



NCM Client Notification

OCTOBER 22, 2009

A publication of Northern Capital Management, Inc.

Schwab Client Alert dated October, 22, 2009

Ref: Schwab Yield Plus Securities Litigation

Over the last week, many clients have received a notice regarding a lawsuit filed in the United States District Court of Northern California that claims damages due to investments made in the Schwab Yield Plus Fund. If you received this notice, it is likely that you may have owned this fund at one time.

This notice provides information relating to the filing, and also advises that if a person wishes to remain a part of this class action suit, they need to do nothing. The notice also provides instructions to those who do not wish to take part in the lawsuit.

The Investment Committee has reviewed this document and suggests that clients take NO ACTION at this time.

Several questions have been raised regarding the statement: "as a member of the class, you will be bound by any judgment-favorable or unfavorable". This is a valid concern, as everyone is aware of the high costs of litigation. However, the following paragraph indicates that the case has been taken on a contingent fee basis, which means that attorney's fees and expenses are paid out of any recovery made by the Plaintiffs. In addition the following statement is made:

"Class members will not have to separately pay lawyers any additional amounts and in no event will individual class members be obligated to pay any judgment, court costs, or lawyer's fees for their participation in this lawsuit."

Regardless, if you would rather opt out of the class action suit, there are detailed instructions on page 3, item 6 with address information included.

Typically, these types of suits provide minute recovery to most investors-and there is significant client effort involved with submitting documentation for "Proof of Claim" when/if a favorable judgment is reached. When such a judgment is made, we will provide further guidance.

If you have additional questions, you can consult the Plaintiff's Counsel Website at www.hbsslaw.com or via phone at 1-206-623-7292

A full copy of the notice is included as an attachment.

Sincerely,

Investment Committee

Northern Capital Management, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE SCHWAB CORP. SECURITIES LITIGATION

No. 08-cv-01510 WHA

THIS DOCUMENT RELATES TO:

All Actions

NOTICE OF PENDENCY OF CLASS ACTION

TO: INVESTORS IN SCHWAB'S YIELDPLUS FUND

**PLEASE READ THIS NOTICE CAREFULLY – YOUR RIGHTS MAY BE
AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT**

You are receiving this Notice because your rights may be affected by a class action lawsuit regarding your investment in the Schwab YieldPlus fund mutual fund. The lawsuit is pending in federal court in San Francisco, California ("Court"). The Court has ordered this Notice be sent to you. The purpose of this Notice is to inform you how the lawsuit may affect your rights and what steps you may take. This Notice is not an expression by the Court of any opinion as to the merits of any of the claims or defenses asserted by either side in this lawsuit.

Additional copies of this Notice may be found at the website of Plaintiffs' Counsel at www.hbsslaw.com.

1. Why should I read this notice?

The Court has certified classes in the above-captioned case. These classes consist of persons and entities who invested in the Schwab YieldPlus fund during certain time periods. The classes are more fully described below. You may be a member of one or more of these classes. You may be entitled to participate in any benefits that may eventually be obtained for the classes as a result of this lawsuit. There is, however, no assurance that a judgment in favor of the classes will be granted.

This notice provides a summary of the lawsuit. It also describes who is eligible to be included in the classes, the effect of participating in this lawsuit as a class member, and how to request exclusion from the classes.

2. What is this lawsuit about?

This is a securities lawsuit filed in the United States District Court for the Northern District of California. The complaint names as defendants The Charles Schwab Corporation, Charles Schwab & Co., Inc., Schwab Investment Management, Inc. and Schwab Investments. In addition to the Schwab corporate entities, the complaint also names several individuals as defendants, including – Charles Schwab, Evelyn Dilsaver, Randall Merk, George Pereira, Mariann Byerwalter, Donald F. Doward, William A. Hasler, Gerald Smith, Donald Stephens, Michael Wilsey, Kimon Daifotis, and Matthew Hastings.

On July 3, 2008, the Court appointed as Lead Plaintiffs Kevin O'Donnell, James Coffin, John Hill, David and Gretchen Mikelonis, and Robert Dickson. Subsequently, Gretchen Mikelonis withdrew as lead plaintiff.

2a. Lead Plaintiffs' claims.

Lead Plaintiffs allege claims under both federal and state law. Lead Plaintiffs' federal claims are brought under sections 11, 12, and 15 of the Securities Act of 1933. Lead Plaintiffs allege that defendants violated these statutes by issuing false and misleading statements in registration statements and prospectuses.

More specifically, Lead Plaintiffs allege that defendants misled investors by describing the YieldPlus fund as an "ultrashort" bond fund that was a safe alternative to cash and which had "minimal" risk of a fluctuating share price. Lead Plaintiffs allege that the fund was not an ultrashort bond fund, was not "stable," and was not "safe," because, they allege, it was comprised of assets that were not truly short term in nature and were otherwise riskier than represented. Lead Plaintiffs also allege that the true risks presented by the fund's assets were eventually revealed and, as a result, investors suffered losses.

Lead Plaintiffs also allege a state law claim under section 17200 of California's Business and Professions code against all defendants except Kimon Daifotis. Lead Plaintiffs allege that defendants acted unlawfully by violating section 13(a) of the Investment Company Act of 1940. The YieldPlus fund has a policy that it will not concentrate investments in a particular industry or group of industries, as concentration is defined under the Investment Company Act of 1940. Lead Plaintiffs allege that defendants violated this policy by, without first obtaining a majority vote of its shareholders, investing

over 45% of the YieldPlus fund's assets in mortgage-backed securities. Lead Plaintiffs allege that this investment made the YieldPlus fund a higher risk investment and that the volatility associated with this higher risk led to losses.

2b. Defendants' deny liability.

Defendants deny any wrongdoing or liability for the claims alleged. Defendants deny that they made any materially misleading statement in the YieldPlus fund's registration statements and prospectuses. Defendants contend, among other things, that the registration statements and prospectuses accurately disclosed the risks involved in investing in the YieldPlus fund. Defendants also contend it was appropriate for the YieldPlus fund, under guidance provided by the Securities and Exchange Commission, to determine that mortgage-backed securities are not an "industry" for purposes of the fund's concentration policy and that the fund did not need to hold a shareholder vote to make this determination.

3. Who is a class member?

By Order dated August 21, 2009, the Court certified the following three classes of plaintiffs:

A Section 11 class that includes:

all persons or entities who acquired shares of the fund traceable to a false and misleading registration statement for the fund and who were damaged thereby.

The class period for the Section 11 class is November 15, 2006, through March 17, 2008.

A Section 12 class that includes:

all persons or entities who acquired shares of the fund traceable to a false and misleading prospectus for the fund and who were damaged thereby.

The class period for the Section 12 class is May 31, 2006, through March 17, 2008.

And, a class for plaintiffs' claim under Section 17200 of California's Business and Professions Code, consisting of those California resident investors who held shares in the YieldPlus fund on September 1, 2006.

Excluded from all three classes are defendants, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

4. Who represents the class?

Plaintiffs' Counsel, who represents the classes in this lawsuit, is the firm Hagens Berman Sobol Shapiro LLP, 1301 Fifth Avenue, Suite 2900, Seattle, Washington 98101. Further information about this case may be obtained from this firm at www.hbsslw.com. You may also contact Plaintiffs' Counsel at 1-206-623-7292. Additionally, further information about this case may be obtained by contacting the Notice Administrator directly at:

In re Schwab Corp. Securities Litigation
c/o Gilardi & Co. LLC
P.O. Box 808061
Petaluma, CA 94975-8061
1-888-955-2703

5. How to participate in this class action?

If you fall within the definition of one of the classes set forth above, you are a class member. **IF YOU WISH TO REMAIN A CLASS MEMBER, YOU DO NOT NEED TO DO ANYTHING AT THIS TIME.** As a class member, you will be bound by any judgment or settlement, whether favorable or unfavorable, in this lawsuit. Thus, you may participate in any monetary settlement or judgment that is favorable to the classes, and you may submit a Proof of Claim following such a settlement or judgment. **No judgment or settlement has occurred at this time.** You will also be bound by any unfavorable judgment which may be rendered in favor of defendants. You will not have the right to seek exclusion from the class at the time of settlement or judgment.

Lead Plaintiffs and Plaintiffs' Counsel represent the classes and all of their members. Plaintiffs' Counsel has agreed to pursue this lawsuit on a contingent fee basis. All attorneys' fees and expenses will be payable only out of a recovery by the classes, if any, and will be subject to approval by the Court. Class members will not have to separately pay lawyers any additional amounts and in no event will individual class members be obligated to pay any judgment, court costs, or lawyers' fees for participating in this lawsuit.

Any class member who does not request exclusion from being a class member may also enter an appearance through their own counsel at their own expense.

6. How to be excluded from the classes?

If you wish to be excluded from the classes, you must submit a request for exclusion by following the instructions in the next paragraph. **IF YOU CHOOSE TO BE EXCLUDED: (1) you will NOT be entitled to share in any recovery from any settlement or judgment that may be paid to class members as a result of trial or other resolution of this lawsuit; (2) you will NOT be bound by any judgment or release entered in this lawsuit; and (3) at your own expense, you MAY pursue any claims that you have by filing litigation or for arbitration (as required by certain account agreements).**

To be excluded, you must send a written request for exclusion from class membership to "In re Schwab Corp. Secs. Litigation Exclusions, c/o Gilardi & Co. LLC, P.O. Box 808061, Petaluma, CA 94975-8061." Your request must be **received** by Monday, December 28, 2009. After that date, you will not have the right to be excluded from class membership. In order to be valid, your request for exclusion must (i) set forth the name and address of the person or entity requesting exclusion, (ii) state that such person or entity requests exclusion from the classes in this lawsuit, and (iii) be signed and dated by such person or entity. Requests for exclusion must be mailed to the address provided below.

Only request exclusion if you do NOT wish to participate in this litigation and do NOT wish to share in any potential recovery that might be obtained on behalf of the classes in this lawsuit.

Exclusion requests should be sent to:

In re Schwab Corp. Securities Litigation Exclusions
c/o Gilardi & Co. LLC
P.O. Box 808061
Petaluma, CA 94975-8061
1-888-955-2703

7. How to get more information?

This Notice does not fully describe all of the claims and contentions of the parties. The pleadings and other papers filed in this lawsuit are available for inspection, during business hours, at the United States District Court, 450 Golden Gate Ave., 16th Floor, San Francisco, CA 94102.

Please do not contact the Court for information about this lawsuit. If you want additional information, you may contact Plaintiffs' Counsel identified above. Additional information about the lawsuit may be obtained from Plaintiffs' Counsel website at www.hbsslaw.com, or by calling Plaintiffs' Counsel at 1-206-623-7292. Additionally, further information about this case may be obtained by contacting the Notice Administrator directly at:

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P.O. Box 808061
Petaluma, CA 94975-8061
1-888-955-2703

8. What should you do if you are a broker or custodian?

If you hold securities covered by this lawsuit on behalf of a beneficial owner or in "street name," you are directed by the Court to provide this notice to the beneficial owner. You may obtain additional copies of this Notice by contacting the Notice Administrator at:

In re Schwab Corp. Securities Litigation
c/o Gilardi & Co. LLC
P.O. Box 808061
Petaluma, CA 94975-8061
1-888-955-2703

As an alternative, you may provide the Notice Administrator with mailing lists of beneficial owners. Please contact the Notice Administrator immediately upon receipt of this Notice.

Date: San Francisco, California
September 21, 2009

BY ORDER OF THE
UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

In re Schwab Corp. Securities Litigation
c/o Gilardi & Co. LLC
P.O. Box 808061
Petaluma, CA 94975-8061

Important Legal Document.

SCHWAB