempt-interest dividends").

Not later than 60 days after the close of its taxable year, the Schwab California and New York Tax-Exempt Money Funds will notify each shareholder of the portion of the dividends paid by it to the shareholder with respect to such taxable year which is exempt from State of California personal income tax or New York personal income tax, respectively.

The total amount of California exempt-interest dividends paid by the Schwab California Tax-Exempt Money Fund to all of its shareholders with respect to any taxable year cannot exceed the amount of interest received by the Fund during such year on California Exempt Obligations, less any expenses or expenditures (including any expenditures attributable to the acquisition of additional securities for the Schwab California Tax-Exempt Money Fund) that are deemed to have been paid from such interest. Dividends paid by the Schwab California Tax-Exempt Money Fund in excess of this limitation will be treated as ordinary dividends subject to State of California personal income tax at ordinary rates. For purposes of this limitation, expenses or other expenditures paid during any year generally will be deemed to have been paid with funds attributable to interest received by the Fund from California Exempt Obligations for such year in the same ratio as such interest from California Exempt Obligations for such year bears to the total gross income earned by the Fund for the year. The effect of this accounting convention is that amounts of interest from California Exempt Obligations received by the Schwab California Tax-Exempt Money Fund that would otherwise be available for distribution as California exempt-interest dividends will be reduced by the expenses and expenditures deemed to have been paid from such amounts.

To the extent, if any, dividends paid to shareholders by the Schwab California Tax-Exempt Money Fund or New York Tax-Exempt Money Fund are derived from long-term and short-term capital gains, such dividends will not constitute California or New York exempt-interest dividends. Rules similar to those regarding the treatment of such dividends for federal income tax purposes are also applicable for State of California and New York personal income tax purposes. Moreover, interest on indebtedness incurred by a shareholder to purchase or carry shares of the Schwab California Tax-Exempt Money Fund or New York Tax-Exempt Money Fund is not deductible for state personal income tax purposes if the Fund distributes California or New York exempt-interest dividends to the shareholder during his or her taxable year.

The foregoing is only a summary of some of the important state personal income tax considerations generally affecting the Schwab California Tax-Exempt and New York Tax-Exempt Money Funds and their shareholders. No attempt is made to present a detailed explanation of the state personal income tax treatment of the Schwab California Tax-Exempt and New York Tax-Exempt Money Funds or their shareholders, and this discussion is not intended as a substitute for careful planning.

24

25

Further, it should be noted that the portion of the Schwab California Tax-Exempt and New York Tax-Exempt Money Funds' dividends constituting California or New York exempt-interest dividends, respectively, is excludable from income for State of California or State of New York personal income tax purposes only.

Any dividends paid to shareholders of the Funds subject to state franchise tax will be taxed as ordinary dividends to such shareholders, notwithstanding that all or a portion of such dividends is exempt from state personal income tax. Accordingly, potential investors in the Schwab California Tax-Exempt or New York Tax-Exempt Money Funds, including, in particular, corporate investors which may be subject to California or New York

franchise tax, should consult their tax advisers with respect to the application of such tax to the receipt of dividends from the Funds and as to their own state tax situation, in general.

#### SHARE PRICE CALCULATION

Each Schwab Money Fund values its portfolio instruments at amortized cost, which means that they are valued at their acquisition cost, as adjusted for amortization of premium or discount, rather than at current market value. Calculations are made to compare the value of a Fund's investments at amortized cost with market values. Market valuations are obtained by using actual quotations provided by market makers, estimates of market value, or values obtained from yield data relating to classes of money market instruments published by reputable sources at the mean between the bid and asked prices for the instruments. The amortized cost method of valuation seeks to maintain a stable \$1.00 per share net asset value even where there are fluctuations in interest rates that affect the value of portfolio instruments. Accordingly, this method of valuation can in certain circumstances lead to a dilution of a shareholder's interest. If a deviation of 1/2 of 1% or more were to occur between the net asset value per share calculated by reference to market values and a Schwab Money Fund's \$1.00 per share net asset value, or if there were any other deviation that the Board of Trustees of the Trust believed would result in a material dilution to shareholders or purchasers, the Board of Trustees would promptly consider what action, if any, should be initiated. If a Schwab Money Fund's net asset value per share (computed using market values) declined, or were expected to decline, below \$1.00 (computed using amortized cost), the Board of Trustees might temporarily reduce or suspend dividend payments in an effort to maintain the net asset value at \$1.00 per share. As a result of such reduction or suspension of dividends or other action by the Board of Trustees, an investor would receive less income during a given period than if such a reduction or suspension had not taken place. Such action could result in investors receiving no dividend for the period during which they hold their shares and receiving, upon redemption, a price per share lower than that which they paid. On the other hand, if a Schwab Money Fund's net asset value per share (computed using market values) were to increase, or were anticipated to increase above \$1.00 (computed using amortized cost), the Board of Trustees might supplement dividends in an effort to maintain the net asset value at \$1.00 per share.

#### YIELD

The historical performance of a Fund may be shown in the form of yield, effective yield and, for the Sweep Shares of the Schwab Tax-Exempt Money Fund, the Schwab California

25

26

Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund, tax-equivalent yield and tax-equivalent effective yield. These measures of performance are described below.

#### YIELD

Yield refers to the net investment income generated by a hypothetical investment in the Fund (or, in the case of the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund and the Schwab New York Tax-Exempt Money Fund, the Sweep Shares of the Fund) over a specific 7-day period. This net investment income is then annualized, which means that the net investment income generated during the 7-day period is assumed to be generated in each 7-day period over an annual period, and is shown as a percentage of the investment.

#### EFFECTIVE YIELD

Effective yield is calculated similarly, but the net investment income earned by the investment is assumed to be compounded weekly when annualized. The effective yield will be slightly higher than the yield due to this compounding effect.

#### TAX-EQUIVALENT YIELD AND TAX-EQUIVALENT EFFECTIVE YIELD



The tax-equivalent yield of the Sweep Shares of the Schwab Tax-Exempt Fund is computed by dividing that portion of the yield of the class (computed as described above) that is tax-exempt by an amount equal to one minus the stated federal income tax rate (normally assumed to be the maximum applicable marginal tax bracket rate) and adding the result to that portion, if any, of the yield of the class that is not tax-exempt. The tax-equivalent yield of the Sweep Shares of the Schwab California Tax-Exempt Money Fund is calculated by dividing that portion of the yield of the class (computed as described above) which is tax-exempt by an amount equal to one minus the stated combined State of California and federal income tax rate (normally assumed to be the maximum federal marginal rate of 39.6% and the California marginal rate of 11.0%, although other rates may be used at times), and adding the result to that portion, if any, of the yield of the class that is not tax-exempt. The tax-equivalent yield of the Sweep Shares of the Schwab New York Tax-Exempt Money Fund is calculated by dividing that portion of the yield of the class (computed as described above) which is tax-exempt by an amount equal to one minus the stated combined New York municipal, State of New York and federal income tax rate (normally assumed to be the maximum federal marginal rate of 39.6%, the State of New York marginal rate of 7.875% and the New York municipal marginal rate of 4.46%, although other rates may be used at times), and adding the result to that portion, if any, of the yield of the class that is not tax-exempt.

Tax-equivalent effective yields are computed in the same manner as tax-equivalent yields, except that effective yield is substituted for yield in the calculation. In calculating tax-equivalent yields and effective yields, the Schwab Tax-Exempt Money Fund generally assumes an effective tax rate of 39.6%, the Schwab California Tax-Exempt Money Fund generally assumes an effective tax rate (combining the federal 39.6% rate and the California 11.0% rate, and assuming the taxpayer deducts California state taxes paid) of 46.24%, and the Schwab New York Tax-Exempt Money Fund generally assumes an effective tax rate (combining the federal 39.6% rate, the New York state 7.875% rate and the New York municipal 4.46% rate, and assuming the taxpayer deducts New York state and municipal taxes paid) of 47.05%. Investors in the Schwab New York Tax-Exempt Money Fund should understand that, under legislation enacted in New York State and New York City, the maximum effective tax rate for 1995 will be 46.88%, and

26

27

the rates for 1996 and 1997 will be 45.25% and 44.85%, respectively. The tax rate cuts reflected herein are subject to postponement or elimination. The effective tax rates used in determining such yields do not reflect the tax costs resulting from the full or partial loss of the benefits of personal exemptions, itemized deductions and California exemption credits that may result from the receipt of additional taxable income by taxpayers with adjusted gross incomes exceeding \$114,700 (for joint returns) or \$57,350 (for separate returns) in 1995. Actual tax-equivalent yields and tax equivalent effective yields may be higher for taxpayers subject to the loss of these benefits than the rates reported by the Funds.

#### TAX-EXEMPT VERSUS TAXABLE YIELD

Investors may want to determine which investment--tax exempt or taxable--will provide a higher after-tax return. To determine the tax-equivalent yield, or tax-equivalent effective yield, simply divide the yield or effective yield of Sweep Shares of the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund or the Schwab New York Tax-Exempt Money Fund by 1 minus your marginal federal tax rate (or combined state and federal tax rate in the case of the Schwab California Tax-Exempt Money Fund, or combined municipal, state, and federal tax rate in the case of the Schwab New York Tax-Exempt Money Fund). Note, however, that as discussed above full or partial loss by certain investors of the described federal tax benefits could cause the resulting figure to understate the after-tax return produced by the Sweep Shares of the Fund in question.

Performance information for each of the Funds for the seven-day period ended December 31, 1994 is presented below. The tax-equivalent yield and tax-equivalent effective yield figures are based, in the case of the Schwab Tax-Exempt Money Fund, upon an assumed 1994 effective tax rate of 39.6%, and in

the case of the Schwab California Tax-Exempt Money Fund, upon an assumed effective tax rate of 46.24%. (Based on the maximum rates in effect for 1994. See the discussion above relating to federal and State of California tax rates.)

<TABLE>  
<CAPTION>

	Yield -----	Effective Yield -----	Tax- Equivalent Yield -----	Tax- Equivalent Effective Yield -----
<S>	<C>	<C>	<C>	<C>
Schwab Money Market Fund	5.08%	5.21%	--	--
Schwab Government Money Fund	4.96%	5.08%	--	--
Schwab U.S. Treasury Money Fund	4.92%	5.04%	--	--
Schwab Tax-Exempt Money Fund	4.22%	4.31%	6.99%	7.14%
Schwab California Tax-Exempt Money Fund	4.20%	4.29%	7.81%	7.98%

</TABLE>

27

28

#### GENERAL INFORMATION

The Trust is generally not required to hold shareholder meetings. However, as provided in its Agreement and Declaration of Trust and Bylaws, shareholder meetings will be held in connection with the following matters: (1) election or removal of trustees if a meeting is requested in writing by a shareholder or shareholders who beneficially own(s) 10% or more of the Trust's shares; (2) adoption of any contract for which shareholder approval is required by the 1940 Act; (3) any termination of the Trust to the extent and as provided in the Declaration of Trust; (4) any amendment of the Declaration of Trust (other than amendments changing the name of the Trust or any of its investment portfolios, supplying any omission, curing any ambiguity or curing, correcting or supplementing any defective or inconsistent provision thereof); (5) determining whether a court action, proceeding or claim should or should not be brought or maintained derivatively or as a class action on behalf of the Trust or the shareholders, to the same extent as the stockholders of a Massachusetts business corporation; and (6) such additional matters as may be required by law, the Declaration of Trust, the Bylaws or any registration of the Trust with the SEC or any state or as the Board of Trustees may consider desirable. The shareholders also would vote upon changes to a Fund's fundamental investment objective, policies or restrictions.

Each Trustee serves until the next meeting of shareholders, if any, called for the purpose of electing trustees and until the election and qualification of his or her successor or until death, resignation, retirement or removal by a majority vote of the shares entitled to vote (as described below) or of a majority of the Trustees. In accordance with the 1940 Act (i) the Trust will hold a shareholder meeting for the election of trustees when less than a majority of the trustees have been elected by shareholders, and (ii) if, as a result of a vacancy in the Board of Trustees, less than two-thirds of the trustees have been elected by the shareholders, that vacancy will be filled by a vote of the shareholders.

Upon the written request of 10 or more shareholders who have been such for at least six months and who hold shares constituting at least 1% of the Trust's outstanding shares stating that they wish to communicate with the other shareholders for the purpose of obtaining signatures necessary to demand a meeting to consider removal of one or more trustees, the Trust has undertaken to disseminate appropriate materials at the expense of the requesting shareholders.

The Bylaws provide that the presence at a shareholder meeting in person or by proxy of at least 30% of the shares entitled to vote on a matter shall constitute a quorum, unless otherwise provided by the 1940 Act or other applicable law. Thus, even if less than a majority of shareholders were represented, a meeting of the Trust's shareholders could occur. Attending shareholders would in such case be permitted to take action not requiring the vote of more than a majority of a quorum. Some matters requiring a larger vote

under the Declaration of Trust, such as termination or reorganization of the Trust, and certain amendments of the Declaration of Trust, could not be decided at such a meeting, nor could matters which under the 1940 Act require the vote of a "majority of the outstanding voting securities," as defined in the 1940 Act. The Declaration of Trust specifically authorizes the Board of Trustees to terminate the Trust (or any of its investment portfolios) by notice to the shareholders without shareholder approval.

28

29

Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for the Trust's obligations. The Declaration of Trust, however, disclaims shareholder liability for the Trust's acts or obligations and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Trust or the trustees. In addition, the Declaration of Trust provides for indemnification out of the property of an investment portfolio in which a shareholder owns or owned shares for all losses and expenses of such shareholder or former shareholder if he or she is held personally liable for the obligations of the Trust solely by reason of being or having been a shareholder. Moreover, the Trust will be covered by insurance which the trustees consider adequate to cover foreseeable tort claims. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is considered remote, because it is limited to circumstances in which a disclaimer is inoperative and the Trust itself is unable to meet its obligations.

For further information, please refer to the registration statement and exhibits for the Trust on file with the SEC in Washington, D.C. and available upon payment of a copying fee. The statements in the Prospectus and this Statement of Additional Information concerning the contents of contracts or other documents, copies of which are filed as exhibits to the registration statement, are qualified by reference to such contracts or documents.

#### PRINCIPAL HOLDERS OF SECURITIES

As of May 15, 1995, Charles Schwab Trust for the benefit FS12 Trading, One Montgomery Street, 7th Floor, San Francisco, CA 94104 directly or beneficially owned 70.36% of the Schwab Retirement Money Fund(TM).

As of May 15, 1995 for the Institutional Advantage Money Fund, Charles Schwab Trust for the benefit of FS13 Trading, One Montgomery Street, 7th Floor, San Francisco, CA 94104 directly or beneficially owned 79.65% and Queens-Long Island Med Group 401K Plan, 106 EAB Plaza, 12th Floor, Uniondale, NY 11556 directly or beneficially owned 13.15% of the Fund.

In addition, as of May 15, 1995, the officers and trustees of the Trust, as a group, owned less than 1% of each Fund's outstanding voting securities.

#### PURCHASE AND REDEMPTION OF SHARES

With the exception of the Schwab Retirement Money Fund and the Schwab Institutional Advantage Money Fund, each Fund's minimum initial investment is \$1,000 and subsequent investments of \$100 or more may be made. For the Schwab Retirement Money Fund and the Schwab Institutional Advantage Money Fund the minimum initial investment is \$1 and \$25,000 for each Fund, respectively, and subsequent investments of \$1 or more may be made. These minimum requirements may be changed at any time and are not applicable to certain types of investors. For all retirement plan, Schwab One(R) and certain other types of accounts, any account credit balance in excess of \$1.00 and subsequent amounts of \$1.00 on any business day will be automatically invested on a daily basis, in the Schwab Money Fund selected (except that this feature is not available for the Schwab Retirement Money Fund or the Schwab Institutional Advantage Money Fund). The Trust may waive the minimums for purchases by trustees, directors, officers or employees of the Trust, Schwab or the

Investment Manager. The Trust has made an election with the SEC to pay in cash all redemptions requested by any shareholder of record limited in amount during any 90-day period to the lesser of \$250,000 or 1% of its net assets at the beginning of such period. This election is irrevocable without the SEC's prior approval. Redemption requests in excess of the stated limits may be paid, in whole or in part, in investment securities or in cash, as the Trust's Board of Trustees may deem advisable; however, payment will be made wholly in cash unless the Board of Trustees believes that economic or market conditions exist that would make such a practice detrimental to the best interests of the Fund. If redemption proceeds are paid in investment securities, such securities will be valued as set forth in the Prospectus of the Fund affected under "Share Price Calculation" and a redeeming shareholder would normally incur brokerage expenses if he or she converted the securities to cash. The Schwab Institutional Advantage Money Fund and the Schwab Retirement Money Fund may also elect to invoke a seven day period for cash settlement of individual redemption requests in excess of \$250,000 or 1% of each Fund's net assets, whichever is less.

#### OTHER INFORMATION

The Prospectuses of the Funds and this Statement of Additional Information do not contain all the information included in the Registration Statement filed with the SEC under the Securities Act of 1933 with respect to the securities offered by the Prospectuses. Certain portions of the Registration Statement have been omitted from the Prospectuses and this Statement of Additional Information pursuant to the rules and regulations of the SEC. The Registration Statement including the exhibits filed therewith may be examined at the office of the SEC in Washington, D.C.

Statements contained in the Prospectuses or in this Statement of Additional Information as to the contents of any contract or other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectuses and this Statement of Additional Information form a part, each such statement being qualified in all respects by such reference.

THIS STATEMENT OF ADDITIONAL INFORMATION DOES NOT CONSTITUTE AN OFFERING BY THE TRUST, ANY SERIES THEREOF, OR BY THE DISTRIBUTOR IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT BE LAWFULLY MADE.

SchwabFunds (R)

1

SCHWAB MONEY MARKET FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
CORPORATE		
OBLIGATIONS--76.0% (a)		
ASSET BACKED SECURITIES--15.7%		
Alpha Finance Corp.		
6.23%, 05/15/95	\$ 32,000	\$ 31,279
Apreco, Inc.		
6.03%, 01/27/95	53,200	52,969
6.29%, 03/01/95	20,000	19,797
Asset Securitization		
Cooperative Corp.		
5.76%, 01/24/95	13,000	12,953
5.72%, 01/25/95	28,000	27,894

5.71%, 01/25/95	29,500	29,389
Banc One Funding Corp.		
5.72%, 01/27/95	100,000	99,592
5.54%, 01/27/95	20,000	19,921
5.88%, 02/24/95	26,000	25,774
Barton Capital Corp.		
6.02%, 01/13/95	30,107	30,047
Beta Finance, Inc.		
5.11%, 02/03/95	12,000	11,945
5.18%, 02/06/95	29,500	29,351
5.24%, 02/09/95	18,000	17,901
5.25%, 02/22/95	26,000	25,808
5.24%, 02/22/95	25,500	25,312
5.20%, 03/08/95	15,000	14,861
5.34%, 03/13/95	32,000	31,672
5.45%, 03/20/95	30,000	29,656
5.34%, 03/20/95	26,000	25,707
5.60%, 03/24/95	7,000	6,913
6.03%, 04/26/95	12,500	12,266
6.13%, 05/16/95	24,000	23,465
Blue Hawk Funding Corp.		
6.12%, 01/06/95	39,279	39,246
Corporate Asset Funding Co.		
5.47%, 01/26/95	30,800	30,685
Corporate Receivables Corp.		
6.02%, 01/13/95	25,000	24,950
ESC Securitization, Inc.		
5.48%, 01/18/95	50,000	49,873
5.58%, 01/24/95	40,000	39,859
5.86%, 02/14/95	50,000	49,647
5.95%, 02/16/95	50,000	49,625
5.91%, 03/02/95	75,000	74,273
Enterprise Funding Corp.		
5.84%, 01/05/95	14,100	14,091
6.12%, 01/09/95	30,049	30,008
6.08%, 01/09/95	16,842	16,819
5.47%, 01/10/95	25,109	25,075
5.97%, 01/13/95	31,786	31,723
6.13%, 01/17/95	5,000	4,986
5.77%, 01/26/95	50,000	49,802
5.78%, 02/06/95	42,622	42,379
5.93%, 02/15/95	12,267	12,177
6.29%, 03/02/95	11,079	10,965
6.32%, 03/06/95	37,826	37,408
Falcon Asset		
Securitization Corp.		
5.69%, 01/09/95	23,225	23,196
5.97%, 01/23/95	63,000	62,771
6.03%, 01/25/95	25,025	24,925
First Deposit Master Trust		
Series 1993-3		
5.71%, 01/11/95	16,000	15,975
5.95%, 02/15/95	17,000	16,875
5.93%, 02/15/95	12,400	12,309
5.82%, 02/16/95	14,000	13,897
Fleet Funding Co.		
5.70%, 01/05/95	45,000	44,972
5.52%, 01/09/95	13,534	13,518
Preferred Receivables Corp.		
5.68%, 01/09/95	16,000	15,980
5.53%, 01/11/95	46,275	46,205
Ranger Funding Corp.		
5.61%, 01/12/95	8,000	7,986
5.59%, 01/12/95	10,000	9,983
5.58%, 01/27/95	15,013	14,953
6.01%, 02/27/95	11,000	10,897
Receivables Capital Corp.		
6.09%, 01/05/95	35,116	35,092
Sheffield Receivables Corp.		
6.02%, 01/20/95	29,000	28,908
6.03%, 01/27/95	50,000	49,783
5.91%, 02/28/95	10,000	9,906
United Airlines First		
Funding Corp.		
5.69%, 01/10/95	22,517	22,485
5.74%, 01/25/95	27,000	26,898

WCP Funding Inc.		
6.03%, 01/24/95	30,000	29,885
		-----
		1,775,462
		-----
AUTOMOTIVE--8.9%		
BMW U.S. Capital Corp.		
6.11%, 01/06/95	30,000	29,975
5.16%, 01/23/95	11,000	10,966
6.03%, 01/24/95	21,050	20,969
5.58%, 01/26/95	34,567	34,435
5.20%, 02/07/95	14,000	13,927
5.60%, 03/22/95	50,000	49,394
5.60%, 03/23/95	25,000	24,693
5.66%, 04/03/95	20,000	19,719
6.05%, 05/15/95	16,000	15,650
Ford Credit Europe PLC		
5.93%, 01/10/95	38,000	37,944
5.57%, 01/17/95	26,000	25,936
5.57%, 01/20/95	50,000	49,855
5.91%, 02/16/95	20,500	20,348
5.93%, 02/28/95	35,000	34,671
Ford Motor Credit Co.		
5.83%, 01/09/95	10,000	9,987
5.90%, 02/21/95	82,000	81,324
6.56%, 04/28/95	45,000	44,061
General Motors		
Acceptance Corp.		
6.14%, 01/06/95	25,000	24,979
5.74%, 01/10/95	26,000	25,963
5.74%, 01/11/95	25,000	24,961
5.71%, 01/11/95	25,000	24,961
5.71%, 01/12/95	25,000	24,957
5.58%, 01/25/95	30,000	29,890
5.58%, 01/26/95	30,000	29,885
5.78%, 02/07/95	50,000	49,707
5.78%, 02/08/95	50,000	49,699
5.91%, 02/13/95	50,000	49,652
5.99%, 02/17/95	36,000	35,723
5.94%, 02/21/95	10,000	9,917
5.99%, 02/23/95	50,000	49,566
5.99%, 02/28/95	14,000	13,867
Renault Acceptance B.V.		
5.55%, 01/17/95	8,000	7,981
5.62%, 01/24/95	6,300	6,278

</TABLE>

31

32

SchwabFunds (R) 2

-----  
SCHWAB MONEY MARKET FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>

<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
Renault Credit International		
5.92%, 02/10/95	\$ 19,500	\$ 19,373
		-----
		1,001,213
		-----

BANKING--AUSTRALIA--0.8%

National Australia Funding  
(Delaware)

5.24%, 02/10/95	40,000	39,773
Westpac Capital Corp.		
5.88%, 02/24/95	50,000	49,565

-----  
89,338

BANKING--BELGIUM--1.2%		
Generale Bank, Inc.		
5.85%, 03/03/95	63,000	62,387
6.30%, 03/30/95	30,000	29,548
5.77%, 04/06/95	50,000	49,261
		-----
		141,196
		-----
BANKING--CANADA--3.4%		
Canadian Imperial		
Holdings Inc.		
5.88%, 02/01/95	150,000	149,244
5.88%, 02/03/95	150,000	149,196
6.12%, 03/01/95	33,000	32,674
Toronto-Dominion Holdings		
5.21%, 03/01/95	50,000	49,584
		-----
		380,698
		-----
BANKING--DENMARK--0.4%		
Den Danske Corp.		
6.21%, 01/04/95	25,000	24,987
6.21%, 01/05/95	25,000	24,983
		-----
		49,970
		-----
BANKING--DOMESTIC BANK		
HOLDING COMPANY--1.4%		
Chemical Banking Corp.		
6.01%, 02/28/95	75,000	74,285
6.01%, 03/02/95	12,000	11,882
NationsBank Corp.		
5.90%, 02/21/95	24,000	23,802
5.66%, 04/05/95	50,000	49,282
		-----
		159,251
		-----
BANKING--DOMESTIC--2.7%		
Bankers Trust New York Corp.		
6.33%, 03/02/95	100,000	98,962
6.31%, 03/03/95	65,000	64,316
Fleet Financial Group, Inc.		
6.12%, 01/11/95	44,000	43,925
6.13%, 01/30/95	25,000	24,877
Government Development		
Bank for Puerto Rico		
5.71%, 01/12/95	42,000	41,927
5.85%, 01/17/95	26,000	25,933
		-----
		299,940
		-----
BANKING--FRANCE--0.6%		
Indosuez N.A. Inc.		
5.90%, 02/23/95	24,000	23,794
Societe Generale		
5.18%, 02/01/95	40,000	39,826
		-----
		63,620
		-----
BANKING--GERMANY--0.4%		
Siemens Corp.		
5.78%, 04/04/95	15,000	14,782
5.79%, 04/07/95	30,000	29,550
		-----
		44,332
		-----
BANKING--JAPAN--3.4%		
AES Shady Point /		
(Bank of Tokyo LOC)		
5.28%, 01/12/95	12,392	12,372
6.13%, 01/20/95	13,000	12,958
Bancal Tri-State Corp. /		
(Mitsubishi Bank		
Keepwell Agreement)		
5.89%, 02/14/95	37,000	36,738

Bridgestone/Firestone, Inc. / (Sumitomo Bank LOC)		
6.07%, 01/20/95	40,000	39,872
DIC Americas, Inc. / (Fuji Bank LOC)		
5.92%, 01/20/95	24,300	24,225
5.75%, 01/31/95	10,000	9,953
5.93%, 02/15/95	25,000	24,818
Deerfield Capital Corp. / (Sumitomo Bank LOC)		
6.16%, 01/04/95	45,950	45,926
6.14%, 01/05/95	55,480	55,442
6.13%, 01/23/95	15,700	15,641
Mitsubishi Motors Credit of America Inc. / (Mitsubishi Bank LOC)		
5.52%, 01/13/95	20,000	19,964
Ridge Capital II / (Dai-Ichi Kangyo Bank LOC)		
6.16%, 01/04/95	26,200	26,187
6.16%, 01/23/95	10,000	9,963
Tri-Lateral Capital (U.S.A.), Inc. / (Industrial Bank of Japan LOC)		
5.53%, 01/03/95	11,153	11,150
6.02%, 01/19/95	20,537	20,475
5.94%, 02/24/95	16,302	16,159
		-----
		381,843
		-----
BANKING--NETHERLANDS--0.2%		
ABN-Amro North America Finance Inc.		
5.51%, 01/03/95	25,000	24,992
		-----
BANKING--SPAIN--2.6%		
BEX America Finance, Inc.		
6.01%, 01/03/95	54,000	53,982
6.06%, 01/06/95	24,000	23,980
Central Hispano N.A. Capital Corp.		
6.03%, 01/30/95	50,000	49,758
6.03%, 01/31/95	50,000	49,750
6.40%, 03/27/95	120,000	118,215
		-----
		295,685
		-----
BANKING--UNITED KINGDOM--0.9%		
Abbey National N.A. Corp.		
5.59%, 03/07/95	10,000	9,902
Banco Nacional de Mexico S.A. / (Barclays Bank LOC)		
6.05%, 01/04/95	25,000	24,987
6.09%, 01/06/95	30,000	29,975

</TABLE>

32

33

SchwabFunds (R)

3

<TABLE>

<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
Yorkshire Building Society		
5.23%, 03/06/95	\$ 30,000	\$ 29,728
6.35%, 03/08/95	12,175	12,035



		106,627
-----		
CHEMICALS--0.2%		
BASF Corp.		
5.87%, 04/03/95	20,000	19,709
-----		
COMPUTER AND OFFICE EQUIPMENT--0.4%		
CSC Enterprises		
6.04%, 01/11/95	12,500	12,479
5.58%, 01/12/95	10,000	9,983
6.13%, 01/24/95	20,000	19,922
-----		
		42,384
-----		
DATA PROCESSING--0.8%		
Electronic Data Systems Corp.		
5.58%, 01/17/95	35,000	34,914
5.53%, 01/17/95	20,000	19,952
5.53%, 01/17/95	24,000	23,942
5.86%, 02/15/95	11,000	10,921
-----		
		89,729
-----		
ELECTRICAL AND ELECTRONICS--3.0%		
MCA Funding Corp.		
5.68%, 01/04/95	35,000	34,984
5.16%, 01/10/95	15,000	14,981
5.20%, 01/11/95	16,000	15,977
5.20%, 01/13/95	20,000	19,966
5.17%, 01/24/95	22,000	21,929
5.57%, 01/26/95	15,600	15,541
5.21%, 02/23/95	23,500	23,324
5.20%, 03/02/95	21,000	20,823
5.20%, 03/07/95	25,000	24,771
5.20%, 03/09/95	25,300	25,061
5.34%, 03/13/95	15,000	14,846
5.34%, 03/15/95	27,000	26,715
5.34%, 03/16/95	27,000	26,711
5.39%, 03/21/95	15,000	14,827
5.88%, 04/26/95	20,000	19,635
Sony Capital Corp.		
5.54%, 01/05/95	15,000	14,991
-----		
		335,082
-----		
FINANCE (COMMERCIAL)--10.7%		
CIT Group Holdings, Inc.		
5.29%, 01/19/95	50,000	49,870
5.58%, 01/24/95	47,000	46,835
General Electric Capital Corp.		
5.57%, 01/11/95	50,000	49,924
5.57%, 01/12/95	50,000	49,916
5.16%, 01/20/95	30,000	29,920
5.56%, 01/23/95	40,000	39,866
5.56%, 01/30/95	30,000	29,868
5.56%, 01/31/95	30,000	29,863
5.09%, 02/01/95	43,000	42,816
5.21%, 02/08/95	17,000	16,909
5.23%, 02/09/95	39,000	38,785
5.16%, 02/09/95	40,000	39,781
5.24%, 02/10/95	39,000	38,779
6.29%, 04/04/95	21,000	20,666
General Electric Capital Services		
5.16%, 01/23/95	35,000	34,892
5.16%, 01/24/95	30,000	29,903
5.56%, 01/26/95	25,000	24,905
5.58%, 01/31/95	32,000	31,853
5.16%, 02/03/95	35,000	34,838
5.16%, 02/07/95	20,103	19,999
5.16%, 02/08/95	16,000	15,915
5.16%, 02/10/95	25,000	24,860
5.19%, 02/27/95	47,000	46,623
5.82%, 04/06/95	50,000	49,255
6.24%, 05/23/95	30,000	29,284

Hanson Finance (UK) PLC		
5.48%, 01/18/95	18,000	17,954
5.88%, 02/24/95	63,000	62,452
6.09%, 02/27/95	34,000	33,677
6.11%, 03/01/95	34,000	33,665
6.36%, 03/07/95	48,000	47,457
6.30%, 03/08/95	26,000	25,704
6.15%, 03/10/95	50,000	49,429

Transamerica Finance Corp.		
5.57%, 01/17/95	11,000	10,973
5.28%, 02/08/95	30,000	29,837
5.25%, 02/08/95	25,000	24,865

-----  
1,202,138  
-----

FINANCE (CONSUMER)--1.9%

Sears Roebuck		
Acceptance Corp.		
5.53%, 01/18/95	70,000	69,820
5.53%, 01/19/95	50,000	49,864
5.53%, 01/20/95	46,000	45,868
5.68%, 01/30/95	6,000	5,973
5.66%, 01/31/95	40,000	39,814

-----  
211,339  
-----

PHARMACEUTICALS--0.9%

American Home Products Corp.		
5.87%, 01/04/95	9,000	8,996
6.17%, 03/21/95	50,000	49,336
6.18%, 03/23/95	50,000	49,319

-----  
107,651  
-----

SECURITIES

BROKERAGE-DEALER--14.8%

BT Securities Corp.		
5.92%, 01/17/95	25,000	24,934
6.17%, 03/03/95	25,000	24,742
Bear Stearns Companies Inc.		
5.57%, 01/10/95	20,000	19,973
5.46%, 01/18/95	20,000	19,949
5.58%, 01/25/95	20,000	19,927
5.78%, 02/13/95	30,000	29,796
5.21%, 02/27/95	25,000	24,799
6.31%, 03/17/95	50,000	49,354
CS First Boston, Inc.		
5.56%, 01/12/95	22,000	21,963
5.90%, 01/30/95	10,000	9,953
Dean Witter, Discover & Co.		
5.93%, 01/18/95	50,000	49,861
5.93%, 01/19/95	50,000	49,853
Goldman Sachs Group, L.P.		
5.97%, 01/13/95	112,000	111,778
6.03%, 01/25/95	50,000	49,800
6.03%, 01/26/95	50,000	49,792
5.90%, 02/02/95	135,000	134,296
5.90%, 02/03/95	3,000	2,984
5.49%, 03/14/95	50,000	49,465
5.36%, 03/14/95	10,000	9,896

</TABLE>

SchwabFunds (R)

-----  
SCHWAB MONEY MARKET FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>  
<CAPTION>

Par Value  
--- ----

<S>	<C>	<C>
Lehman Brothers Holdings Inc.		
5.81%, 01/18/95	\$ 41,000	\$ 40,889
5.91%, 01/20/95	20,000	19,938
Merrill Lynch & Co., Inc.		
5.55%, 01/25/95	51,000	50,814
5.55%, 01/26/95	23,000	22,913
5.58%, 01/30/95	25,000	24,889
5.58%, 01/31/95	25,000	24,885
Morgan Stanley Group Inc.		
6.36%, 03/08/95	25,000	24,713
6.36%, 03/09/95	100,000	98,835
6.35%, 03/10/95	100,000	98,819
6.54%, 04/10/95	25,000	24,560
6.54%, 04/11/95	100,000	98,222
5.74%, 04/17/95	30,000	29,507
Nomura Holdings America, Inc.		
5.51%, 01/05/95	25,000	24,985
5.74%, 01/25/95	23,000	22,913
5.75%, 01/31/95	25,000	24,882
5.88%, 02/14/95	16,000	15,887
Paine Webber Group Inc.		
5.56%, 01/04/95	20,000	19,991
5.66%, 01/10/95	37,000	36,948
5.52%, 01/10/95	24,000	23,967
5.53%, 01/19/95	25,000	24,932
Salomon Inc.		
6.05%, 01/03/95	17,421	17,415
6.13%, 01/23/95	40,000	39,851
6.19%, 01/30/95	40,000	39,802
6.52%, 02/07/95	45,000	44,702
6.37%, 02/27/95	25,000	24,751
		-----
		1,673,125
		-----
STUDENT LOANS--0.1%		
Student Loan Corp.		
6.04%, 01/03/95	14,000	13,991
		-----
TOBACCO--0.1%		
American Brands, Inc.		
5.62%, 01/19/95	15,000	14,958
		-----
UTILITIES (NON-MUNICIPAL)--0.3%		
Southern California Gas Co.		
6.09%, 02/02/95	33,000	32,823
		-----
PAPER AND WOOD PRODUCTS--0.2%		
Bowater Inc.		
5.47%, 01/09/95	21,000	20,974
		-----
TOTAL CORPORATE OBLIGATIONS		
(Cost \$8,578,070)		8,578,070
		-----
VARIABLE RATE		
OBLIGATIONS--10.2% (b)		
ASSET BACKED SECURITIES--0.6%		
Advanta Credit Card		
Master Trust		
6.33%, 01/07/95	24,000	24,000
Money Market Credit Card		
Trust Series 1989-1		
6.22%, 06/12/95	40,909	40,909
		-----
		64,909
		-----
BANKING--DOMESTIC--1.9%		
6700 Cherry Avenue		
Partners Variable Rate		
Taxable Demand Bonds		
Series 1993 /		
(Wells Fargo LOC)		
6.60%, 01/07/95	10,500	10,500
Comerica Bank		
5.83%, 01/03/95	50,000	49,951
5.82%, 01/03/95	50,000	49,975

PNC Bank, N.A.		
5.82%, 01/03/95	100,000	99,984
		-----
		210,410
		-----
BANKING--FRANCE--0.4%		
New Jersey Economic Development Authority (GE Aerospace) Series A / (Banque Nationale de Paris LOC)		
6.08%, 01/03/95	31,525	31,525
New Jersey Economic Development Authority (GE Aerospace) Series B / (Banque Nationale de Paris LOC)		
6.08%, 01/03/95	10,000	10,000
		-----
		41,525
		-----
BANKING--JAPAN--0.2%		
Baldwin Park Redevelopment Agency 1993 Refunding Revenue Bonds (Baldwin Park Hotel Project) / (Sumitomo Bank LOC)		
6.34%, 01/10/95	15,200	15,200
Town of Islip Industrial Development Agency 1992 Taxable Adjustable Rate Industrial Revenue Bonds (Nussdorf Associates/Quality King Distributors, Inc. Facility) / (Bank of Tokyo LOC)		
6.65%, 01/05/95	6,780	6,780
		-----
		21,980
		-----
BANKING--UNITED KINGDOM--0.7%		
Abbey National Treasury Services PLC		
5.85%, 01/03/95	50,000	49,996
5.82%, 01/03/95	44,500	44,470
		-----
		94,466
		-----
CITY OR COUNTY		
GENERAL OBLIGATIONS--0.8%		
City of Irvine (Orange County, California) Taxable Notes Series 1994 (d)		
6.20%, 01/25/95	47,455	47,455

</TABLE>

34

35

SchwabFunds (R)

5

<TABLE>  
<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
Orange County, California Taxable Notes		

Series 1994-1995 (d)		
6.00%, 01/01/95	\$ 41,500	\$ 41,490
		-----
		88,945
		-----
EDUCATION--1.4%		
Irvine Unified School District		
(Orange County, California)		
1994 Taxable Notes (d)		
6.47%, 01/11/95	46,375	46,425
Newport Mesa Unified		
School District (Orange		
County, California)		
1994 Taxable Notes (d)		
6.48%, 01/11/95	24,960	24,985
North Orange County		
Community College District		
(Orange County, California)		
1994 Taxable Notes (d)		
6.48%, 01/11/95	47,785	47,834
Orange County Board of		
Education (Orange		
County, California)		
1994 Taxable Notes (d)		
6.48%, 01/11/95	35,880	35,920
		-----
		155,164
		-----
FINANCE (COMMERCIAL)--0.1%		
CIT Group Holdings, Inc.		
5.80%, 01/03/95	15,000	14,999
		-----
HEALTHCARE--0.2%		
Catholic Healthcare West		
Taxable Variable Rate		
Demand Bonds		
Series 1993A		
7.00%, 01/07/95	20,400	20,400
		-----
INSURANCE--0.9%		
Commonwealth Life		
Insurance Co.		
5.83%, 03/31/95	100,000	100,000
		-----
MONOLINE INSURANCE--0.1%		
New Orleans Aviation		
Board Taxable		
Refunding Bonds Series		
1993A /		
(MBIA Insurance)		
6.26%, 01/07/95	7,500	7,500
		-----
SECURITIES		
BROKERAGE-DEALER--2.6%		
Bear Stearns Companies Inc.		
6.04%, 01/23/95	50,000	50,000
CS First Boston, Inc.		
6.08%, 04/01/95	50,000	50,000
Goldman Sachs Group, L.P.		
6.03%, 01/01/95	35,000	35,000
5.92%, 01/03/95	40,000	40,000
5.91%, 01/03/95	20,000	20,000
Lehman Brothers Holdings Inc.		
6.09%, 01/18/95	100,000	100,000
		-----
		295,000
		-----
PUBLIC FACILITIES--0.3%		
Orange County Flood		
Control District 1994-95		
Taxable Notes (d)		
6.03%, 01/03/95	41,000	40,995
		-----
TOTAL VARIABLE RATE OBLIGATIONS		
(Cost \$1,156,293)		1,156,293

BANKER'S		
ACCEPTANCES--0.2%		
BANKING--DOMESTIC--0.2%		
Bankers Trust New York Corp.		
6.12%, 02/13/95	17,667	17,539
-----		
BANKING--JAPAN--0.0%		
Fuji Bank, Ltd.		
6.26%, 03/13/95	5,000	4,939
-----		
TOTAL BANKER'S ACCEPTANCES		
(Cost \$22,478)		22,478
-----		
BANK NOTES--1.5%		
BANKING--DOMESTIC--1.5%		
PNC Bank, N.A.		
6.05%, 04/20/95	30,000	29,967
6.00%, 04/20/95	50,000	49,953
5.96%, 04/20/95	25,000	24,995
5.93%, 04/20/95	10,000	9,999
5.95%, 04/26/95	50,000	49,991
-----		
TOTAL BANK NOTES		
(Cost \$164,905)		164,905
-----		
CERTIFICATES OF		
DEPOSIT--4.2%		
BANKING--DOMESTIC--0.2%		
Bank of the West, Inc.		
6.25%, 01/12/95	20,000	20,000
-----		
BANKING--FRANCE--1.8%		
Banque Nationale de Paris		
5.22%, 03/06/95	11,000	11,000
Societe Generale		
5.17%, 01/17/95	20,000	20,000
5.10%, 02/02/95	95,000	95,000
5.18%, 02/03/95	25,000	24,998
5.18%, 02/06/95	25,000	24,998
5.64%, 04/03/95	30,000	30,001
-----		
205,997		
-----		
BANKING--GERMANY--0.2%		
Commerzbank AG		
5.54%, 02/21/95	20,000	19,999
-----		
BANKING--JAPAN--1.6%		
Fuji Bank, Ltd.		
6.32%, 02/28/95	11,000	10,992
5.98%, 02/28/95	25,000	25,000
Mitsubishi Bank, Ltd.		
5.57%, 01/19/95	49,000	48,998
Sanwa Bank, Ltd.		
6.07%, 01/03/95	40,000	40,000
6.11%, 01/13/95	20,000	20,000
6.25%, 03/08/95	15,000	15,003
6.25%, 03/09/95	15,000	15,000
-----		
174,993		
-----		

</TABLE>

<TABLE>  
<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
BANKING--SWITZERLAND--0.4%		
Credit Suisse		
4.85%, 04/12/95	\$ 25,000	\$ 25,001
4.91%, 04/13/95	25,000	25,001
		-----
		50,002
		-----
TOTAL CERTIFICATES OF DEPOSIT (Cost \$470,991)		470,991
		-----
MUNICIPAL TAXABLE NOTES--0.6%		
CITY OR COUNTY		
GENERAL OBLIGATIONS--0.6%		
Anaheim (Orange County, California) Taxable Notes Series 1994 (d)		
5.68%, 04/04/95	10,000	9,981
4.69%, 04/04/95	45,000	45,034
Fresno County, California Teeter Plan Taxable Notes Series 1994-1995		
5.83%, 06/30/95	12,000	12,000
		-----
TOTAL MUNICIPAL TAXABLE NOTES (Cost \$67,015)		67,015
		-----
REMARKETED CERTIFICATES--0.5%		
ASSET BACKED SECURITIES--0.5%		
Circuit City RECOP Trust		
6.15%, 01/23/95	35,000	35,000
6.33%, 03/07/95	17,000	17,000
		-----
TOTAL REMARKETED CERTIFICATES (Cost \$52,000)		52,000
		-----

</TABLE>  
<TABLE>  
<CAPTION>

	Maturity	
	-----	
<S>	<C>	<C>
REPURCHASE		
AGREEMENTS--6.8% (c)		
CS First Boston Corp. 6.00%		
Issue Date 12/27/94		
Last Put Date 12/28/94		
Due 01/04/95		
Collateralized By:		
FHLMC: \$36,600 Par;		
6.00% Due 11/15/08		
FNMA: \$24,455 Par;		
6.00% Due 12/25/08		
FHLMC: \$21,685 Par;		
6.50% Due 01/15/24		
FNMA: \$23,865 Par;		
6.75% Due 11/25/06		
FNMA: \$24,365 Par;		
6.75% Due 11/25/06	90,120	90,000
CS First Boston Corp. 6.00%		
Issue Date 12/27/94		
Last Put Date 12/29/94		
Due 01/05/95		
Collateralized By:		
FNMA: \$35,000 Par;		
6.75% Due 11/25/06		
FNMA: \$42,451 Par;		
6.75% Due 11/25/06		
FHLMC: \$25,950 Par;		

5.50% Due 01/15/08 FHLMC: \$27,640 Par; 6.50% Due 03/15/24	\$ 90,135	\$ 90,000		
J.P. Morgan Securities Inc.				
5.90% Issue Date 12/30/94 Due 01/03/95 Collateralized By: FNMA: \$30,774 Par; 7.00% Due 12/25/22 FNMA: \$36,067 Par; 7.50% Due 01/25/21 FHLMC: \$24,351 Par; 5.00% Due 11/15/23 FHLMC-GNMA: \$32,693 Par; 6.50% Due 01/25/23	100,066	100,000		
Lehman Government Securities, Inc. 5.52% Issue Date 10/04/94 Last Put Date 12/30/94 Due 01/06/95 Collateralized By: FHLMC: \$14,636 Par; 6.69% Due 10/15/08 FHLMC: \$43,420 Par; 6.25% Due 07/15/19 FHLMC: \$9,112 Par; 6.00% Due 02/15/06 FNMA: \$43,421 Par; 8.00% Due 05/25/22 FNMA: \$12,516 Par; 9.13% Due 09/25/23 FNMA: \$2,057 Par; 6.00% Due 07/25/07			113,614	112,000
Lehman Government Securities, Inc. 5.55% Issue Date 10/05/94 Last Put Date 12/29/94 Due 01/05/95 Collateralized By: FHLMC: \$13,028 Par; 9.00% Due 09/15/21 FHLMC: \$110 Par; 9.00% Due 09/15/21			13,184	13,000
Paine Webber Inc. 6.25% Issue Date 12/27/94 Due 01/03/95 Collateralized By: FHLMC: \$50,000 Par; 4.10% Due 01/15/24 FHLMC: \$25,000 Par; 7.85% Due 10/15/23 FHLMC: \$20,000 Par; 6.84% Due 07/15/08 FNMA: \$17,690 Par; 5.80% Due 09/25/06			100,122	100,000

</TABLE>

SchwabFunds (R)

<TABLE>  
<CAPTION>

	Maturity	Value
	-----	-----
<S>	<C>	<C>
Salomon Brothers Inc. 5.90% Issue Date 12/21/94 Due 01/03/95		



Collateralized By:		
FHLMC: \$45,362 Par;		
7.00% Due 05/01/24		
FHLMC: \$46,496 Par;		
7.00% Due 05/01/24	\$ 81,173	\$ 81,000
Salomon Brothers Inc. 5.90%		
Issue Date 12/21/94		
Due 01/04/95		
Collateralized By:		
FHLMC: \$35,155 Par;		
7.00% Due 05/01/24		
FNMA: \$30,074 Par;		
6.50% Due 12/01/23		
FNMA: \$30,074 Par;		
6.50% Due 12/01/23	81,186	81,000
Salomon Brothers Inc. 5.95%		
Issue Date 12/16/94		
Last Put Date 12/31/94		
Due 01/01/95		
Collateralized By:		
FHLMC: \$50,000 Par;		
7.00% Due 06/01/24		
FHLMC: \$50,000 Par;		
7.00% Due 06/01/24		
FHLMC: \$13,660 Par;		
7.00% Due 06/01/24	\$100,017	\$100,000
		-----
TOTAL REPURCHASE AGREEMENTS		
(Cost \$767,000)		767,000
		-----
TOTAL INVESTMENTS--100.0%		
(Cost \$11,278,752)		\$11,278,752
		=====

</TABLE>

See accompanying Notes to Schedules of Investments.

37

38

SchwabFunds (R) 8

-----  
 SCHWAB GOVERNMENT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994  
 -----

<TABLE>

<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
VARIABLE RATE		
OBLIGATIONS--17.1%(b)		
Federal Home Loan Bank		
5.59%, 02/14/95	\$ 20,000	\$ 20,000
6.02%, 03/08/95	20,000	19,959
Federal National Mortgage Association		
5.35%, 01/16/95	20,000	20,000
Student Loan Marketing Association		
6.17%, 01/03/95	9,615	9,615
6.12%, 01/03/95	9,165	9,204
6.10%, 01/03/95	21,675	21,732

6.07%, 01/03/95	115,000	114,934
5.94%, 01/03/95	25,000	25,007
5.93%, 01/03/95	35,000	35,000
5.90%, 01/03/95	30,000	30,000
5.48%, 06/30/95	20,000	20,010
		-----
TOTAL VARIABLE RATE OBLIGATIONS		325,461
(Cost \$325,461)		-----
AGENCY OBLIGATIONS--60.8%		
COUPON NOTES--0.8%		
Federal Home Loan Bank		
3.46%, 02/03/95	14,850	14,831
		-----
DISCOUNT NOTES--60.0%		
Federal Farm Credit		
6.02%, 02/28/95	3,670	3,635
Federal Home Loan Bank		
5.04%, 01/03/95	25,000	24,993
4.92%, 01/03/95	45,000	44,988
4.83%, 01/04/95	39,885	39,869
5.91%, 01/09/95	17,845	17,822
5.93%, 01/11/95	43,000	42,930
4.95%, 01/12/95	25,000	24,963
5.01%, 01/18/95	20,000	19,954
5.47%, 02/01/95	31,175	31,030
6.16%, 05/30/95	23,000	22,432
6.34%, 06/01/95	23,845	23,231
Federal Home Loan		
Mortgage Corp.		
5.93%, 01/04/95	33,730	33,713
5.47%, 01/09/95	25,000	24,970
5.60%, 02/02/95	47,000	46,769
5.61%, 02/03/95	21,815	21,704
5.48%, 03/15/95	16,000	15,827
5.49%, 03/22/95	4,000	3,953
Federal National Mortgage		
Association		
4.92%, 01/05/95	20,000	19,989
5.82%, 01/10/95	22,495	22,462
5.91%, 01/12/95	15,000	14,973
5.02%, 01/17/95	10,225	10,203
5.05%, 01/19/95	25,000	24,938
5.56%, 01/24/95	25,000	24,912
5.77%, 01/26/95	22,160	22,072
5.77%, 01/27/95	15,000	14,938
5.88%, 01/30/95	23,105	22,996
6.04%, 02/07/95	25,000	24,846
5.05%, 02/08/95	50,000	49,739
6.02%, 02/28/95	21,560	21,353
5.12%, 03/01/95	30,000	29,755
6.19%, 03/03/95	25,000	24,742
6.19%, 03/06/95	23,280	23,028
5.19%, 03/09/95	50,000	49,529
5.27%, 03/20/95	42,000	41,533
5.37%, 03/22/95	31,405	31,040
5.36%, 03/22/95	15,000	14,826
6.25%, 03/30/95	32,680	32,189
6.30%, 04/27/95	58,845	57,675
6.42%, 05/04/95	34,000	33,274
6.49%, 05/12/95	15,650	15,289
6.11%, 05/17/95	25,000	24,439
6.66%, 06/08/95	24,880	24,177
6.67%, 06/29/95	25,000	24,198
		-----
		1,141,898
		-----
TOTAL AGENCY OBLIGATIONS		1,156,729
(Cost \$1,156,729)		-----
U.S. TREASURY		
OBLIGATIONS--2.3%		
U.S. Treasury Bills		
5.98%, 05/18/95	23,400	22,883
U.S. Treasury Notes		
8.38%, 04/15/95	20,000	20,193

TOTAL U.S. TREASURY OBLIGATIONS  
 (Cost \$43,076) 43,076

</TABLE>  
 <TABLE>  
 <CAPTION>

	Maturity	Value
	-----	-----
<S>	<C>	<C>

REPURCHASE

AGREEMENTS--19.8% (c)		
CS First Boston, Corp. 5.80%		
Issue Date 11/17/94		
Last Put Date 12/31/94		
Due 01/07/95		
Collateralized By:		
FNMA: \$20,130 Par;		
5.40% Due 03/25/09		
FNMA: \$23,320 Par;		
5.40% Due 03/25/09		
FHLMC: \$22,290 Par;		
5.88% Due 05/15/21		
FNMA: \$904 Par;		
6.00% Due 01/01/24	55,692	55,238
Lehman Government		
Securities, Inc. 5.52%		
Issue Date 10/04/94		
Last Put Date 12/29/94		
Due 01/05/95		
Collateralized By:		
FHLMC: \$47,268 Par;		
9.00% Due 09/15/21		
FNMA: \$16,497 Par;		
5.50% Due 06/25/23		
FNMA: \$766 Par;		
7.00% Due 04/01/08		
U.S. Treasury Note: \$400 Par;		
8.75% Due 08/15/00		
FHLMC: \$1,484 Par;		
8.25% Due 12/01/08		
FHLMC: \$600 Par;		
6.00% Due 06/15/19	60,856	60,000

</TABLE>

38

39

SchwabFunds (R) 9

<TABLE>  
 <CAPTION>

	Maturity	Value
	-----	-----
<S>	<C>	<C>

Lehman Government		
Securities, Inc. 5.52%		
Issue Date 10/05/94		
Last Put Date 12/30/94		
Due 01/06/95		
Collateralized By:		
FHLMC: \$14,037 Par;		
7.00% Due 02/15/22		
FNMA: \$31,500 Par;		
7.00% Due 02/25/23		
FHLMC: \$383 Par;		
6.00% Due 06/15/19		
FNMA: \$339 Par;		
5.75% Due 06/25/08		

FHLMC: \$511 Par; 6.00% Due 06/15/19	\$ 40,570	\$ 40,000
Lehman Government Securities, Inc. 5.52% Issue Date 10/05/94 Last Put Date 12/31/94 Due 01/07/95 Collateralized By: FNMA: \$42,730 Par; 6.50% Due 01/25/23 FHLMC: \$10,772 Par; 5.75% Due 05/15/05 FNMA: \$680 Par; 6.50% Due 06/01/08 FHLMC: \$400 Par; 6.00% Due 05/15/19		
	45,649	45,000
Lehman Government Securities, Inc. 5.80% Issue Date 11/28/94 Last Put Date 12/31/94 Due 01/07/95 Collateralized By: FNMA: \$22,357 Par; 9.50% Due 07/25/20		
	22,301	22,158
Paine Webber Inc. 5.45% Issue Date 10/03/94 Last Put Date 12/28/94 Due 01/04/95 Collateralized By: FHLMC: \$41,250 Par; 5.575% Due 02/15/24 FNMA: \$21,475 Par; 5.86% Due 01/25/22 FHLMC: \$475 Par; 5.575% Due 02/15/24 FHLMC: \$330 Par; 5.575% Due 02/15/24 FHLMC: \$490 Par; 7.00% Due 04/15/24 FHLMC: \$450 Par; 7.00% Due 04/15/24		
	\$ 60,845	\$ 60,000
Salomon, Inc. 5.88% Issue Date 12/23/94 Due 01/06/95 Collateralized By: FHLMC: \$44,215 Par; 7.50% Due 06/01/24		
	40,091	40,000
Salomon, Inc. 5.90% Issue Date 12/22/94 Due 01/03/95 Collateralized By: FHLMC: \$30,951 Par; 7.50% Due 06/01/24		
	28,055	28,000
Salomon, Inc. 5.90% Issue Date 12/23/94 Due 01/03/95 Collateralized By: FHLMC: \$31,308 Par; 7.00% Due 06/01/24		
	27,661	27,611
TOTAL REPURCHASE AGREEMENTS (Cost \$378,007)		
		378,007
TOTAL INVESTMENTS--100.0% (Cost \$1,903,273)		
		\$1,903,273

</TABLE>

See accompanying Notes to Schedules of Investments.

SCHWAB U.S. TREASURY MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994

<TABLE>  
 <CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
U.S. TREASURY		
OBLIGATIONS--100.0%		
U.S. Treasury Bills		
5.06%-5.08%, 01/12/95	\$ 22,000	\$ 21,966
5.09%-5.55%, 01/19/95	77,285	77,099
5.11%-5.29%, 01/26/95	18,930	18,863
4.82%-5.40%, 02/02/95	101,545	101,072
5.02%-5.50%, 02/09/95	99,435	98,883
5.62%-5.63%, 02/16/95	8,390	8,330
5.51%-5.76%, 03/02/95	92,880	92,015
5.39%-5.89%, 03/09/95	99,220	98,176
5.32%-5.53%, 03/16/95	21,180	20,948
5.54%-5.74%, 04/06/95	25,000	24,639
5.78%-5.80%, 04/13/95	24,565	24,169
6.21%, 04/27/95	15,000	14,707
5.78%-6.18%, 05/04/95	53,285	52,208
5.98%, 05/25/95	20,000	19,535
6.34%, 06/01/95	1,720	1,675
U.S. Treasury Notes		
8.63%, 01/15/95	8,540	8,550
4.25%, 01/31/95	50,000	49,957
11.25%, 02/15/95	10,000	10,067
3.88%, 02/28/95	35,035	34,938
8.50%, 05/15/95	25,000	25,183
		-----
TOTAL U.S. TREASURY OBLIGATIONS		802,980
(Cost \$802,980)		-----
		-----
TOTAL INVESTMENTS--100.0%		\$802,980
(Cost \$802,980)		=====

</TABLE>

NOTES TO SCHEDULES OF INVESTMENTS.

Yields shown are effective yields at the time of purchase, except for variable rate securities which are described below and Treasury and Agency Notes which reflect the coupon rate of the security. Yields for each type of security are stated according to the market convention for that security type. For each security, cost (for financial reporting and federal income tax purposes) and carrying value are the same.

(a) Certain securities purchased by the Schwab Money Market Fund are private placement securities exempt from registration by Section 4(2) of the Securities Act of 1933. These securities generally are issued to institutional investors, such as the Schwab Money Market Fund. Any resale by the Schwab Money Market Fund must be in an exempt transaction, normally to a qualified institutional buyer. At December 31, 1994, the aggregate value of private placement securities held by the Schwab Money Market Fund was \$2,665,221,000, which represented 23.74% of net assets. Of this total, \$2,322,312,000 or 20.68% of net assets, were invested in securities determined by the Investment Manager to be liquid in accordance with a resolution adopted by the Board of Trustees relating to Rule 144A, promulgated under the Securities Act of 1933.

(b) Variable rate securities. Interest rates vary periodically based on current market rates. Rates shown are the effective rates on December 31, 1994. Dates shown represent the latter of the demand date or next interest rate change date, which is considered the maturity date for financial reporting purposes. For variable rate securities without demand features and which mature in less than one year the next interest reset date is shown.

(c) Due dates shown for repurchase agreements represent the earlier of the

final maturity date or put date, which is considered the maturity date for financial reporting purposes. Dates of repurchase agreements reflect the original issue date and the last put date.

(d) With respect to these securities, the Schwab Money Market Fund has obtained a \$27,993,000 irrevocable letter of credit from Bank of America National Trust and Savings Association which allows the Fund to make demands for partial payment of the securities' principal amount under certain conditions upon maturity or disposition of the securities by the Fund. This letter of credit provides a degree of additional support for the valuation of these securities but has not been needed to maintain the Fund's net asset value of \$1.00 per share since the Fund has not experienced any losses to date in excess of one half of one percent of its net assets. The letter of credit expires on August 1, 1995. See Note 7 to the Financial Statements for further discussion.

<TABLE>  
<CAPTION>

Abbreviations

<S>	<C>
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
GNMA	Government National Mortgage Association
LOC	Letter of Credit
MBIA	Municipal Bond Investors Assurance Corporation
RECOP	Remarketed Certificates of Participation

</TABLE>

See accompanying Notes to Financial Statements.

SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY  
FUND & SCHWAB U.S. TREASURY MONEY FUND  
STATEMENT OF ASSETS AND LIABILITIES (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Schwab Money Market Fund	Schwab Government Money Fund	Schwab U.S. Treasury Money Fund
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS			
Investments, at value			

(Cost: \$11,278,752, \$1,903,273 and \$802,980, respectively)	\$11,278,752	\$1,903,273	\$802,980
Cash	1	3	2
Interest receivable	25,024	6,729	4,162
Receivable for securities matured	--	--	76,165
Prepaid expenses	243	69	49
Deferred organization costs	7	3	25
	-----	-----	-----
Total assets	11,304,027	1,910,077	883,383
	-----	-----	-----
LIABILITIES			
Payable for:			
Dividends	68,543	11,438	4,191
Investments purchased	--	--	74,820
Investment advisory and administration fee	2,759	467	118
Transfer agency and shareholder service fees	3,882	695	194
Other	1,538	149	189
	-----	-----	-----
Total liabilities	76,722	12,749	79,512
	-----	-----	-----
Net assets applicable to outstanding shares	\$11,227,305	\$1,897,328	\$803,871
	=====	=====	=====
NET ASSETS CONSIST OF:			
Capital paid in	\$11,227,659	\$1,897,435	\$803,943
Accumulated net realized loss on investments sold	(354)	(107)	(72)
	-----	-----	-----
	\$11,227,305	\$1,897,328	\$803,871
	=====	=====	=====
THE PRICING OF SHARES			
Outstanding shares, \$0.00001 par value (unlimited shares authorized)	11,227,659	1,897,435	803,943
Net asset value, offering and redemption price per share	\$1.00	\$1.00	\$1.00

</TABLE>

See accompanying Notes to Financial Statements.

42

43			
SchwabFunds (R)			13
-----			
SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY FUND & SCHWAB U.S. TREASURY MONEY FUND STATEMENT OF OPERATIONS (in thousands) For the year ended December 31, 1994			
-----			
<TABLE>			
<CAPTION>			
	Schwab Money Market Fund	Schwab Government Money Fund	Schwab U.S. Treasury Money Fund
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest income	\$446,812	\$82,497	\$22,705
	-----	-----	-----
Expenses:			
Investment advisory and administration fee	42,102	8,356	2,458
Transfer agency and shareholder service fees	45,453	8,624	2,404
Custodian fees	747	267	174
Registration fees	1,390	134	212
Professional fees	312	55	29
Shareholder reports	733	147	38
Trustees' fees	61	13	3
Amortization of deferred organization costs and			

other prepaid expenses	87	25	14
Insurance and other expenses	302	73	16
	-----	-----	-----
	91,187	17,694	5,348
Less expenses reduced	(16,027)	(3,445)	(1,876)
	-----	-----	-----
Total expenses incurred by Fund	75,160	14,249	3,472
	-----	-----	-----
Net investment income	371,652	68,248	19,233
	-----	-----	-----
Net realized loss on investments sold	(124)	(23)	(45)
	-----	-----	-----
Net increase in net assets resulting from operations	\$371,528	\$68,225	\$19,188
	=====	=====	=====

</TABLE>

See accompanying Notes to Financial Statements.

43

44

SchwabFunds (R)

14

-----  
SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY  
FUND & SCHWAB U.S. TREASURY MONEY FUND  
STATEMENT OF CHANGES IN NET ASSETS (in thousands)  
-----

<TABLE>  
<CAPTION>

	Schwab Money Market Fund		Schwab Government Money Fund		Schwab U.S. Treasury Money Fund	
	-----		-----		-----	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	1994	1993	1994	1993	1994	1993
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operations:						
Net investment income	\$ 371,652	\$ 189,205	\$ 68,248	\$ 44,423	\$ 19,233	\$ 6,373
Net realized loss on investments sold	(124)	--	(23)	(53)	(45)	(20)
	-----	-----	-----	-----	-----	-----
Net increase in net assets resulting from operations	371,528	189,205	68,225	44,370	19,188	6,353
	-----	-----	-----	-----	-----	-----
Dividends to shareholders from net investment income	(371,652)	(189,205)	(68,248)	(44,423)	(19,233)	(6,373)
	-----	-----	-----	-----	-----	-----
Capital Share Transactions (dollar amounts and number of shares are the same):						
Proceeds from shares sold	27,194,342	18,899,319	4,092,811	3,648,235	1,791,760	915,597
Net asset value of shares issued in reinvestment of dividends	323,920	180,144	61,588	43,211	15,433	5,552
Less payments for shares redeemed	(24,455,432)	(17,049,031)	(4,001,651)	(3,539,583)	(1,381,420)	(721,881)
	-----	-----	-----	-----	-----	-----
Increase in net assets from capital share transactions	3,062,830	2,030,432	152,748	151,863	425,773	199,268
	-----	-----	-----	-----	-----	-----



Total increase in net assets	3,062,706	2,030,432	152,725	151,810	425,728	199,248
Net Assets:						
Beginning of period	8,164,599	6,134,167	1,744,603	1,592,793	378,143	178,895
End of period	\$11,227,305	\$ 8,164,599	\$1,897,328	\$1,744,603	\$ 803,871	\$378,143

</TABLE>

See accompanying Notes to Financial Statements.

44

45

SchwabFunds (R)

15

-----  
SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY  
FUND & SCHWAB U.S. TREASURY MONEY FUND  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 1994  
-----

1. DESCRIPTION OF THE FUNDS

The Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund (the "Funds") are series of The Charles Schwab Family of Funds (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on October 20, 1989 and registered under the Investment Company Act of 1940, as amended.

In addition to the three funds described above, the Trust also offers -- the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund, the Schwab Value Advantage Money Fund(TM), the Schwab Institutional Advantage Money Fund(TM), the Schwab Retirement Money Fund(TM) and the Schwab New York Tax-Exempt Money Fund. The assets of each series are segregated and accounted for separately.

The Schwab Money Market Fund invests primarily in a diversified portfolio of short-term obligations of major banks and corporations. The Schwab Government Money Fund invests exclusively in a diversified portfolio of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements thereon. The Schwab U.S. Treasury Money Fund invests solely in United States Treasury notes, bills and other direct obligations of the United States Treasury, backed by the full faith and credit of the United States Government.

2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation -- Investments are stated at amortized cost which approximates market value.

Security transactions and interest income -- Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Interest income is recorded on the accrual basis and includes amortization of premium and accretion of discount on investments. Realized gains and losses from security transactions are determined on an identified cost basis.

Repurchase agreements -- Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held by the Funds' custodian and is monitored daily to ensure that its market value at least equals the repurchase price under the agreement.

Dividends to shareholders -- Each Fund declares a daily dividend, equal to its net investment income for that day, payable monthly.

Deferred organization costs -- Costs incurred in connection with the organization of the Funds, their initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from each Fund's commencement of operations.

Expenses -- Expenses arising in connection with a Fund are charged directly to that Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.

Federal income taxes -- It is each Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. Each Fund is considered a separate entity for tax purposes.

45

46

SchwabFunds (R)

16

-----  
SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY  
FUND & SCHWAB U.S. TREASURY MONEY FUND  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 1994  
-----

### 3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreements -- The Trust has investment advisory and administration agreements with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Schwab Money Market Fund pays an annual fee, payable monthly, of .46% of the first \$2 billion of average daily net assets, .45% of such assets over \$2 billion, and .40% of such assets in excess of \$3 billion. For advisory services and facilities furnished, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund each pay an annual fee, payable monthly, of .46% of the first \$1 billion of each Fund's average daily net assets, .41% of such assets over \$1 billion, and .40% of such assets in excess of \$2 billion. Under these agreements, the Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund incurred investment advisory and administration fees of \$42,102,000, \$8,356,000 and \$2,458,000, respectively, during the year ended December 31, 1994, before the Investment Manager reduced its fee (see Note 4).

Transfer agency and shareholder service agreements -- The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .45% of each Fund's average daily net assets. For the year ended December 31, 1994, the Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund incurred transfer agency and shareholder service fees of \$45,453,000, \$8,624,000 and \$2,404,000, respectively, before Schwab reduced its fees (see Note 4).

Officers and trustees -- Certain officers and trustees of the Trust are also officers or directors of the Investment Manager and/or Schwab. During the year ended December 31, 1994, the Trust made no direct payments to its officers or trustees who are "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund incurred fees of \$61,000, \$13,000 and \$3,000, respectively, related to the Trust's unaffiliated trustees.

### 4. EXPENSES REDUCED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees in order to limit each Fund's ratio of operating expenses to average net assets. For the year ended December 31, 1994, the total of such fees reduced by the Investment Manager was \$13,405,000, \$2,922,000 and \$1,442,000 for the Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund, respectively, and the total of such fees reduced by Schwab was \$2,622,000, \$523,000 and \$434,000 for the Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund, respectively.

46

47

SchwabFunds (R)

17

-----  
5. INVESTMENT TRANSACTIONS

Purchases, sales and maturities of investment securities during the year ended December 31, 1994, were as follows (in thousands):

<TABLE>  
<CAPTION>

	Schwab Money Market Fund	Schwab Government Money Fund	Schwab U.S. Treasury Money Fund
	-----	-----	-----
<S>	<C>	<C>	<C>
Purchases	\$49,530,467	\$15,924,140	\$3,022,721
Proceeds of sales and maturities	\$46,455,889	\$15,773,548	\$2,600,803

#### 6. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period:

<TABLE>  
<CAPTION>

	Schwab Money Market Fund				
	-----				
	For the year ended December 31,				For the period
	1994	1993	1992	1991	January 26, 1990
					(commencement
					of operations) to
					December 31,
					1990
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value at beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income from Investment Operations					
Net investment income	.04	.03	.03	.06	.07
Net realized and unrealized gain (loss) on investments	--	--	--	--	--
	-----	-----	-----	-----	-----
Total from investment operations	.04	.03	.03	.06	.07
Less Distributions					
Dividends from net investment income	(.04)	(.03)	(.03)	(.06)	(.07)
Distributions from realized gain on investments	--	--	--	--	--
	-----	-----	-----	-----	-----
Total distributions	(.04)	(.03)	(.03)	(.06)	(.07)
	-----	-----	-----	-----	-----
Net asset value at end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
	=====	=====	=====	=====	=====
Total return (%)	3.68	2.67	3.48	5.70	7.23
Ratios/Supplemental Data					
Net assets, end of period (000s)	\$11,227,305	\$8,164,599	\$6,134,167	\$4,866,584	\$4,058,408
Ratio of expenses to average net assets (%)	.74	.73	.70	.78	.82*
Ratio of net investment income to average net assets (%)	3.68	2.64	3.40	5.52	7.51*

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit each Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the Schwab Money Market Fund for the periods ended December 31, 1994, 1993, 1992, 1991 and 1990 would have been .90%, .91%, .92%, .94% and .95%\*, respectively, and the ratio of net investment income to average net assets would have been 3.52%, 2.46%, 3.18%, 5.36% and 7.38%\*, respectively.

\* Annualized

SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY

FUND & SCHWAB U.S. TREASURY MONEY FUND

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 1994

<TABLE>

<CAPTION>

	Schwab Government Money Fund				
	For the year ended December 31,				For the period
	1994	1993	1992	1991	January 26, 1990 (commencement of operations) to December 31, 1990
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value at beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income from Investment Operations					
Net investment income	.04	.03	.03	.05	.07
Net realized and unrealized gain (loss) on investments	--	--	--	--	--
Total from investment operations	.04	.03	.03	.05	.07
Less Distributions					
Dividends from net investment income	(.04)	(.03)	(.03)	(.05)	(.07)
Distributions from realized gain on investments	--	--	--	--	--
Total distributions	(.04)	(.03)	(.03)	(.05)	(.07)
Net asset value at end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return (%)	3.62	2.66	3.42	5.53	7.23
Ratios/Supplemental Data					
Net assets, end of period (000s)	\$1,897,328	\$1,744,603	\$1,592,793	\$1,458,705	\$1,424,377
Ratio of expenses to average net assets (%)	.74	.73	.72	.70	.70*
Ratio of net investment income to average net assets (%)	3.56	2.63	3.36	5.38	7.51*

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit each Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the Schwab Government Money Fund for the periods ended December 31, 1994, 1993, 1992, 1991 and 1990 would have been .92%, .93%, .94%, .95% and .96%\*, respectively, and the ratio of net investment income to average net assets would have been 3.38%, 2.43%, 3.14%, 5.13% and 7.25%\*, respectively.

\* Annualized

<TABLE>

<CAPTION>

Schwab U.S. Treasury Money Fund

	For the year ended December 31,			For the period November 6, 1991 (commencement of operations) to December 31, 1991
	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>
Net asset value at beginning of period	\$1.00	\$1.00	\$1.00	\$1.00
Income from Investment Operations				
Net investment income	.04	.03	.03	.01
Net realized and unrealized gain (loss) on investments	--	--	--	--
Total from investment operations	.04	.03	.03	.01
Less Distributions				
Dividends from net investment income	(.04)	(.03)	(.03)	(.01)
Distributions from realized gain on investments	--	--	--	--
Total distributions	(.04)	(.03)	(.03)	(.01)
Net asset value at end of period	\$1.00	\$1.00	\$1.00	\$1.00
Total return (%)	3.52	2.54	3.26	.68
Ratios/Supplemental Data				
Net assets, end of period (000s)	\$803,871	\$378,143	\$178,895	\$16,906
Ratio of expenses to average net assets (%)	.65	.65	.59	.24*
Ratio of net investment income to average net assets (%)	3.60	2.50	2.91	4.11*

</TABLE>

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit each Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the Schwab U.S. Treasury Money Fund for the periods ended December 31, 1994, 1993, 1992 and 1991 would have been 1.00%, 1.05%, 1.15% and 4.11%\*, respectively, and the ratio of net investment income to average net assets would have been 3.25%, 2.10%, 2.35% and .24%\*, respectively.

\* Annualized

49

50

SchwabFunds (R)

20

-----  
 SCHWAB MONEY MARKET FUND, SCHWAB GOVERNMENT MONEY  
 FUND & SCHWAB U.S. TREASURY MONEY FUND  
 NOTES TO FINANCIAL STATEMENTS  
 For the year ended December 31, 1994  
 -----

#### 7. COMMITMENTS AND CONTINGENCIES

At December 31, 1994, the Schwab Money Market Fund had 2.66% of its net assets, or \$298,629,000, invested in securities issued by municipalities that participated in the investment pool maintained by Orange County, California and 0.37%, or \$41,490,000, of its net assets in a security issued directly by Orange County. On December 6, 1994, Orange County, California and the investment pool maintained by Orange County filed for protection under Chapter 9 of the federal Bankruptcy Code. As with any bankruptcy filing, many uncertainties arise relative to repayment terms and amounts and these uncertainties may adversely impact securities market values. The Schwab Money Market Fund has obtained a \$27,993,000 irrevocable letter of credit from a major commercial bank which allows the Fund to make demands for partial payment under certain conditions upon maturity or disposition of the securities by the Fund. Although this letter of credit enhances the market value of these securities, it does not provide for complete credit support, and therefore, the Fund continues to be exposed to some risk of loss of principal due to the issuer's investment in Orange County, California's investment pool. As of December 31, 1994, no securities held by the Fund were in default and all regularly scheduled interest and principal payments have been made. The letter of credit, which expires on August 1, 1995, has not

been needed to maintain the Fund's net asset value of \$1.00 per share since the Fund has not experienced any losses to date in excess of one half of one percent of its net assets. The Charles Schwab Corporation has agreed to reimburse the bank for any payments made by the bank to the Fund under this letter of credit.

50

51

SchwabFunds (R)

-----  
 -----  
 To the Trustees and Shareholders  
 of the Schwab Money Market Fund,  
 the Schwab Government Money Fund and  
 the Schwab U.S. Treasury Money Fund

In our opinion, the accompanying statement of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab Money Market Fund, the Schwab Government Money Fund and the Schwab U.S. Treasury Money Fund (three series constituting part of The Charles Schwab Family of Funds, hereafter referred to as the "Trust") at December 31, 1994, and the results of each of their operations and the changes in each of their net assets for the periods presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 1994 by correspondence with the custodian and broker, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP  
 San Francisco, California  
 January 31, 1995

51

52

<TABLE>  
 <CAPTION>

SchwabFunds (R) 1

-----  
 SCHWAB TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994  
 -----

	Par	Value
	---	-----
<S>	<C>	<C>
VARIABLE RATE		
OBLIGATIONS--63.00% (a)		
ALABAMA--1.29%		
Citronelle, Alabama		
Industrial Development		
Board Pollution Control		
Revenue Refunding Bonds		
(AKZO Chemicals, Inc.		
Project) / (Wachovia Bank		
of North Carolina LOC)		
5.70%, 01/07/95	\$ 1,100	\$ 1,100
Mobile, Alabama Industrial		

Development Board Pollution Control Revenue Refunding Bonds (Alabama Power Co. Project) Series 1993C 5.65%, 01/07/95	12,000	12,000
Montgomery, Alabama Special Care Facility Authority Revenue Bonds (Baptist Medical Center VHA) Series 1985C / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	2,000	2,000
Montgomery, Alabama Special Care Facility Authority Revenue Bonds (Baptist Medical Center VHA) Series 1985F / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	9,000	9,000
Montgomery, Alabama Special Care Facility Authority Revenue Bonds (Baptist Medical Center VHA) Series 1985G / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	6,390	6,390
Montgomery, Alabama Special Care Facility Authority Revenue Bonds (Baptist Medical Center VHA) Series 1985H / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	5,295	5,295
Opelika, Alabama Industrial Development Board Adjustable Rate Industrial Development Revenue Bonds (Powerguard Project) Series 1994 / (Southtrust Bank of Alabama LOC) 5.85%, 01/07/95	3,350	3,350
		-----
		39,135
		-----
ALASKA--0.99%		
Alaska Housing Finance Corp. General Mortgage Revenue Authority Series 1991A / (Credit Suisse SBPA) 5.75%, 01/07/95	20,000	20,000
Alaska Housing Finance Corp. General Mortgage Revenue Authority Series 1991C / (Swiss Bank SBPA) 5.75%, 01/07/95	10,000	10,000
		-----
		30,000
		-----
ARIZONA--0.41%		
Arizona Educational Loan Marketing Corp. Education Loan Revenue Bonds Series A / (MBIA Insurance & Fuji Bank SBPA) 5.50%, 01/07/95	6,000	6,000
Pinal County, Arizona		

Industrial Development Authority Pollution Control Revenue Bonds (Newmont) Series 1984A / (National Westminster LOC) 6.05%, 01/01/95	1,600	1,600
Yavapai County, Arizona Industrial Development Authority Industrial Development Revenue Bonds (First Health Care Corp.) / (Wachovia Bank of Georgia LOC) 5.70%, 01/07/95	4,230	4,230
Yuma, Arizona Industrial Development Authority Multi Family Housing Revenue Bonds (El Encanto Apartments) Series B / (Citibank Arizona LOC) 5.95%, 01/07/95	550	550
		----- 12,380 -----

CALIFORNIA--1.02% Auburn, California Unified School District Certificates of Participation (Capital Improvement Financing Project) / (Bank of California LOC) 5.40%, 01/07/95	1,200	1,200
California Health Facilities Financing Authority Revenue Bonds Pooled Loan Program Series 1985B / (FGIC Insurance & FGIC SPA) 5.75%, 01/01/95	2,100	2,100

</TABLE>

52

53

<TABLE>  
<CAPTION>

SchwabFunds (R) 2

	Par ---	Value -----
<S>	<C>	<C>
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Shell Oil Co. Project) Series 1991B 6.15%, 01/01/95	\$ 200	\$ 200
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Shell Oil Co. Project) Series 1991C 6.15%, 01/01/95	400	400
California Pollution Control		



Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986A 5.00%, 01/01/95	400	400
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986B 5.00%, 01/01/95	1,600	1,600
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986C 5.00%, 01/01/95	3,700	3,700
California Pollution Control Financing Authority Resource Recovery Revenue Bonds (Burney Forest Products) / (National Westminster LOC) 5.90%, 01/01/95	200	200
California Pollution Control Financing Authority Resource Recovery Revenue Bonds (Sanger Project) Series 1990A / (Credit Suisse LOC) 5.00%, 01/07/95	1,300	1,300
California Pollution Control Solid Waste Disposal Revenue Bonds (Colmac Energy Project) Series C / (Swiss Bank LOC) 5.00%, 01/07/95	4,000	4,000
California Statewide Communities Development Authority Revenue Bonds (Packaging Innovation DZ Industries Inc.) Series 1994A-2 / (Bank of Tokyo LOC) 5.63%, 01/04/95	600	600
Contra Costa, California Transportation Authority Sales Tax Revenue Bonds Series 1993A / (FGIC Insurance) 5.65%, 01/07/95	9,400	9,400
Los Angeles County, California Metropolitan Transportation Authority Sales Tax Revenue Bonds Series A / (MBIA Insurance & Industrial Bank of Japan SBPA) 5.40%, 01/07/95	3,400	3,400
San Diego County, California Regional Transportation Commission Sales Tax Revenue Bonds Second Series 1994A / (Multiple Credit Enhancements) 5.75%, 01/07/95	2,100	2,100
San Diego County, California Regional Transportation Commission Second Senior Sales Tax Revenue Bonds Series 1992A /		

(FGIC Insurance & FGIC SPA) 5.75%, 01/07/95	400	400
		----- 31,000 -----

COLORADO--4.27% Colorado Health Facilities Financing Authority Revenue Bonds (Sisters of Charity Health) Series B / (Multiple Credit Enhancements) 5.50%, 01/07/95	23,600	23,600
Colorado Student Obligation Bonds Authority Student Loan Revenue Bonds (Colorado University) Series 1989A / (Sumitomo Bank LOC) 5.05%, 01/07/95	12,400	12,400
Colorado Student Obligation Bonds Authority Student Loan Revenue Bonds (Colorado University) Series 1990A / (Sumitomo Bank LOC) 5.05%, 01/07/95	8,700	8,700
Colorado Student Obligation Bonds Authority Student Loan Revenue Bonds (Colorado University) Series 1993A / (SLMA LOC) 4.90%, 01/07/95	2,000	2,000

</TABLE>

53

54

<TABLE>  
<CAPTION>

SchwabFunds (R) 3

-----

SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994

-----

	Par ---	Value -----
<S>	<C>	<C>
Colorado Student Obligation Bonds Authority Student Loan Revenue Bonds (Colorado University) Series 1993B / (SLMA LOC) 5.05%, 01/07/95	\$ 2,000	\$ 2,000
Colorado Student Obligation Bonds Authority Student Loan Revenue Bonds (Colorado University) Series 1993C-2 / (SLMA LOC) 4.90%, 01/07/95	6,800	6,800
Denver, Colorado City and County Airport System		

Revenue Bonds Series 1992D / (Morgan Guaranty Trust Co. New York LOC) 5.75%, 01/01/95	26,100	26,100
Denver, Colorado City and County Airport System Revenue Bonds Series 1992E / (Bank of Tokyo LOC) 5.95%, 01/07/95	22,000	22,000
Denver, Colorado City and County Airport System Revenue Bonds Series 1992F / (Bank of Montreal LOC) 5.75%, 01/07/95	16,000	16,000
Douglas County, Colorado Multi Family Housing Revenue Bonds (Autumn Chase Project) / (Citibank LOC) 5.50%, 01/07/95	9,600	9,600
Pitkin County, Colorado Industrial Development Revenue Bonds (Aspen Skiing Colorado Project) Series 1994B / (FNB Chicago LOC) 6.10%, 01/01/95	600	600
		----- 129,800 -----
CONNECTICUT--3.92%		
Connecticut State General Obligation Economic Recovery Bonds Series 1991B / (Multiple Credit Enhancements) 5.40%, 01/07/95	30,300	30,300
Connecticut State Second Lien Special Tax Obligation Bonds Series 1990-1 / (Industrial Bank of Japan LOC) 5.85%, 01/07/95	22,800	22,800
Connecticut State Special Assessment Unemployment Compensation Advance Fund Revenue Bonds Series 1993B / (Multiple Credit Enhancements) 5.45%, 01/07/95	65,900	65,900
		----- 119,000 -----
DISTRICT OF COLUMBIA--0.14%		
District of Columbia Revenue Bonds (Georgetown University) Series 1988D / (Sanwa Bank SBPA) 5.55%, 01/07/95	4,200	4,200
FLORIDA--3.12%		-----
Brevard County, Florida Housing Finance Authority Multi Family Housing Revenue Bonds (Palm Place Project) / (Chemical Bank LOC) 5.35%, 01/07/95	5,000	5,000
Dade County, Florida Solid Waste Industrial Development Revenue		

Bonds (Montenay-Dade Ltd. Project) / (Banque Paribas LOC) 5.05%, 01/07/95	1,600	1,600
Dade County, Florida Solid Waste Industrial Development Revenue Bonds (Montenay-Dade Ltd. Project) Series 1988 / (Banque Paribas LOC) 5.05%, 01/07/95	9,770	9,770
Dade County, Florida Solid Waste Industrial Development Revenue Bonds (Montenay-Dade Ltd. Project) Series 1990A / (Banque Paribas LOC) 5.05%, 01/07/95	2,485	2,485
Dade County, Florida Water & Sewer Systems Variable Revenue Bonds Series 1994 / (FGIC Insurance & Industrial Bank of Japan SBPA) 4.95%, 01/07/95	41,300	41,300
Florida Housing Finance Agency Multi Family Housing Revenue Bonds (Blairstone Project) Series VV / (Citibank LOC) 5.00%, 01/07/95	1,900	1,900
Hillsborough County, Florida Industrial Development Authority Revenue Bonds (Seaboard Tampa Terminals) Series 1986A/ (Barclays Bank LOC) 5.50%, 01/07/95	5,500	5,500

</TABLE>

54

55

<TABLE>  
<CAPTION>

SchwabFunds (R)

4

	Par	Value
	---	-----
<S>	<C>	<C>
Orange County, Florida Housing Finance Authority Multi Family Housing Revenue Bonds (Rio Vista Project) / (First Union Bank of North Carolina LOC) 5.65%, 01/07/95	\$3,875	\$3,875
Orange County, Florida Housing Finance Authority Multi Family Housing Revenue Bonds (Smokewood Project) / (Citibank LOC) 5.50%, 01/07/95	10,000	10,000
Palm Beach County, Florida Health Facilities Authority Revenue Refunding Bonds		

(Joseph L. Morse Geriatric Center) / (Sun Bank LOC) 5.35%, 01/07/95	9,955	9,955
Palm Beach County, Florida Housing Finance Authority Multi Family Housing Revenue Bonds (Crystal II Project) / (Citibank LOC) 5.20%, 01/07/95	2,850	2,850
Pinellas County, Florida Health Facilities Authority Revenue Bonds (Pooled Hospital Loan Program) / (Chemical Bank LOC) 6.05%, 01/01/95	500	500
		----- 94,735 -----
GEORGIA--3.13%		
Burke County, Georgia Development Authority Pollution Control Revenue Bonds (Oglethorpe Power Project) Series 1993A / (FGIC Insurance & Industrial Bank of Japan SBPA) 4.95%, 01/07/95	12,440	12,440
Burke County, Georgia Development Authority Pollution Control Revenue Bonds (Oglethorpe Power Project) Series 1994A / (Credit Local de France & FGIC Insurance) 4.95%, 01/07/95	8,740	8,740
Cobb County, Georgia Housing Authority Multi Family Housing Revenue Bonds (Williamstown Apartment Project) / (Wachovia Bank of Georgia LOC) 5.85%, 01/07/95	2,000	2,000
Dekalb County, Georgia Development Authority Industrial Development Revenue Bonds (Siemens Energy, Inc. Project) 5.75%, 01/07/95	\$3,750	\$3,750
Dekalb County, Georgia Housing Authority Multi Family Housing Revenue Bonds (Columbia on Clairmont) Series H / (Citibank LOC) 5.50%, 01/07/95	2,120	2,120
Dekalb County, Georgia Housing Authority Multi Family Housing Revenue Bonds (Wood Hills Apartment Project) / (Bank of Montreal LOC) 5.45%, 01/07/95	5,250	5,250
Dekalb, Georgia Private Hospital Authority Revenue Anticipation Certificates (Egleston Childs Hospital/ Emory University) Series 1994A & B4 /		

(Trust Bank of Atlanta LOC) 4.90%, 01/07/95	12,000	12,000
Douglas County, Georgia Development Authority Industrial Development Revenue Bonds (Mima Inc.) / (Wachovia Bank of Georgia LOC) 5.38%, 01/07/95	4,300	4,300
Hapeville, Georgia Industrial Development Authority (Hapeville Hotel, Ltd. Project) / (Swiss Bank LOC) 6.05%, 01/01/95	7,900	7,900
Laurens County, Georgia Development Authority Solid Waste Disposal (Southeast Paper Co. Project) / (Wachovia Bank of Georgia LOC) 5.75%, 01/07/95	25,000	25,000
Rockmart, Georgia Development Authority Industrial Development Revenue Bonds (CW. Matthews Contracting) / (Wachovia Bank of Georgia LOC) 5.75%, 01/07/95	3,000	3,000
Smyrna, Georgia Housing Authority Multi Family Housing Revenue Bonds (Walton Park LP) / (Wachovia Bank of Georgia LOC) 5.75%, 01/07/95	7,000	7,000

</TABLE>  
55

56

<TABLE>  
<CAPTION>

SchwabFunds (R) 5  
-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

	Par	Value
	---	-----
<S>	<C>	<C>
Villa Rica, Georgia Industrial Development Revenue Bonds (Lowe Home Centers, Inc. Project) / (Wachovia Bank of North Carolina LOC) 5.70%, 01/07/95	\$1,500	\$ 1,500
		-----
		95,000
		-----

HAWAII--1.69%		
Hawaii State Housing Finance & Development Corp. Revenue Bonds (Rental Housing System) Series 1990A / (Industrial Bank of Japan LOC) 5.70%, 01/07/95	17,100	17,100

Hawaii State Housing Finance & Development Corp. Revenue Bonds (Rental Housing System) Series 1990B / (Industrial Bank of Japan LOC) 5.70%, 01/07/95	19,600	19,600
Honolulu, Hawaii City and County Multi Family Housing Refunding Bonds (Lolani Regents Project) Series 1990A / (Bank of Hawaii LOC) 5.35%, 01/07/95	9,350	9,350
Honolulu, Hawaii City and County Multi Family Housing Revenue Bonds (Hale Kua Gardens Project) Series A / (Bank of Tokyo LOC) 5.75%, 01/07/95	5,379	5,379
		-----
		51,429
		-----

ILLINOIS--10.86%

Centralia, Illinois Industrial Development Authority Revenue Bonds (Hollywood Brands, Inc. Project) / (Wachovia Bank of North Carolina LOC) 5.70%, 01/07/95	2,500	2,500
Chicago, Illinois O'Hare International Airport Revenue Bonds (General Airport Second Lien) Series 1994C / (Societe Generale LOC) 5.45%, 01/07/95	35,000	35,000
Chicago, Illinois O'Hare International Airport Revenue Bonds (General Airport Second Lien) Series A / (Westpac Banking Corp. LOC) 5.70%, 01/07/95	13,300	13,300
Illinois Development Financing Authority Industrial Development Revenue Bonds (Knead Dough Baking, Inc.) / (Bank of America LOC) 6.25%, 01/07/95	\$4,750	\$4,750
Illinois Development Financing Authority Industrial Development Revenue Bonds (Marriott Corp. Deerfield Project) / (National Westminster LOC) 5.00%, 01/07/95	1,300	1,300
Illinois Development Financing Authority Industrial Development Revenue Bonds (Palos Community Hospital) Series 1994 / (Credit Suisse LOC) 5.35%, 01/01/95	25,000	25,000
Illinois Development Financing Authority Industrial Development Revenue Bonds (Rerkin Paperboard Co. LP) Series 1994 /		

(Northern Trust LOC) 5.75%, 01/07/95	5,500	5,500
Illinois Development Financing Authority Residential Rental Revenue Bonds (River Oak) / (Swiss Bank LOC) 5.10%, 01/07/95	11,790	11,790
Illinois Educational Facility Authority Revenue Bonds (Chicago Historical Society) / (Mitsubishi Bank LOC) 5.70%, 01/07/95	8,400	8,400
Illinois Educational Facility Authority Revenue Bonds (Illinois College of Optometry) / (Sumitomo Bank LOC) 5.55%, 01/07/95	18,800	18,800
Illinois Educational Facility Authority Revenue Bonds (Illinois Institute of Technology) Series 1990A / (Northern Trust LOC) 5.60%, 01/07/95	21,500	21,500
Illinois Educational Facility Authority Revenue Bonds (Northwestern University) / (FNB Chicago LOC) 5.65%, 01/07/95	22,200	22,200

</TABLE>

56

57

<TABLE>  
<CAPTION>

SchwabFunds (R)

6

	Par ---	Value -----
<S>	<C>	<C>
Illinois Educational Facility Authority Revenue Bonds (University Pooled Financing Program) Series 1985 / (FGIC Insurance & Sakura Bank SBPA) 5.60%, 01/07/95	\$17,185	\$17,185
Illinois Health Facility Authority Revenue Bonds (Evangelical Hospital Corp.) Series A/ (FNB Chicago LOC) 5.55%, 01/07/95	4,100	4,100
Illinois Health Facility Authority Revenue Bonds (Franciscan Village Project) Series 1989A / (Commonwealth Bank of Australia LOC) 5.05%, 01/07/95	2,000	2,000
Illinois Health Facility Authority Revenue Bonds (Ingalls Memorial Hospital) Series 1985C /		



(Fuji Bank LOC)			
5.40%, 01/07/95	1,100	1,100	
Illinois Health Facility			
Authority Revenue			
Bonds (Sisters Services)			
Series E /			
(MBIA Insurance &			
Morgan Guaranty Trust Co.			
New York SBPA)			
5.50%, 01/07/95	4,300	4,300	
Illinois Health Facility			
Authority Revenue			
Bonds (Streeterville			
Corp.) Series A /			
(FNB Chicago LOC)			
5.65%, 01/07/95	14,400	14,400	
Illinois Health Facility			
Authority Revenue			
Bonds (Washington &			
Jane Smith Home)			
Series 1991 /			
(Comerica Bank LOC)			
5.70%, 01/07/95	2,800	2,800	
Illinois Health Facility			
Authority Revolving			
Fund Pooled Loan			
Series 1985C /			
(FNB Chicago LOC)			
5.70%, 01/07/95	6,000	6,000	
Illinois Health Facility			
Authority Revolving			
Fund Pooled Loan			
Series 1985D /			
(FNB Chicago LOC)			
5.70%, 01/07/95	20,000	20,000	
Illinois State Toll Highway			
Authority Series B /			
(MBIA Insurance)			
5.75%, 01/07/95	33,200	33,200	
Kane County, Illinois			
Revenue Bonds			
(Glenwood School for			
Boys) / (Harris Trust &			
Savings Bank LOC)			
5.65%, 01/07/95	9,000	9,000	
McHenry County, Illinois			
Industrial Development			
Authority Revenue			
Bonds (Dean Foods			
Co.) / (Wachovia Bank			
of Georgia LOC)			
5.70%, 01/01/95	2,675	2,675	
Oak Forest, Illinois			
Revenue Bonds			
(Homewood Pool) /			
(FNB Chicago LOC)			
5.70%, 01/07/95	37,000	37,000	
Savannah, Illinois Industrial			
Development Revenue			
Bonds (Metform Corp.)			
Series 1994A /			
(FNB Chicago LOC)			
5.90%, 01/07/95	6,000	6,000	
			-----
			329,800
			-----
INDIANA--0.39%			
Crawfordsville, Indiana			
Industrial Development			
Revenue Bonds			
(National Service			
Industries, Inc. Project) /			
(Wachovia Bank of			
Georgia LOC)			
5.70%, 01/07/95	1,000	1,000	
Hammond, Indiana			

Adjustable Rate Economic Development Revenue Bonds (Lear Seating Corp. Project) Series 1994 / (Chemical Bank LOC) 4.00%, 01/01/95	2,750	2,750
Indiana Health Facility Financing Authority Hospital Revenue Bonds (Methodist Hospital) Series 1992C / (Credit Suisse SBPA) 5.50%, 01/07/95	4,100	4,100
Indianapolis, Indiana Economic Development Authority Revenue Bonds (Herff-Jones, Inc. Project) / (Wachovia Bank of Georgia LOC) 5.75%, 01/07/95	4,100	4,100
		----- 11,950 -----

IOWA--0.34% Des Moines, Iowa Methodist Health System, Inc. Hospital Facility Revenue Bonds (Methodist Health Care) / (Fuji Bank LOC) 5.40%, 01/07/95	3,895	3,895
---	-------	-------

</TABLE>

57

58

<TABLE>  
<CAPTION>

SchwabFunds (R) 7

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

	Par	Value
	---	----
<S>	<C>	<C>
Iowa Higher Education Loan Authority Revenue Bonds (Private College Facility) / (MBIA Insurance & Dai-Ichi Kangyo Bank SBPA) 5.55%, 01/07/95	\$4,500	\$ 4,500
Iowa Housing Finance Authority Multi Family Revenue Bonds (Small Business Loan Project) Series 1985A / (FHLB of Des Moines LOC) 5.50%, 01/07/95	2,000	2,000
		----- 10,395 -----

KANSAS--1.13%  
Kansas City, Kansas  
Industrial Revenue  
Bonds (Owen Industries,  
Inc. Project) Series 1987 /

(Sanwa Bank LOC)		
5.65%, 01/07/95	2,950	2,950
Kansas Department of Transportation Highway Adjustable Revenue Bonds Series 1994B		
5.00%, 01/07/95	26,500	26,500
Wichita, Kansas Airport Facilities Revenue Bonds (Flightsafety International, Inc.) / (Wachovia Bank of North Carolina LOC)		
5.75%, 01/07/95	3,000	3,000
Wichita, Kansas Health Facilities Authority Revenue Bonds (CSJ Health System Wichita) Series XXV / (Sumitomo Bank LOC)		
5.70%, 01/07/95	1,900	1,900
		-----
		34,350
		-----

KENTUCKY--1.36%		
Kentucky Higher Education Student Loan Corp. Insured Student Loan Revenue Bonds / (Sumitomo Bank LOC)		
5.25%, 01/07/95	23,500	23,500
Lebanon, Kentucky Industrial Development Revenue Bonds (Wallace Computer Services, Inc.) / (Wachovia Bank of Georgia LOC)		
5.75%, 01/07/95	5,000	5,000
Mason County, Kentucky Pollution Control Financing Authority Pollution Control Revenue Bonds (East Kentucky Power Corp.) Series 1984B-1 / (N.R.U. - C.F.C. Guaranty)		
5.55%, 01/07/95	10,800	10,800
Owensboro, Kentucky Limited Obligation Revenue Bonds (Dart Polymers, Inc. Project) Series 1985A / (National Westminster LOC)		
4.00%, 01/07/95	1,900	1,900
		-----
		41,200
		-----

LOUISIANA--3.39%		
De Soto Parish, Louisiana Pollution Control Financing Authority Pollution Control Revenue Refunding Bonds (Central Louisiana Electric Co.) Series 1991A / (Swiss Bank LOC)		
5.40%, 01/07/95	400	400
De Soto Parish, Louisiana Pollution Control Financing Authority Pollution Control Revenue Refunding		

Bonds (Central Louisiana Electric Co.) Series 1991B / (Swiss Bank LOC) 5.40%, 01/07/95	5,500	5,500
Louisiana Public Facilities Authority Hospital Revenue Bonds (Willis Knighton Medical Project) / (AMBAC Insurance & Mellon Bank SBPA) 5.40%, 01/07/95	15,300	15,300
Louisiana Public Facilities Authority Revenue Bonds (Kenner Hotel, Ltd.) / (Swiss Bank LOC) 6.05%, 01/01/95	500	500
New Orleans, Louisiana Aviation Board Revenue Bonds (Passenger Facility Charge Projects) / (Banque Paribas & Canadian Imperial Bank of Commerce LOC) 5.40%, 01/07/95	12,000	12,000
New Orleans, Louisiana Aviation Board Revenue Bonds Series 1993B / (MBIA Insurance & Industrial Bank of Japan SBPA) 5.40%, 01/07/95	55,600	55,600

</TABLE>

58

59

<TABLE>  
<CAPTION>

SchwabFunds (R)

8

	Par	Value
	---	-----
<S>	<C>	<C>
New Orleans, Louisiana Exhibition Hall Authority Special Tax Revenue Bonds (Hotel Occupancy Project) Series 1989B / (Sanwa Bank LOC) 5.65%, 01/07/95	\$1,600	\$ 1,600
New Orleans, Louisiana Exhibition Hall Authority Special Tax Revenue Bonds Series 1989B / (Sanwa Bank LOC) 5.65%, 01/07/95	3,800	3,800
Rapides Parish, Louisiana Industrial Development Board Pollution Control Refunding Bonds (Central Louisiana Electric Co.) Series 1991 / (Swiss Bank LOC) 5.40%, 01/07/95	8,150	8,150
		-----
		102,850
		-----

MARYLAND--2.64%

Baltimore, Maryland Industrial Development Authority Revenue Bonds (City of Baltimore Capital Acquisition) Series 1986 / (Dai-Ichi Kangyo Bank LOC) 5.55%, 01/07/95	51,900	51,900
Maryland Health and Higher Education Facility Authority Pooled Revenue Bonds (Kennedy Kreiger) Series 1993D / (FNB Maryland LOC) 5.50%, 01/07/95	2,000	2,000
Maryland Health and Higher Education Facility Authority Revenue Bonds (Pooled Loan Program) Series A / (Dai-Ichi Kangyo Bank LOC & FNB Chicago SBPA) 5.40%, 01/07/95	9,700	9,700
Montgomery County, Maryland Housing Opportunity Commission Housing Revenue Bonds (Draper Lane) Series 1991I / (FGIC Insurance & Sumitomo Bank SBPA) 5.80%, 01/07/95	16,500	16,500
		----- 80,100 -----
MASSACHUSETTS--0.26%		
Massachusetts Health & Education Facilities Authority Revenue Bonds (Brigham & Womens Hospital) Series A / (Sanwa Bank LOC) 5.10%, 01/07/95	2,900	2,900
Massachusetts State Industrial Finance Agency Resource Recovery Authority Revenue Bonds (Ogden Haverhill Project) Series 1992A / (Union Bank of Switzerland LOC) 5.10%, 01/07/95	5,000	5,000
		----- 7,900 -----
MICHIGAN--0.22%		
Michigan Strategic Fund Pollution Control Revenue Bonds (Dow Chemical Project) Series 1987 6.15%, 01/01/95	2,900	2,900
Midland County, Michigan Economic Development Authority Limited Obligation Bonds (Dow Chemical Project) Series A 6.90%, 01/01/95	2,000	2,000
Midland County, Michigan Economic Development Authority Limited Obligation Bonds (Dow Chemical Project)		

Series B		
6.75%, 01/01/95	1,900	1,900
		-----
		6,800
		-----

MINNESOTA--0.67%

St. Paul, Minnesota Housing Redevelopment Authority Rental Multi Family Housing Development Bonds (Multi City) Series 1985A / (FHLB Des Moines LOC) 5.50%, 01/07/95	20,400	20,400
		-----

MISSOURI--0.25%

Missouri State Health and Educational Facilities Authority Health Facilities Revenue Bonds (Sisters of Mercy) Series 1988A / (Multiple Credit Enhancements) 5.20%, 01/07/95	3,200	3,200
Missouri State Health and Educational Facilities Authority Health Facilities Revenue Bonds (Sisters of Mercy) Series 1992B / (Toronto-Dominion SBPA) 5.20%, 01/07/95	3,500	3,500

</TABLE>

59

60

<TABLE>  
<CAPTION>

SchwabFunds (R) 9

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

	Par	Value
	---	-----
<S>	<C>	<C>
Missouri State Health and Educational Facilities Authority Health Facilities Revenue Bonds (St. Anthony Medical Center) / (Mitsubishi Bank SBPA) 5.55%, 01/07/95	\$ 900	\$ 900
		-----
		7,600
		-----

MONTANA--0.21%

Forsyth, Montana Pollution Control Financing Authority Pollution Control Revenue Bonds (Portland General Electric Coal Stripping Project) Series 1983B / (Swiss Bank LOC)		
--	--	--

5.50%, 01/07/95	1,500	1,500
Montana State Health Facility Authority Revenue Bonds (Health Care Pooled Loan Program) Series 1985A / (FGIC Insurance & Norwest Bank of Minnesota SBPA)		
5.60%, 01/07/95	4,776	4,776
		-----
		6,276
		-----
NEBRASKA--0.05%		
Douglas County, Nebraska Industrial Development Revenue Bonds (Lozier Corp. Project) Series 1991 / (Wachovia Bank LOC)		
5.70%, 01/07/95	1,500	1,500
		-----
NEVADA--1.72%		
Clark County, Nevada Airport Improvement Revenue Refunding Bonds Series 1993A / (MBIA Insurance & Industrial Bank of Japan SBPA)		
4.95%, 01/07/95	47,400	47,400
State of Nevada Department of Commerce Industrial Development Revenue Bonds (Cimco, Inc. Project) Series 1993A / (Wells Fargo Bank LOC)		
5.55%, 01/07/95	4,830	4,830
		-----
		52,230
		-----
NEW HAMPSHIRE--0.26%		
New Hampshire Higher Education and Health Facilities Authority Revenue Bonds (VHA New England, Inc.) Series 1985B / (AMBAC Insurance & FNB Chicago SBPA)		
5.25%, 01/07/95	1,000	1,000
New Hampshire Housing Finance Authority Multi Family Housing Revenue Bonds (Fairways Project) Series 1994-1 / (General Electric Capital Corp. LOC)		
5.80%, 01/07/95	7,000	7,000
		-----
		8,000
		-----
NEW JERSEY--0.70%		
New Jersey Turnpike Authority Revenue Bonds Series 1991D / (FGIC Insurance & Societe Generale LOC)		
4.65%, 01/07/95	21,400	21,400
		-----

NEW MEXICO--0.79%		
Albuquerque, New Mexico		
Gross Receipts Lodgers		
Tax Adjustable Rate		
Tender Revenue Bonds		
Series 1994 /		
(Canadian Imperial Bank of		
Commerce LOC)		
4.95%, 01/07/95	1,300	1,300
Belen, New Mexico		
Industrial Development		
Revenue Bonds		
(Solo Cup, Inc. Project) /		
(Wachovia Bank LOC)		
5.75%, 01/07/95	3,250	3,250
New Mexico Educational		
Assistance Foundation		
Student Loan Program		
Series 1992B /		
(AMBAC Insurance &		
International Nederladen		
Bank SBPA)		
5.10%, 01/07/95	19,400	19,400
		-----
		23,950
		-----

NEW YORK--1.01%		
New York City, New York		
Municipal Water &		
Sewer System Revenue		
Bonds Series 1992C /		
(FGIC Insurance &		
FGIC SPA)		
6.00%, 01/01/95	100	100
New York City, New York		
Municipal Water &		
Sewer System Revenue		
Bonds Series 1994C /		
(FGIC Insurance &		
FGIC SBPA)		
6.00%, 01/01/95	13,800	13,800
New York State Dormitory		
Authority Various		
Revenue Bonds		
(Masonic Hall) /		
(AMBAC Insurance &		
Credit Local de France SBPA)		
4.70%, 01/07/95	9,100	9,100

</TABLE>

60

61

SchwabFunds (R)

10

<TABLE>

<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
New York, New York		
General Obligation		
Bonds Series 1991E2 /		
(Industrial Bank of		
Japan & Morgan		
Guaranty Trust Co.		
New York LOC)		
4.75%, 01/01/95	\$ 1,000	\$ 1,000
New York, New York		



General Obligation Bonds Series 1994B Subseries B4 / (MBIA Insurance & National Westminster LOC) 6.00%, 01/01/95	2,600	2,600
New York, New York Various Rate General Obligation Bonds Series 1995B Subseries B10 / (Union Bank of Switzerland LOC) 5.30%, 01/07/95	2,000	2,000
New York, New York Various Rate General Obligation Bonds Series 1995B1 Subseries B8 / (Mitsubishi Bank LOC) 5.35%, 01/07/95	2,000	2,000
		-----
		30,600
		-----
NORTH CAROLINA--2.31%		
Bladen County, North Carolina Industrial Facility and Pollution Control Financing Authority Resource Recovery Bonds (BCH Energy LP Project) / (Bank of Tokyo LOC) 5.60%, 01/07/95	18,000	18,000
Charlotte, North Carolina Airport Revenue Refunding Bonds Series 1993A / (MBIA Insurance & Industrial Bank of Japan SBPA) 4.95%, 01/07/95	6,500	6,500
North Carolina Medical Care Community Hospital Revenue Bonds (ACES Pooled Financial Project) / (MBIA Insurance & Mitsubishi Bank SBPA) 5.55%, 01/07/95	1,910	1,910
North Carolina Medical Care Community Hospital Revenue Bonds (Pooled Equipment Finance Project) / (MBIA Insurance & Banque Paribas SBPA) 5.45%, 01/07/95	11,300	11,300
Wake County, North Carolina Industrial Facility and Pollution Control Financing Authority (Carolina Power & Light) Series 1985 / (Sumitomo Bank LOC) 5.90%, 01/07/95	29,400	29,400
Wake County, North Carolina Industrial Facility and Pollution Control Financing Authority (Carolina Power & Light) Series 1985B / (Sumitomo Bank LOC) 5.90%, 01/07/95	2,900	2,900
		-----
		70,010
		-----
NORTH DAKOTA--0.24%		
Mercer County, North Dakota National Rural		

Utility Pollution Control Revenue Bonds (Basin Electric Power Cooperative Antelope Project) Series 1984C / (N.R.U. - C.F.C. Guaranty) 5.55%, 01/07/95	7,200	7,200	-----
OHIO--1.37%			
Cincinnati, Ohio Student Loan Funding Corp. Student Loan Revenue Bonds Series 1983A / (Fuji Bank LOC) 5.00%, 01/07/95	4,800	4,800	
Columbus, Ohio Electric System Revenue Bonds Series 1984 / (Dai-Ichi Kangyo Bank LOC) 3.90%, 01/01/95	6,880	6,880	
Dayton, Ohio Special Facilities Refunding Revenue Bonds (Emery Air Freight) Series 1993F / (ABN-Amro LOC) 5.35%, 01/07/95	8,000	8,000	
Ohio Air Quality Development Revenue Bonds (JMG Funding LP) Series 1994A / (Societe Generale LOC) 5.60%, 01/07/95	20,000	20,000	
Ohio Housing Finance Agency Multi Family Housing Revenue Bonds (Kenwood Congregate Retirement Community) Series 1985 / (Morgan Guaranty Trust Co. New York LOC) 3.85%, 01/01/95	2,000	2,000	-----
			41,680
			-----

</TABLE>

61

62

SchwabFunds (R)

11

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>

<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
OKLAHOMA--0.08%		
Oklahoma City, Oklahoma Industrial & Cultural Facilities Trust Revenue Bonds Series 1990A / (Industrial Bank of Japan LOC) 5.55%, 01/07/95	\$ 1,400	\$ 1,400
Tulsa, Oklahoma Industrial Development Authority Hospital Revenue Bonds (Hillcrest Medical Center) Series 1988 / (Mitsubishi Bank LOC) 5.50%, 01/07/95	700	700

Tulsa, Oklahoma Industrial Development Authority Revenue Bonds (Teams Thomas & Betts Project) Series 1991 / (Wachovia Bank of North Carolina LOC) 5.75%, 01/07/95	300	300
		-----
		2,400
		-----
OREGON--1.81%		
Medford, Oregon Hospital Facility Authority Revenue Bonds (Rogue Valley Manor Project) Series 1985 / (Banque Paribas LOC) 5.55%, 01/07/95	7,700	7,700
Oregon State Economic Development Commission Economic and Industrial Development Revenue Bonds / (Wachovia Bank of Georgia LOC) 5.70%, 01/07/95	4,100	4,100
Oregon State General Obligation Notes Series 1973F / (Mitsubishi Bank LOC) 4.95%, 01/07/95	21,185	21,185
Oregon State General Obligation Notes Series 1973H / (Bank of Tokyo LOC) 5.60%, 01/07/95	18,100	18,100
Port of Portland, Oregon Industrial Development Revenue Bonds (Schnitzer Steel Project) / (Comerica LOC) 5.50%, 01/07/95	4,000	4,000
		-----
		55,085
		-----
PENNSYLVANIA--1.68%		
Delaware County, Pennsylvania Industrial Development Authority Solid Waste Revenue Bonds (Scott Paper Co.) Series C / (Fuji Bank LOC) 5.65%, 01/07/95	2,000	2,000
Montgomery County, Pennsylvania Industrial Development Authority (Seton Medical Supply Co.) / (Banque Paribas LOC) 5.50%, 01/07/95	5,500	5,500
Pennsylvania Energy Development Authority Energy Development Revenue Bonds (B & W Ebensberg Project) Series 1986 / (Swiss Bank LOC) 5.10%, 01/07/95	6,900	6,900
Sayre, Pennsylvania Health Care Facilities Authority (VHA Capital Finance Revenue) Series 1985B / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	4,365	4,365
Sayre, Pennsylvania		

Health Care Facilities Authority (VHA Capital Finance Revenue) Series 1985F / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	3,100	3,100
Sayre, Pennsylvania Health Care Facilities Authority (VHA Capital Finance Revenue) Series 1985J / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	9,800	9,800
Washington County, Pennsylvania Authority Lease Revenue Bonds (Higher Education Pooled Equipment Lease) / (Sanwa Bank LOC) 5.50%, 01/07/95	19,400	19,400
		----- 51,065 -----
SOUTH CAROLINA--0.38%		
Cherokee County, South Carolina Industrial Revenue Bonds (Oshkosh Truck Co.) / (Bank of Nova Scotia LOC) 5.75%, 01/07/95	4,400	4,400
Greenville County, South Carolina Industrial Development Revenue Bonds (Quality Thermoforming Project) / (South Carolina National Bank LOC) 5.75%, 01/07/95	1,300	1,300

</TABLE>

62

63

SchwabFunds (R)

12

<TABLE>

<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
South Carolina Jobs Economic Development Authority Industrial Development Revenue Bonds (Ado Corp. Project) / (South Carolina National Bank LOC) 5.75%, 01/07/95	\$ 1,200	\$ 1,200
Spartanburg County, South Carolina Industrial Development Authority Bonds (Bemis, Inc.) / (Wachovia Bank of Georgia LOC) 5.70%, 01/07/95	4,750	4,750
		----- 11,650 -----

SOUTH DAKOTA--0.19%

Rapid City, South Dakota

Industrial Development Revenue Bonds (Corporate Property Associates) / (Lloyds Bank LOC) 5.45%, 01/07/95	5,825	5,825
		-----
TENNESSEE--0.33%		
Clarksville, Tennessee Public Building Authority Revenue Bonds Series 1990 / (MBIA Insurance & Credit Suisse SBPA) 4.90%, 01/07/95	3,400	3,400
Metropolitan Nashville and Davidson County, Tennessee Health and Education Facility Board Revenue Bonds Series A / (FGIC Insurance & Barclays Bank Line Of Credit) 5.50%, 01/07/95	1,500	1,500
Sullivan County, Tennessee Industrial Development Floating Rate Demand Multi Family Rental Housing Bonds (Brandy Mill I Project) Series 1984 / (Firemans Fund Insurance Co. Insurance) 4.20%, 01/01/95	5,195	5,195
		-----
		10,095
		-----
TEXAS--5.52%		
Amarillo, Texas Health Facility Corp. Hospital Revenue Bonds (High Plains Baptist Hospital) Series 1985 / (Banque Paribas LOC) 5.50%, 01/07/95	9,300	9,300
Capital Industrial Development Corp., Texas Industrial Development Revenue Bonds (National Service Industry Project) / (Wachovia Bank of Georgia LOC) 5.70%, 01/07/95	1,450	1,450
Greater East Texas Higher Education Authority Student Loan Revenue Bonds Series 1988A / (AMBAC Insurance & Citibank SBPA) 5.65%, 01/07/95	18,300	18,300
Greater East Texas Higher Education Authority Student Loan Revenue Bonds Series 1993A / (SLMA LOC) 5.60%, 01/07/95	48,150	48,150
Harris County, Texas Industrial Development Corp. Pollution Control Revenue Bonds (Exxon Corp. Project) Series 1984A 6.00%, 01/07/95	1,900	1,900
Harris County, Texas Industrial Development Corp. Pollution Control Revenue Bonds (Exxon Corp. Project) Series 1994B 6.00%, 01/01/95	7,600	7,600

Hunt County, Texas Industrial Development Corp. Revenue Bonds (Trico Industries Inc. Project) Series 1987 / (ABN-Amro LOC) 5.50%, 01/07/95	5,330	5,330
Lavaca-Navidad River Authority, Texas Water Supply System Contract Revenue Bonds (Formosa Plastics Corp. Project) / (Canadian Imperial Bank of Commerce LOC) 5.25%, 01/07/95	13,900	13,900
Lower Neches Valley Authority, Texas Revenue Bonds (Mobil Corp. Neches River Treatment Project) Series 1994 5.50%, 01/07/95	12,000	12,000
Midlothian, Texas Industrial Development Corp. Pollution Control Revenue Bonds (Box-Crow Co. Project) / (Union Bank of Switzerland LOC) 5.75%, 01/07/95	1,400	1,400

</TABLE>

63

64

SchwabFunds (R) 13

-----  
 SCHWAB TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994  
 -----

<TABLE>  
 <CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
Port Authority Corpus Christi, Texas Nueces County Marine Terminal Revenue Bonds (Reynolds Metals Co.) / (Barclays Bank LOC) 5.40%, 01/07/95	\$ 3,100	\$ 3,100
Texas Health Facilities Development Corp. Adjustable Convertible Extendable Secondary Revenue Bonds Pooled Health Series 1985B / (Banque Paribas LOC) 5.50%, 01/07/95	11,000	11,000
Texas Small Business Industrial Development Corp. Industrial Development Revenue Bonds (Texas Public Facility Capital Access) / (Multiple Credit Enhancements) 5.55%, 01/07/95	24,595	24,595

Affairs Multi Family Residential Housing Revenue Bonds (Remington Hill) Series 1993B / (General Electric Capital Corp. Guaranty) 5.40%, 01/07/95	9,580	9,580
		-----
		167,605
		-----
VERMONT--0.14%		
Vermont Education and Health Buildings Financing Agency Revenue Bonds (VHA New England) Series 1985G / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	4,240	4,240
		-----
VIRGINIA--0.50%		
Lynchburg, Virginia Industrial Development Authority Hospital Facility Revenue Bonds (First Mortgage VHA / Mid Atlantic States, Inc.) Series 1985A / (AMBAC Insurance & Mellon Bank SBPA) 5.25%, 01/07/95	500	500
Lynchburg, Virginia Industrial Development Authority Hospital Facility Revenue Bonds (First Mortgage VHA / Mid Atlantic States, Inc.) Series 1985B / (AMBAC Insurance & Mellon Bank SBPA) 5,25%, 01/97/95	400	400
Lynchburg, Virginia Industrial Development Authority Hospital Facility Revenue Bonds (First Mortgage VHA / Mid Atlantic States, Inc.) Series 1985C / (AMBAC Insurance & Mellon Bank SBPA) 5.25%, 01/07/95	600	600
Lynchburg, Virginia Industrial Development Authority Hospital Facility Revenue Bonds (First Mortgage VHA / Mid Atlantic States, Inc.) Series 1985F / (AMBAC Insurance & Mellon Bank SBPA) 5.25%, 01/07/95	5,600	5,600
Lynchburg, Virginia Industrial Development Authority Hospital Facility Revenue Bonds (First Mortgage VHA / Mid Atlantic States, Inc.) Series 1985G / (AMBAC Insurance & Mellon Bank SBPA) 5.25%, 01/07/95	8,100	8,100
		-----
		15,200
		-----

WASHINGTON--0.93%

Washington State Health  
Care Facilities Authority  
Revenue Refunding  
Bonds (Sisters of St.  
Joseph of Peace)  
Series 1993 /  
(MBIA Insurance &  
U.S. Bank of  
Washington SBPA)  
5.60%, 01/07/95

12,700 12,700

Washington State Housing  
Finance Commission  
Multi Family Mortgage  
Revenue Bonds  
(Canyon Lakes II  
Project) / (U.S. Bank of  
Washington LOC)  
5.95%, 01/01/95

2,565 2,565

Washington State Housing  
Finance Commission  
Multi Family Mortgage  
Revenue Bonds  
(Canyon Lakes)  
Series 1993A / (U.S. Bank  
of Washington LOC)  
5.75%, 01/07/95

4,565 4,565

Washington State Housing  
Finance Commission  
Non-Profit Housing  
Revenue Bonds  
(Emerald Heights  
Project) Series 1990 /  
(Banque Paribas LOC)  
6.20%, 01/01/95

4,545 4,545

</TABLE>

64

65

SchwabFunds (R)

14

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
Washington State Housing Finance Commission Non-Profit Housing Revenue Bonds (YMCA Snohomish Co. Program) / (U.S. Bank of Washington LOC) 5.75%, 01/01/95	\$ 4,000	\$ 4,000
		----- 28,375 -----

WEST VIRGINIA--0.36%

West Virginia State  
Hospital Finance  
Authority Hospital  
Revenue Bonds  
(St. Joseph's Hospital  
Project) Series 1987 /  
(Mitsubishi Bank LOC)  
5.55%, 01/07/95

2,300 2,300

West Virginia State  
Hospital Finance  
Authority Hospital  
Revenue Bonds (VHA  
Mid Atlantic States, Inc.)



Series 1985H / (AMBAC Insurance & FNB Chicago SBPA) 5.25%, 01/07/95	8,600	8,600
		-----
		10,900
		-----
WISCONSIN--0.77%		
Fairwater, Wisconsin		
Industrial Development Revenue Bonds (Dean Foods Co. Project) Series 1990 / (Wachovia Bank LOC) 5.70%, 01/07/95		
	1,450	1,450
Milwaukee, Wisconsin		
Redevelopment Authority Industrial Development Revenue Bonds (Field Container Corp.) Series 1994 / (Northern Trust LOC) 5.75%, 01/07/95		
	5,000	5,000
Pewaukee, Wisconsin		
Industrial Development Authority Revenue Bonds (Husco International, Inc. Project) Series 1992 / (Bank One of Milwaukee LOC) 5.80%, 01/07/95		
	4,290	4,290
Sheboygan, Wisconsin		
Pollution Control Financing Authority Pollution Control Revenue Bonds (Wisconsin Power & Light Co.) 5.40%, 01/07/95		
	1,000	1,000
Wisconsin State Health and Educational Facilities Authority Revenue Bonds (SSM Health Care Project) Series 1990A / (Industrial Bank of Japan LOC) 5.55%, 01/07/95		
	4,000	4,000
Wisconsin State Health and Educational Facilities Authority Revenue Bonds (Sinai Samaritan) Series 1994A / (Marshall & Ilsley Bank LOC) 5.45%, 01/07/95		
	7,670	7,670
		-----
		23,410
		-----
WYOMING--0.16%		
Lincoln County, Wyoming		
Pollution Control Revenue Bonds (Exxon Corp.) Series 1984A 6.00%, 01/01/95		
	1,300	1,300
Lincoln County, Wyoming		
Pollution Control Revenue Bonds (Exxon Corp.) Series 1984C 6.00%, 01/01/95		
	1,600	1,600
Lincoln County, Wyoming		
Pollution Control Revenue Bonds (Exxon Corp.) Series 1984D 6.00%, 01/01/95		
	1,300	1,300
Uinta County, Wyoming		

Pollution Control  
 Financing Authority  
 Pollution Control  
 Revenue Bonds  
 (Chevron USA, Inc.  
 Project) Series 1992  
 6.15%, 01/01/95

600	600
	-----
	4,800
	-----

TOTAL VARIABLE RATE OBLIGATIONS (Cost \$1,913,520)	1,913,520
	-----

VARIABLE RATE TENDER  
 OPTION BONDS--2.23% (a)  
 GEORGIA--0.17%  
 Metropolitan Atlanta Rapid  
 Transit Authority,  
 Georgia Sales Tax  
 Revenue Bonds  
 Series M (BT-69) /  
 (Bankers Trust Tender Option)  
 5.65%, 01/05/95

5,280	5,280
	-----

</TABLE>

65

66

SchwabFunds (R)	15
-----	

SCHWAB TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994

<TABLE>  
 <CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
NEVADA--0.82% Nevada State General Obligation Bonds (Colorado River Community) Series 1994 (Citi-143) / (Citibank Tender Option) 5.44%, 01/07/95	\$25,000	\$25,000
		-----
TEXAS--0.40% Harris County, Texas Toll Road Tender Option Bonds (Citi-138) / (Citibank Tender Option) 5.44%, 01/07/95	7,000	7,000
Harris County, Texas Toll Road Tender Option Bonds (Citi-139) / (Citibank Tender Option) 5.44%, 01/07/95	5,000	5,000
		-----
		12,000
		-----
WASHINGTON--0.84% King County, Washington Department of Metropolitan Services Unlimited Taxable General Obligation Bonds Series 1994A (Citi-136) / (Citibank Tender Option) 5.44%, 01/07/95	15,570	15,570
King County, Washington Department of Metropolitan Services		

Unlimited Taxable General Obligation Bonds Series 1994A (Citi-137) / (Citibank Tender Option) 5.44%, 01/07/95	10,000	10,000
		-----
		25,570
		-----
TOTAL VARIABLE RATE TENDER OPTION BONDS (Cost \$67,850)		67,850
		-----
VARIABLE RATE TENDER OPTION BOND		
PARTNERSHIP--5.57%(a)		
CALIFORNIA--0.16%		
Metropolitan Water District		
Southern California		
Waterworks General		
Obligation Refunding		
Bonds Series 1993A2		
(BTP-139) / (Bankers		
Trust Tender Option)		
5.33%, 01/07/95	4,745	4,745
		-----
CONNECTICUT--0.24%		
Connecticut State General		
Obligation General		
Purpose Public		
Improvement Bonds		
Partnership Series 1991A		
(BTP-151) / (Bankers		
Trust Tender Option)		
5.70%, 01/07/95	7,365	7,365
		-----
GEORGIA--0.51%		
Georgia State Public		
Improvement General		
Obligation Bonds		
Series 1993B & 1993C		
(BTP-135) / (Bankers		
Trust Tender Option)		
5.70%, 01/07/95	3,865	3,865
Georgia State Public		
Improvement General		
Obligation Bonds		
Series 1993B & 1993C		
(BTP-140) / (Bankers		
Trust Tender Option)		
5.70%, 01/07/95	4,575	4,575
Georgia State Public		
Improvement General		
Obligation Bonds		
Series 1994B (BTP-148) /		
(Bankers Trust Tender Option)		
5.70%, 01/07/95	7,100	7,100
		-----
		15,540
		-----
ILLINOIS--0.50%		
Chicago, Illinois		
Metropolitan Water		
Reclamation District		
Greater Chicago		
General Obligation		
Refunding Bonds		
(Cook County) (BTP-71) /		
(Automated Data		
Processing Co., Inc.		
Tender Option)		
5.02%, 01/07/95	9,870	9,870
Chicago, Illinois School		
Finance Authority		
General Obligation		
School Finance Bonds		
(BTP-70) / (MBIA		

Insurance & Automated  
Data Processing Co.,  
Inc. Tender Option)  
4.69%, 01/07/95

5,365      5,365

-----  
15,235  
-----

MARYLAND--0.12%  
Baltimore County,  
Maryland General  
Obligation Consolidated  
Public Improvement  
Bonds Series 1991  
(BTP-132) / (Bankers  
Trust Tender Option &  
Escrowed to Maturity with  
Government Securities)  
5.70%, 01/07/95

3,621      3,621

-----

MINNESOTA--0.15%  
Minnesota State General  
Obligation Bonds  
(BTP-65) / (Automated  
Data Processing Co.,  
Inc. Tender Option &  
Escrowed to Maturity with  
Government Securities)  
4.37%, 01/07/95

4,455      4,455

-----

</TABLE>

66

67

SchwabFunds (R)

16

<TABLE>  
<CAPTION>

Par      Value  
---      -----

<S>

<C>

<C>

NEVADA--0.60%  
Clark County, Nevada  
General Obligation  
Transportation  
Improvement Bonds  
Series 6-1-1992A  
(BTP-144) /  
(AMBAC Insurance &  
Bankers Trust Tender Option)  
5.70%, 01/07/95

\$ 13,590      \$ 13,590

Clark County, Nevada  
General Obligation  
Transportation  
Improvement Bonds  
Series 6-1-1992B  
(BTP-145) /  
(AMBAC Insurance &  
Bankers Trust Tender Option)  
5.70%, 01/07/95

4,525      4,525

-----  
18,115  
-----

PENNSYLVANIA--0.19%  
Allegheny County,  
Pennsylvania General  
Obligation Bonds  
Series C38 (BTP-133) /  
(AMBAC Insurance,  
Bankers Trust Tender Option &  
Escrowed to Maturity with  
Government Securities)

5.65%, 01/07/95	2,855	2,855
Allegheny County,		
Pennsylvania General		
Obligation Bonds		
Series C38 (BTP-134) /		
(AMBAC Insurance,		
Bankers Trust Tender Option &		
Escrowed to Maturity with		
Government Securities)		
5.65%, 01/07/95	2,870	2,870
		-----
		5,725
		-----
SOUTH CAROLINA--0.44%		
Piedmont, South Carolina		
Municipal Power Agency		
Electric Revenue Bonds		
Series 1986 (BTP-37) /		
(Bankers Trust Tender Option &		
Escrowed to Maturity with		
Government Securities)		
5.70%, 01/07/95	7,856	7,856
South Carolina State		
Capital Improvement		
Revenue Refunding		
Bonds (BTP-147) /		
(Bankers Trust Tender Option)		
5.70%, 01/07/95	5,370	5,370
		-----
		13,226
		-----
TEXAS--1.18%		
Texas State Public Finance		
Authority General		
Obligation Bonds		
Public Improvement		
Series 1993B (BTP-116) /		
(Bankers Trust Tender Option)		
5.24%, 01/07/95	10,170	10,170
Texas State Public Finance		
Authority General		
Obligation Bonds		
Series 1994 (BTP-127) /		
(Bankers Trust Tender Option)		
5.70%, 01/07/95	14,980	14,980
University of Texas		
Permanent University		
Fund Tender Option		
Bonds Series 1992A		
(BTP-143) / (Permanent		
University Fund		
Guaranty, Bankers Trust		
Tender Option &		
Escrowed to Maturity with		
Government Securities)		
5.70%, 01/07/95	10,685	10,685
		-----
		35,835
		-----
VIRGINIA--0.43%		
Chesterfield County,		
Virginia General		
Obligation Public		
Improvement and		
Refunding Bonds		
Series 1991 (BTP-136) /		
(Bankers Trust Tender Option)		
5.70%, 01/07/95	6,025	6,025
Fairfax County, Virginia		
Public Improvement		
Bonds Series 1991A		
(BTP-131) / (Bankers		
Trust Tender Option)		
5.70%, 01/07/95	7,146	7,146
		-----

13,171

-----

WASHINGTON--0.59%

Washington Public Power  
Supply System Nuclear  
Project Number 2  
Revenue Refunding  
Bonds Series 1990C  
(BTP-130) / (Bankers  
Trust Tender Option)  
5.75%, 01/07/95

5,740 5,740

Washington Public Power  
Supply System Nuclear  
Project Number 2  
Revenue Refunding  
Bonds Series 1993B  
(BTP-137) / (Bankers  
Trust Tender Option)  
5.75%, 01/07/95

6,685 6,685

Washington State General  
Obligation Bonds Public  
Improvement Series 1990  
(BTP-152) / (Bankers  
Trust Tender Option)  
5.70%, 01/07/95

5,655 5,655

-----

18,080

-----

</TABLE>

67

68

SchwabFunds (R)

17

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>

<CAPTION>

Par Value  
--- -----

<S>

<C>

<C>

WISCONSIN--0.46%

Wisconsin State Public  
Improvement General  
Obligation Revenue  
Bonds Series 1992A  
(BTP-142) / (Bankers  
Trust Tender Option &  
Escrowed to Maturity with  
Government Securities)  
5.70%, 01/07/95

\$ 9,480 \$ 9,480

Wisconsin State Public  
Improvement General  
Obligation Tender  
Option Bonds (BTP-62) /  
(Automated Data  
Processing Co., Inc.  
Tender Option &  
Escrowed to Maturity with  
Government Securities)  
4.37%, 01/07/95

4,500 4,500

-----

13,980

-----

TOTAL VARIABLE RATE TENDER  
OPTION BOND PARTNERSHIP  
(Cost \$169,093)

169,093

-----

BOND ANTICIPATION

NOTES--0.16% (b)

NEW YORK--0.16%

Nassau County, New York

Bond Anticipation Notes		
Series 1994E		
4.10%, 08/15/95	4,800	4,819
		-----
TOTAL BOND ANTICIPATION NOTES		
(Cost \$4,819)		4,819
		-----
GENERAL OBLIGATIONS--0.70%(b)		
GEORGIA--0.07%		
Clayton County, Georgia		
School District General		
Obligation Bonds /		
(Escrowed to Maturity with		
Government Securities)		
2.63%, 02/01/95	2,015	2,064
		-----
IOWA--0.04%		
Cedar Rapids, Iowa		
Unlimited General		
Obligation Bonds		
Series 1989		
4.50%, 06/01/95	1,225	1,234
		-----
KANSAS--0.04%		
Kansas City, Kansas		
Special Obligation		
Bonds Series 1992 /		
(Escrowed to Maturity with		
Government Securities)		
2.65%, 02/15/95	1,100	1,103
		-----
OREGON--0.03%		
Washington County, Oregon		
Unified High School		
District #3JT		
General Obligation		
Bonds (Hillsboro Union		
High School District)		
Series 1994 /		
(MBIA Insurance)		
4.10%, 11/01/95	1,000	1,007
		-----
SOUTH CAROLINA--0.03%		
Beaufort County, South		
Carolina School District		
General Obligation Bonds /		
(AMBAC Insurance)		
2.65%, 02/01/95	1,000	1,004
		-----
TEXAS--0.49%		
Cypress Fairbanks, Texas		
Independent School		
District Revenue Bonds		
Series 1984B /		
(Escrowed to Maturity with		
Government Securities)		
2.60%, 02/01/95	1,475	1,483
Northside, Texas		
Independent School		
District General		
Obligation Bonds		
(Permanent School		
Fund Guaranty)		
2.00%, 02/01/95	10,000	10,015
San Antonio, Texas		
Refunding Improvement		
Bonds Series 1985A /		
(Escrowed to Maturity with		
Government Securities)		
4.30%, 08/01/95	1,000	1,026
Spring, Texas Independent		
School District		
Refunding General		
Obligation Bonds /		
(Permanent School		
Fund Guaranty)		

2.65%, 02/15/95	1,940	1,942
Travis County, Texas		
General Obligation		
Bonds Series 1987A		
2.75%, 03/01/95	500	505
		-----
		14,971
		-----
TOTAL GENERAL OBLIGATIONS		
(Cost \$21,383)		21,383
		-----

MANDATORY PUT BONDS--4.41% (b)		
CALIFORNIA--1.79%		
California Higher Educational		
Loan Authority		
Student Loan Revenue		
Bonds Series 1987B /		
(SLMA LOC)		
3.90%, 07/01/95	5,000	5,000

</TABLE>

68

69

SchwabFunds (R) 18

<TABLE>  
<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
California Higher Educational		
Loan Authority		
Student Loan Revenue		
Bonds Series 1987C /		
(SLMA LOC)		
4.00%, 07/01/95	\$42,000	\$ 42,000
California Public Capital		
Improvements Financing		
Authority Revenue		
Bonds (Various Pooled		
Projects) Series 1988C /		
(National Westminster LOC)		
4.24%, 03/15/95	7,300	7,300
		-----
		54,300
		-----

FLORIDA--0.12%

Orange County, Florida		
Industrial Development		
Authority Industrial		
Development Revenue		
Bonds (General		
Accident Insurance Co.		
of America Project)		
4.45%, 06/01/95	3,500	3,500
		-----

OREGON--0.16%

Klamath Falls, Oregon		
Electric Revenue Bonds		
(Salt Caves Hydro)		
Series 1986E /		
(Escrowed to Maturity with		
Government Securities)		
3.75%, 05/02/95	5,000	5,000
		-----

TEXAS--1.65%

Greater East Texas Higher		
Education Authority		
Student Loan Revenue		
Bonds Series 1992B /		
(SLMA LOC)		



4.00%, 07/01/95	13,000	13,000
Greater East Texas Higher Education Authority Student Loan Revenue Bonds Series 1993B-1 / (SLMA LOC)		
2.75%, 02/01/95	11,000	11,000
Greater East Texas Higher Education Authority Student Loan Revenue Bonds Series 1993B-2 / (SLMA LOC)		
2.85%, 06/01/95	6,500	6,500
Panhandle Plains, Texas Higher Education Authority Student Loan Revenue Bonds Series 1992A / (SLMA LOC)		
2.90%, 03/01/95	4,500	4,504
Panhandle Plains, Texas Higher Education Authority Student Loan Revenue Bonds Series 1993A / (SLMA LOC)		
3.35%, 03/31/951	15,000	15,000
		-----
		50,004
		-----
VIRGINIA--0.69%		
Harrisonburg, Virginia Redevelopment and Housing Authority Multi Family Housing Revenue Bonds / (Guardian Savings & Loan Association LOC)		
2.75%, 02/01/95	10,000	10,000
Virginia State Housing Development Authority Commonwealth Mortgage Variable Rate Bonds Series B, Sub Series B Stem		
4.40%, 07/12/95	11,100	11,100
		-----
		21,100
		-----
TOTAL MANDATORY PUT BONDS (Cost \$133,904)		133,904
		-----
OPTIONAL PUT BONDS--3.77%(b)		
FLORIDA--0.78%		
Putnam County, Florida Industrial Development Authority Pollution Control Revenue Bonds (Seminole Electric Corp.) Series 1984H-3 / (N.R.U. - C.F.C. Guaranty)		
4.00%, 03/15/95	23,700	23,700
		-----
ILLINOIS--0.37%		
Chicago, Illinois O'Hare International Airport Revenue Bonds (General Airport Second Lien) Series B / (Westpac Banking Corp. LOC)		
3.35%, 01/01/95	11,350	11,350
		-----
MISSOURI--1.97%		
Missouri State Environmental Improvement and Energy Resources Authority Pollution		

Control Revenue Bonds (Union Electric Co.) Series 1985A / (Swiss Bank LOC) 3.75%, 06/01/95	31,200	31,200
Missouri State Environmental Improvement and Energy Resources Authority Pollution Control Revenue Bonds (Union Electric Co.) Series 1985B / (Union Bank of Switzerland LOC) 3.75%, 06/01/95	28,500	28,500
		----- 59,700 -----

</TABLE>

69

70

SchwabFunds (R)

19

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
SOUTH CAROLINA--0.65% York County, South Carolina Pollution Control Authority Revenue Bonds (North Carolina Electric Project) Series 1984N-6 / (N.R.U. - C.F.C. Guaranty) 4.00%, 03/15/95	\$19,660	\$ 19,660
		-----
TOTAL OPTIONAL PUT BONDS (Cost \$114,410)		114,410
		-----
REVENUE ANTICIPATION NOTES--0.66%(b) CALIFORNIA--0.66% California State Revenue Anticipation Notes Series 1994-95A 4.45%, 06/28/95	20,090	20,133
		-----
TOTAL REVENUE ANTICIPATION NOTES (Cost \$20,133)		20,133
		-----
REVENUE BONDS--0.29%(b) ARKANSAS--0.10% North Little Rock, Arkansas Electric System Revenue Bonds (Murray Lock and Dam Hydro-Electric Project) Series 1985 / (MBIA Insurance & Escrowed to Maturity with Government Securities) 4.00%, 07/01/95	3,000	3,159
		-----
CALIFORNIA--0.03% Southern California Public Power Authority (Southern Transmission		

Project) Series 1984B / (Escrowed to Maturity with Government Securities) 2.60%, 01/01/95	1,000	1,030
		-----
LOUISIANA--0.00%		
Louisiana State Energy and Power Authority Revenue Bonds (Rodemacher Unit #2) / (FGIC Insurance & Escrowed to Maturity with Government Securities) 2.85%, 01/01/95	105	107
		-----
MASSACHUSETTS--0.01%		
Massachusetts State Health and Educational Facilities Authority Revenue Bonds (Massachusetts General Hospital) Series 1985D / (MBIA Insurance & Escrowed to Maturity with Government Securities) 2.85%, 01/01/95	285	291
		-----
NEW YORK--0.03%		
Triborough Bridge and Tunnel Authority, New York General Purpose Revenue Bonds Series 1985E / (Escrowed to Maturity with Government Securities) 2.65%, 01/01/95	750	765
		-----
PENNSYLVANIA--0.02%		
Delaware River Port Authority, Pennsylvania and New Jersey River Bridges Revenue Bonds / (AMBAC Insurance & Escrowed to Maturity with Government Securities) 2.55%, 01/01/95	585	603
		-----
UTAH--0.02%		
Intermountain Power Agency, Utah Power Supply Revenue Bonds Series 1985D 4.20%, 07/01/95	500	510
		-----
WASHINGTON--0.08%		
Seattle, Washington Municipal Light & Power Revenue Refunding Bonds Series 1993 3.40%, 05/01/95	1,850	1,850
Seattle, Washington Municipal Metropolitan Sewer Revenue Bonds Series 1987Q / (Escrowed to Maturity with Government Securities) 2.50%, 01/01/95	500	510
		-----
		2,360
		-----
TOTAL REVENUE BONDS (Cost \$8,825)		8,825
		-----
TAX ANTICIPATION NOTES--2.16% (b)		
MINNESOTA--1.38%		
Minneapolis, Minnesota		



Unified School District Tax and Revenue Anticipation Notes Series 1994 4.10%, 10/26/95	8,000	8,056
Santa Rosa, California High School District Tax and Revenue Anticipation Notes Series 1994-95 4.25%, 11/10/95	5,000	5,031
		-----
		196,367
		-----
TEXAS--0.05% Irving, Texas Independent School District Tax and Revenue Anticipation Notes Series 1994-95 4.02%, 08/31/95	1,535	1,542
		-----
UTAH--0.17% Salt Lake City, Utah Tax and Revenue Anticipation Notes Series 1994 3.55%, 06/30/95	5,000	5,023
		-----
WISCONSIN--0.41% Appleton, Wisconsin Area School District Tax and Revenue Anticipation Notes Series 1994-95 4.35%, 09/29/95	7,750	7,772
Oconomowoc, Wisconsin Area School District Tax and Revenue Anticipation Notes Series 1994 4.25%, 09/08/95	4,600	4,608
		-----
		12,380
		-----
TOTAL TAX AND REVENUE ANTICIPATION NOTES (Cost \$215,312)		215,312
		-----
TAX-EXEMPT COMMERCIAL PAPER--9.96% (b) ARIZONA--0.53% Maricopa County, Arizona Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison Co. Palo Verde Project) Series 1985B 3.65%, 01/30/95 3.55%, 02/09/95 3.50%, 02/09/95	1,000 2,000 1,200	1,000 2,000 1,200
Maricopa County, Arizona Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison Co. Palo Verde Project) Series 1985C 3.65%, 01/26/95 3.55%, 01/26/95 3.90%, 02/13/95 3.60%, 02/13/95	700 5,550 4,700 1,000	700 5,550 4,700 1,000
		-----
		16,150
		-----
CALIFORNIA--0.92% California Pollution Control		

Financing Authority Pollution Control Revenue Bonds (Pacific Gas & Electric) Series 1988A / (Sumitomo Bank LOC) 3.50%, 02/15/95	12,000	12,000
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Pacific Gas & Electric) Series 1988A / (Swiss Bank LOC) 3.45%, 02/09/95	4,000	4,000

71

72

SchwabFunds (R) 21

SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Thermal Energy Development LP) Series 1988A / (National Westminster LOC) 4.80%, 01/10/95	\$ 5,500	\$ 5,500
Los Angeles County, California Transportation Commission Second Subordinate Sales Tax Revenue Bonds Series A / (Multiple Credit Enhancements) 4.40%, 01/10/95	6,400	6,400
		----- 27,900 -----
COLORADO--0.66%		
Platte River, Colorado Power Authority Adjustable Tender Electric Revenue Secondary Lien Bonds Series S-1 / (Morgan Guaranty Trust Co. New York SBPA) 3.50%, 01/11/95	5,400	5,400
3.50%, 01/26/95	12,800	12,800
3.40%, 03/07/95	2,300	2,300
		----- 20,500 -----
FLORIDA--0.36%		
Florida Municipal Loan Council Pooled Revenue Bonds Series 1985 / (Sumitomo Bank LOC) 3.70%, 02/10/95	6,000	6,000
Sunshine State of Florida Government Financing Community Revenue		

Bonds Series 1986 / (Multiple Credit Enhancements) 3.55%, 02/10/95	4,800	4,800
		-----
		10,800
		-----
GEORGIA--1.74%		
Burke County, Georgia Development Authority Pollution Control Revenue Bonds (Oglethorpe Power Project) 1st Series 1989 / (Credit Suisse LOC)		
3.35%, 01/23/95	2,300	2,300
3.35%, 02/06/95	10,200	10,200
3.60%, 02/08/95	19,600	19,600
3.55%, 02/08/95	3,100	3,100
3.55%, 02/09/95	5,000	5,000
3.50%, 02/09/95	8,950	8,950
3.45%, 02/09/95	1,100	1,100
3.50%, 02/22/95	2,500	2,500
		-----
		52,750
		-----
ILLINOIS--0.16%		
Chicago, Illinois Tender Notes General Purpose Public Improvement General Obligation Series 1994A2 / (Union Bank of Switzerland LOC)		
4.15%, 07/19/95	5,000	5,000
		-----
KANSAS--0.96%		
Burlington, Kansas Pollution Control Revenue Refunding Bonds (Kansas City Power & Light) Series 1987A / (Toronto-Dominion Bank LOC)		
3.35%, 01/23/95	4,500	4,500
3.50%, 02/09/95	7,850	7,850
Burlington, Kansas Pollution Control Revenue Refunding Bonds (Kansas City Power & Light) Series 1987B / (Deutsche Bank LOC)		
3.65%, 02/07/95	9,700	9,700
3.60%, 02/08/95	4,900	4,900
3.90%, 02/13/95	2,200	2,200
		-----
		29,150
		-----
KENTUCKY--0.20%		
Pendleton County, Kentucky Multiple County Lease Revenue Bonds (Kentucky Association Counties Lease Program) / (Commonwealth Bank of Australia LOC)		
3.60%, 02/10/95	6,000	6,000
		-----
LOUISIANA--0.85%		
Louisiana State Adjustable Tender Refunding Bonds Series 1991A / (Credit Local de France & Fuji Bank LOC)		

4.20%, 02/27/95	7,600	7,600
3.45%, 03/07/95	7,110	7,110
West Baton Rouge Parish, Louisiana Industrial District Number Three Adjustable Tender Pollution Control Revenue Refunding Bonds (Dow Chemical Corp.) Series 1987 3.55%, 01/26/95	11,150	11,150

-----  
25,860  
-----

</TABLE>

72

73

SchwabFunds (R)

22

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
MICHIGAN--0.15%		
Michigan State Strategic Fund Pollution Control Financing Authority Pollution Control Revenue Bonds (Dow Chemical Project) Series 1987 3.60%, 02/13/95	\$ 4,450	\$ 4,450
		-----
MINNESOTA--0.70%		
Rochester, Minnesota Adjustable Tender Health Care Facility Revenue Bonds (Mayo Foundation / Mayo Medical Center) Series 1982B 3.65%, 01/30/95	1,500	1,500
Rochester, Minnesota Adjustable Tender Health Care Facility Revenue Bonds (Mayo Foundation / Mayo Medical Center) Series 1988E / (Credit Suisse SBPA) 3.55%, 02/09/95 3.45%, 02/09/95 4.05%, 02/27/95	1,100 1,000 2,600	1,100 1,000 2,600
Rochester, Minnesota Adjustable Tender Health Care Facility Revenue Bonds (Mayo Foundation / Mayo Medical Center) Series 1988F / (Credit Suisse SBPA) 3.60%, 02/08/95 3.55%, 02/08/95 4.05%, 02/27/95 3.40%, 03/07/95	800 1,900 5,100 3,250	800 1,900 5,100 3,250
Rochester, Minnesota Adjustable Tender Health Care Facility Revenue Bonds (Mayo		



Foundation / Mayo Medical Center) Series 1992C 3.55%, 02/08/95	4,100	4,100
		-----
		21,350
		-----
NORTH CAROLINA--1.63%		
North Carolina Eastern		
Municipal Power Agency		
Power System Revenue		
Bonds Series 1988B /		
(Union Bank of		
Switzerland & Morgan		
Guaranty Trust Co.		
New York LOC)		
3.65%, 01/24/95	2,200	2,200
3.65%, 01/30/95	9,500	9,500
3.55%, 02/09/95	2,000	2,000
4.05%, 02/27/95	3,800	3,800
North Carolina Eastern		
Municipal Power Agency		
Power System Revenue		
Bonds Series 1991 /		
(Industrial Bank of		
Japan LOC)		
3.60%, 02/03/95	6,875	6,875
3.65%, 02/07/95	12,000	12,000
3.85%, 02/13/95	7,500	7,500
4.05%, 02/27/95	5,500	5,500
		-----
		49,375
		-----
PENNSYLVANIA--0.30%		
Philadelphia, Pennsylvania		
General Obligation		
Bonds Tax Exempt		
Commercial Paper		
Series 1990 /		
(Fuji Bank LOC)		
3.75%, 02/07/95	9,100	9,100
		-----
VIRGINIA--0.41%		
Chesapeake County, Virginia		
Industrial Development		
Authority Revenue		
Bonds (Virginia		
Electric Power Co.)		
Series 1985A		
5.15%, 01/05/95	8,930	8,930
Chesterfield County, Virginia		
Pollution Control		
Revenue Bonds (Virginia		
Electric Power Co.)		
Series 1987A		
5.15%, 01/05/95	3,600	3,600
		-----
		12,530
		-----
WYOMING--0.39%		
Lincoln County, Wyoming		
Pollution Control		
Financing Authority		
Pollution Control		
Revenue Bonds		
(Exxon Corp. Project)		
Series 1987C		
3.80%, 01/30/95	5,000	5,000
Lincoln County, Wyoming		
Pollution Control		
Financing Authority		
Pollution Control		
Revenue Bonds		
(PacificCorp.)		
Series 1991 / (Union		
Bank of Switzerland LOC)		

4.05%, 02/27/95	2,500	2,500
3.40%, 03/07/95	4,200	4,200
		-----
		11,700
		-----
TOTAL TAX-EXEMPT COMMERCIAL PAPER		
(Cost \$302,615)		302,615
		-----
TOTAL INVESTMENTS--100.00%		
(Cost \$3,037,584)		\$3,037,584
		=====

</TABLE>

See accompanying Notes to Schedule of Investments.

73

74

SchwabFunds (R)

23

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

NOTES TO SCHEDULE OF INVESTMENTS.

For each security, cost (for financial reporting and federal income tax purposes) and carrying value are the same.

(a) Variable rate securities. Interest rates vary periodically based on current market rates. Rates shown are the effective rates on December 31, 1994. Dates shown represent the latter of the demand date or next interest rate change date, which is considered the maturity date for financial reporting purposes.

(b) Interest rates represent effective yield to put or call date at time of purchase.

(c) With respect to this security, the Schwab Tax-Exempt Money Fund has obtained an \$18,540,000 irrevocable letter of credit from Bank of America National Trust and Savings Association which allows the Fund to make demands for partial payment of this security's principal amount under certain conditions upon maturity or disposition of this security by the Fund. This letter of credit provides a degree of additional support for the valuation of this security but has not been needed to maintain the Fund's net asset value of \$1.00 per share since the Fund has not experienced any losses to date in excess of one half of one percent of its net assets. The letter of credit expires on August 1, 1995. See Note 7 to the Financial Statements for further discussion.

<TABLE>  
<CAPTION>

Abbreviations

<S>	<C>
AMBAC	AMBAC Indemnity Corporation
FGIC	Financial Guaranty Insurance Company
FHLB	Federal Home Loan Bank
FNB	First National Bank
LOC	Letter of Credit
MBIA	Municipal Bond Investors Assurance Corporation
N.R.U.-C.F.C.	National Rural Utilities Cooperative Financing Corporation
SBPA	Standby Purchase Agreement
SLMA	Student Loan Marketing Association
SPA	Securities Purchase Agreement

</TABLE>

See accompanying Notes to Financial Statements.

74

-----  
 SCHWAB TAX-EXEMPT MONEY FUND  
 STATEMENT OF ASSETS AND LIABILITIES (in thousands)  
 December 31, 1994  
 -----

<TABLE>  
 <CAPTION>

<S>	<C>
<b>ASSETS</b>	
Investments, at value (Cost: \$3,037,584)	\$3,037,584
Cash	103
Interest receivable	21,298
Receivable for securities sold	12,013
Prepaid expenses	158
Deferred organization costs	1
	-----
Total assets	3,071,157
	-----
<b>LIABILITIES</b>	
Payable for:	
Dividends	12,591
Investments purchased	40,702
Investment advisory and administration fee	516
Transfer agency and shareholder service fees	1,063
Other	334
	-----
Total liabilities	55,206
	-----
Net assets applicable to outstanding shares	\$3,015,951
	=====
<b>NET ASSETS CONSIST OF:</b>	
Capital paid in	\$3,017,778
Accumulated net realized loss on investments sold	(1,827)
	-----
	\$3,015,951
	=====
<b>THE PRICING OF SHARES</b>	
Outstanding shares, \$0.00001 par value (unlimited shares authorized)	3,017,778
Net asset value, offering and redemption price per share	\$1.00

</TABLE>

See accompanying Notes to Financial Statements.

-----  
 SCHWAB TAX-EXEMPT MONEY FUND  
 STATEMENT OF OPERATIONS (in thousands)  
 For the year ended December 31, 1994  
 -----

<TABLE>

<S>	<C>
Interest income	\$84,171
	-----
<b>Expenses:</b>	
Investment advisory and administration fee	12,067
Transfer agency and shareholder service fees	12,788
Custodian fees	322
Registration fees	406
Professional fees	110
Shareholder reports	126

Trustees' fees	17
Amortization of deferred organization costs and other prepaid expenses	30
Insurance and other expenses	91
	-----
	25,957
Less expenses reduced	(7,464)
	-----
Total expenses incurred by Fund	18,493
	-----
Net investment income	65,678
Net realized loss on investments sold	(1,586)
	-----
Net increase in net assets resulting from operations	\$64,092
	=====

</TABLE>

See accompanying Notes to Financial Statements.

76

77

SchwabFunds (R) 26

-----  
SCHWAB TAX-EXEMPT MONEY FUND  
STATEMENT OF CHANGES IN NET ASSETS (in thousands)

<TABLE>  
<CAPTION>

	For the year ended December 31, 1994	For the year ended December 31, 1993
	-----	-----
<S>	<C>	<C>
Operations:		
Net investment income	\$ 65,678	\$ 39,404
Net realized loss on investments sold	(1,586)	(215)
Change in accretion of market discount	--	(4)
	-----	-----
Net increase in net assets resulting from operations	64,092	39,185
	-----	-----
Dividends to shareholders from net investment income	(65,678)	(39,404)
	-----	-----
Capital Share Transactions (dollar amounts and number of shares are the same):		
Proceeds from shares sold	8,184,151	6,116,534
Net asset value of shares issued in reinvestment of dividends	57,664	37,717
Less payments for shares redeemed	(7,647,595)	(5,475,618)
	-----	-----
Increase in net assets from capital share transactions	594,220	678,633
	-----	-----
Total increase in net assets	592,634	678,414
	-----	-----
Net Assets:		
Beginning of period	2,423,317	1,744,903
	-----	-----
End of period	\$ 3,015,951	\$ 2,423,317
	=====	=====

</TABLE>

See accompanying Notes to Financial Statements.

77

78

-----  
 SCHWAB TAX-EXEMPT MONEY FUND  
 NOTES TO FINANCIAL STATEMENTS  
 For the year ended December 31, 1994  
 -----

## 1. DESCRIPTION OF THE FUND

The Schwab Tax-Exempt Money Fund (the "Fund") is a series of The Charles Schwab Family of Funds (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on October 20, 1989 and registered under the Investment Company Act of 1940, as amended.

In addition to the Fund, the Trust also offers -- the Schwab Money Market Fund, the Schwab Government Money Fund, the Schwab U.S. Treasury Money Fund, the Schwab California Tax-Exempt Money Fund, the Schwab Value Advantage Money Fund(TM), the Schwab Institutional Advantage Money Fund(TM), the Schwab Retirement Money Fund(TM) and the Schwab New York Tax-Exempt Money Fund. The assets of each series are segregated and accounted for separately.

The Schwab Tax-Exempt Money Fund invests in a diversified portfolio of short-term high quality municipal securities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation -- Investments are stated at amortized cost which approximates market value.

Security transactions and interest income -- Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Interest income is recorded on the accrual basis and includes amortization of premium on investments. Realized gains and losses from security transactions are determined on an identified cost basis.

Dividends to shareholders -- The Fund declares a daily dividend, equal to its net investment income for that day, payable monthly.

Deferred organization costs -- Costs incurred in connection with the organization of the Fund, its initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from the Fund's commencement of operations.

Expenses -- Expenses arising in connection with the Fund are charged directly to the Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.

Federal income taxes -- It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. The Fund is considered a separate entity for tax purposes.

## 3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreements -- The Trust has investment advisory and administration agreements with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Fund pays an annual fee, payable monthly, of .46% of the first \$1 billion of average daily net assets, .41% of such assets over \$1 billion, and .40% of such assets in excess of \$2 billion. Under these agreements, the Fund incurred investment advisory and administration fees of \$12,067,000 during the year ended December 31, 1994, before the Investment Manager reduced its fee (see Note 4).

78

79

-----  
 Transfer agency and shareholder service agreements -- The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc.

("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .45% of average daily net assets. For the year ended December 31, 1994, the Fund incurred transfer agency and shareholder service fees of \$12,788,000, before Schwab reduced its fees (see Note 4).

Officers and trustees -- Certain officers and trustees of the Trust are also officers or directors of the Investment Manager and/or Schwab. During the year ended December 31, 1994, the Trust made no direct payments to its officers or trustees who are "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Fund incurred fees of \$17,000 related to the Trust's unaffiliated trustees.

#### 4. EXPENSES REDUCED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net assets. For the year ended December 31, 1994, the total of such fees reduced by the Investment Manager and Schwab was \$6,646,000 and \$818,000, respectively.

#### 5. INVESTMENT TRANSACTIONS

Purchases, sales and maturities of investment securities during the year ended December 31, 1994, aggregated (in thousands) \$5,295,206 and \$4,784,748, respectively.

79

80

SchwabFunds (R) 29  
 -----  
 SCHWAB TAX-EXEMPT MONEY FUND  
 NOTES TO FINANCIAL STATEMENTS.  
 For the year ended December 31, 1994  
 -----

#### 6. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period:

<TABLE>  
 <CAPTION>

	For the year ended December 31,				For the period January 26, 1990 (commencement of operations) to December 31, 1990
	1994	1993	1992	1991	
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value at beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income from Investment Operations					
Net investment income	.02	.02	.03	.04	.05
Net realized and unrealized gain (loss) on investments	--	--	--	--	--
Total from investment operations	.02	.02	.03	.04	.05
Less Distributions					
Dividends from net investment income	(.02)	(.02)	(.03)	(.04)	(.05)
Distributions from realized gain on investments	--	--	--	--	--
Total distributions	(.02)	(.02)	(.03)	(.04)	(.05)
Net asset value at end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return (%)	2.32	1.93	2.49	4.01	5.08
Ratios/Supplemental Data					
Net assets, end of period (000s)	\$3,015,951	\$2,423,317	\$1,744,903	\$1,359,121	\$1,185,974

Ratio of expenses to average net assets (%)	.65	.63	.63	.63	.63*
Ratio of net investment income to average net assets (%)	2.31	1.92	2.45	3.91	5.33*

</TABLE>

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit the Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the periods ended December 31, 1994, 1993, 1992, 1991 and 1990 would have been .91%, .93%, .94%, .95% and .95%\*, respectively, and the ratio of net investment income to average net assets would have been 2.05%, 1.62%, 2.14%, 3.59% and 5.01%\*, respectively.

\* Annualized

80

81

SchwabFunds (R)

30

7. COMMITMENTS AND CONTINGENCIES

At December 31, 1994, the Fund had 2.47% of its net assets, or \$74,485,000, invested in a security issued by a municipality that participated in the investment pool maintained by Orange County, California. On December 6, 1994, Orange County, California and the investment pool maintained by Orange County filed for protection under Chapter 9 of the federal Bankruptcy Code. Although the issuer of this security has not filed for bankruptcy, the issuer's ability to repay its obligations in a timely manner may be affected by the issuer's investment in the Orange County investment pool and consequently these uncertainties may adversely impact the security's market value. The Fund has obtained an \$18,540,000 irrevocable letter of credit from a major commercial bank which allows the Fund to make demands for partial payment under certain conditions upon maturity or disposition of this security by the Fund. Although this letter of credit enhances the market value of this security, it does not provide for complete credit support, and therefore, the Fund continues to be exposed to some risk of loss of principal due to the issuer's investment in Orange County, California's investment pool. As of December 31, 1994, no securities held by the Fund were in default and all regularly scheduled interest and principal payments have been made. The letter of credit, which expires on August 1, 1995, has not been needed to maintain the Fund's net asset value of \$1.00 per share since the Fund has not experienced any losses to date in excess of one half of one percent of its net assets. The Charles Schwab Corporation has agreed to reimburse the bank for any payments made by the bank to the Fund under this letter of credit.

81

82

SchwabFunds (R)

To the Trustees and Shareholders  
of the Schwab Tax-Exempt Money Fund

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab Tax-Exempt Money Fund (one of the series constituting The Charles Schwab Family of Funds, hereafter referred to as the "Trust") at December 31, 1994, and the results of its operations and the changes in its net assets for the periods presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing

the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 1994 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP  
San Francisco, California  
January 31, 1995

82

83

SchwabFunds (R) 1

-----  
SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
VARIABLE RATE		
OBLIGATIONS--62.1%(a)		
Alameda County, California		
Industrial Development		
Authority Industrial		
Revenue Bonds		
(Aitchison Family		
Project) Series 1993A /		
(Wells Fargo Bank LOC)		
5.50%, 01/07/95	\$ 2,960	\$ 2,960
Alameda County, California		
Industrial Development		
Authority Industrial		
Revenue Bonds		
(Scientific Technology		
Project) Series 1994A /		
(Banque Nationale de		
Paris LOC)		
5.45%, 01/07/95	3,000	3,000
Anaheim, California		
Certificates of		
Participation (Anaheim		
Memorial Hospital		
Association Project) /		
(AMBAC Insurance &		
Industrial Bank of		
Japan SBPA)		
5.50%, 01/07/95	4,400	4,400
Anaheim, California		
Housing Authority Multi		
Family Housing		
Revenue Bonds		
(Heritage Village		
Apartments Project)		
Series 1992A / (Multiple		
Credit Enhancements)		
5.40%, 01/07/95	1,000	1,000
Auburn County, California		
Unified School District		
Capital Improvement		
Financing Project		
Certificates of		
Participation (Placer		
County School Project)		
Series 1993 /		
(Bank of California LOC)		
5.40%, 01/07/95	1,800	1,800
Big Bear Lake, California		
Industrial Development		
Revenue Certificates of		
Participation (Southwest		



Gas Corp. Project) Series A / (Union Bank of Switzerland LOC) 5.05%, 01/07/95	12,500	12,500
California Educational Facilities Authority Revenue Bonds California Institute of Technology) Series 1994 4.80%, 01/07/95	10,600	10,600
California Health Facilities Financing Authority Revenue Bonds (Adventist Health System - Sutter Health) Series 1991A / (Toronto-Dominion LOC) 5.40%, 01/07/95	1,000	1,000
California Health Facilities Financing Authority Revenue Bonds (Childrens Hospital Project) Series 1991 / (MBIA Insurance & Swiss Bank SBPA) 5.40%, 01/07/95	9,900	9,900
California Health Facilities Financing Authority Revenue Bonds (Huntington Memorial Hospital) Series 1985 / (Morgan Guaranty Trust Co. New York LOC) 5.50%, 01/07/95	10,000	10,000
California Health Facilities Financing Authority Revenue Bonds (Kaiser Permanente Medical Center) Series 1993A 5.30%, 01/07/95	8,200	8,200
California Health Facilities Financing Authority Revenue Bonds (Kaiser Permanente Medical Center) Series 1993B 5.30%, 01/07/95	1,600	1,600
California Health Facilities Financing Authority Revenue Bonds (Scripps Memorial Hospital) Series 1985B / (MBIA Insurance & Morgan Guaranty Trust Co. New York SBPA) 5.75%, 01/07/95	15,120	15,120
California Health Facilities Financing Authority Revenue Bonds (Scripps Memorial Hospital) Series 1991A / (MBIA Insurance & Morgan Guaranty Trust Co. New York SBPA) 5.75%, 01/07/95	1,200	1,200
California Health Facilities Financing Authority Revenue Bonds (Scripps Memorial Hospital) Series 1991B / (MBIA Insurance & Swiss Bank SBPA) 5.50%, 01/07/95	13,900	13,900

</TABLE>

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
California Health Facilities Financing Authority Revenue Bonds (Seton Medical Center Daughters of Charity Tri Provisional Health Care) 5.50%, 01/07/95	\$21,590	\$21,590
California Health Facilities Financing Authority Revenue Bonds (Sutter Health Project) Series 1990A / (Morgan Guaranty Trust Co. New York LOC) 6.15%, 01/01/95	400	400
California Health Facilities Financing Authority Revenue Bonds Pooled Loan Program Series 1985A / (MBIA Insurance & Morgan Guaranty Trust Co. New York SBPA) 5.75%, 01/07/95	2,155	2,155
California Health Facilities Financing Authority Revenue Bonds Pooled Loan Program Series 1985B / (FGIC Insurance & FGIC SBPA) 5.75%, 01/07/95	19,100	19,100
California Health Facilities Financing Authority Revenue Bonds Pooled Loan Program Series 1987A / (FNB Chicago LOC) 5.80%, 01/07/95	2,800	2,800
California Health Facilities Financing Authority Revenue Bonds Pooled Loan Program Series 1990A / (Swiss Bank LOC) 5.80%, 01/01/95	11,500	11,500
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Arco Project) Series 1994A 5.15%, 01/01/95	2,000	2,000
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Burney Forest Project) Series 1988A / (National Westminster LOC) 5.90%, 01/01/95	4,400	4,400
California Pollution Control Financing Authority Pollution Control Revenue Bonds		

(Reynolds Metals Co. Project) Series 1985 / (National Westminster LOC) 5.00%, 01/07/95	1,300	1,300
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Shell Oil Co. Project) Series 1991A 6.15%, 01/01/95	300	300
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Shell Oil Co. Project) Series 1991B 6.15%, 01/01/95	300	300
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Shell Oil Co. Project) Series 1994B 5.05%, 01/01/95	4,100	4,100
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986A 5.00%, 01/01/95	1,500	1,500
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986B 5.00%, 01/01/95	2,400	2,400
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986C 5.00%, 01/01/95	6,400	6,400
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1986D 5.00%, 01/01/95	2,200	2,200
California Pollution Control Financing Authority Resource Recovery Revenue Bonds (Burney Forest Products Project) Series A / (National Westminster LOC) 5.90%, 01/01/95	3,700	3,700

84

85

SchwabFunds (R)

3

-----  
 SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994  
 -----

<TABLE>  
 <CAPTION>

	Par	Value
	-----	-----
<S>	<C>	<C>

California Pollution Control Financing Authority Resource Recovery Revenue Bonds (Sanger Project) Series 1990A / (Credit Suisse LOC) 5.00%, 01/07/95	\$5,500	\$5,500
California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Colmac Energy Project) Series 1990A / (Swiss Bank LOC) 5.00%, 01/07/95	3,900	3,900
California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Colmac Energy Project) Series 1990B / (Swiss Bank LOC) 5.00%, 01/07/95	3,900	3,900
California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Colmac Energy Project) Series 1990C / (Swiss Bank LOC) 5.00%, 01/07/95	1,000	1,000
California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Taormina Industries Project) Series 1994B / (Sanwa Bank LOC) 5.15%, 01/07/95	7,000	7,000
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (ARM Inc. Project) Series 1994A / (Bank of Tokyo LOC) 5.63%, 01/07/95	750	750
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Aerostar Properties Project) / (Union Bank LOC) 5.55%, 01/07/95	5,290	5,290
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Agricultural Products, Inc. Project) / (Union Bank LOC) 5.55%, 01/07/95	1,455	1,455
California Statewide Communities Development Corp.		

Industrial Development Revenue Bonds (Diamond Foods Project) Series 1991 / (Union Bank LOC) 5.55%, 01/07/95	1,590	1,590
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Industrial Dynamics, Co., Ltd. Project) / (Union Bank LOC) 5.55%, 01/07/95	5,460	5,460
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Pacific Handy Cutter Products, Inc. Project) / (Union Bank LOC) 5.55%, 01/07/95	1,365	1,365
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Pacific Scientific Project) Series 1989 / (Bank of California LOC) 5.55%, 01/07/95	4,625	4,625
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Packaging Innovation Project) Series 1994A / (Bank of Tokyo LOC) 5.63%, 01/07/95	1,250	1,250
California Statewide Communities Development Corp. Industrial Development Revenue Bonds (Z-Nix Co., Inc. Project)/ (Union Bank LOC) 5.55%, 01/07/95	1,000	1,000
California Statewide Communities Development Corp. Industrial Development Revenue Bonds Certificates of Participation (Lorber Industries of California Project) / (Union Bank LOC) 5.55%, 01/07/95	1,650	1,650

</TABLE>

85

86

SchwabFunds (R)

4

<TABLE>  
<CAPTION>

	Par -----	Value -----
<S>	<C>	<C>
California Statewide Communities Development Corp. Industrial Development Revenue Refunding Bonds (13th I Associates Project) / (Union Bank LOC) 5.05%, 01/07/95	\$3,180	\$3,180
Carlsbad, California Multi Family Housing Revenue Refunding Bonds Certificates of Participation (La Costa Apartment Project) Series 1993A / (Bank of America LOC) 5.75%, 01/07/95	4,920	4,920
Chino, California Unified School District Certificates of Participation (Capital Construction Project) Series B / (National Westminster LOC) 4.90%, 01/07/95	5,000	5,000
Concord, California Multi Family Mortgage Revenue Bonds (Bel Air Apartments Project) Series 1986A / (Bank of America LOC) 5.65%, 01/07/95	2,600	2,600
Contra Costa County, California Multi Family Housing Mortgage Revenue Bonds (El Cerrito Project) Series A / (Bank of America LOC) 5.65%, 01/07/95	980	980
Contra Costa County, California Transportation Authority Sales Tax Revenue Certificates of Participation Series A / (FGIC Insurance) 5.65%, 01/07/95	42,800	42,800
Duarte, California Redevelopment Agency Certificates of Participation (Johnson Duarte Partners Project) Series 1984B / (Bank of America LOC) 4.90%, 01/07/95	1,600	1,600
Duarte, California Redevelopment Agency Certificates of Participation (Piken Duarte Partners Project) Series A / (Bank of America LOC) 4.90%, 01/07/95	4,250	4,250

Emeryville, California Redevelopment Agency Multi Family Housing Revenue Bonds (Emery Bay Apartments II Project) Series 1991A / (Bank of America LOC) 6.75%, 01/07/95	4,000	4,000
Encinitas, California Multi Family Housing Revenue Refunding Bonds (Torrey Pines Project) Series A / (Bank of America LOC) 5.50%, 01/07/95	8,100	8,100
Fremont, California Multi Family Housing Revenue Refunding Certificates of Participation (Amber Court Project) Series 1990A / (Bank of Tokyo LOC) 5.05%, 01/07/95	10,380	10,380
Fresno, California Multi Family Mortgage Revenue Bonds (Oak Cornelia Apartments Project) Series 1985A / (First Interstate Bank of California LOC) 5.45%, 01/07/95	25,665	25,665
Golden Empire Schools Financing Authority Revenue Bonds (Kern High School District Project) Series 1992A / (Barclays Bank LOC) 5.85%, 01/07/95	1,500	1,500
Golden Empire Schools Financing Authority Revenue Bonds (Kern High School District Project) Series 1992B / (Barclays Bank LOC) 5.80%, 01/07/95	2,000	2,000
Grand Terrace, California Community Redevelopment Agency Multi Family Housing Revenue Bonds (Mount Vernon Villas Project) Series 1985A / (Industrial Bank of Japan LOC) 6.75%, 01/07/95	1,935	1,935
Hayward, California Multi Family Housing Revenue Bonds (Shorewood Apartments Project) Series 1984A / (FGIC Insurance & FGIC SPA) 5.80%, 01/07/95	25,100	25,100

</TABLE>

-----  
 SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994  
 -----

<TABLE>  
 <CAPTION>

	Par -----	Value -----
<S>	<C>	<C>
Irvine Ranch, California Water District 1986 Capital Improvement Revenue Bonds / (Morgan Guaranty Trust Co. New York LOC) 6.63%, 01/01/95	\$1,300	\$1,300
Irvine Ranch, California Water District Consolidated Revenue Refunding Bonds Series 1985A / (Sumitomo Bank LOC) 6.75%, 01/01/95	1,000	1,000
Irvine Ranch, California Water District Consolidated Revenue Refunding Bonds Series 1985B-1 / (Sumitomo Bank LOC) 6.75%, 01/01/95	100	100
Irvine Ranch, California Water District Consolidated Revenue Refunding Bonds Series 1985B-2 / (Sumitomo Bank LOC) 6.75%, 01/01/95	8,100	8,100
Irvine Ranch, California Water District Consolidated Revenue Refunding Bonds Series 1991 / (National Westminster LOC) 6.75%, 01/01/95	100	100
Kern County, California Certificates of Participation (Kern Public Facilities Project) Series A / (Sanwa Bank LOC) 5.35%, 01/07/95	200	200
Lancaster, California Redevelopment Agency Multi Family Revenue Bonds (Woodcreek Garden Apartments Project) Series 1985J / (Bank of Tokyo LOC) 5.25%, 01/07/95	2,400	2,400
Livermore, California Multi Family Housing Revenue Refunding Bonds (Arbors Apartment Project) Series 1991A / (Bank of Tokyo LOC) 5.05%, 01/07/95	7,900	7,900



Livermore, California Multi Family Housing Revenue Refunding Bonds (Diablo Vista Apartments Project) Series 1990A / (Union Bank LOC) 5.05%, 01/07/95	6,950	6,950
Local Government Finance Joint Powers Authority, California Certificates of Participation Series 1 / (Fuji Bank LOC) 5.00%, 01/07/95	1,700	1,700
Loma Linda, California Hospital Revenue Project Authority (Loma Linda University Medical Center) Series 1985A / (Industrial Bank of Japan LOC) 5.40%, 01/07/95	4,020	4,020
Loma Linda, California Hospital Revenue Project Authority (Loma Linda University Medical Center) Series 1985C / (Industrial Bank of Japan LOC) 5.40%, 01/07/95	2,300	2,300
Loma Linda, California Hospital Revenue Project Authority (Loma Linda University Medical Center) Series 1985D / (Industrial Bank of Japan LOC) 5.40%, 01/07/95	5,505	5,505
Los Angeles County, California Certificates of Participation (Los Angeles County Museum Art Project) Series 1985A / (Bank of America LOC) 5.55%, 01/07/95	2,800	2,800
Los Angeles County, California Certificates of Participation (Los Angeles County Museum Art Project) Series 1985B / (Bank of America LOC) 5.55%, 01/07/95	1,300	1,300
Los Angeles County, California Housing Authority Multi Family Housing Revenue Bonds (Sand Canyon Villas Project) Series 1989A / (Industrial Bank of Japan LOC) 5.55%, 01/07/95	5,000	5,000
Los Angeles County, California Metropolitan Transportation Authority Sales Tax Revenue Refunding Bonds		

Proposition C Second  
 Senior Series A /  
 (MBIA Insurance & Industrial  
 Bank of Japan SBPA)  
 5.40%, 01/07/95

3,300 3,300

</TABLE>

87

88

SchwabFunds (R)

6

<TABLE>  
 <CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
Los Angeles County, California Multi Family Mortgage Revenue Bonds (Valencia Village Project) Series 1984C / (Industrial Bank of Japan LOC) 5.40%, 01/07/95	\$ 900	\$ 900
Los Angeles County, California Multi Family Mortgage Revenue Refunding Bonds (Casden Community Complex) Series 1991C / (FHLB LOC) 5.50%, 01/07/95	3,200	3,200
Los Angeles County, California Transportation Commission Sales Tax Revenue Refunding Bonds Series 1992A / (FGIC Insurance & Industrial Bank of Japan LOC) 4.85%, 01/ 07/95	5,200	5,200
Los Angeles, California Community Redevelopment Agency Certificates of Participation (Baldwin Hills Public Parking Project) Series B / (Wells Fargo Bank LOC) 5.63%, 01/07/95	7,700	7,700
Los Angeles, California Certificates of Participation (Simon Wiesenthal Center) Series 1988 / (National Australia Bank LOC) 5.40%, 01/07/95	2,200	2,200
Los Angeles, California Community Redevelopment Certificates of Participation (Broadway Springs Center Project) Series 1987 / (Bank of America LOC) 5.40%, 01/07/95	11,400	11,400
Los Angeles, California Multi Family Housing Revenue Bonds (Poinsettia Apartments Project) Series 1989A / (Dai-Ichi Kangyo Bank LOC) 5.75%, 01/07/95	10,000	10,000
Marin County, California		

Housing Authority Multi Family Housing Revenue Bonds (Crest Marin II Apartments Project) Series 1989A / (Dai-Ichi Kangyo Bank LOC) 5.55%, 01/01/95	7,300	7,300
Modesto, California High School District and Modesto City School District Certificates of Participation (Capital Facilities Project) Series 1991 / (Mitsubishi Bank LOC) 5.40%, 01/07/95	3,700	3,700
Moorpark, California Multi Family Housing Revenue Refunding Bonds (Le Club Apartments Project) Series A / (Citibank LOC) 5.50%, 01/07/95	6,000	6,000
Oakland, California Economic Development Revenue Refunding Bonds (Leamington Hotel Project) Series 1994A / (First Interstate Bank of California LOC) 5.50%, 01/07/95	4,250	4,250
Oakland, California Health Facilities Revenue Bonds Certificates of Participation (Children' s Hospital Project) Series 1988 / (Banque Nationale de Paris LOC) 4.90%, 01/07/95	3,500	3,500
Ontario, California Redevelopment Agency Multi Family Housing Revenue Refunding Bonds Series 1991A / (FHLB LOC) 5.50%, 01/07/95	4,500	4,500
Orange County, California Apartment Development Revenue Refunding Bonds (Jess L. Frost Project) Series 1985B / (Wells Fargo Bank LOC) 5.40%, 01/07/95	8,200	8,200
Orange County, California Certificates of Participation (Florence Crittenton Services Project) Series 1990 / (Swiss Bank LOC) 7.00%, 01/07/95	7,000	7,000
Orange County, California Municipal Water District Water Facilities Corp. Certificates of Participation / (Barclays Bank & National Westminster LOC) 7.00%, 01/07/95	31,225	31,225

</TABLE>

SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994

<TABLE>  
 <CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
Panama Buena Vista, California Unified School District Certificates of Participation (1994 Capital Improvement Financing Project) / (Bank of California LOC) 5.40%, 01/07/95	\$ 4,000	\$ 4,000
Paramount, California Housing Authority Multi Family Housing Revenue Bonds (Century Place Apartments Project) Series 1989A / (Dai-Ichi Kangyo Bank LOC) 5.63%, 01/07/95	17,000	17,000
Placer County, California Industrial Development Authority Industrial Revenue Certificates of Participation (Chesapeake Industries, Inc. Project) Series 1985 / (Barclays Bank LOC) 5.70%, 01/07/95	2,400	2,400
Riverside County, California Certificates of Participation (Riverside County Public Facility Project) Series 1985A / (Sanwa Bank LOC) 5.55%, 01/01/95	9,000	9,000
Riverside County, California Certificates of Participation (Riverside County Public Facility Project) Series 1985B / (Sanwa Bank LOC) 5.55%, 01/07/95	100	100
Riverside County, California Certificates of Participation (Riverside County Public Facility Project) Series 1985C / (Sanwa Bank LOC) 5.55%, 01/07/95	5,600	5,600
Riverside County, California Housing Authority Multi Family Housing Revenue Bonds (Briarwood Apartment Project) Series 1985C / (FHLB LOC) 5.35%, 01/07/95	5,000	5,000
Riverside County, California Industrial Development Authority Revenue Bonds (Cryogenic Project) Series 1989B-1 / (Rabo Bank LOC) 5.00%, 01/07/95	5,700	5,700
Sacramento County, California Certificates of Participation (Administration Center and Court House		

Project) / (Union Bank of Switzerland LOC) 5.25%, 01/07/95	18,600	18,600
Salinas, California Apartment Development Revenue Bonds (Mariner Villa Project) Series 1985B / (Bank of America LOC) 5 .50%, 01/07/95	2,725	2,725
San Bernardino County, California Certificates of Participation (Glen Helen Blockbuster Project) Series 1994C / (Mitsubishi Bank LOC) 5.50%, 01/07/95	3,880	3,880
San Bernardino County, California Multi Family Certificates of Participation Revenue Bonds (Western Properties Project IV) Series 1985 / (Bank of America LOC) 6.50%, 01/07/95	1,100	1,100
San Diego County, California Regional Transportation Commission Retail Sales Tax Revenue Bonds (Second Series #9) Series A / (Multiple Credit Enhancements) 5.75%, 01/07/95	15,100	15,100
San Diego County, California Regional Transportation Commission Second Senior Sales Tax Revenue Bonds Series 1992A / (FGIC Insurance & FGIC SPA) 5.75%, 01/07/95	19,600	19,600
San Francisco, California City and County Agency Multi Family Housing Revenue Bonds (Sutter/Post Apartment Project) Series A / (Dai-Ichi Kangyo Bank LOC) 5.60%, 01/ 07/95	4,435	4,435
San Francisco, California City and County Housing Authority Multi Family Housing Revenue Bonds (737 Post Project) Series 1985D / (Banque Nationale de Paris LOC) 5.25%, 01/07/95	14,000	14,000

</TABLE>

89

90

SchwabFunds (R)

8

<TABLE>  
<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>

San Francisco, California City and County Redevelopment Agency Multi Family Revenue Bonds (Bayside Village Project) Series A / (Industrial Bank of Japan LOC) 5.15%, 01/07/95	\$ 2,400	\$ 2,400
San Francisco, California City and County Redevelopment Agency Multi Family Revenue Bonds (Fillmore Center Project) Series A-1 / (Citibank LOC) 5.40%, 01/07/95	26,500	26,500
San Francisco, California City and County Redevelopment Agency Multi Family Revenue Bonds (Fillmore Center Project) Series A-2 / (Citibank LOC) 5.55%, 01/07/95	3,750	3,750
San Francisco, California City and County Redevelopment Agency Multi Family Revenue Bonds (Fillmore Center Project) Series B-2 / (Bank of Nova Scotia LOC) 5.35%, 01/07/95	13,100	13,100
San Francisco, California City and County Redevelopment Agency Multi Family Revenue Bonds (Rincon Center Apartments) Series 1985B / (Citibank LOC) 5.40%, 01/07/95	5,810	5,810
San Mateo County, California Certificates of Participation (Capital Projects) Series 1985B / (Swiss Bank LOC) 5.00%, 01/07/95	2,920	2,920
Santa Ana, California Unified School District Certificates of Participation (Land Acquisition Project) / (Sanwa Bank LOC) 9.00%, 01/07/95	100	100
Santa Clara County, California El Camino Hospital Facility Authority Revenue Bonds (Valley Medical Center Project) Series 1985A / (National Westminster LOC) 5.50%, 01/07/95	8,000	8,000
Santa Clara County, California El Camino Hospital Facility Authority Revenue Bonds (Valley Medical Center Project) Series 1985B / (National Westminster LOC) 5.50%, 01/07/95	8,200	8,200
Santa Clara, California Electric Revenue Bonds Series 1985A / (National Westminster LOC)		

4.90%, 01/07/95	13,700	13,700
Santa Clara, California Electric Revenue Bonds Series 1985B / (National Westminster LOC)		
4.90%, 01/07/95	8,200	8,200
Santa Clara, California Electric Revenue Bonds Series 1985C / (National Westminster LOC)		
4.90%, 01/07/95	9,200	9,200
Santa Cruz County, California Housing Authority Multi Family Housing Revenue Bonds (Paloma Del Mar Apartments Project) Series 1992A / (Bank of Tokyo LOC)		
5.35%, 01/07/95	7,700	7,700
Simi Valley, California Multi Family Housing Certificates of Participation (Lincoln Wood Ranch Project) / (Sumitomo Bank LOC)		
5.50%, 01/07/95	3,200	3,200
South San Francisco, California Multi Family Revenue Bonds (Magnolia Plaza Apartments Project) Series A / (Wells Fargo Bank LOC)		
5.55%, 01/07/95	4,500	4,500
Southern California Public Power Authority Transmission Project Revenue Bonds Series 1991 / (AMBAC Insurance & Swiss Bank LOC)		
4.85%, 01/07/95	13,900	13,900
Vallejo, California Commercial Development Revenue Bonds (Vallejo Center Association Project) Series 1994A / (Bank of Tokyo LOC)		
5.50%, 01/07/95	1,000	1,000

</TABLE>

90

91

SchwabFunds (R)

9

-----  
 SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
 SCHEDULE OF INVESTMENTS (in thousands)  
 December 31, 1994  
 -----

<TABLE>

<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>

Victor, California  
 Elementary School  
 District Certificates

of Participation (School Construction Financing Project) / (National Westminster LOC) 5.40%, 01/07/95	\$ 4,000	\$ 4,000
Visalia, California Certificates of Participation Revenue Bonds (The Convention Center Expansion Project) Series 1991 / (Bank of California LOC) 5.85%, 01/07/95	1,000	1,000
TOTAL VARIABLE RATE OBLIGATIONS (Cost \$808,740)		808,740
VARIABLE RATE TENDER OPTION BONDS--0.3%(a) Southern California Rapid Transit Tender Option Short Mode Bonds (BT-9) / (MBIA Insurance & Bankers Trust Tender Option) 5.50%, 01/07/95	4,200	4,200
TOTAL VARIABLE RATE TENDER OPTION BONDS (Cost \$4,200)		4,200
VARIABLE RATE TENDER OPTION BOND PARTNERSHIP--3.9%(a) California State Department of Water Resources Revenue Bonds (Central Valley Project) Series J3 (BTP-141) / (Bankers Trust Tender Option) 5.65%, 01/07/95	5,155	5,155
California State Revenue Anticipation Warrants Series C (BTP-150) / (Multiple Credit Enhancements & Bankers Trust Tender Option) 5.44%, 01/07/95	10,000	10,000
Los Angeles, California Department of Water and Power Electric Plant Revenue Refunding Bonds Series 1994 Tender Option Bonds (BTP-68) / (Automatic Data Processing, Inc. Tender Option) 5.75%, 01/07/95	5,195	5,195
Metropolitan Water District of Southern California General Obligation Revenue Refunding Bonds Series 1993A1 and 1993A2 Tender Option Bonds (BTP-115) / (Bankers Trust Tender Option) 5.65%, 01/07/95	9,145	9,145
Southern California Public Power Authority Power Project Revenue Bonds Series 1993A (San Juan Number Three) Tender Option Bonds (BTP-88) / (MBIA Insurance & Bankers Trust Tender Option) 5.60%, 01/07/95	2,200	2,200
Southern California Public Power Authority Power		



Project Revenue Bonds Series 1993A (San Juan Number Three) Tender Option Bonds (BTP-89) / (MBIA Insurance & Bankers Trust Tender Option) 5.60%, 01/07/95	1,710	1,710
Southern California Public Power Authority Power Project Tender Option Bonds (BTP-90) / (Multiple Credit Enhancements & Bankers Trust Tender Option) 5.60%, 01/07/95	8,290	8,290
Southern California Rapid Transit District Certificates of Participation (Workers Compensation Funding Program) Tender Option Bonds (BTP-163) / (AMBAC Insurance & Bankers Trust Tender Option) 5.60%, 01/07/95	8,710	8,710
		-----
TOTAL VARIABLE RATE TENDER OPTION BOND PARTNERSHIP (Cost \$50,405)		50,405
		-----
GENERAL OBLIGATIONS--0.7% (b)		
Los Angeles County, California General Obligation Notes Series 1990A 4.05%, 09/01/95	2,125	2,198
Los Angeles, California General Obligation Bonds Series 1993A 4.37%, 09/01/95	4,350	4,438
Los Angeles, California General Obligation Bonds Series 1994A 4.40%, 09/01/95	2,000	2,004
		-----
TOTAL GENERAL OBLIGATIONS (Cost \$8,640)		8,640
		-----
MANDATORY PUT BONDS--1.4% (b)		
California Educational Facilities Authority Revenue Bonds (University of Southern California) 3.80%, 04/01/95	3,250	3,250

</TABLE>

91

92

SchwabFunds (R)

10

<TABLE>  
<CAPTION>

	Par	Value
	-----	-----
<S>	<C>	<C>

California Public Capital Improvements Financing Authority Revenue Bonds (Various Pooled Projects) Series 1988C / (National Westminster LOC) 3.45%, 03/15/95	\$15,000	\$15,000 -----
TOTAL MANDATORY PUT BONDS (Cost \$18,250)		18,250 -----
REVENUE ANTICIPATION NOTES--0.4%(b)		
California State Revenue Anticipation Notes Series 1994-95A 4.45%, 06/28/95	5,000	5,011 -----
TOTAL REVENUE ANTICIPATION NOTES (Cost \$5,011)		5,011 -----
REVENUE BONDS--0.0%(b)		
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Small Business Administration) Series B-1 / (U.S. Small Business Administration Guaranty) 3.69%, 02/01/95	100	100 -----
TOTAL REVENUE BONDS (Cost \$100)		100 -----
TAX ALLOCATION BONDS--0.0%(b)		
Milpitas, California Redevelopment Agency Tax Allocation Bonds (Redevelopment Project J Area No. 1) Series 1985 / (MBIA Insurance) 2.75%, 01/15/95	500	501 -----
TOTAL TAX ALLOCATION BONDS (Cost \$501)		501 -----
TAX AND REVENUE ANTICIPATION NOTES--10.9%(b)		
Benicia, California Unified School District Tax and Revenue Anticipation Notes Series 1994-95 4.50%, 06/28/95	1,900	1,905
California School Cash Reserve Program Authority Pooled Tax and Revenue Anticipation Notes Series 1994A 3.75%, 07/05/95	25,000	25,091
Elk Grove, California Unified School District Tax and Revenue Anticipation Notes Series 1994-95 4.03%, 09/14/95	4,250	4,278
Livermore Valley, California Joint Unified School District Tax and Revenue Anticipation Notes Series 1994		

4.13%, 09/29/95	4,500	4,528
Los Angeles County, California Tax and Revenue Anticipation Notes Series 1994-95		
3.85%, 06/30/95	3,000	3,009
Martinez, California Unified School District Tax and Revenue Anticipation Notes Series 1994-95		
4.10%, 10/26/95	3,650	3,676
Newport Beach, California Tax and Revenue Anticipation Notes Series 1994-95		
4.20%, 10/15/95	4,300	4,326
Oakland, California Unified School District Alameda County Tax and Revenue Anticipation Notes Series 1994-95		
4.04%, 09/12/95	31,625	31,774
Orange County, California Pooled Tax and Revenue Anticipation Notes Series 1994-95 (c)		
3.70%, 07/28/95	39,890	40,065
San Juan, California Unified School District Tax and Revenue Anticipation Notes Series 1994-95		
4.05%, 09/20/95	15,000	15,072
Sonoma County, California Tax and Revenue Anticipation Notes Series 1994-95		
4.14%, 10/10/95	8,950	8,990
		-----
TOTAL TAX AND REVENUE ANTICIPATION NOTES (Cost \$142,714)		142,714
		-----

TAX-EXEMPT COMMERCIAL PAPER--20.3%(b) California Pollution Control Financing Authority Pollution Control Revenue Bonds (Pacific Gas & Electric) Series 1988A / (Swiss Bank LOC)		
3.45%, 02/09/95	33,000	33,000

</TABLE>

92

93

SchwabFunds (R) 11

-----  
SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
SCHEDULE OF INVESTMENTS (in thousands)  
December 31, 1994  
-----

<TABLE>  
<CAPTION>

	Par -----	Value -----
<S>	<C>	<C>
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Pacific Gas & Electric) Series 1988B / (Sumitomo Bank LOC)		

3.45%, 01/24/95	\$3,300	\$3,300
3.40%, 01/26/95	9,900	9,900
3.50%, 02/09/95	21,500	21,500
3.60%, 02/15/95	4,000	4,000
3.50%, 02/21/95	2,000	2,000
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Pacific Gas & Electric) Series 1988F / (Banque Nationale de Paris LOC)		
3.30%, 01/24/95	10,000	10,000
3.40%, 02/09/95	3,000	3,000
3.45%, 02/21/95	14,000	14,000
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1985A		
3.25%, 01/25/95	2,100	2,100
3.25%, 02/06/95	9,000	9,000
3.80%, 02/13/95	3,900	3,900
California Pollution Control Financing Authority Pollution Control Revenue Bonds (Southern California Edison) Series 1985B		
3.25%, 01/25/95	7,100	7,100
3.45%, 01/26/95	9,100	9,100
3.50%, 01/30/95	1,500	1,500
3.80%, 02/13/95	2,500	2,500
3.40%, 02/15/95	2,100	2,100
California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Thermal Energy Development LP) Series 1988A / (National Westminster LOC)		
4.25%, 01/11/95	13,540	13,540
4.05%, 01/11/95	6,000	6,000
East Bay, California Municipal Utility District (Wastewater Systems) / (National Westminster LOC)		
4.30%, 01/11/95	10,000	10,000
3.45%, 01/23/95	10,400	10,400
Los Angeles County, California Department of Water and Power Waterworks System Revenue Bonds		
3.90%, 01/11/95	5,350	5,350
4.30%, 01/12/95	11,400	11,400
Los Angeles County, California Transportation Commission Second Subordinate Sales Tax Revenue Bonds Series A / (Multiple Credit Enhancements)		
4.25%, 02/10/95	3,000	3,000
Los Angeles, California Wastewater System		
3.90%, 01/11/95	6,000	6,000
Metropolitan Water District of Southern California Tax Exempt Commercial Paper		
4.30%, 01/11/95	10,000	10,000
Sacramento, California Municipal Utility District Revenue Bonds Series H /		

(Bank of America & Morgan Guaranty Trust Co. New York LOC)		
3.50%, 01/30/95	30,350	30,350
3.70%, 02/15/95	5,000	5,000
West and Central Basin Financing Authority West Basin Municipal Water District / (Toronto-Dominion LOC)		
3.85%, 02/15/95	15,000	15,000
		-----
TOTAL TAX-EXEMPT COMMERCIAL PAPER (Cost \$264,040)		264,040
		-----
TOTAL INVESTMENTS--100.0% (Cost \$1,302,601)		\$1,302,601
		=====

</TABLE>

93

94  
SchwabFunds (R) 12

NOTES TO SCHEDULE OF INVESTMENTS.

For each security, cost (for financial reporting and federal income tax purposes) and carrying value are the same.

(a) Variable rate securities. Interest rates vary periodically based on current market rates. Rates shown are the effective rates on December 31, 1994. Dates shown represent the latter of the demand date or next interest rate change date, which is considered the maturity date for financial reporting purposes.

(b) Interest rates represent effective yield to put or call date at time of purchase.

(c) With respect to this security, the Schwab California Tax-Exempt Money Fund has obtained an \$11,967,000 irrevocable letter of credit from Bank of America National Trust and Savings Association which allows the Fund to make demands for partial payment of this security's principal amount under certain conditions upon maturity or disposition of this security by the Fund. This letter of credit provides a degree of additional support for the valuation of this security but has not been needed to maintain the Fund's net asset value of \$1.00 per share since the Fund has not experienced any losses to date in excess of one half of one percent of its net assets. The letter of credit expires on August 1, 1995. See Note 7 to the Financial Statements for further discussion.

Abbreviations

AMBAC	American Municipal Bond Assurance Corporation
FGIC	Financial Guaranty Insurance Company
FHLB	Federal Home Loan Bank
FNB	First National Bank
LOC	Letter of Credit
MBIA	Municipal Bond Investors Assurance Corporation
SBPA	Standby Purchase Agreement
SPA	Securities Purchase Agreement

See accompanying Notes to Financial Statements.

94

95  
SchwabFunds (R) 13

SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND

STATEMENT OF ASSETS AND LIABILITIES (in thousands)  
 December 31, 1994

-----	
<TABLE>	
<CAPTION>	
<S>	<C>
ASSETS	
Investments, at value (Cost: \$1,302,601)	\$1,302,601
Cash	52
Interest receivable	7,667
Prepaid expenses	73
Deferred organization costs	2
	-----
Total assets	1,310,395
	-----
LIABILITIES	
Payable for:	
Dividends	5,376
Investments purchased	10,311
Investment advisory and administration fee	210
Transfer agency and shareholder service fees	464
Other	151
	-----
Total liabilities	16,512
	-----
Net assets applicable to outstanding shares	\$1,293,883
	=====
NET ASSETS CONSIST OF:	
Capital paid in	\$1,294,555
Accumulated net realized loss on investments sold	(672)
	-----
	\$1,293,883
	=====
THE PRICING OF SHARES	
Outstanding shares, \$0.00001 par value (unlimited shares authorized)	1,294,555
Net asset value, offering and redemption price per share	\$1.00
</TABLE>	

See accompanying Notes to Financial Statements.

96  
 SchwabFunds (R) 14

-----  
 SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
 STATEMENT OF OPERATIONS (in thousands)  
 For the year ended December 31, 1994  
 -----

<TABLE>	
<CAPTION>	
<S>	<C>
Interest income	\$35,503
	-----
Expenses:	
Investment advisory and administration fee	5,528
Transfer agency and shareholder service fees	5,518
Custodian fees	220
Registration fees	72
Professional fees	63
Shareholder reports	51
Trustees' fees	8
Amortization of deferred organization costs and other prepaid expenses	9
Insurance and other expenses	40

Less expenses reduced	11,509 (3,614)
Total expenses incurred by Fund	7,895
Net investment income	27,608
Net realized loss on investments sold	(600)
Net increase in net assets resulting from operations	\$27,008

</TABLE>

See accompanying Notes to Financial Statements.

96

97  
SchwabFunds (R) 15

SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
STATEMENT OF CHANGES IN NET ASSETS (in thousands)

<TABLE>  
<CAPTION>

	For the year ended December 31, 1994	For the year ended December 31, 1993
<S>	<C>	<C>
Operations:		
Net investment income	\$ 27,608	\$ 16,030
Net realized loss on investments sold	(600)	(56)
Net increase in net assets resulting from operations	27,008	15,974
Dividends to shareholders from net investment income	(27,608)	(16,030)
Capital Share Transactions (dollar amounts and number of shares are the same):		
Proceeds from shares sold	3,435,641	2,616,148
Net asset value of shares issued in reinvestment of dividends	24,116	15,138
Less payments for shares redeemed	(3,227,316)	(2,260,364)
Increase in net assets from capital share transactions	232,441	370,922
Total increase in net assets	231,841	370,866
Net Assets:		
Beginning of period	1,062,042	691,176
End of period	\$ 1,293,883	\$ 1,062,042

</TABLE>

See accompanying Notes to Financial Statements.

97

98  
SchwabFunds (R) 16

### 1. DESCRIPTION OF THE FUND

The Schwab California Tax-Exempt Money Fund (the "Fund") is a series of The Charles Schwab Family of Funds (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on October 20, 1989 and registered under the Investment Company Act of 1940, as amended.

In addition to the Fund, the Trust also offers -- the Schwab Money Market Fund, the Schwab Government Money Fund, the Schwab U.S. Treasury Money Fund, the Schwab Tax-Exempt Money Fund, the Schwab Value Advantage Money Fund(TM), the Schwab Institutional Advantage Money Fund(TM), the Schwab Retirement Money Fund(TM) and the Schwab New York Tax-Exempt Money Fund. The assets of each series are segregated and accounted for separately.

The Schwab California Tax-Exempt Money Fund, which is not "diversified" within the meaning of the Investment Company Act of 1940, as amended, invests in a portfolio of debt obligations issued by or on behalf of California and other states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities that generate interest exempt from federal income tax and State of California income tax.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation -- Investments are stated at amortized cost which approximates market value.

Security transactions and interest income -- Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Interest income is recorded on the accrual basis and includes amortization of premium on investments. Realized gains and losses from security transactions are determined on an identified cost basis.

Dividends to shareholders -- The Fund declares a daily dividend, equal to its net investment income for that day, payable monthly.

Deferred organization costs -- Costs incurred in connection with the organization of the Fund, its initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from the Fund's commencement of operations.

Expenses -- Expenses arising in connection with the Fund are charged directly to the Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.

Federal income taxes -- It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. The Fund is considered a separate entity for tax purposes.

### 3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreements -- The Trust has investment advisory and administration agreements with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Fund pays an annual fee, payable monthly, of .46% of the first \$1 billion of average daily net assets, .41% of such assets over \$1 billion, and .40% of



such assets in excess of \$2 billion. Under these agreements, the Fund incurred investment advisory and administration fees of \$5,528,000 during the year ended December 31, 1994, before the Investment Manager reduced its fee (see Note 4).

Transfer agency and shareholder service agreements -- The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .45% of average daily net assets. For the year ended December 31, 1994, the Fund incurred transfer agency and shareholder service fees of \$5,518,000, before Schwab reduced its fees (see Note 4).

Officers and trustees -- Certain officers and trustees of the Trust are also officers or directors of the Investment Manager and/or Schwab. During the year ended December 31, 1994, the Trust made no direct payments to its officers or trustees who are "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Fund incurred fees of \$8,000 related to the Trust's unaffiliated trustees.

#### 4. EXPENSES REDUCED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net assets. For the year ended December 31, 1994, the total of such fees reduced by the Investment Manager and Schwab were \$3,274,000 and \$340,000, respectively.

#### 5. INVESTMENT TRANSACTIONS

Purchases, sales and maturities of investment securities during the year ended December 31, 1994, aggregated (in thousands) \$2,664,298 and \$2,431,876, respectively.

99

100  
SchwabFunds (R) 18

#### 6. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period:

<TABLE>  
<CAPTION>

	For the year ended December 31,			For the period November 6, 1990 (commencement of operations) to December 31, 1990	
	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value at beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income from Investment Operations					
Net investment income	.02	.02	.02	.04	.01
Net realized and unrealized gain (loss) on investments	--	--	--	--	--
Total from investment operations	.02	.02	.02	.04	.01
Less Distributions					
Dividends from net investment income	(.02)	(.02)	(.02)	(.04)	(.01)
Distributions from realized gain on investments	--	--	--	--	--

Total distributions	(.02)	(.02)	(.02)	(.04)	(.01)
Net asset value at end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return (%)	2.26	1.91	2.35	3.77	.77
Ratios/Supplemental Data					
Net assets, end of period (000s)	\$1,293,883	\$1,062,042	\$691,176	\$494,214	\$339,292
Ratio of expenses to average net assets (%)	.64	.63	.63	.61	.28*
Ratio of net investment income to average net assets (%)	2.25	1.89	2.31	3.70	5.06*

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit the Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the periods ended December 31, 1994, 1993, 1992, 1991 and 1990 would have been .94%, .96%, .97%, .98% and 1.17%\*, respectively, and the ratio of net investment income to average net assets would have been 1.95%, 1.56%, 1.97%, 3.33% and 4.17%\*, respectively.

\* Annualized

100

101

SchwabFunds(R)

19

SCHWAB CALIFORNIA TAX-EXEMPT MONEY FUND  
 NOTES TO FINANCIAL STATEMENTS  
 For the year ended December 31, 1994

#### 7. COMMITMENTS AND CONTINGENCIES

At December 31, 1994, the Fund had 3.10% of its net assets, or \$40,065,000, invested in a security issued by a municipality that participated in the investment pool maintained by Orange County, California. On December 6, 1994, Orange County, California and the investment pool maintained by Orange County filed for protection under Chapter 9 of the federal Bankruptcy Code. Although the issuer of this security has not filed for bankruptcy, the issuer's ability to repay its obligations in a timely manner may be affected by the issuer's investment in the Orange County investment pool and consequently these uncertainties may adversely impact the security's market value. The Fund has obtained an \$11,967,000 irrevocable letter of credit from a major commercial bank which allows the Fund to make demands for partial payment under certain conditions upon maturity or disposition of this security by the Fund. Although this letter of credit enhances the market value of this security, it does not provide for complete credit support, and therefore, the Fund continues to be exposed to some risk of loss of principal due to the issuer's investment in Orange County, California's investment pool. As of December 31, 1994, no securities held by the Fund were in default and all regularly scheduled interest and principal payments have been made. The letter of credit, which expires on August 1, 1995, has not been needed to maintain the Fund's net asset value of \$1.00 per share since the Fund has not experienced any losses to date in excess of one half of one percent of its net assets. The Charles Schwab Corporation has agreed to reimburse the bank for any payments made by the bank to the Fund under this letter of credit.

In addition to the security described above, at December 31, 1994, the Fund was invested in a \$4,326,000 Tax and Revenue Anticipation Note issued by Newport Beach, California. The issuer, Newport Beach, California, is a participant in the investment pool maintained by Orange County. The security, which represents 0.33% of the net assets of the Fund, is scheduled to mature on October 15, 1995. Until maturity or disposition of this security, the Fund continues to be exposed to some risk of loss of principal due to the issuer's investment in Orange County, California's investment pool.

101

To the Trustees and Shareholders  
of the Schwab California Tax-Exempt Money Fund

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab California Tax-Exempt Money Fund (one of the series constituting The Charles Schwab Family of Funds, hereafter referred to as the "Trust") at December 31, 1994, and the results of its operations and the changes in its net assets for the periods presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 1994 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP  
San Francisco, California  
January 31, 1995

102

1

SCHWAB RETIREMENT MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994

---

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
CORPORATE OBLIGATIONS--86.0%		
ASSET BACKED SECURITIES--7.3%		
Broadway Capital Corp. 6.16%, 02/24/95	\$1,329	\$ 1,317
Budget Funding Corp. 5.92%, 02/16/95	1,000	993
		----- 2,310 -----
AUTOMOTIVE--12.5%		
BMW U.S. Capital Corp. 5.72%, 02/22/95	1,000	992
6.05%, 05/15/95	1,000	978
General Motors Acceptance Corp. 5.91%, 02/13/95	1,000	993
Renault Acceptance B.V. 5.62%, 01/24/95	1,000	996
		----- 3,959 -----
BANKING--BELGIUM--3.1%		
Generale Bank, Inc.		

5.85%, 03/03/95	1,000	990
BANKING--DOMESTIC BANK HOLDING COMPANY--6.3%		
Chemical Banking Corp.		
6.01%, 03/02/95	1,000	990
NationsBank Corp.		
5.90%, 02/21/95	1,000	992
		1,982
BANKING--DOMESTIC--6.3%		
Fleet Financial Group, Inc.		
6.12%, 01/11/95	1,000	998
Government Development Bank for Puerto Rico		
5.85%, 01/17/95	1,000	997
		1,995

</TABLE>

103

104		
SchwabFunds (R)		2

SCHWAB RETIREMENT MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
CORPORATE OBLIGATIONS (CONTINUED)		
BANKING--FRANCE--3.1%		
Indosuez N.A. Inc.		
5.90%, 02/23/95	\$1,000	\$ 991
BANKING--JAPAN--3.2%		
Bancal Tri-State Corp. / (Mitsubishi Bank Keepwell Agreement)		
5.89%, 02/14/95	1,000	993
DATA PROCESSING--6.3%		
Electronic Data Systems		
5.58%, 01/17/95	1,000	998
5.89%, 02/15/95	1,000	993
		1,991
FINANCE (COMMERCIAL)--12.6%		
CIT Group Holdings, Inc.		
5.55%, 01/09/95	1,000	999
General Electric Capital Corp.		
6.53%, 04/26/95	1,000	980
General Electric Capital Services		
5.19%, 02/27/95	1,000	992
Transamerica Finance Corp.		
5.28%, 02/08/95	1,000	995
		3,966
MINING AND MINERAL RESOURCES--3.2%		
BHP Finance (U.S.A.), Inc.		
5.81%, 01/17/95	1,000	997
SECURITIES BROKERAGE-DEALER--22.1%		
Bear Stearns Companies Inc.		
5.78%, 02/13/95	2,000	1,986
Lehman Brothers Holdings Inc.		
5.81%, 01/18/95	1,000	997
Nomura Holdings America, Inc.		
5.74%, 01/25/95	2,000	1,992

Paine Webber Group Inc.  
 5.52%, 01/10/95 1,000 999  
 </TABLE>

104

105  
 SchwabFunds (R) 3  
 -----

SCHWAB RETIREMENT MONEY FUND(TM)  
 Schedule of Investments (in thousands)  
 December 31, 1994  
 -----

<TABLE>  
 <CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
CORPORATE OBLIGATIONS (CONTINUED)		
Paine Webber Group Inc.		
5.83%, 02/13/95	\$1,000	\$ 994 ----- 6,968 -----
TOTAL CORPORATE OBLIGATIONS (Cost \$27,142)		27,142 -----
BANKER'S ACCEPTANCES--3.3%		
BANKING--JAPAN--3.3%		
Sanwa Bank, Ltd.		
6.49%, 04/19/95	1,050	1,030 -----
TOTAL BANKER'S ACCEPTANCES (Cost \$1,030)		1,030 -----
CERTIFICATES OF DEPOSIT--6.3%		
BANKING--FRANCE--3.2%		
Societe Generale		
5.10%, 02/02/95	1,000	1,000
BANKING--GERMANY--3.1%		
Commerzbank AG		
5.18%, 02/03/95	1,000	1,000 -----
TOTAL CERTIFICATES OF DEPOSIT (Cost \$2,000)		2,000 -----

</TABLE>

105

106  
 SchwabFunds (R) 4  
 -----

SCHWAB RETIREMENT MONEY FUND(TM)  
 Schedule of Investments (in thousands)  
 December 31, 1994  
 -----

<TABLE>  
 <CAPTION>

	Maturity -----	Value -----
<S>	<C>	<C>
REPURCHASE AGREEMENT--4.4%		
Citicorp Securities, Inc. 5.80%		
Issue Date 12/30/94		
Due 01/03/95		
Collateralized By:		
FNMA: \$1,600 Par; 7.00%		
Due 12/25/16	\$ 1,401	\$ 1,400 -----

TOTAL REPURCHASE AGREEMENT

(Cost \$1,400)	1,400
	-----
TOTAL INVESTMENTS--100.0%	
(Cost \$31,572)	\$31,572
	=====

</TABLE>

NOTES TO SCHEDULE OF INVESTMENTS.

-----

Yields shown are effective yields at the time of purchase. Yields for each type of security are stated according to the market convention for that security type. For each security, cost (for financial reporting and federal income tax purposes) and carrying value are the same.

(a) Certain securities purchased by the Schwab Retirement Money Fund are private placement securities exempt from registration by Section 4(2) of the Securities Act of 1933. These securities generally are issued to institutional investors, such as the Schwab Retirement Money Fund. Any resale by the Schwab Retirement Money Fund must be in an exempt transaction, normally to a qualified institutional buyer. At December 31, 1994, the aggregate value of private placement securities held by the Schwab Retirement Money Fund was \$1,317,000, which represented 4.19% of net assets. All of these private placement investments were determined by the Investment Manager to be liquid in accordance with a resolution adopted by the Board of Trustees relating to Rule 144A, promulgated under the Securities Act of 1933.

See accompanying Notes to Financial Statements.

106

107

SchwabFunds (R)

-----

SCHWAB RETIREMENT MONEY FUND(TM)  
Statement of Assets and Liabilities (in thousands)  
December 31, 1994

-----

<TABLE>	
<S>	<C>
ASSETS	
Investments, at value (Cost: \$31,572)	\$31,572
Interest receivable	43
Receivable for fund shares sold	56
Deferred organization costs	47
Prepaid expenses	15
	-----
Total assets	31,733
	-----

LIABILITIES	
Payable for:	
Dividends	177
Fund shares redeemed	43
Investment advisory and administration fee	13
Transfer agency and shareholder service fees	2
Deferred organization costs	57
Other	26
	-----
Total liabilities	318
	-----

Net assets applicable to outstanding shares	\$31,415
	=====

NET ASSETS CONSIST OF:	
Capital paid in	\$31,415
Accumulated net realized loss on investments sold	--
	-----
	\$31,415
	=====

THE PRICING OF SHARES

Outstanding shares, \$0.00001 par value (unlimited)

shares authorized)	31,415
Net asset value, offering and redemption price per share	\$1.00

See accompanying Notes to Financial Statements.

107

108  
SchwabFunds (R)

---

SCHWAB RETIREMENT MONEY FUND(TM)  
Statement of Operations (in thousands)  
For the period March 2, 1994 (commencement of operations) to December 31, 1994

---

<TABLE>	<C>
<S>	
Interest income	\$994
	----
Expenses:	
Investment advisory and administration fee	96
Transfer agency and shareholder service fees	52
Custodian fees	17
Registration fees	15
Professional fees	23
Shareholder reports	1
Amortization of deferred organization costs	10
Insurance and other expenses	5
	----
	219
Less expenses reduced	(67)
	----
Total expenses incurred by Fund	152
	----
Net investment income	842
	----
Net realized loss on investments sold	--
	----
Net increase in net assets resulting from operations	\$842
	=====

</TABLE>

See accompanying Notes to Financial Statements.

108

109  
SchwabFunds (R)

---

SCHWAB RETIREMENT MONEY FUND(TM)  
Statement of Changes in Net Assets (in thousands)  
For the period March 2, 1994 (commencement of operations) to December 31, 1994

---

<TABLE>	<C>
<S>	
Operations:	
Net investment income	\$ 842
Net realized loss on investments sold	--
	-----
Net increase in net assets resulting from operations	842
	-----
Dividends to shareholders from net investment income	(842)
	-----

Capital Share Transactions (dollar amounts and number of shares are the same):

Proceeds from shares sold	84,340
Net asset value of shares issued in reinvestment of dividends	661
Less payments for shares redeemed	(53,586)
	-----
Increase in net assets from capital share transactions	31,415
	-----
Total increase in net assets	31,415
Net Assets:	
Beginning of period	--
	-----
End of period	\$ 31,415
	=====

</TABLE>

See accompanying Notes to Financial Statements.

109

110

SchwabFunds(R)

-----  
SCHWAB RETIREMENT MONEY FUND(TM)

NOTES TO FINANCIAL STATEMENTS

For the period March 2, 1994 (commencement of operations) to December 31, 1994  
-----

1. DESCRIPTION OF THE FUND

The Schwab Retirement Money Fund (the "Fund") is a series of The Charles Schwab Family of Funds (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on October 20, 1989 and registered under the Investment Company Act of 1940, as amended. The Fund commenced operations on March 2, 1994.

In addition to the Fund, the Trust also offers -- the Schwab Money Market Fund, the Schwab Government Money Fund, the Schwab U.S. Treasury Money Fund, the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund, the Schwab Value Advantage Money Fund, the Schwab Institutional Advantage Money Fund and the Schwab New York Tax-Exempt Money Fund. The assets of each series are segregated and accounted for separately. The Schwab Retirement Money Fund invests primarily in a diversified portfolio of short-term obligations of major banks and corporations.

2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation - Investments are stated at amortized cost which approximates market value.

Security transactions and interest income - Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Interest income is recorded on the accrual basis and includes amortization of premium and accretion of discount on investments. Realized gains and losses from security transactions are determined on an identified cost basis.

Repurchase agreements - Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held by the Fund's custodian and is monitored daily to ensure that its market value at least equals the repurchase price under the agreement.

Dividends to shareholders - The Fund declares a daily dividend, equal to its net investment income for that day, payable monthly.

Deferred organization costs - Costs incurred in connection with the organization of the Fund, its initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from the Fund's commencement of operations.

Expenses - Expenses arising in connection with the Fund are charged directly to the Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.



SchwabFunds (R)

-----  
 SCHWAB RETIREMENT MONEY FUND(TM)  
 NOTES TO FINANCIAL STATEMENTS  
 For the period March 2, 1994 (commencement of operations) to December 31, 1994  
 -----

Federal income taxes - It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. The Fund is considered a separate entity for tax purposes.

### 3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreements - The Trust has investment advisory and administration agreements with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Fund pays an annual fee, payable monthly, of .46% of the first \$2 billion of average daily net assets, .45% of such assets over \$2 billion, and .40% of such assets in excess of \$3 billion. Under these agreements, the Fund incurred investment advisory and administration fees of \$96,000, during the period from March 2, 1994 (commencement of operations) to December 31, 1994, before the Investment Manager reduced its fee (see Note 4).

Transfer agency and shareholder service agreements - The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .25% of average daily net assets. For the period from March 2, 1994 (commencement of operations) to December 31, 1994, the Fund incurred transfer agency and shareholder service fees of \$52,000, before Schwab reduced its fees (see Note 4).

Officers and trustees - Certain officers and trustees of the Trust are also officers or directors of the Investment Manager and/or Schwab. During the period from March 2, 1994 (commencement of operations) to December 31, 1994, the Trust made no direct payments to its officers or trustees who are "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Fund did not incur fees related to the Trust's unaffiliated trustees.

### 4. EXPENSES REDUCED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net assets. For the period from March 2, 1994 (commencement of operations) to December 31, 1994, the total of such fees reduced by the Investment Manager and Schwab were \$21,000 and \$46,000, respectively.

SchwabFunds (R)

-----  
 SCHWAB RETIREMENT MONEY FUND(TM)  
 NOTES TO FINANCIAL STATEMENTS  
 For the period March 2, 1994 (commencement of operations) to December 31, 1994  
 -----

### 5. INVESTMENT TRANSACTIONS

Purchases, sales and maturities of investment securities for the period from March 2, 1994 (commencement of operations) to December 31, 1994, aggregated (in thousands) \$891,143 and \$859,802, respectively.

### 6. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period:  
 <TABLE>

<CAPTION>

<S>	<C>
Net asset value at beginning of period	\$1.00
Income from Investment Operations	
- - - - -	
Net investment income	.03
Net realized and unrealized gain (loss) on investments sold	--
	-----
Total from investment operations	.03
Less Distributions	
- - - - -	
Dividends from net investment income	(.03)
Distributions from realized gain on investments	--
	-----
Total distributions	(.03)
	-----
Net asset value at end of period	\$1.00
	=====
Total return (%)	3.29
- - - - -	
Ratios/Supplemental Data	
- - - - -	
Net assets, end of period (000s)	\$31,415
Ratio of expenses to average net assets (%)	.73*
Ratio of net investment income to average net assets (%)	4.04*

</TABLE>

The Investment Manager and Schwab have reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net assets. Had these fees not been reduced the ratio of expenses to average net assets for the period ended December 31, 1994, would have been 1.05%\*, and the ratio of net investment income to average net assets would have been 3.72%\*.

\* Annualized

112

113

SchwabFunds (R)

To the Trustees  
and Shareholders of the Schwab Retirement Money Fund(TM)

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab Retirement Money Fund (one of the series constituting The Charles Schwab Family of Funds, hereafter referred to as the "Trust") at December 31, 1994, and the results of its operations and the changes in its net assets for the period presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at December 31, 1994 by correspondence with the custodian, provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

REPORT OF INDEPENDENT ACCOUNTANTS

To the Trustees and Shareholder  
of the Schwab New York Tax-Exempt Money Fund

In our opinion, the accompanying statement of assets and liabilities presents fairly, in all material respects, the financial position of the Schwab New York Tax-Exempt Money Fund (the "Fund"), a series of The Charles Schwab Family of Funds, at December 31, 1994, in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Fund's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this financial statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP  
San Francisco, California  
January 31, 1995

SchwabFunds (R)

1

SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
CORPORATE OBLIGATIONS--80.8%(a)		
ASSET BACKED SECURITIES--6.6%		
Enterprise Funding Corp. 6.10%, 01/18/95	\$1,000	\$ 997
Preferred Receivables Corp. 5.92%, 01/11/95	1,000	998
Receivables Capital Corp. 6.13%, 01/13/95	2,000	1,996
		-----
		3,991
		-----
AUTOMOTIVE--11.1%		
BMW U.S. Capital Corp. 6.16%, 01/04/95	1,000	999
5.94%, 02/22/95	1,300	1,289
Ford Credit Europe PLC 6.31%, 03/23/95	1,000	986

Ford Motor Credit Co.		
6.39%, 04/06/95	1,000	983
General Motors Acceptance Corp.		
5.99%, 02/16/95	1,000	992
6.40%, 03/20/95	1,500	1,480
		-----
		6,729
		-----
BANKING--BELGIUM--1.6%		
Generale Bank, Inc.		
5.85%, 03/03/95	1,000	990
		-----
BANKING--DOMESTIC--4.9%		
Government Development Bank for Puerto Rico		
5.71%, 01/12/95	1,000	998
Vehicle Services of America / (NationsBank LOC)		
6.15%, 01/20/95	2,000	1,994
		-----
		2,992
		-----
BANKING--JAPAN--8.2%		
Bancal Tri-State Corp. / (Mitsubishi Bank Keepwell Agreement)		
5.89%, 02/14/95	2,000	1,986
Bridgestone/Firestone, Inc. / (Sumitomo Bank LOC)		
6.28%, 03/06/95	1,000	989

</TABLE>

115

116		
SchwabFunds (R)		2
		-----

SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
CORPORATE OBLIGATIONS (CONTINUED)		
SRD Finance Inc. / (Sakura Bank LOC)		
6.17%, 01/05/95	\$2,000	\$ 1,999
		-----
		4,974
		-----
BANKING--NETHERLANDS--1.6%		
ABN-Amro North America Finance, Inc.		
5.51%, 01/03/95	1,000	1,000
		-----
BANKING--UNITED KINGDOM--2.6%		
Yorkshire Building Society		
5.90%, 02/07/95	1,585	1,576
		-----
DATA PROCESSING--3.3%		
Electronic Data Systems		
6.16%, 01/19/95	2,000	1,994
		-----
FINANCE (COMMERCIAL)--11.5%		
CIT Group Holdings, Inc.		
5.55%, 01/09/95	1,000	999
General Electric Capital Corp.		
5.16%, 02/06/95	2,000	1,990
General Electric Capital Services		
5.09%, 02/01/95	2,000	1,991
Hanson Finance (UK) PLC		
5.78%, 02/06/95	2,000	1,989
		-----
		6,969
		-----
FINANCE (CONSUMER)--1.6%		
Sears Roebuck Acceptance Corp.		

5.80%, 02/09/95	1,000	994
-----		
MINING AND MINERAL RESOURCES--3.3%		
BHP Finance (U.S.A.), Inc.		
5.81%, 01/17/95	1,000	997
5.85%, 01/23/95	1,000	996
-----		
		1,993
-----		

</TABLE>

116

117		
SchwabFunds (R)		3
-----		

SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par	Value
	---	-----
<S>	<C>	<C>
CORPORATE OBLIGATIONS (CONTINUED)		
PHARMACEUTICALS--1.6%		
American Home Products Corp.		
6.49%, 04/21/95	\$1,000	\$ 981
-----		
SECURITIES BROKERAGE-DEALER--22.9%		
Bear Stearns Companies Inc.		
5.58%, 01/25/95	1,000	996
CS First Boston, Inc.		
5.56%, 01/12/95	1,000	998
Goldman Sachs Group, LP		
6.02%, 01/09/95	552	551
5.90%, 02/01/95	1,000	995
6.51%, 04/17/95	1,000	981
Lehman Brothers Holdings Inc.		
5.94%, 01/27/95	1,000	996
Morgan Stanley Group Inc.		
6.35%, 03/10/95	1,000	988
6.35%, 03/13/95	1,500	1,482
Nomura Holdings America, Inc.		
5.88%, 02/14/95	2,000	1,986
Paine Webber Group Inc.		
5.78%, 02/07/95	2,000	1,988
5.99%, 02/17/95	1,000	992
Salomon, Inc.		
6.52%, 02/08/95	1,000	993
		-----
		13,946
-----		
TOTAL CORPORATE OBLIGATIONS		
(Cost \$49,129)		49,129
-----		
BANK NOTES--3.3%		
BANKING--DOMESTIC--3.3%		
PNC Bank, N.A.		
5.95%, 04/26/95	2,000	2,000
-----		
TOTAL BANK NOTES		
(Cost \$2,000)		2,000
-----		

</TABLE>

117

118		
SchwabFunds (R)		4
-----		

SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994

<TABLE>  
<CAPTION>

	Par ---	Value -----
<S>	<C>	<C>
CERTIFICATES OF DEPOSIT--8.2%		
Banking--France--3.3%		
Societe Generale		
5.10%, 02/02/95	\$2,000	\$ 2,000
Banking--Germany--3.3%		
5.18, 02/03/95	2,000	2,000
Banking--Japan--1.6%		
Fuji Bank, Ltd.		
6.32%, 02/28/95	1,000	999
		-----
TOTAL CERTIFICATES OF DEPOSIT		
(Cost \$4,999)		4,999
		-----
REMARKED CERTIFICATES--1.6%		
Asset Backed Securities--1.6%		
Circuit City RECOP Trust		
6.33%, 03/07/95	1,000	1,000
		-----
TOTAL REMARKETED CERTIFICATES		
(Cost \$1,000)		1,000
		-----
	Maturity -----	
REPURCHASE AGREEMENT--6.1%		
Citicorp Securities, Inc. 5.80%		
Issue Date 12/30/94		
Due 01/03/95		
Collateralized By:		
FNMA: \$4,200 Par; 7.00%		
Due 12/25/16	3,681	3,679
		-----
TOTAL REPURCHASE AGREEMENT		
(Cost \$3,679)		3,679
		-----
TOTAL INVESTMENTS--100.0%		
(Cost \$60,807)		\$60,807
		=====

</TABLE>

118

119  
SchwabFunds (R) 5

-----  
SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
Schedule of Investments (in thousands)  
December 31, 1994  
-----

Notes to Schedule of Investments.  
-----

Yields shown are effective yields at the time of purchase. Yields for each type of security are stated according to the market convention for that security type. For each security, cost (for financial reporting and federal income tax purposes) and carrying value are the same.

(a) Certain securities purchased by the Schwab Institutional Advantage Money Fund are private placement securities exempt from registration by Section 4(2) of the Securities Act of 1933. These securities generally are issued to institutional investors, such as the Schwab Institutional Advantage Money Fund. Any resale by the Schwab Institutional Advantage Money Fund must be in an exempt transaction, normally to a qualified institutional buyer. At December 31, 1994, the aggregate value of private placement securities held by the Schwab Institutional Advantage Money Fund was \$2,977,000, which represented 4.96% of net assets. Of this total, \$1,977,000 or 3.29% of net assets were invested in securities determined by the Investment Manager to be liquid in accordance with a resolution adopted by the Board of Trustees relating to Rule 144A, promulgated under the Securities Act of 1933.

Abbreviations

- - - - -

FNMA Federal National Mortgage Association  
 LOC Letter of Credit  
 RECOP Remarketed Certificates of Participation

See accompanying Notes to Financial Statements.

SchwabFunds (R)

- - - - -  
 SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
 Statement of Assets and Liabilities (in thousands)  
 December 31, 1994  
 - - - - -

<TABLE>  
 <CAPTION>  
 <S> <C>

ASSETS	
Investments, at value (Cost: \$60,807)	\$60,807
Interest receivable	118
Receivable for fund shares sold	32
Deferred organization costs	45
Prepaid expenses	15
	-----
Total assets	61,017
	-----

LIABILITIES

Payable for:	
Dividends	298
Fund shares redeemed	512
Investment advisory and administration fee	13
Transfer agency and shareholder service fees	10
Deferred organization costs	57
Other	39
	-----
Total liabilities	929
	-----

Net assets applicable to outstanding shares \$60,088  
 =====

NET ASSETS CONSIST OF:

Capital paid in	\$60,088
Accumulated net realized loss on investments sold	---
	-----
	\$60,088
	=====

THE PRICING OF SHARES

Outstanding shares, \$0.00001 par value (unlimited shares authorized)	60,088
Net asset value, offering and redemption price per share	\$1.00

</TABLE>  
 See accompanying Notes to Financial Statements.

SchwabFunds (R)

- - - - -  
 SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
 Statement of Operations (in thousands)  
 For the period January 4, 1994 (commencement of operations) to December 31, 1994  
 - - - - -

<TABLE>	
<CAPTION>	
<S>	<C>
Interest income	\$2,191
	-----
Expenses:	
Investment advisory and administration fee	220
Transfer agency and shareholder service fees	119
Custodian fees	35
Registration fees	26
Professional fees	24
Shareholder reports	1
Amortization of deferred organization costs	12
Insurance and other expenses	4
	-----
	441
Less expenses reduced	(178)
	-----
Total expenses incurred by Fund	263
	-----
Net investment income	1,928
Net realized loss on investments sold	--
	-----
Net increase in net assets resulting from operations	\$1,928
	=====
</TABLE>	

See accompanying Notes to Financial Statements.

121

122

SchwabFunds (R)

-----  
SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
Statement of Changes in Net Assets (in thousands)  
For the period January 4, 1994 (commencement of operations) to December 31, 1994  
-----

<TABLE>	
<CAPTION>	
<S>	<C>
Operations:	
Net investment income	\$ 1,928
Net realized loss on investments sold	--
	-----
Net increase in net assets resulting from operations	1,928
	-----
Dividends to shareholders from net investment income	(1,928)
	-----
Capital Share Transactions (dollar amounts and number of shares are the same):	
Proceeds from shares sold	240,455
Net asset value of shares issued in reinvestment of dividends	397
Less payments for shares redeemed	(180,764)
	-----
Increase in net assets from capital share transactions	60,088
	-----
Total increase in net assets	60,088
Net Assets:	
Beginning of period	--
	-----
End of period	\$ 60,088
	=====
</TABLE>	



-----  
 SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
 NOTES TO FINANCIAL STATEMENTS  
 For the period January 4, 1994 (commencement of operations) to December 31, 1994  
 -----

1. DESCRIPTION OF THE FUND

The Schwab Institutional Advantage Money Fund (the "Fund") is a series of The Charles Schwab Family of Funds (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on October 20, 1989 and registered under the Investment Company Act of 1940, as amended. The Fund commenced operations on January 4, 1994.

In addition to the Fund, the Trust also offers -- the Schwab Money Market Fund, the Schwab Government Money Fund, the Schwab U.S. Treasury Money Fund, the Schwab Tax-Exempt Money Fund, the Schwab California Tax-Exempt Money Fund, the Schwab Value Advantage Money Fund(TM), the Schwab Retirement Money Fund(TM) and the Schwab New York Tax-Exempt Money Fund. The assets of each series are segregated and accounted for separately.

The Schwab Institutional Advantage Money Fund invests primarily in a diversified portfolio of short-term obligations of major banks and corporations.

2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation - Investments are stated at amortized cost which approximates market value.

Security transactions and interest income - Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Interest income is recorded on the accrual basis and includes amortization of premium and accretion of discount on investments. Realized gains and losses from security transactions are determined on an identified cost basis.

Repurchase agreements - Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held by the Fund's custodian and is monitored daily to ensure that its market value at least equals the repurchase price under the agreement.

Dividends to shareholders - The Fund declares a daily dividend, equal to its net investment income for that day, payable monthly.

Deferred organization costs - Costs incurred in connection with the organization of the Fund, its initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from the Fund's commencement of operations.

Expenses - Expenses arising in connection with the Fund are charged directly to the Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.

-----  
 SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)  
 NOTES TO FINANCIAL STATEMENTS  
 For the period January 4, 1994 (commencement of operations) to December 31, 1994  
 -----

Federal income taxes - It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. The Fund is considered a separate entity for tax purposes.

3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreements - The Trust has investment advisory and administration agreements with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Fund pays an annual fee, payable monthly, of .46% of the first \$2 billion of average daily net assets, .45% of such assets over \$2 billion, and .40% of such assets in excess of \$3 billion. Under these agreements, the Fund incurred investment advisory and administration fees of \$220,000 during the period from January 4, 1994 (commencement of operations) to December 31, 1994, before the Investment Manager reduced its fee (see Note 4).

Transfer agency and shareholder service agreements - The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .25% of average daily net assets. For the period from January 4, 1994 (commencement of operations) to December 31, 1994, the Fund incurred transfer agency and shareholder service fees of \$119,000, before Schwab reduced its fees (see Note 4).

Officers and trustees - Certain officers and trustees of the Trust are also officers or directors of the Investment Manager and/or Schwab. During the period from January 4, 1994 (commencement of operations) to December 31, 1994, the Trust made no direct payments to its officers or trustees who are "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Fund did not incur fees related to the Trust's unaffiliated trustees.

4. EXPENSES REDUCED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net assets. For the period from January 4, 1994 (commencement of operations) to December 31, 1994, the total of such fees reduced by the Investment Manager and Schwab were \$96,000 and \$82,000, respectively.

124

125

SchwabFunds(R)

SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND(TM)

NOTES TO FINANCIAL STATEMENTS

For the period January 4, 1994 (commencement of operations) to December 31, 1994

5. INVESTMENT TRANSACTIONS

Purchases, sales and maturities of investment securities for the period from January 4, 1994 (commencement of operations) to December 31, 1994, aggregated (in thousands) \$1,193,776 and \$1,133,283, respectively.

6. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period:

<TABLE>

<CAPTION>

<S>

<C>

Net asset value at beginning of period	\$1.00
Income from Investment Operations	
Net investment income	.04
Net realized and unrealized gain (loss) on investments	--
	-----
Total from investment operations	.04
Less Distributions	
Dividends from net investment income	(.04)
Distributions from realized gain on investments	--
	-----
Total distributions	(.04)
	-----
Net asset value at end of period	\$1.00
	=====

Total return	3.86%
Ratios/Supplemental Data	
Net assets, end of period (000s)	\$60,088
Ratio of expenses to average net assets	.55%*
Ratio of net investment income to average net assets	4.04%*

</TABLE>

The Investment Manager and Schwab have reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net assets. Had these fees not been reduced, the ratio of expenses to average net assets for the period ended December 31, 1994 would have been .92%\* and the ratio of net investment income to average net assets would have been 3.67%\*.

\* Annualized

125

126

SchwabFunds (R)

To the Trustees  
and Shareholders of the Schwab Institutional Advantage Money Fund(TM)

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab Institutional Advantage Money Fund (one of the series constituting The Charles Schwab Family of Funds, hereafter referred to as the "Trust") at December 31, 1994, and the results of its operations and the changes in its net assets for the period presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at December 31, 1994 by correspondence with the custodian, provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP  
San Francisco, California  
January 31, 1995

126

127

SCHWAB NEW YORK TAX-EXEMPT MONEY FUND  
(A SERIES OF THE CHARLES SCHWAB FAMILY OF FUNDS)  
STATEMENT OF ASSETS AND LIABILITIES

December 31, 1994

<TABLE>  
<CAPTION>

<S>	<C>
Cash	\$1,000
Deferred organization costs	10,260

Payable to Charles Schwab Investment Management, Inc.	(10,260)
	-----
Net Assets	\$1,000
	=====
Number of shares of beneficial interest issued and outstanding, \$0.00001 par value (unlimited shares authorized)	1,000
	=====
Net Asset Value and Offering Price Per Share at December 31, 1994	\$1.00
	=====

</TABLE>

The Notes to the Statement of Assets and Liabilities are an integral part of this financial statement.

127

128

SCHWAB NEW YORK TAX-EXEMPT MONEY FUND  
(A SERIES OF THE CHARLES SCHWAB FAMILY OF FUNDS)  
NOTES TO STATEMENT OF ASSETS AND LIABILITIES

1. ORGANIZATION

The Schwab New York Tax-Exempt Money Fund (the "Fund") is a series of The Charles Schwab Family of Funds (the "Trust"), which is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end, no-load, management investment company. The Trust was established on October 20, 1989 under the laws of the Commonwealth of Massachusetts as a Massachusetts business trust. As of December 31, 1994, the Fund has had no operations other than activities relating to its organization and the registration of its shares of beneficial interest under the Securities Act of 1933 and the sale and issuance of 1,000 shares to Charles Schwab & Co., Inc. at \$1.00 per share.

2. INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENT

The Trust has investment advisory and administration agreements with Charles Schwab Investment Management, Inc. (the "Investment Manager") under which the Fund will pay a fee for investment advisory and administrative services. The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"), under which the Fund will pay a fee for transfer agency and shareholder services. The investment advisory and administration agreements and the transfer agency and shareholder service agreements are described more fully in the Trust's Statement of Additional Information under the caption: "MANAGEMENT OF THE TRUST". The Investment Manager and Schwab are, respectively, direct and indirect wholly-owned subsidiaries of The Charles Schwab Corporation.

3. DEFERRED ORGANIZATION COSTS

Costs incurred in connection with the Fund's organization, initial securities registration, and public offering of shares have been incurred by the Investment Manager and are an obligation to be paid by the Fund. These costs will be amortized over the period of benefit, but not to exceed 60 months from the commencement of operations of the Fund. As an initial investor, Schwab has agreed that in the event the initial shares are redeemed by it or any transferee during the amortization period, the redemption proceeds will be reduced by any unamortized organization expenses on a pro rata basis.

128

129

APPENDIX - RATINGS OF INVESTMENT SECURITIES

## MOODY'S INVESTORS SERVICE

Prime-1 is the highest commercial paper rating assigned by Moody's Investors Service ("Moody's"). Issuers (or related supporting institutions) of commercial paper with this rating are considered to have a superior ability to repay short-term promissory obligations. Issuers (or related supporting institutions) of securities rated Prime-2 are viewed as having a strong capacity to repay short-term promissory obligations. This capacity will normally be evidenced by many of the characteristics of issuers whose commercial paper is rated Prime-1 but to a lesser degree.

## STANDARD &amp; POOR'S CORPORATION

A Standard & Poor's Corporation ("S&P") A-1 commercial paper rating indicates either an overwhelming or very strong degree of safety regarding timely payment of principal and interest. Issues determined to possess overwhelming safety characteristics are denoted A-1+. Capacity for timely payment on commercial paper rated A-2 is strong, but the relative degree of safety is not as high as for issues designated A-1.

## DUFF &amp; PHELPS CREDIT RATING CO.

Duff-1 is the highest commercial paper rating assigned by Duff & Phelps Credit Rating Co. ("Duff"). Three gradations exist within this rating category: a Duff-1+ rating indicates the highest certainty of timely payment (issuer short-term liquidity is found to be outstanding and safety is deemed to be just below that of risk-free short-term United States Treasury obligations), a Duff-1 rating signifies a very high certainty of timely payment (issuer liquidity is determined to be excellent and risk factors are considered minor) and a Duff-1- rating denotes high certainty of timely payment (issuer liquidity factors are strong and risk is very small). A Duff-2 rating indicates a good certainty of timely payment; liquidity factors and company fundamentals are sound and risk factors are small.

## FITCH INVESTORS SERVICE, INC.

F-1+ is the highest category, and indicates the strongest degree of assurance for timely payment. Issues rated F-1 reflect an assurance of timely payment only slightly less than issues rated F-1+. Issues assigned an F-2 rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues in the first two rating categories.

25

129

130

## SHORT-TERM NOTES AND VARIABLE RATE DEMAND OBLIGATIONS

## MOODY'S INVESTORS SERVICE

Short-term notes/variable rate demand obligations bearing the designations MIG-1/VMIG-1 are considered to be of the best quality, enjoying strong protection from established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing. Obligations rated MIG-2/VMIG-2 are of high quality and enjoy ample margins of protection although not as large as those of the top rated securities.

## STANDARD &amp; POOR'S CORPORATION

An S&P SP-1 rating indicates that the subject securities' issuer has a very strong capacity to pay principal and interest. Issues determined to possess overwhelming safety characteristics are given a plus (+) designation. S&P's determination that an issuer has a satisfactory capacity to pay principal and interest is denoted by an SP-2 rating.

## IBCA

Obligations supported by the highest capacity for timely repayment are rated A1+. An A1 rating indicates that the obligation is supported by a very strong capacity for timely repayment. Obligations rated A2 are supported by a

strong capacity for timely repayment, although adverse changes in business, economic, or financial conditions may affect this capacity.

#### BONDS

##### MOODY'S INVESTORS SERVICE

Moody's rates the bonds it judges to be of the best quality Aaa. These bonds carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or extraordinarily stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of these issues. Bonds carrying an Aa designation are deemed to be of high quality by all standards. Together with Aaa rated bonds, they comprise what are generally known as high grade bonds. Aa bonds are rated lower than the best bonds because they may enjoy relatively lower margins of protection, fluctuations of protective elements may be of greater amplitude or there may be other factors present which make them appear to be subject to somewhat greater long-term risks.

##### STANDARD & POOR'S CORPORATION

AAA is the highest rating assigned by S&P to a bond and indicates the issuer's extremely strong capacity to pay interest and repay principal. An AA rating denotes a bond whose issuer has a very strong capacity to pay interest and repay principal and differs from an AAA rating only in small degree.

##### DUFF & PHELPS CREDIT RATING CO.

Duff confers an AAA designation to bonds of issuers with the highest credit quality. The risk factors associated with these bonds are negligible, being only slightly more than for risk-free United States Treasury debt. AA rated bonds are of high credit quality and have strong protection factors. The risks associated with them are modest but may vary slightly from time to time because of economic conditions.

26

130

131

##### COMMERCIAL PAPER, SHORT-TERM OBLIGATIONS AND DEPOSIT OBLIGATIONS ISSUED BY BANKS

##### THOMSON BANKWATCH (TBW)

TBW-1 is the highest category and indicates the degree of safety regarding timely repayment of principal and interest is very

strong. TBW-2 is the second highest category and while the degree of safety regarding timely repayment of principal and interest is strong, the relative degree of safety is not as high as for issues rated TBW-1.

27

131