SCHWAB CAPITAL TRUST I
Form 424B5
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PRELIMINARY PROSPECTUS SUPPLEMENT Subject to Completion Dated October 2, 2007

(To Prospectus Dated May 5, 2004)

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Schwab Capital Trust I

Fixed to Floating Rate Trust Preferred Securities

(Liquidation amount $1,000 per trust preferred security)

Fully and unconditionally guaranteed, on a junior subordinated basis and only to the extent described herein, by The Charles Schwab Corporation (CSC)

Schwab Capital Trust I, a Delaware statutory trust, which CSC refers to in this prospectus supplement as the trust , will issue the Fixed to Floating Rate Trust Preferred Securities, which CSC refers to in this prospectus supplement as the trust preferred securities. Each trust preferred security represents an undivided beneficial interest in the trust. The only assets of the trust will be the fixed to floating rate junior subordinated notes due 2067 issued by CSC, which CSC refers to as the junior subordinated notes.

The trust will pay distributions on the trust preferred securities only from the proceeds, if any, of interest payments on the junior subordinated notes. The junior subordinated notes will bear interest at the annual rate of (i) % from and including October , 2007 to but excluding November 15, 2017, (ii) three-month LIBOR plus % from and including November 15, 2017 to but excluding November 15, 2037 and (iii) to the extent not repaid on or after the November 15, 2037 scheduled maturity date, one-month LIBOR plus % to but excluding the date on which the junior subordinated notes are repaid in full. CSC will pay that interest semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2007, quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on February 15, 2018, and to the extent the junior subordinated notes are not repaid on or after the November 15, 2037 scheduled maturity date, monthly in arrears on the first day of each month, beginning on December 1, 2037. CSC has the right, on one or more occasions, to defer the payment of interest on the junior subordinated notes for one or more consecutive interest periods not exceeding five years or, if earlier, until the first interest payment date on which it pays current interest without being subject to its obligations under the alternative payment mechanism described in this prospectus supplement. CSC also has the right to defer the payment of interest on the junior subordinated notes for one or more consecutive interest periods not exceeding 10 years without giving rise to an event of default. If CSC has paid all deferred interest on the junior subordinated notes, CSC may at any time commence a new deferral period, which period may not exceed 10 years without giving rise to an event of default. In the event of CSC s bankruptcy, holders of the junior subordinated notes will have a limited claim for deferred interest.

The principal amount of the junior subordinated notes will become due on the scheduled maturity date to the extent that CSC has received proceeds from the sale of certain qualifying capital securities during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. The scheduled maturity date of the junior subordinated notes is November 15, 2037. CSC will use its commercially reasonable efforts, subject to certain market disruption events, to sell sufficient qualifying capital securities to permit repayment of the junior subordinated notes in full on their scheduled maturity date. If any amount is not paid on the scheduled maturity date, it will remain outstanding and CSC will continue to use its commercially reasonable efforts to sell sufficient qualifying capital securities to permit repayment of the junior subordinated notes in full. CSC must pay any remaining principal and interest in full on the junior subordinated notes on November 15, 2067, which is the final repayment date, whether or not it has sold qualifying capital securities.

At CSC s option, the trust preferred securities may be redeemed at any time. The redemption price will be 100% of the principal amount to be redeemed plus accrued and unpaid interest through the date of redemption for any redemption (i) in whole or in part on November 15, 2017, (ii) in whole but not in part at any time within 90 days of a capital treatment event or investment company event, each as defined in this prospectus supplement, (iii) in whole but not in part at any time after November 15, 2017 and within 90 days of a tax event or rating agency event, each as defined in this prospectus supplement, or (iv) in whole or in part at any time on or after November 15, 2037. The redemption price in all other cases will be the applicable make-whole redemption price described in this prospectus supplement.

The junior subordinated notes will be subordinated in right of payment and upon CSC s liquidation to all of its existing and future debt other than trade accounts payable and any debt that by its terms ranks *pari passu* with the junior subordinated notes, and will be effectively subordinated to all liabilities of its subsidiaries. As a result, the trust preferred securities also will be effectively subordinated to the same debt and liabilities. CSC will fully and unconditionally guarantee the trust preferred securities on a junior subordinated basis to the extent described in this prospectus supplement.

CSC does not intend to apply for listing of the trust preferred securities on any securities exchange.

Investing in the trust preferred securities involves risks. See Risk Factors beginning on page S-21.

PRICE $ PER TRUST PREFERRED SECURITY

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

These securities are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. These securities are not savings accounts, deposits or other obligations of any bank.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to the Trust
Per trust preferred security	$	(2)	$
Total	$	(2)	$

(1) Plus accrued distributions from October , 2007, if settlement occurs after that date.
(2) Because Schwab Capital Trust I will use all of the proceeds from the sale of the trust preferred securities and trust common securities to purchase junior subordinated notes of CSC, CSC will pay the underwriting discounts and commissions of $ per trust preferred security.

The underwriters expect to deliver the trust preferred securities in book-entry form only through the facilities of The Depository Trust Company, for the accounts of its participants, including Clearstream Banking, *société anonyme*, Luxembourg and/or Euroclear Bank S.A./N.V., against payment in New York, New York on or about October , 2007.

UBS Investment Bank **JPMorgan**

Sole Structuring Advisor and Joint Bookrunner *Joint Bookrunner*

October , 2007

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About this prospectus supplement

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information in this prospectus supplement.

References in this prospectus supplement to CSC mean The Charles Schwab Corporation. References to the trust mean Schwab Capital Trust I.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus relating to the trust preferred securities offered hereby prepared by or on behalf of CSC at the time of pricing. No one is authorized to give information other than that contained herein and therein. This prospectus supplement may be used only for the purpose for which it has been prepared. CSC has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

The representations, warranties and covenants made by CSC in any agreement that is filed as an exhibit to any document that is incorporated by reference in this prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of CSC s affairs.

CSC is not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date of the applicable document. CSC s business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on CSC s behalf or on behalf of the underwriters, to subscribe for and purchase, any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

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Where you can find more information

CSC files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). CSC s SEC filings are available to the public over the Internet at the SEC s website at *http://www.sec.gov*. Copies of certain information filed by CSC with the SEC are also available on CSC s corporate website at *http://www.aboutschwab.com*. This website is not a part of this prospectus supplement or the accompanying prospectus. You may also read and copy any document that CSC files at the SEC s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC allows CSC to incorporate by reference information CSC has filed with the SEC, which means that CSC can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus supplement.

This prospectus supplement incorporates by reference the documents listed below:

Ø Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (including such information from the Proxy Statement filed March 30, 2007 that is incorporated by reference in Part III of such Annual Report), as updated by CSC s Form 8-K filed on July 17, 2007 relating to CSC s realigned segment reporting structure;

Ø Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 (as updated by CSC s Form 8-K filed on July 17, 2007 relating to CSC s realigned segment reporting structure) and June 30, 2007; and

Ø Current Reports on Form 8-K filed on January 26, 2007, February 23, 2007, April 10, 2007, April 27, 2007, May 21, 2007, July 3, 2007, July 17, 2007 (relating to CSC s realigned segment reporting structure), September 11, 2007, September 14, 2007 and September 25, 2007.

You may request a copy of these filings at no cost, by writing, telephoning or sending an email to the following address:

The Charles Schwab Corporation

101 Montgomery Street

San Francisco, California 94104

Attention: Corporate Secretary

Telephone: (415) 627-7000

Email: investor.relations@schwab.com

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Forward-looking statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, contain not only historical information but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are identified by words such as believe , anticipate , expect , intend , plan , will , may , estimate , aim , target , could , would , should , conti similar expressions. These statements, which may be expressed in a variety of ways, including the use of future or present tense language, refer to future events. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements, which reflect management s beliefs, objectives and expectations as of the date hereof, or in the case of any documents incorporated by reference, as of the date of those documents, are necessarily estimates based on the best judgment of CSC s senior management. These statements relate to, among other things:

Ø CSC s ability to service CSC s debt, fund future dividends and capital requirements and have appropriate financial flexibility for general corporate purposes from CSC s cash balances, anticipated cash flows from operations and borrowing capacity;

Ø the use of proceeds from this offering;

Ø the ratings for the trust preferred securities;

Ø the incurrence of additional debt by CSC;

Ø CSC s exercise of its rights to defer interest payments on the junior subordinated notes;

Ø the tax and regulatory treatment of the junior subordinated notes;

Ø the effect of the guarantee by CSC with respect to payments on trust preferred securities;

Ø a trading market for the trust preferred securities;

Ø the trust s reporting status under the Exchange Act;

Ø the tax treatment of a distribution of the junior subordinated notes in exchange for the trust preferred securities;

Ø depositary arrangements for junior subordinated notes following a distribution to the holders of the trust preferred securities;

Ø accounts and banking relationships of CSC and/or its affiliates with the guarantee trustee;

Ø the exercise prices of qualifying warrants issued in accordance with the alternative payment mechanism;

Ø CSC s ability to pursue its business strategy;

Ø the impact of changes in unrecognized tax benefits on CSC s results of operations;

Ø the impact of changes in the likelihood of indemnification payment obligations on CSC s results of operations;

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Forward-looking statements

- Ø the impact of changes in estimated costs related to past restructuring initiatives on CSC s results of operations;
- Ø the impact of legal proceedings and regulatory matters;
- Ø the impact of changes in the income tax benefit related to the sale of U.S. Trust Corporation (U.S. Trust);
- Ø sources of liquidity, capital and level of dividends;
- Ø the timing and amount of capital expenditures;
- Ø target capital ratios; and
- Ø the other risks and uncertainties described in this prospectus supplement.

Achievement of the expressed beliefs, objectives and expectations described in these statements is subject to certain risks and uncertainties that could cause actual results to differ materially from the expressed beliefs, objectives and expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement or, in the case of documents incorporated by reference, as of the date of those documents.

Important factors that may cause actual results to differ include, but are not limited to:

- Ø unanticipated changes in the amounts of CSC s cash balances, cash flows from CSC s operations and/or borrowing capacity;
- Ø changes in general economic and financial market conditions;
- Ø changes in interest rates;
- Ø the level of CSC s stock repurchase activity;
- Ø changes in the competitive environment, including price competition and continued consolidation in the financial services industry;
- Ø unanticipated adverse developments in litigation or regulatory matters;
- Ø CSC s ability to sublease certain properties;

Ø the amount of loans to CSC s banking and brokerage clients;

Ø the timing and impact of changes in CSC s level of investments in technology;

Ø changes in CSC s level of personnel;

Ø potential breaches of contractual terms for which CSC has indemnification obligations;

Ø changes in the income tax benefit based on the results of a tax survey related to the sale of U.S. Trust;

Ø the timing and impact of the settlement of tax audits;

Ø the timing and impact of strategic transactions;

Ø changes in unrecognized tax benefits on CSC s results of operations;

Ø changes in estimated costs related to past restructuring initiatives on CSC s results of operations;

Ø changes in legislation or rules and regulations which affect CSC s business and/or the trust preferred securities;

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Forward-looking statements

- Ø CSC s ability to maintain favorable ratings from rating agencies;
- Ø effects of critical accounting policies and judgments;
- Ø changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies; and
- Ø fluctuation of CSC s stock price.

You should refer to CSC s periodic and current reports filed with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements. In particular, certain of these factors, as well as general risk factors affecting CSC and its subsidiaries, are discussed in greater detail in Item 1A Risk Factors in CSC s Annual Report on Form 10-K for the year ended December 31, 2006. See Where You Can Find More Information in this prospectus supplement.

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Summary

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the trust preferred securities or, indirectly, the junior subordinated notes. You should read this entire prospectus supplement and accompanying prospectus, including the Risk Factors section and the documents incorporated by reference, which are described under Where You Can Find More Information in this prospectus supplement.

THE CHARLES SCHWAB CORPORATION

CSC was incorporated in 1986 and is headquartered in San Francisco, California. CSC engages, through its subsidiaries (primarily located in San Francisco except as indicated below), in securities brokerage, banking and related financial services. At June 30, 2007, CSC had $1.384 trillion in client assets, 6.9 million active brokerage accounts, 1.1 million retirement plan participants and 177,000 banking accounts. CSC s three reportable segments are Schwab Investor Services, Schwab Institutional and Schwab Corporate and Retirement Services. CSC s major (or primary) subsidiaries include:

- Charles Schwab & Co., Inc. (CS & Co.), which was incorporated in 1971, is a securities broker-dealer with 305 domestic branch offices in 45 states and a branch in each of the Commonwealth of Puerto Rico and London, United Kingdom, and serves clients in Hong Kong through one of CSC s other subsidiaries;

- Charles Schwab Bank, N.A. (Schwab Bank), which commenced operations in 2003, is a retail bank located in Reno, Nevada;

- Charles Schwab Investment Management, Inc. is the investment advisor for Schwab s proprietary mutual funds, which are referred to as the Schwab Funds®;

- CyberTrader, Inc., which was acquired in 2000, is located in Austin, Texas, and is an electronic trading technology and brokerage firm providing services to highly active, online traders; and

- The Charles Schwab Trust Company, which serves as trustee for employee benefit plans, primarily 401(k) plans.

CSC s common stock is listed and traded on The NASDAQ Global Select Market under the symbol SCHW.

CSC is currently subject to the supervision and regulation of the Federal Reserve. In August 2007, CSC filed applications with the Office of Thrift Supervision to convert CSC to a savings and loan association holding company. Following its conversion to a savings and loan association holding company, CSC would cease to be subject to the supervision and regulation of the Federal Reserve.

On July 1, 2007, CSC sold to Bank of America Corporation all of the outstanding stock of its wealth management subsidiary, U.S. Trust, for approximately $3.3 billion in cash. The after-tax cash proceeds from this sale were approximately $2.7 billion.

On March 31, 2007, CSC completed its acquisition of The 401(k) Companies, Inc., which offers defined contribution plan services, for $115 million in cash.

CSC s principal executive office is located at 120 Kearny Street, San Francisco, California 94108, and CSC s telephone number is (415) 636-7000. CSC s corporate Internet website is *www.aboutschwab.com*. The information contained on CSC s website is not a part of this prospectus supplement or the accompanying prospectus.

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THE CAPITAL RESTRUCTURING

The offering of the trust preferred securities, the trust common securities and the junior subordinated notes is part of the capital restructuring plan CSC announced on July 2, 2007 to return up to approximately $3.5 billion of capital to CSC s stockholders. The other components of the capital restructuring plan are:

- *Tender Offer and Stock Purchase*. On July 31, 2007, CSC completed a modified Dutch Auction tender offer by purchasing 84 million shares of CSC s outstanding common stock at a purchase price of $20.50 per share. On August 15, 2007, pursuant to a stock purchase agreement (the Stock Purchase Agreement) by and among CSC, Charles R. Schwab, CSC s Chairman and Chief Executive Officer and CSC s largest stockholder, and certain additional stockholders whose shares Mr. Schwab is deemed to beneficially own, CSC purchased 18 million shares of CSC s outstanding common stock at a purchase price of $20.50 per share;

- *Special Cash Dividend*. On July 2, 2007, CSC s board of directors declared a special cash dividend of $1.00 per share, or approximately $1.2 billion in the aggregate, which was paid on August 24, 2007 to all of CSC s stockholders of record as of the close of business on July 24, 2007; and

- *Offering of Medium-Term Notes*. On September 14, 2007, CSC issued $250 million aggregate principal amount of 6.375% senior medium-term notes due 2017. CSC refers to these notes as the medium-term notes in this prospectus supplement. The medium-term notes are senior unsecured obligations and rank senior in right of payment to all of CSC s existing and future indebtedness that is subordinated to the senior unsecured notes, including the junior subordinated notes being sold to the trust in connection with this offering, and rank *pari passu* in right of payment with all of CSC s other existing and future senior unsecured indebtedness, subject to statutory exceptions in the event of liquidation upon insolvency.

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SCHWAB CAPITAL TRUST I

The trust is a statutory trust initially formed under Delaware law pursuant to a trust agreement dated as of April 19, 2004. On September 24, 2007, CSC amended and restated the trust agreement as of April 19, 2004. The trust agreement will be further amended and restated on October , 2007. The trust exists for the exclusive purposes of:

Ø issuing the trust preferred securities and trust common securities representing undivided beneficial interests in the trust;

Ø investing the gross proceeds of the trust preferred securities and trust common securities in the junior subordinated notes; and

Ø engaging in only those activities convenient, necessary or incidental thereto.

Payments on the junior subordinated notes will be the trust s sole source of income. The trust will only issue one series of trust preferred securities. For so long as the trust preferred securities remain outstanding, CSC will take no action that would be reasonably likely to cause the trust to be classified as other than a grantor trust for United States federal income tax purposes.

The trust s business and affairs will be conducted by its trustees, each appointed by CSC as the holder of the trust common securities. The trustees will be The Bank of New York Trust Company, N.A. as the property trustee , The Bank of New York (Delaware) as Delaware trustee , and two or more individual trustees, or administrative trustees , who are employees or officers of, or affiliated with, CSC.

The principal executive office of the trust is located at The Charles Schwab Corporation, 120 Kearny Street, San Francisco, California 94108, and the telephone number of the trust is (415) 627-7000.

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THE OFFERING

The trust will sell $ million of trust preferred securities to the public and $10,000 of trust common securities to CSC. CSC will retain the trust common securities it purchases from the trust. The trust will use the proceeds from those sales to purchase $ aggregate principal amount of fixed to floating rate junior subordinated notes due 2067 of CSC, which CSC refers to in this prospectus supplement as the junior subordinated notes. The trust will make distributions on the trust preferred securities and trust common securities at the same rate and on the same dates as CSC pays interest on the junior subordinated notes. The trust will use the payments it receives on the junior subordinated notes to make the corresponding payments on the trust preferred securities.

The Trust Preferred Securities

Issuer	Schwab Capital Trust I, a Delaware statutory trust.
Securities Offered	$ million of fixed to floating rate trust preferred securities, each trust preferred security representing an undivided beneficial interest in Schwab Capital Trust I.
Liquidation Amount	$1,000 per trust preferred security (the liquidation amount).
Distributions	If you purchase trust preferred securities, you will be entitled to receive periodic distributions on the trust preferred security on the same payment dates and in the same amounts as CSC pays interest to the trust on a principal amount of junior subordinated notes equal to the liquidation amount of such trust preferred security. For information regarding the interest payment dates and the interest amounts on the junior subordinated notes, see Description of the Junior Subordinated Notes Interest Rate and Interest Payment Dates. Distributions will accumulate from October , 2007.
	If CSC defers payment of interest on the junior subordinated notes, distributions by the trust on the trust preferred securities will also be deferred.
Deferral of Distributions	CSC has the right, on one or more occasions, to defer the payment of interest on the junior subordinated notes for one or more consecutive interest periods not exceeding five years without being subject to its obligations described under Description of the Junior Subordinated Notes Alternative Payment Mechanism. CSC also has the right to defer payment of interest on the junior

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subordinated notes for one or more consecutive interest periods not exceeding 10 years without giving rise to an event of default under the terms of the junior subordinated notes or the trust preferred securities. However, no interest deferral may extend beyond the redemption of the junior subordinated notes or the final repayment date. Interest on the junior subordinated notes will continue to accrue during deferral periods and, as a result, distributions on the trust preferred securities will continue to accumulate at the interest rate on the junior subordinated notes, compounded on each distribution date. If CSC has paid all deferred interest (including compounded interest) on the junior subordinated notes, CSC may at any time commence a new deferral period, which period may not exceed 10 years without giving rise to an event of default.

If CSC exercises its right to defer interest payments on the junior subordinated notes, the trust will also defer paying a corresponding amount of distributions on the trust preferred securities during that deferral period. Any deferred interest on the junior subordinated notes will bear interest at the then applicable rate, compounded on each interest payment date, to the extent permitted by applicable law.

During any deferral period, CSC will not generally be permitted to make any payments of deferred interest from any source other than eligible proceeds , as defined under Description of the Junior Subordinated Notes Alternative Payment Mechanism. CSC may pay current interest at all times from any available funds.

Following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment of current interest on the junior subordinated notes, CSC will be required, subject to certain exceptions, including a market disruption event or a supervisory event (applicable only so long as CSC is subject to the regulation of the Board of Governors of the Federal Reserve System (referred to collectively with any other federal bank regulatory agency having primary jurisdiction over CSC other than the Office of Thrift Supervision as the Federal Reserve)), to use commercially reasonable efforts to sell the

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qualifying APM securities , as defined under Description of Junior Subordinated Notes Alternative Payment Mechanism , and to use the net proceeds of those issuances to pay deferred interest, pursuant to the alternative payment mechanism described under Description of the Junior Subordinated Notes Alternative Payment Mechanism. At any time during a deferral period, CSC may not pay deferred interest on the junior subordinated notes except pursuant to the alternative payment mechanism, subject to limited exceptions. However, it may pay current interest on any interest payment date out of any source of funds free of the limitations of the alternative payment mechanism, even if that interest payment date is during a deferral period.

Although failure to comply with the foregoing provisions with respect to the alternate payment mechanism would be a breach of CSC s obligations under the indenture governing the junior subordinated notes, it would not constitute an event of default or give rise to a right of acceleration under the indenture.

If CSC defers payments of interest on the junior subordinated notes, the junior subordinated notes will be treated as being issued with original issue discount for United States federal income tax purposes. This means that you must include interest income with respect to the deferred distributions on your trust preferred securities in gross income for United States federal income tax purposes, prior to receiving any cash distributions. See Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount.

Redemption of Trust Preferred Securities

The trust will use the proceeds of any repayment or redemption of the junior subordinated notes to redeem, on a proportionate basis, an equal amount of trust preferred securities and trust common securities.

For a description of CSC s rights to redeem the junior subordinated notes, see Description of the Junior Subordinated Notes Redemption.

Under the current risk-based capital adequacy guidelines of the Federal Reserve, Federal Reserve

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	approval is generally required for the early redemption of trust preferred securities included in regulatory capital. However, under current guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the trust preferred securities on or after the scheduled maturity date in connection with the repayment of the junior subordinated notes since, in this case, the redemption would not be an early redemption but would be pursuant to CSC s contractual obligation to repay the junior subordinated notes, subject to the limitations described under Description of the Junior Subordinated Notes Repayment of Principal , on the scheduled maturity date. These approval provisions shall be applicable only so long as CSC is subject to the supervision and regulation of the Federal Reserve.
Liquidation of the Trust and Distribution of Junior Subordinated Notes to Holders	CSC may elect to dissolve the trust at any time and, after satisfaction of the trust s liabilities, to cause the property trustee to distribute the junior subordinated notes to the holders of the trust preferred securities and trust common securities. However, if then required under the risk-based capital guidelines or policies of the Federal Reserve applicable to bank holding companies, CSC must obtain the approval of the Federal Reserve prior to making that election; provided that this approval requirement shall be applicable only so long as CSC is subject to the supervision and regulation of the Federal Reserve.
Further Issues	The trust has the right to issue additional trust preferred securities of this series in the future that together with the trust preferred securities offered hereby will not exceed $300 million in aggregate liquidation amount, subject to the conditions described under Description of the Trust Preferred Securities Further Issues. Any such additional trust preferred securities will have the same terms as the trust preferred securities being offered by this prospectus supplement but may be offered at a different offering price and accrue distributions from a different date than the trust preferred securities being offered hereby. If issued, any such additional trust preferred securities will become part of the same series as the trust preferred securities being offered hereby to the extent such securities bear the same CUSIP

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number, unless such additional securities would not be treated as fungible with the previously issued and outstanding trust preferred securities for United States federal income tax purposes.

Guarantee	CSC will fully and unconditionally guarantee payment of amounts due under the trust preferred securities on a junior subordinated basis and only to the extent the trust has funds available for payment of those amounts. This guarantee does not cover payments if the trust does not have sufficient funds to make the distribution payments, including, for example, if CSC has failed to pay to the trust amounts due under the junior subordinated notes or if it elects to defer payment of interest under the junior subordinated notes.
	As the issuer of the junior subordinated notes, CSC is also obligated to pay the expenses and other obligations of the trust, other than the trust s obligations to make payments on the trust preferred securities.
	The guarantee will be governed by, and construed in accordance with, the laws of the State of New York.
Book-Entry	The trust preferred securities will be represented by one or more global securities registered in the name of and deposited with The Depository Trust Company (DTC) or its nominee. This means that you will not receive a certificate for your trust preferred securities and your trust preferred securities will not be registered in your name, except under certain limited circumstances described in Clearance and Settlement.
No Listing	CSC does not intend to apply to list the trust preferred securities on any securities exchange.
Voting Rights	Holders of trust preferred securities will have only limited voting rights. The right to vote to appoint, remove or replace the administrative trustees is vested exclusively in the holders of the trust common securities. In addition, unless an event of default under the indenture has occurred and is continuing, the right to vote to appoint, remove or replace the property trustee and/or the Delaware trustee is vested exclusively in the holders of the trust common securities. If an event of default

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under the trust agreement has occurred and is continuing, the holders of a majority in liquidation amount of the trust preferred securities will be entitled to appoint, replace or remove the Delaware trustee and/or the property trustee.

Governing Law	The trust agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.
Expected Ratings	CSC expects that the trust preferred securities will be rated A3, BBB and A- by Moody s Investors Service, Standard & Poor s and Fitch Ratings, respectively. None of these securities ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to review, revision, suspension, reduction or withdrawal at any time and should be evaluated independently of any other rating.

The Junior Subordinated Notes

Issuer	The Charles Schwab Corporation, a Delaware corporation.
Interest	The junior subordinated notes will bear interest:

- at the annual rate of % from and including October , 2007 to but excluding November 15, 2017, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2007;
- at an annual rate equal to three-month LIBOR plus % from and including November 15, 2017 to but excluding November 15, 2037, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on February 15, 2018; and
- to the extent not repaid on or after the November 15, 2037 scheduled maturity, at an annual rate equal to one-month LIBOR plus %, payable monthly in arrears on the first day of each month to but excluding the date on which the junior subordinated notes are repaid in full, beginning on December 1, 2037.

In the event any interest payment date on or prior to the November 15, 2017 interest payment date is not a business day, the interest payment will be

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made on the following business day and no interest will accrue as a result of such postponement. The amount of interest payable at the fixed rate will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event any interest payment date after November 15, 2017 is not a business day, the interest payment will be postponed to the next day that is a business day. The amount of interest payable at a floating rate will be computed on the basis of a 360-day year and the actual number of days elapsed.

Repayment of Principal

CSC must repay the principal amount of the junior subordinated notes, together with accrued and unpaid interest, on the scheduled maturity date, subject to the limitations described below. The scheduled maturity date is November 15, 2037, or if that date is not a business day, the next business day.

CSC is required to repay the principal amount of the junior subordinated notes on the scheduled maturity date to the extent of the net proceeds that it has raised from the issuance of qualifying capital securities, as described under Replacement Capital Covenant, during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If it has not raised sufficient net proceeds to permit repayment of all principal and accrued and unpaid interest on the junior subordinated notes on the scheduled maturity date, it will repay the junior subordinated notes to the extent of the net proceeds it has raised and the unpaid portion will remain outstanding. Moreover, subject to certain exceptions, CSC may only pay deferred interest on the junior subordinated notes out of the net proceeds from the sale of qualifying APM securities, as described under Description of Junior Subordinated Notes Alternative Payment Mechanism. CSC will be required to repay the unpaid portion of the junior subordinated notes on each subsequent interest payment date to the extent of the net proceeds it receives from any subsequent issuance of qualifying capital securities or upon the earliest to occur of:

- the redemption of the junior subordinated notes;
- an event of default that results in acceleration of the junior subordinated notes; and

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Ø November 15, 2067, which is the final repayment date.

CSC will use its commercially reasonable efforts, subject to a market disruption event , as described under Description of the Junior Subordinated Notes Market Disruption Events , to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to the scheduled maturity date to permit repayment of the junior subordinated notes in full on the scheduled maturity date in accordance with the preceding paragraph. If CSC is unable for any reason to raise sufficient proceeds, it will use its commercially reasonable efforts, subject to a market disruption event, to raise sufficient proceeds from the sale of qualifying capital securities to permit repayment of the junior subordinated notes on the following interest payment date, and on each interest payment date thereafter, until the junior subordinated notes are paid in full.

CSC is not required to issue any securities pursuant to the obligation described above other than qualifying capital securities. CSC is also not required to use the net proceeds from the sale of securities other than qualifying capital securities, if any, to repay the junior subordinated notes on the scheduled maturity date, or, if applicable, thereafter. In addition, CSC s subsidiaries are not required to issue any securities in order to repay the junior subordinated notes and CSC is not required to use the proceeds from any sale of securities by its subsidiaries to repay the junior subordinated notes.

Although failure to comply with the foregoing provisions with respect to repayment on or after the scheduled maturity date by applying the net proceeds from the issuance of qualifying capital securities would be a breach of CSC s obligations under the indenture governing the junior

subordinated notes, it would not constitute an event of default or give rise to a right of acceleration under the indenture.

Under the current risk-based capital adequacy guidelines of the Federal Reserve, Federal Reserve

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approval is generally required for the early redemption of trust preferred securities included in regulatory capital. However, under currently applicable guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the trust preferred securities on or after the scheduled maturity date in connection with the repayment of the junior subordinated notes as described above since, in this case, the redemption would not be an early redemption but would be pursuant to CSC s contractual obligation to repay the junior subordinated notes, subject to the limitations described under Description of the Junior Subordinated Notes Repayment of Principal , on the scheduled maturity date. These approval provisions shall be applicable only so long as CSC is subject to the supervision and regulation of the Federal Reserve.

Any unpaid principal amount of the junior subordinated notes, together with accrued and unpaid interest, will be due and payable on the final repayment date, regardless of the amount of qualifying capital securities CSC has issued and sold by that time.

Subordination

The junior subordinated notes will be unsecured and will be subordinated in right of payment and upon CSC s liquidation to all of its existing and future debt other than trade accounts payable and any debt that by its terms ranks *pari passu* with the junior subordinated notes and will be effectively subordinated to all liabilities of its subsidiaries. At June 30, 2007, CSC had approximately $384 million of outstanding debt, excluding obligations under letters of credit, swap contracts, guarantees and derivative contracts, but including capital leases. In addition, on September 14, 2007, CSC issued $250 million of medium-term notes. At June 30, 2007, CSC s subsidiaries (other than U.S. Trust, which was a discontinued operation) had no direct borrowings other than obligations under letters of credit and had banking deposit liabilities of approximately $12 billion and interest-bearing brokerage client cash balances of approximately $14 billion. At June 30, 2007, CSC s subsidiaries (other than U.S. Trust, which was a discontinued operation) had obligations under letters of credit of approximately $1.3 billion.

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Limitation on Claims in the Event of Bankruptcy, Insolvency or Receivership	In certain events of bankruptcy, insolvency or receivership, a holder of the junior subordinated notes will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest) that has not been settled through the application of the alternative payment mechanism to the extent that the amount of such interest exceeds the sum of (i) the interest that relates to the earliest two years of accrued and unpaid interest and (ii) an amount equal to such holder s *pro rata* share of the excess, if any, of the preferred stock issuance cap (as defined under the Description of the Junior Subordinated Notes Alternative Payment Mechanism) over the aggregate amount of net proceeds from the sale of qualifying preferred stock and unconverted mandatorily convertible preferred stock that CSC has applied to pay interest pursuant to the alternative payment mechanism. To the extent such claim for deferred and unpaid interest (including compounded interest) exceeds the amount set forth in clause (i), the holders of junior subordinated notes shall be deemed to agree that the amount they receive in respect of such excess shall not exceed the amount they would have received had such claim ranked *pari passu* with the claims of the holders, if any, of qualifying preferred stock.
Certain Payment Restrictions Applicable to CSC	During any deferral period or period in which CSC has given notice of its election to defer interest payments on the junior subordinated notes but the related deferral period has not yet commenced, CSC generally may not, and will not permit any of its subsidiaries to, make payments on or redeem or repurchase CSC s capital stock or its debt securities or guarantees ranking *pari passu* with the junior subordinated notes, subject to the exceptions described under Description of the Junior Subordinated Notes Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances. In addition, if any deferral period is continuing for longer than one year, CSC may not be permitted, subject to certain exceptions, to repurchase or acquire any of its securities ranking junior to or *pari passu* with any qualifying APM securities that were issued and the proceeds of which were used to settle

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deferred interest during the relevant deferral period before the first anniversary of the date on which all deferred interest has been paid.

The terms of the junior subordinated notes permit CSC to make any payment of current or deferred interest on its debt securities or guarantees that rank on a parity with the junior subordinated notes upon its liquidation (including the junior subordinated notes, parity securities) so long as the payment is made *pro rata* to the amounts due on the junior subordinated notes and other parity securities, subject to the limitations described in the last paragraph under Description of the Junior Subordinated Notes Alternative Payment Mechanism to the extent that they apply and subject to the limitation that CSC may make any payment of deferred interest on parity securities that, if not made, would cause CSC to breach the terms of the instrument governing the parity securities. As of the date of this prospectus supplement, there are no parity securities outstanding.

Redemption of Junior Subordinated Notes	CSC may redeem the junior subordinated notes at any time. The redemption price will be 100% of the principal amount to be redeemed, plus accrued and unpaid interest through the date of redemption, in the case of any redemption:

- Ø in whole or in part on November 15, 2017;
- Ø in whole but not in part at any time within 90 days after the occurrence of certain changes relating to the capital treatment of, or investment company laws relating to, the trust preferred securities;
- Ø in whole but not in part at any time after November 15, 2017 and within 90 days after the occurrence of certain changes relating to the tax treatment of, or the rating agency equity credit accorded to, the trust preferred securities; or
- Ø in whole or in part at any time on or after November 15, 2037.

In all other cases, the redemption price will be a make-whole redemption price. See Description of the Junior Subordinated Notes Redemption.

In the case of a redemption of all outstanding junior subordinated notes prior to November 15, 2017 within 90 days after the occurrence of certain

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changes relating to the tax treatment of, or the rating agency equity credit accorded to, the trust preferred securities, the make-whole redemption price of the trust preferred securities may be lower than the make-whole redemption price in the case of any other redemption. See Description of the Junior Subordinated Notes Redemption.

CSC will be subject to its obligations under the replacement capital covenant (as described below) if it elects to redeem any or all of the junior subordinated notes prior to the termination of the replacement capital covenant. In addition, under the current risk-based capital adequacy guidelines of the Federal Reserve, Federal Reserve approval is generally required for the early redemption of trust preferred securities included in regulatory capital. However, under currently applicable guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the trust preferred securities on or after the scheduled maturity date in connection with the repayment of the junior subordinated notes since, in this case, the redemption would not be an early redemption but would be pursuant to CSC s contractual obligation to repay the junior subordinated notes, subject to the limitations described under Description of the Junior Subordinated Notes Repayment of Principal , on the scheduled maturity date. These approval provisions shall be applicable only so long as CSC is subject to the supervision and regulation of the Federal Reserve.

Events of Default

The following events are events of default with respect to the junior subordinated notes:

- default in the payment of interest, including compounded interest, in full on any junior subordinated notes for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period;
- certain events of bankruptcy, insolvency or reorganization of CSC; or
- so long as CSC is subject to the supervision and regulation of the Federal Reserve, receivership of a major subsidiary depository institution of CSC within the meaning of the Federal Reserve s risk-based capital guidelines applicable to bank holding companies. As of the date of this prospectus supplement, Schwab Bank is CSC s only major subsidiary depository institution.

If an event of default under the indenture occurs and continues, the indenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding junior subordinated notes may declare the entire principal and all accrued but unpaid interest of all junior subordinated notes to be due and payable immediately. If the indenture trustee or the holders of junior subordinated notes do not make such declaration and the junior subordinated notes are beneficially owned by the trust or a trustee of the trust, the property trustee or the holders of at least 25% in aggregate liquidation amount of the trust preferred securities shall have such right.

Tax Treatment

In connection with the issuance of the junior subordinated notes, Howard Rice Nemerovski Canady Falk & Rabkin, A Professional Corporation, CSC s special tax counsel, has advised CSC that, under current law and assuming full compliance with the terms of the indenture and other relevant documents, and based on the representations, facts and assumptions set forth in its opinion to CSC, although the matter is not free from doubt, the junior subordinated notes will be characterized as indebtedness for United States federal income tax purposes. The trust preferred securities are novel financial instruments, and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the trust preferred securities. Thus, the Internal Revenue Service (the IRS) or a court may not agree with this characterization. By purchasing the trust preferred securities, each holder of the trust preferred securities agrees, and CSC and the trust agree, to treat the junior subordinated notes as indebtedness for all United States federal income tax purposes. See Certain United States Federal Income Tax Consequences.

Further Issues

If the trust issues additional trust preferred securities, then CSC will issue an aggregate principal amount of additional junior subordinated notes equal to the aggregate liquidation amount of additional trust preferred securities issued by the trust.

Governing Law

The indenture and the junior subordinated notes will be governed by, and construed in accordance with, the laws of the State of California.

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REPLACEMENT CAPITAL COVENANT

CSC will enter into a replacement capital covenant for the benefit of persons that buy, hold or sell a specified series of its long-term indebtedness ranking senior to the junior subordinated notes (or in certain limited cases long-term indebtedness of its largest depository institution subsidiary at the relevant time, which is currently Schwab Bank) in which it will agree that neither it nor any of its subsidiaries will repay, redeem or purchase the junior subordinated notes or trust preferred securities at any time prior to November 15, 2047, unless:

- Ø in the case of a redemption or purchase prior to the scheduled maturity date, which is November 15, 2037, of the junior subordinated notes or the trust preferred securities, CSC has obtained the prior approval of the Federal Reserve if such approval is then required under the Federal Reserve s capital guidelines or policies applicable to bank holding companies; provided that this approval requirement shall be applicable only so long as CSC is subject to the supervision and regulation of the Federal Reserve; and

- Ø the principal amount repaid or the applicable redemption or purchase price does not exceed the sum of:

  - Ø the applicable percentage of the aggregate amount of net cash proceeds CSC and its subsidiaries have received from the sale of common stock , qualifying warrants , debt exchangeable for common equity , debt exchangeable for preferred equity , mandatorily convertible preferred stock , REIT preferred securities or qualifying capital securities , to persons other than CSC and its subsidiaries; *plus*

  - Ø the applicable percentage of the product of the current stock market price of any common stock that CSC or any of its subsidiaries have (i) delivered (such current stock market price determined as of the date of delivery) to persons other than CSC and its subsidiaries as consideration for property or assets in an arm s-length transaction or (ii) issued (such current stock market price determined as of the date of issuance) to persons other than CSC and its subsidiaries in connection with the conversion or exchange of any convertible or exchangeable securities, other than securities for which CSC or any of its subsidiaries has received equity credit from any rating agency, multiplied by the number of shares of common stock so delivered or issued,

in each case since the most recent measurement date (without double counting proceeds received in any prior measurement period).

The replacement capital covenant, including the definitions of the various types of replacement capital securities referred to above and other important terms, is described in more detail under Replacement Capital Covenant.

If an event of default resulting in the acceleration of the junior subordinated notes occurs, CSC will not have to comply with the replacement capital covenant. CSC s covenant in the replacement capital covenant will run only to the benefit of the covered debtholders. It may not be enforced by the holders of the trust preferred securities (including the property trustee) or the junior subordinated notes. The initial series of covered debtholders are the holders of CSC s medium-term notes.

The replacement capital covenant will be governed by, and construed in accordance with, the laws of the State of California.

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Risk factors

An investment in the trust preferred securities is subject to the risks described below. You should carefully review the following risk factors, the risk factors contained in CSC s Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated by reference in this prospectus supplement, and other information contained in this prospectus supplement, in documents incorporated by reference in this prospectus supplement and in the accompanying prospectus before deciding whether this investment is suited to your particular circumstances. In addition, because each trust preferred security sold in the offering will represent a beneficial interest in the trust, which will own CSC s junior subordinated notes, you are also making an investment decision with regard to the junior subordinated notes, as well as CSC s guarantee of the trust s obligations. You should carefully review all the information in this prospectus supplement about all of these securities.

RISKS RELATED TO THE TRUST PREFERRED SECURITIES AND THE JUNIOR SUBORDINATED NOTES

CSC s obligations to make payments on the junior subordinated notes and under the guarantee are subordinate to its payment obligations under its debt.

CSC s obligations under the junior subordinated notes and the guarantee are unsecured and rank junior in right of payment and upon CSC s liquidation to all of its existing and future debt other than trade accounts payable and any debt that by its terms ranks *pari passu* with the junior subordinated notes. At June 30, 2007, CSC had approximately $384 million of outstanding debt, excluding obligations under letters of credit, swap contracts, guarantees and derivative contracts, but including capital leases. In addition, on September 14, 2007, CSC issued $250 million of medium-term notes, which will rank senior to the junior subordinated notes and the guarantee.

CSC cannot make any payments on the junior subordinated notes or under the guarantee if certain events of default have occurred under its debt that ranks senior to the junior subordinated notes. In the event of CSC s bankruptcy or liquidation, CSC s assets must be used to repay in full its debt that ranks senior to the junior subordinated notes before any payments may be made on the junior subordinated notes or under the guarantee.

The indenture does not limit the amount of debt for borrowed money that CSC can incur that would rank senior to the junior subordinated notes.

None of the indenture governing the junior subordinated notes, the guarantee, or the amended and restated trust agreement limit CSC s ability to incur any additional debt. CSC expects from time to time to incur additional debt and other obligations constituting debt that would rank senior to the junior subordinated notes.

The junior subordinated notes beneficially owned by the trust will be effectively subordinated to the obligations of CSC s subsidiaries.

CSC is a holding company that conducts its operations through its subsidiaries. As a result, CSC s ability to make payments on the junior subordinated notes will depend in large part upon the receipt of dividends and other distributions from its subsidiaries. Because CSC is a holding company, its right to participate in any distribution of the assets of its banking or nonbanking subsidiaries, upon a subsidiary s dissolution, winding-up, liquidation or reorganization or otherwise, and thus your ability to benefit

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Risk factors

indirectly from such distribution, is subject to the prior claims of creditors of any such subsidiary, except to the extent that CSC may be a creditor of that subsidiary and its claims are recognized. There are also legal limitations on the extent to which some of CSC s subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, CSC or some of its other subsidiaries. CSC s subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under CSC s contracts with third parties. Accordingly, the payments on the junior subordinated notes, and therefore the payments on trust preferred securities, effectively will be subordinated to all existing and future liabilities of CSC s subsidiaries.

At June 30, 2007, CSC s subsidiaries (other than U.S. Trust, which was a discontinued operation) had no direct borrowings other than obligations under letters of credit and had banking deposit liabilities of approximately $12 billion and interest-bearing brokerage client cash balances of approximately $14 billion. At June 30, 2007, CSC s subsidiaries (other than U.S. Trust, which was a discontinued operation) had obligations under letters of credit of approximately $1.3 billion.

CSC guarantees distributions on the trust preferred securities only if the trust has cash available.

If CSC does not make a required interest payment on the junior subordinated notes or elects to defer interest payments on the junior subordinated notes, the trust will not have sufficient funds to make the related distribution on the trust preferred securities. If this happens, holders of the trust preferred securities will not be able to rely upon CSC s guarantee for payment of such amounts because the guarantee does not cover payments on the trust preferred securities when the trust does not have sufficient funds to make them.

Specifically, the guarantee provides that, to the extent the trust has funds available to make the payment, CSC will guarantee, on an unsecured and junior subordinated basis, the payment of the following:

- Ø any accumulated and unpaid distributions required to be paid on the trust preferred securities;
- Ø the redemption price for any trust preferred securities called for redemption; and
- Ø upon a voluntary or involuntary termination, winding-up or liquidation of the trust, other than in connection with a distribution of corresponding assets to holders of trust preferred securities, the lesser of:
  - Ø the aggregate of the stated liquidation amount and all accumulated and unpaid distributions on the trust preferred securities to the date of payment; and
  - Ø the amount of assets of the trust remaining available for distribution to holders of the trust preferred securities.

Subject to CSC s right under the indenture to defer payment of interest and to other limitations on CSC s obligations to pay deferred interest as set forth therein, if CSC does not pay any amounts on the junior subordinated notes when due, holders of the trust preferred securities will have to rely on the enforcement by the property trustee of its rights with respect to the junior subordinated notes, although under certain circumstances holders of the trust preferred securities may proceed directly against CSC for payment of any amounts due on the junior subordinated notes.

CSC s obligations under the guarantee are unsecured and are subordinated to and junior in right of payment to all of its existing and future indebtedness, to the same extent as its obligations under the junior subordinated notes.

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Risk factors

The trust s ability to make distributions on or redeem the trust preferred securities is restricted by the Federal Reserve.

So long as CSC is subject to the supervision and regulation of the Federal Reserve, the Federal Reserve has the right to examine the trust and its activities because the trust is CSC s subsidiary. Under certain circumstances, including any determination that CSC s relationship to the trust would result in an unsafe and unsound banking practice, the Federal Reserve has the authority to issue orders that could restrict the trust s ability to make distributions on or to redeem the trust preferred securities.

CSC s right to redeem the junior subordinated notes prior to November 15, 2047 is limited by the replacement capital covenant.

CSC may redeem any or all of the junior subordinated notes at any time, as described under Description of the Junior Subordinated Notes Redemption below. However, the replacement capital covenant, which is a covenant CSC is making in favor of certain of its debt holders, will limit its right to redeem, repay or purchase junior subordinated notes or trust preferred securities prior to November 15, 2047. In the replacement capital covenant, CSC will covenant, for the benefit of holders of a designated series of its indebtedness that ranks senior to the junior subordinated notes, or in certain limited cases holders of a designated series of indebtedness of Schwab Bank, that neither it nor any of its subsidiaries will redeem, repay or purchase the junior subordinated notes or the trust preferred securities unless:

- Ø in the case of a redemption or repurchase prior to the scheduled maturity date of the junior subordinated notes or the trust preferred securities, CSC has obtained the prior approval of the Federal Reserve if such approval is then required under the Federal Reserve s capital guidelines applicable to bank holding companies; provided that this approval requirement shall be applicable only so long as CSC is subject to the supervision and regulation of the Federal Reserve; and
- Ø the principal amount repaid or the applicable redemption or purchase price does not exceed the sum of the following, in each case since the most recent measurement date (without double counting proceeds received in any prior measurement period):
  - Ø the applicable percentage of the aggregate amount of net cash proceeds received by CSC and its subsidiaries from the sale of its common stock , qualifying warrants , debt exchangeable for common equity , debt exchangeable for preferred equity , mandatorily convertible preferred stock , REIT preferred securities or qualifying capital securities (collectively, the replacement capital securities) to persons other than CSC and its subsidiaries; *plus*
  - Ø the applicable percentage of the product of the current stock market price of any common stock that CSC and its subsidiaries have (i) delivered (such current stock market price determined as of the date of delivery) to persons other than CSC and its subsidiaries as consideration for property or assets in an arm s-length transaction or (ii) issued (such current stock market price determined as of the date of issuance) to persons other than CSC and its subsidiaries in connection with the conversion of any convertible or exchangeable securities, other than securities for which it or any of its subsidiaries have received equity credit from any rating agency, multiplied by the number of shares of common stock so delivered or issued.

Accordingly, there could be circumstances in which it would be in the interest of both you and CSC that some or all of the junior subordinated notes or the trust preferred securities be redeemed (including as a result of a tax event, capital treatment event, rating agency event or investment company event), and sufficient cash is available for that purpose, but CSC will be restricted from doing so because it did not obtain proceeds from the sale of replacement capital securities, or otherwise deliver or issue common stock as consideration for property or assets in an arm s-length transaction or in connection with the conversion or exchange of convertible or exchangeable securities.

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Risk factors

The replacement capital covenant, including the definitions of the various types of replacement capital securities referred to above and other important terms, is described in more detail under Replacement Capital Covenant.

CSC s obligation to repay the junior subordinated notes on the scheduled maturity date is subject to the issuance of qualifying capital securities.

CSC is required to repay the junior subordinated notes on the scheduled maturity date of November 15, 2037 only to the extent that it has raised sufficient net proceeds from the issuance of qualifying capital securities (as defined under Replacement Capital Covenant) within a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If it has not raised sufficient proceeds from the issuance of qualifying capital securities to permit repayment of the junior subordinated notes on the scheduled maturity date, it will repay the junior subordinated notes to the extent of the net proceeds it has received and the unpaid portion will remain outstanding. In that event, CSC will be required to continue to use commercially reasonable efforts to issue qualifying capital securities and to apply the net proceeds thereof to repay the unpaid principal amount of the junior subordinated notes on each subsequent interest payment date until:

Ø it has raised sufficient net proceeds to permit repayment in full in accordance with this requirement;

Ø payment of the junior subordinated notes is accelerated upon the occurrence of an event of default; or

Ø the final repayment date for the junior subordinated notes occurs.

CSC s ability to issue qualifying capital securities in connection with this obligation to repay the junior subordinated notes will depend on, among other things, legal and regulatory requirements, market conditions at the time the obligation arises, and the acceptability to prospective investors of the terms of these qualifying capital securities. Although CSC has agreed to use its commercially reasonable efforts to issue sufficient qualifying capital securities during the 180-day period referred to above to repay the junior subordinated notes and from month to month after that period until the junior subordinated notes are repaid in full, its failure to use such commercially reasonable efforts to issue qualifying capital securities would not be an event of default or give rise to a right of acceleration or similar remedy until the final repayment date. In addition, CSC will be excused from using its commercially reasonable efforts to issue sufficient qualifying capital securities if certain market disruption events occur.

CSC has no obligation to issue any securities other than qualifying capital securities in connection with its obligation to repay the junior subordinated notes on the scheduled maturity date or, if applicable, thereafter. In addition, CSC is not required to use the net proceeds from the sale of securities other than qualifying capital securities, if any, to repay the junior subordinated notes on the scheduled maturity date, or, if applicable, thereafter. In addition, CSC s subsidiaries are not required to issue any securities in order to repay the junior subordinated notes and CSC is not required to use the proceeds from any sale of securities by its subsidiaries to repay the junior subordinated notes.

CSC has the right to defer interest for 10 years without causing an event of default.

CSC has the right to defer interest on the junior subordinated notes for one or more consecutive interest periods not to exceed 10 years. Although CSC would be subject to the alternative payment mechanism after the earlier of the fifth anniversary of the commencement of the deferral period and the first interest payment date on which it makes any payment of current interest during a deferral period, if it is unable to raise sufficient eligible proceeds, it may continue to defer paying accrued interest on the junior subordinated notes for a period of up to 10 consecutive years without causing an event of default. During any such deferral period, holders of trust preferred securities will receive limited or no current payments on the trust preferred securities and, so long as CSC is otherwise in compliance with its obligations, such holders will have no remedies against the trust or CSC for nonpayment unless CSC fails to pay all deferred interest (including compounded interest) within 30 days of the conclusion of a 10-year deferral period. If CSC has paid all deferred interest (and compounded interest thereon) on the junior subordinated notes, it may at any time commence a new deferral period, which period may not exceed 10 years without giving rise to an event of default.

CSC s ability to pay deferred interest is limited by the terms of the alternative payment mechanism, and is subject to market disruption events and other factors beyond its control.

If CSC elects to defer interest payments, except in limited circumstances, it will not be permitted to pay deferred interest on the junior subordinated notes (and compounded interest thereon) during the deferral period, which may last up to 10 years, from any source other than net proceeds from the issuance of:

Ø common stock, qualifying warrants and mandatorily convertible preferred stock up to the share cap amount;

Ø qualifying preferred stock and mandatorily convertible preferred stock up to the preferred stock issuance cap; and

Ø common stock and qualifying warrants up to the common equity issuance cap.

Common stock, qualifying preferred stock, qualifying warrants and mandatorily convertible preferred stock issuable under the alternative payment mechanism are referred to as qualifying APM securities. CSC has the option of selling qualifying warrants to raise proceeds to pay deferred interest, but in general it is not obligated to sell qualifying warrants and no party may require it to do so. If the number of shares of CSC s common stock issued or issuable upon exercise or conversion of qualifying warrants and mandatorily convertible preferred stock or the amount of qualifying preferred stock or mandatorily convertible preferred stock that CSC needs to sell in order to pay deferred interest in full exceeds the common equity issuance cap, the share cap amount and the preferred stock issuance cap, CSC may continue to defer interest, and such deferral will not constitute an event of default or give rise to a right of acceleration or similar remedy unless it extends beyond the date which is 30 days after 10 years following the first interest payment date on which CSC deferred interest.

CSC s ability to pay deferred interest is also subject to market disruption events, supervisory events and other factors beyond its control.

CSC has the ability under certain circumstances to narrow the definition of qualifying APM securities, which could limit further CSC s ability to pay deferred interest.

CSC may, without the consent of the holders of the trust preferred securities or the junior subordinated notes, amend the definition of qualifying APM securities for purposes of the alternative payment mechanism to eliminate common stock or mandatorily convertible preferred stock (or both) from the definition if, after the issue date of the trust preferred securities, an accounting standard or interpretive guidance of an existing accounting standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to do so would result in a reduction in CSC s earnings per share as calculated in accordance with generally accepted accounting principles in the United States. The elimination of common stock or mandatorily convertible preferred stock (or both) from the definition of qualifying APM securities, together with the continued application of the preferred

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stock issuance cap, may make it more difficult for CSC to sell sufficient qualifying APM securities to fund the payment of deferred interest.

The amount of common stock, qualifying warrants and mandatorily convertible preferred stock that CSC may sell to pay deferred interest is limited to a share cap amount.

The indenture limits the number of shares of CSC s common stock issued or issuable upon exercise or conversion of qualifying warrants and mandatorily convertible preferred stock that it is permitted to sell to pay deferred interest to the then current share cap amount, which will be 100 million shares. If the share cap amount has been reached and it is not sufficient to allow CSC to raise sufficient proceeds to pay deferred interest in full, CSC has agreed to use commercially reasonable efforts to increase the share cap amount:

Ø only to the extent that it can do so and simultaneously satisfy its future fixed or contingent obligations under other securities and derivative instruments that provide for settlement or payment in shares of its common stock; or

Ø if it cannot increase the share cap amount as contemplated in the preceding clause, by requesting its board of directors to adopt a resolution for a stockholder vote at the next occurring annual stockholders meeting to increase the number of shares of its authorized common stock for purposes of satisfying its obligations to pay deferred interest.

CSC s failure to use commercially reasonable efforts to seek stockholder approval to increase the share cap amount would constitute a breach under the indenture, but would not constitute an event of default under the indenture or give rise to a right of acceleration or similar remedy.

The amount of qualifying preferred stock and mandatorily convertible preferred stock that CSC may sell to pay deferred interest is limited to a preferred stock issuance cap.

The preferred stock issuance cap limits CSC s issuance of qualifying preferred stock and mandatorily convertible preferred stock pursuant to the alternative payment mechanism to an amount of net proceeds which, together with the net proceeds of all prior issuances of qualifying preferred stock and any outstanding mandatorily convertible preferred stock issued during any deferral period and applied to pay deferred interest, is equal to 25% of the aggregate principal amount of the junior subordinated notes issued under the indenture.

CSC s obligation to raise proceeds from the sale of shares of common stock or qualifying warrants to pay deferred interest during the first five years of any deferral period is subject to a common equity issuance cap.

The indenture limits CSC s obligation to raise proceeds in excess of an amount CSC refers to as the common equity issuance cap from the sale of shares of common stock or qualifying warrants to pay deferred interest attributable to the first five years of any deferral period (including compounded interest thereon) prior to the fifth anniversary of the commencement of a deferral period.

The common equity issuance cap takes into account all sales of common stock and qualifying warrants under the alternative payment mechanism for that deferral period. Once CSC reaches the common equity issuance cap for a deferral period, it will no longer be obligated to sell common stock (or, if the definition of qualifying APM securities has been amended to eliminate common stock, qualifying warrants) to pay deferred interest relating to such deferral period unless such deferral extends beyond the date which is five years following the commencement of the deferral period. Although CSC has the right to sell common stock or qualifying warrants if it has reached the common equity issuance cap but has not reached the share cap amount, it has no obligation to do so.

So long as CSC is subject to the supervision and regulation of the Federal Reserve, if the Federal Reserve does not allow CSC s use of the alternative payment mechanism to pay deferred interest, CSC may not be able to pay deferred interest.

The indenture governing the junior subordinated notes provides that so long as CSC is subject to the supervision and regulation of the Federal Reserve, CSC must notify the Federal Reserve if the alternative payment mechanism is applicable and may not sell its qualifying APM securities or apply any eligible proceeds to pay interest pursuant to the alternative payment mechanism if the Federal Reserve disapproves of such issuance or disapproves of the use of proceeds of such issuance to pay deferred interest. So long as CSC is subject to the supervision and regulation of the Federal Reserve, the Federal Reserve may allow the issuance of qualifying APM securities but not allow use of the proceeds to pay deferred interest on the junior subordinated notes and instead require that the proceeds be applied to other purposes. Accordingly, if CSC elects to defer interest on the junior subordinated notes and the Federal Reserve disapproves of the issuance of qualifying APM securities or the application of the proceeds to pay deferred interest, CSC may be unable to pay the deferred interest on the junior subordinated notes.

In the event the Federal Reserve disapproves of all or part of the alternative payment mechanism, CSC may continue to defer interest until 10 years have elapsed since the beginning of the deferral period without triggering an event of default under the indenture.

CSC s ability to pay deferred interest is also subject to market disruption events and other factors beyond its control.

The occurrence of a market disruption event or supervisory event (applicable so long as CSC is subject to the supervision and regulation of the Federal Reserve) may prevent or delay a sale of qualifying APM securities pursuant to the alternative payment mechanism and, consequently, the payment of deferred interest on the junior subordinated notes. Market disruption events include events and circumstances both within and beyond CSC s control, including the failure to obtain approval of a regulatory body or governmental authority to issue qualifying APM securities notwithstanding CSC s commercially reasonable efforts to obtain such approval. Moreover, CSC may encounter difficulties in successfully marketing its qualifying APM securities, particularly during times it is subject to the restrictions on dividends as a result of the deferral of interest. If CSC does not sell sufficient qualifying APM securities to fund deferred interest payments in these circumstances (other than as a result of a supervisory event if applicable), it will not be permitted to pay deferred interest to the trust (even if it has cash available from other sources) and, accordingly, no payment of distributions may be made on the trust preferred securities. See Description of the Junior Subordinated Notes Option to Defer Interest Payments , Alternative Payment Mechanism and Market Disruption Events.

CSC may make any payment of current or deferred interest on the junior subordinated notes and other parity securities during a deferral period if the payments are made on a *pro rata* basis, subject to certain limitations.

The terms of the junior subordinated notes permit CSC to make any payment of current or deferred interest on the junior subordinated notes and other parity securities during a deferral period; provided, however, that any such payment is made *pro rata* to the amounts due on the junior subordinated notes and such parity securities, subject to the limitations described in the last paragraph under Description of the Junior Subordinated Notes Alternative Payment Mechanism to the extent that they apply and subject to the limitation that CSC may make any payment of deferred interest on parity securities that, if not made, would cause CSC to breach the terms of the instrument governing such parity securities. As of the date of this prospectus supplement, there are no parity securities outstanding.

Deferral of interest payments could adversely affect the market price of the trust preferred securities.

CSC currently does not intend to exercise its right to defer payments of interest on the junior subordinated notes. However, if CSC exercises that right in the future, the market price of the trust preferred securities is likely to be affected. As a result of the existence of this deferral right, the market price of the trust preferred securities, payments on which depend solely on payments being made on the junior subordinated notes, may be more volatile than the market prices of other securities that are not subject to optional deferral. If CSC does defer interest on the junior subordinated notes and you elect to sell trust preferred securities during the deferral period, you may not receive the same return on your investment as a holder that continues to hold its trust preferred securities and receives the payment of interest at the end of the deferral period.

If CSC does defer interest payments on the junior subordinated notes, you will be required to accrue income, in the form of original issue discount, for United States federal income tax purposes during the period of the deferral in respect of your proportionate share of the junior subordinated notes, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. You will also not receive the cash distribution related to any accrued and unpaid interest from the trust if you sell the trust preferred securities before the record date for any deferred distributions, even if you held the trust preferred securities on the date that the payments would normally have been paid. See Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount.

The IRS or a court may disagree with the characterization of the junior subordinated notes as indebtedness for United States federal income tax purposes.

CSC, the trust, and each holder of trust preferred securities agree in the trust documents to treat the junior subordinated notes as indebtedness for United States federal income tax purposes.

Both the junior subordinated notes and the trust preferred securities are novel financial instruments and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the junior subordinated notes or the trust preferred securities. Thus, the IRS or a court may disagree with the characterization of the junior subordinated notes as indebtedness for United States federal income tax purposes. If, contrary to the opinion of tax counsel to CSC and the trust, the junior subordinated notes were recharacterized as CSC s equity, payment on the trust preferred securities to non-United States holders would generally be subject to the United States federal withholding tax at a rate of 30% (or a lower rate, if there is an applicable tax treaty providing such a lower rate). See Certain United States Federal Income Tax Consequences.

Your claims in respect of accrued interest would be limited upon bankruptcy, insolvency or receivership of CSC.

In certain events of CSC s bankruptcy, insolvency or receivership prior to the redemption or repayment of any junior subordinated notes, whether voluntary or not, a holder of junior subordinated notes will

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have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of the alternative payment mechanism to the extent the amount of such interest exceeds the sum of:

- interest that relates to the earliest two years of the portion of the deferral period for which interest has not been paid (including compounded interest thereon); and
- an amount equal to such holder s *pro rata* share of the excess, if any, of the preferred stock issuance cap over the aggregate amount of net proceeds from the sale of qualifying preferred stock and unconverted mandatorily convertible preferred stock that CSC has applied to pay such deferred interest pursuant to the alternative payment mechanism.

Furthermore, each holder of junior subordinated notes is deemed to agree that, to the extent the remaining claim exceeds the amount set forth in the first bullet point above, the amount it receives in respect of such excess shall not exceed the amount it would have received had the claim for such excess ranked *pari passu* with the interests of the holders, if any, of qualifying preferred stock.

Holders of the trust preferred securities have limited rights under the junior subordinated notes.

Except as described below, you, as a holder of the trust preferred securities, will not be able to exercise directly any rights under the junior subordinated notes.

If an event of default under the trust agreement were to occur and be continuing, holders of the trust preferred securities would have to rely on the enforcement by the property trustee of its rights as the registered holder of the junior subordinated notes against CSC, although the holders of a sufficient amount of the junior subordinated notes would have the right to direct certain actions to be taken by the property trustee. Specifically, the holders of a majority in liquidation amount of the trust preferred securities would have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee or to direct the exercise of any trust or power conferred upon the property trustee under the amended declaration of trust, including the right to direct the property trustee to exercise the remedies available to it as the registered holder of the junior subordinated notes.

The indenture for the junior subordinated notes provides that the indenture trustee must give holders notice of all defaults or events of default within 30 days after they become known to the indenture trustee. However, except in the cases of a default or an event of default in payment on the junior subordinated notes, the indenture trustee will be protected in withholding the notice if its responsible officers determine that withholding of the notice is in the interest of the holders.

If the property trustee failed to enforce its rights under the junior subordinated notes in respect of an event of default under the junior subordinated notes after a record holder of the trust preferred securities made a written request, that record holder could, to the extent permitted by applicable law, institute a legal proceeding directly against CSC to enforce the property trustee s rights under the junior subordinated notes. In addition, if CSC failed to pay interest or principal on the junior subordinated notes on the date that interest or principal is otherwise payable, except for deferrals permitted by the indenture, and this failure to pay were continuing, holders of the trust preferred securities would have the right to directly institute a proceeding for enforcement of CSC s obligations to use commercially reasonable efforts to issue and sell qualifying APM securities pursuant to the alternative payment mechanism and to apply the proceeds thereof to pay deferred interest or to use commercially reasonable

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efforts to issue and sell qualifying capital securities as described under Description of the Junior Subordinated Notes Repayment of Principal. The holders right to directly institute such a proceeding would be restricted if a market disruption event were to occur and in the case of issuing qualifying APM securities pursuant to the alternative payment mechanism, if a supervisory event (so long as CSC is subject to the regulation and supervision of the Federal Reserve) were to occur.

The property trustee, as the registered holder of the junior subordinated notes on behalf of the trust, has only limited rights of acceleration.

The property trustee, as the registered holder of the junior subordinated notes on behalf of the trust, may accelerate payment of the principal and accrued and unpaid interest on the junior subordinated notes only upon the occurrence and continuation of an event of default under the junior subordinated notes. An event of default under the junior subordinated notes is generally limited to payment defaults after 10 years of interest deferral, specific events of bankruptcy, insolvency and reorganization relating to CSC, and (so long as CSC is subject to the regulation and supervision of the Federal Reserve) the receivership of a major subsidiary depository institution.

There is no right of acceleration if CSC breaches other covenants under the indenture or defaults on its payment obligations under the guarantee. In addition, the indenture does not protect holders from a sudden and dramatic decline in credit quality resulting from takeovers, recapitalizations, or similar restructurings or other highly leveraged transactions.

There may be no trading market for the trust preferred securities.

CSC does not intend to apply for listing of the trust preferred securities on any securities exchange. Although CSC has been advised that the underwriters intend to make a market in the trust preferred securities, those underwriters are not obligated to do so and may discontinue market making at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the trust preferred securities, nor can any assurance be given that you will be able to sell your trust preferred securities at the price you originally paid for them.

The general level of interest rates and CSC s credit quality will directly affect the value of the trust preferred securities.

The trading prices of the trust preferred securities will be directly affected by, among other things, interest rates generally and CSC s credit quality. It is impossible to predict whether interest rates will rise or fall. CSC s operating results and prospects and its financial condition, among other factors, will affect the value of the trust preferred securities.

General market conditions and unpredictable factors could adversely affect market prices for the trust preferred securities.

There can be no assurance as to the market prices for the trust preferred securities. Various factors, including factors beyond CSC s control, will influence the market value of the trust preferred securities. Factors that might influence the market value of the trust preferred securities include:

Ø whether CSC is deferring interest or is likely to defer interest on the junior subordinated notes;

Ø CSC s creditworthiness;

Ø the market for similar securities; and

Ø economic, financial, geopolitical, regulatory or judicial events that affect CSC or the financial markets generally.

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Accordingly, the trust preferred securities that an investor purchases, whether in this offering or in the secondary market, may trade at a discount to their cost.

CSC may redeem the junior subordinated notes at any time. In certain circumstances, the redemption price will not include a make-whole amount and, if there is a challenge to the tax characterization or certain changes occur relating to the rating agency treatment of the junior subordinated notes prior to November 15, 2017, the make-whole amount may be less than would otherwise apply.

CSC may redeem any or all of the junior subordinated notes at any time. The redemption price will be 100% of the principal amount of the junior subordinated notes to be redeemed plus accrued interest through the date of redemption in the case of a redemption:

- of any junior subordinated notes on November 15, 2017;
- of all but not less than all of the junior subordinated notes within 90 days after the occurrence of certain changes relating to the capital treatment of the trust preferred securities or the investment company laws;
- of all but not less than all of the junior subordinated notes after November 15, 2017 and within 90 days after the occurrence of certain changes relating to the tax treatment of, or the rating agency equity credit accorded to, the trust preferred securities; or
- of any junior subordinated notes at any time on or after November 15, 2037.

In the case of any other redemption, the redemption price will be a make-whole redemption price. In the case of a redemption of all of the junior subordinated notes prior to November 15, 2017 but within 90 days after the occurrence of certain changes relating to the tax treatment of, or the rating agency equity credit accorded to, the trust preferred securities, the make-whole redemption price may be lower than would otherwise apply. If such a redemption occurs, the trust must use the redemption price it receives to redeem, on a proportionate basis, trust preferred securities and trust common securities having an aggregate liquidation amount equal to the aggregate principal amount of the junior subordinates notes redeemed.

If the trust preferred securities were redeemed, the redemption would be a taxable event to you. In addition, you might not be able to reinvest the money you receive upon redemption of the trust preferred securities at the same rate as the rate of return on the trust preferred securities. See Description of the Junior Subordinated Notes Redemption.

An IRS pronouncement or threatened challenge resulting in a tax event could occur at any time. Similarly, changes in rating agency methodology or the treatment of the trust preferred securities for Federal Reserve capital adequacy purposes (applicable so long as CSC is subject to the supervision and regulation of the Federal Reserve), and changes relating to the treatment of the trust under the Investment Company Act of 1940 could result in the junior subordinated notes being redeemed earlier or at a lower redemption price than would otherwise be the case. See Description of the Junior Subordinated Notes Redemption for a further description of those events.

CSC generally will control the trust because your voting rights are limited.

You will only have limited voting rights. In particular, you may not elect or remove any trustees, except when there is an event of default under the junior subordinated notes. If such a default occurs and is continuing, the holders of a majority in liquidation amount of the trust preferred securities would be entitled to appoint, remove or replace the property trustee and/or the Delaware Trustee. See Schwab Capital Trust I.

RISKS RELATED TO CSC

For risks related to CSC, please see the section entitled Risk Factors in CSC s Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

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Use of proceeds

The trust will invest the proceeds from the sale of the trust preferred securities offered hereby and of the trust common securities to CSC in the junior subordinated notes to be issued by CSC. CSC intends to use the net proceeds CSC will receive upon issuance of the junior subordinated notes, which are expected to be approximately $ after expenses and underwriting discounts and commissions, for general corporate purposes.

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Capitalization

The following table sets forth the consolidated cash and cash equivalents and capitalization of CSC at June 30, 2007, on an actual basis and as adjusted basis to reflect the following:

- Ø the receipt of approximately $3.3 billion in cash proceeds from the sale of U.S. Trust;
- Ø the issuance of $300 million of junior subordinated notes to the trust and the issuance of $250 million of medium-term notes; and
- Ø a net reduction in stockholders equity consisting of (i) approximately $2.1 billion for the purchase of 84 million shares in the tender offer and 18 million shares under the Stock Purchase Agreement (in each case at the purchase price of $20.50 per share) and (ii) approximately $1.2 billion for the special cash dividend, partially offset by (iii) the after-tax gain realized from the sale of U.S. Trust of approximately $1.2 billion.

You should read the following table together with CSC s consolidated financial statements and notes thereto included in CSC s Annual Report on Form 10-K for the year ended December 31, 2006, as updated by CSC s Form 8-K filed on July 17, 2007 relating to CSC s realigned segment reporting structure, and Quarterly Report on Form 10-Q for the six months ended June 30, 2007, all of which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	June 30, 2007 (unaudited)	
(in millions)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 3,471	$ 3,969
Long-term senior debt	384	633
Junior subordinated notes		300
Total long-term debt	384	