SCHWAB CHARLES CORP
Form S-4/A
July 22, 2011
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As filed with the U.S. Securities and Exchange Commission on July 22, 2011

Registration No. 333-173635

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

THE CHARLES SCHWAB CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	6211 (Primary Standard Industrial Classification Code Number)	94-3025021 (I.R.S. Employer Identification Number)

211 Main Street

San Francisco, California 94105

(415) 667-7000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Joseph R. Martinetto

Executive Vice President and Chief Financial Officer

The Charles Schwab Corporation

211 Main Street

San Francisco, California 94105

(415) 667-7000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Lee Meyerson, Esq. Elizabeth Cooper, Esq. Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017 (212) 455-2000	Adam J. DeWitt Chief Financial Officer optionsXpress Holdings, Inc. 311 W. Monroe St., Suite 1000 Chicago, Illinois 60606 (312) 630-3300	Sanford E. Perl, P.C. Gerald T. Nowak, P.C. Kirkland & Ellis LLP 300 North LaSalle Street Chicago, Illinois 60654 (312) 862-2200

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED JULY 22, 2011

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

July 22, 2011

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of optionsXpress Holdings, Inc., or optionsXpress, to be held at optionsXpress corporate headquarters, located at 311 W. Monroe St., Chicago, Illinois 60606, on August 30, 2011 beginning at 10:00 a.m., local time. At the special meeting, you will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, or merger agreement, dated as of March 18, 2011, by and among optionsXpress, The Charles Schwab Corporation, or Schwab, and Neon Acquisition Corp., a newly formed, wholly-owned subsidiary of Schwab, pursuant to which, upon completion of the merger, Neon Acquisition Corp. will be merged with and into optionsXpress, with optionsXpress surviving the merger. After the merger, optionsXpress will be a wholly-owned subsidiary of Schwab and no longer be a publicly held corporation.

If the merger is completed, optionsXpress stockholders will have the right to receive 1.02 shares of Schwab common stock for each share of optionsXpress common stock (other than shares owned directly or indirectly by optionsXpress or Schwab), with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to closing of the merger.

Shares of Schwab common stock are listed on the New York Stock Exchange under the symbol SCHW. Shares of optionsXpress common stock are listed on the NASDAQ Global Select Market under the symbol OXPS. Based on the closing price of Schwab common stock on the New York Stock Exchange on March 18, 2011, the last trading day prior to the public announcement of the proposed merger, the 1.02 exchange ratio represented approximately $17.91 in value for each share of optionsXpress common stock. Based on the closing price of Schwab common stock on July 21, 2011, the most recent practicable trading day before the date of the accompanying proxy statement/prospectus, the 1.02 exchange ratio represented approximately $15.95 in value for each share of optionsXpress common stock.

The board of directors of optionsXpress unanimously (i) determined that it was advisable, in the best interests of and fair to optionsXpress and its stockholders to enter into the merger agreement and (ii) approved and adopted the merger agreement, the merger, and the other transactions contemplated by the merger agreement. **Therefore, the optionsXpress board of directors unanimously recommends that you vote FOR the approval and adoption of the merger agreement and the merger contemplated by the merger agreement, and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the adoption of the merger agreement and the merger contemplated by the merger agreement.**

The proxy statement/prospectus attached to this letter, which serves as the proxy statement for the special meeting of the stockholders of optionsXpress and the prospectus for the shares of Schwab common stock to be issued in the merger, provides you with information about the merger, the merger agreement and the special meeting. A copy of the merger agreement is attached as Annex A to the proxy statement/prospectus. **We encourage you to read the entire proxy statement/prospectus and its annexes carefully, including the discussion of the risks related to the merger and owning Schwab common stock after the merger in the section titled Risk Factors beginning on page 19.** You may also obtain more information about us from documents we have filed with the Securities and Exchange Commission.

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Your vote is very important, regardless of the number of shares of optionsXpress common stock you own. Under Delaware law, the merger cannot be completed unless the holders of a majority of the outstanding shares of optionsXpress common stock entitled to vote at the special meeting vote for the approval and adoption of the merger agreement. **If you do not vote, it will have the same effect as a vote against the approval and adoption of the merger agreement.**

Whether or not you plan to attend the special meeting in person, please complete, sign, date and return promptly the enclosed proxy card by mail, or submit a proxy through the Internet or by telephone following the instructions on the enclosed proxy card as soon as possible to make sure your shares are represented at the special meeting. If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee. These actions will not limit your right to vote in person if you wish to attend the special meeting and vote in person.

Thank you in advance for your cooperation and continued support.

Sincerely,

Adam DeWitt

Chief Financial Officer and Secretary

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN THE MERGER OR DETERMINED IF THE ATTACHED PROXY STATEMENT/PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ACCOMPANYING PROXY STATEMENT/PROSPECTUS IS DATED JULY 22, 2011, AND IS FIRST BEING MAILED TO OPTIONSXPRESS STOCKHOLDERS ON OR ABOUT JULY 29, 2011.

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311 W. Monroe St., Suite 1000

Chicago, Illinois 60606

(312) 630-3300

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON AUGUST 30, 2011

TO THE STOCKHOLDERS OF OPTIONSXPRESS HOLDINGS, INC.:

A special meeting of stockholders of optionsXpress Holdings, Inc., a Delaware corporation, will be held at optionsXpress corporate headquarters, located at 311 W. Monroe St., Chicago, Illinois 60606, on August 30, 2011, beginning at 10:00 a.m., local time, for the following purposes:

1. *Approval and Adoption of the Merger Agreement*. To consider and vote on a proposal to approve and adopt the Agreement and Plan of Merger, dated as of March 18, 2011, by and among optionsXpress, Schwab and Neon Acquisition Corp., and the merger contemplated by the merger agreement, as it may be amended from time to time.

2. *Adjournment of the Special Meeting*. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes properly cast at the time of the meeting to approve and adopt the merger agreement.

Only stockholders of record of optionsXpress common stock as of the close of business on July 18, 2011, will be entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. All stockholders of record are cordially invited to attend the special meeting in person.

Your vote is very important, regardless of the number of shares of optionsXpress common stock you own. Under Delaware law, the merger cannot be completed unless the holders of a majority of the outstanding shares of optionsXpress common stock entitled to vote at the special meeting vote for the approval and adoption of the merger agreement. Even if you plan to attend the meeting in person, we request that you complete, sign, date and return the enclosed proxy card in the envelope provided or submit a proxy through the Internet or by telephone following the instructions on the enclosed proxy card, and thereby ensure that your shares will be represented at the meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote FOR the approval and adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

If you fail to vote by proxy or in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, will have the same effect as a vote against the approval and adoption of the merger agreement. If you are a stockholder of record and wish to vote in person at the special meeting, you may withdraw your proxy and vote in person.

The merger agreement and the merger are described in the accompanying proxy statement/prospectus and a copy of the merger agreement is included as Annex A to the proxy statement/prospectus.

By Order Of The Board Of Directors,

Adam DeWitt

Chief Financial Officer and Secretary

July 22, 2011

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ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about Schwab and optionsXpress from documents that are not included in or delivered with the proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the proxy statement/prospectus by requesting them in writing or by telephone or email from the appropriate company at the following addresses, telephone numbers and email addresses:

The Charles Schwab Corporation	optionsXpress Holdings, Inc.
211 Main Street	311 W. Monroe St., Suite 1000
San Francisco, California 94105	Chicago, Illinois 60606
Attention: Corporate Secretary	Attention: Corporate Secretary
(415) 667-1959	1-877-280-9010
Email: investor.relations@schwab.com	Email: investorrelations@optionsxpress.com

If you would like to request documents, please do so by August 23, 2011, in order to receive them before the special meeting of optionsXpress stockholders.

For a more detailed description of the information incorporated by reference in the accompanying proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information beginning on page 85 of the accompanying proxy statement/prospectus.

The accompanying proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the accompanying proxy statement/prospectus, including any documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the other meeting matters or the accompanying proxy statement/prospectus or need assistance voting your shares, please contact optionsXpress proxy solicitor at the address or telephone number listed below:

Okapi Partners LLC

437 Madison Ave., 28th Floor

New York, NY 10022

Banks and brokers should call:	Stockholders should call:
(212) 297-0720	(877) 796-5274

Please do not send your stock certificates at this time. You will be sent separate instructions regarding the surrender of your stock certificates.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this proxy statement/prospectus refers in order to fully understand the merger and the related transactions. See Where You Can Find More Information beginning on page 85. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

The Companies (Page 25)

Schwab

Schwab, a savings and loan holding company headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries, in securities brokerage, banking, asset management, and related financial services to individuals and institutional clients. At June 30, 2011, Schwab had $1.66 trillion in client assets, 8.1 million active brokerage accounts, 1.44 million corporate retirement plan participants, and 745,000 banking accounts. The address of Schwab s principal executive offices is 211 Main Street, San Francisco, California 94105, and its telephone number is (415) 667-7000.

Neon Acquisition Corp.

Neon Acquisition Corp. is a Delaware corporation and a direct wholly-owned subsidiary of Schwab. Neon Acquisition Corp. was formed solely for the purpose of effecting the merger with optionsXpress. It has not carried on any activities other than in connection with the merger. The address of Neon Acquisition Corp. s principal executive offices is 211 Main Street, San Francisco, California 94105, and its telephone number is (415) 667-7000.

optionsXpress

optionsXpress, headquartered in Chicago, Illinois, was incorporated in 2004 and provides, through its subsidiaries, an innovative suite of online brokerage services for investor education, strategy evaluation and trade execution. The address of optionsXpress principal executive offices is 311 W. Monroe St., Suite 1000, Chicago, Illinois 60606, and its telephone number is (312) 630-3300.

The Merger (Page 29)

On March 18, 2011, Schwab, optionsXpress and Neon Acquisition Corp. entered into the merger agreement, which is the legal document governing the proposed merger and is attached to this proxy statement/prospectus as Annex A. Under the terms of the merger agreement, Neon Acquisition Corp. will be merged with and into optionsXpress, with optionsXpress continuing as the surviving corporation. Upon completion of the merger, optionsXpress will be a wholly-owned subsidiary of Schwab and optionsXpress common stock will no longer be publicly traded.

What optionsXpress Stockholders Will Receive in the Merger (Page 60)

Upon completion of the merger, each outstanding share of optionsXpress common stock (other than shares owned directly or indirectly by Schwab or optionsXpress (which will be cancelled or remain outstanding), which we refer to as the excluded shares) will be converted into the right to receive 1.02 shares of Schwab common stock. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to completion of the merger, which means that the value of the consideration that optionsXpress stockholders will receive as a result of the merger will fluctuate with the market price of Schwab common stock.

What Holders of optionsXpress Stock Options and Other Equity-Based Awards Will Receive in the Merger (Page 61)

Upon completion of the merger, options to purchase shares of optionsXpress common stock will be assumed by Schwab and converted automatically into options to purchase Schwab common stock, except that Schwab may at its option cancel in exchange for a cash payment any such options held

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by optionsXpress employees who reside outside of the United States. The number of shares subject to such options and the exercise price of the options will be adjusted based on the 1.02 exchange ratio.

All other rights and awards to receive shares of optionsXpress common stock or benefits measured by the value of optionsXpress common stock will be converted into rights or awards in respect of a number of shares of Schwab common stock as adjusted based on the 1.02 exchange ratio.

Accounting Treatment of the Merger (Page 56)

Schwab will account for the merger using the acquisition method for financial reporting purposes.

Material U.S. Federal Income Tax Consequences of the Merger (Page 53)

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of optionsXpress common stock generally will not recognize any gain or loss with respect to the Schwab common stock received in the merger, but will recognize gain or loss with respect to any cash received in lieu of fractional shares of Schwab common stock.

Opinion of Evercore Group L.L.C., Financial Advisor to optionsXpress (Page 35)

The optionsXpress board of directors received an opinion, dated March 18, 2011, from Evercore Group L.L.C., which we refer to as Evercore, to the effect that, as of that date and based on and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth in the opinion, the exchange ratio was fair, from a financial point of view, to the holders of the shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger. The full text of Evercore s written opinion, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review

undertaken in rendering its opinion, is attached as Annex C to this proxy statement/prospectus. The opinion was directed to the optionsXpress board of directors and addresses only the fairness, from a financial point of view, of the exchange ratio to the holders of shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger. The opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to the optionsXpress board of directors or to any other persons in respect of the proposed merger, including as to how any holder of shares of optionsXpress common stock should vote or act in respect of the proposed merger.

Recommendation of optionsXpress Board of Directors (Page 33)

optionsXpress board of directors has determined that the merger is fair and in the best interests of optionsXpress and its stockholders. The optionsXpress board of directors unanimously recommends that optionsXpress stockholders vote **FOR** the approval and adoption of the merger agreement and the merger contemplated by the merger agreement, and **FOR** the approval of the adjournment of the special meeting.

Interests of optionsXpress Directors and Executive Officers in the Merger (Page 47)

A number of optionsXpress executive officers and directors have interests in the merger that are different from those of other optionsXpress stockholders. As of July 18, 2011, the record date for the optionsXpress special meeting, all directors and executive officers of optionsXpress, together with their affiliates, beneficially owned approximately 27.0% of the outstanding shares of optionsXpress common stock, which includes shares of restricted stock that will vest within sixty days of such date, and shares underlying vested options and options that will vest within sixty days of such date. Additionally, certain executive officers and the non-employee directors of optionsXpress will be entitled to additional benefits upon or as a result of the completion of the merger. The optionsXpress board of directors was aware of these interests and considered them in its decision to approve the merger agreement.

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Schwab Board of Directors after the Merger (Page 53)

Upon completion of the merger, the current directors of Schwab are expected to continue in their current positions.

No Solicitation of Alternative Transactions (Page 67)

optionsXpress has agreed not to initiate, solicit, encourage or knowingly facilitate the submission of any proposals from third parties regarding acquiring optionsXpress or its businesses. In addition, optionsXpress has agreed not to engage in discussions or negotiations with or provide confidential information to a third party regarding acquiring optionsXpress or its businesses. However, if optionsXpress receives an unsolicited acquisition proposal from a third party prior to the date of the special meeting of optionsXpress stockholders, optionsXpress may participate in discussions with, or provide confidential information to, such third party if, among other steps, the optionsXpress board of directors concludes in good faith that the proposal is or is reasonably likely to result in a financially superior proposal to the merger.

Regulatory Approvals Required for the Merger (Page 56)

Schwab and optionsXpress have agreed to use reasonable best efforts to obtain as promptly as practicable all regulatory approvals that are required to complete the transactions contemplated by the merger agreement. The foreign, federal and state securities authorities, regulatory authorities and organizations, self-regulatory organizations, and state, federal and foreign antitrust authorities from which approvals must be sought or to which notifications must be provided include, among others: (1) the Department of Justice and the Federal Trade Commission; (2) the Financial Industry Regulatory Authority, Chicago Board Options Exchange and NASDAQ Stock Market LLC; (3) the Investment Industry Regulatory Organization of Canada and applicable Canadian provincial securities commissions; (4) the Netherlands Authority for the Financial Markets and Dutch Central Bank; and (5) the Monetary Authority of Singapore.

Schwab and optionsXpress have obtained, or plan to obtain, these required regulatory approvals, among others. Although neither Schwab nor optionsXpress knows of any reason why any outstanding regulatory approvals would not be obtained in a timely manner, neither Schwab nor optionsXpress can be certain when or if such approvals will be obtained.

Conditions to Completion of the Merger (Page 70)

As more fully described in this proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of mutual conditions being satisfied or waived, including:

- the approval of optionsXpress stockholders;
- receipt of all material regulatory approvals and consents required or advisable to complete the transactions contemplated by the merger agreement and the expiration or termination of all material statutory waiting periods;
- the effectiveness of the registration statement of which this proxy statement/prospectus is a part;
- the approval of the listing of the Schwab common stock to be issued or to be reserved for issuance in connection with the merger on the New York Stock Exchange;
- the absence of any law or order prohibiting or making illegal the completion of the merger; and
- the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and, if required, the receipt of certain other antitrust approvals.

Each of Schwab s and optionsXpress obligations to complete the merger is also separately subject to the satisfaction or waiver of a number of conditions, including:

the other party s representations and warranties in the merger agreement being true and correct, subject to the materiality

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- standards contained in the merger agreement;

- material compliance of the other party with its covenants; and

- receipt by each party of a legal opinion from its respective counsel that the merger will qualify as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Code.

Schwab and optionsXpress cannot be certain of when, or if, the conditions to the merger will be satisfied or waived or whether or not the merger will be completed.

Termination of the Merger Agreement (Page 70)

Schwab and optionsXpress can agree at any time to terminate the merger agreement without completing the merger, even if optionsXpress stockholders have adopted the merger agreement. Also, either of Schwab or optionsXpress can terminate the merger agreement if:

- a governmental entity which must grant a regulatory approval or an antitrust approval that is a condition to the merger denies such approval and such action has become final and non-appealable;

- a governmental entity issues a final non-appealable order enjoining or prohibiting the merger;

- the merger is not completed by December 31, 2011 (other than because of a breach of the merger agreement by the party seeking termination);

- the other party breaches the merger agreement in a manner that would entitle the party seeking to terminate the merger agreement the right not to complete the merger, subject to the right of the breaching party to cure, if curable, the breach within 30 days of written notice of the breach, and the party seeking to terminate is not then in material breach of the merger agreement; or

- optionsXpress stockholders fail to adopt the merger agreement at the optionsXpress special meeting.

Additionally, Schwab may terminate the merger agreement if:

- optionsXpress board of directors has failed to recommend the merger to optionsXpress stockholders or has withdrawn, modified or qualified in a manner adverse to Schwab its recommendation of the merger;

- optionsXpress has materially breached its non-solicitation obligations described under Proposal No. 1: The Merger Agreement No Solicitation of Alternative Transactions, beginning on page 67, in any respect adverse to Schwab;

- optionsXpress has failed to call and hold a special meeting of optionsXpress stockholders in accordance with the terms of the merger agreement;

- optionsXpress negotiates or authorizes the conduct of negotiations (and 10 days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger; or a tender or exchange offer for 15% or more of the outstanding optionsXpress common stock is commenced and the optionsXpress board of directors recommends that optionsXpress stockholders tender their shares or otherwise fails to recommend that optionsXpress stockholders reject such tender offer or exchange offer within 10 business days of the commencement of the offer.

optionsXpress may also terminate the merger agreement prior to the approval of the merger agreement by its stockholders, if optionsXpress board of directors authorizes optionsXpress to enter into a definitive agreement with respect to a bona fide acquisition proposal and:

optionsXpress board of directors has concluded in good faith after consultation with its outside counsel and financial advisors that such acquisition proposal constitutes a superior proposal after giving effect to all of the adjustments that may be offered by Schwab;

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- optionsXpress has notified Schwab, at least five business days in advance, of its intention to take such action, specifies the material terms and conditions of the superior proposal and furnishes to Schwab a copy of the relevant proposed transaction agreement and other material documents;

- prior to taking such action, optionsXpress has negotiated, and has caused its financial and legal advisors to negotiate, in good faith with Schwab (to the extent Schwab desires to negotiate) to make such adjustments to the terms and conditions of the merger agreement such that the acquisition proposal no longer constitutes a superior proposal; and

- concurrently with such termination, optionsXpress enters into a definitive agreement with respect to such superior proposal, provided that optionsXpress pays Schwab a termination fee prior to or concurrently with such termination.

Termination Fee (Page 72)

optionsXpress has agreed to pay to Schwab a termination fee of $41,900,000 if the merger agreement is terminated under the circumstances specified in Proposal No. 1: The Merger Agreement Termination of the Merger Agreement Termination Fee beginning on page 72.

Amendment or Waiver of Merger Agreement Provisions (Page 73)

Schwab and optionsXpress may jointly amend the merger agreement and each of Schwab and optionsXpress may waive its right to require the other party to comply with particular provisions of the merger agreement. However, Schwab and optionsXpress may not amend the merger agreement after optionsXpress stockholders adopt the merger agreement if the amendment would legally require further approval by optionsXpress stockholders without first obtaining such further approval.

Schwab may also change the structure of the merger, as long as any such change does not alter or

change the amount or kind of merger consideration to be provided under the merger agreement, materially impede or delay completion of the merger, or adversely affect the anticipated tax consequences to optionsXpress or its stockholders in the merger.

Special Meeting of optionsXpress Stockholders (Page 26)

optionsXpress will hold its special meeting of common stockholders on August 30, 2011, at 10:00 a.m., local time, at optionsXpress corporate headquarters, located at 311 W. Monroe St., Chicago, Illinois 60606. At the special meeting you will be asked to vote for the adoption of the merger agreement and the merger contemplated by the merger agreement and to approve adjournment of the special meeting, if necessary, to solicit additional proxies in favor of adoption of the merger agreement.

You can vote at the optionsXpress special meeting of common stockholders if you owned optionsXpress common stock at the close of business on July 18, 2011. As of that date, there were 57,534,789 shares of optionsXpress common stock outstanding and entitled to vote, approximately 14,955,834 of which, or 26.0%, were held by optionsXpress directors, executive officers and their affiliates. You can cast one vote for each share of optionsXpress common stock that you owned on that date.

Voting Agreement (Page 74)

G-Bar Limited Partnership (which we refer to as G-Bar) and JG 2002 Delta Trust (which we refer to as JG Trust), in their capacity as stockholders of optionsXpress, entered into a voting agreement (which we refer to as the voting agreement) dated March 18, 2011, with Schwab and optionsXpress with respect to the shares of optionsXpress common stock owned by them. Under the voting agreement, each of G-Bar and JG Trust has agreed, subject to the terms of that agreement, to vote all shares of optionsXpress common stock beneficially owned by it at the special meeting in favor of the adoption of the merger agreement. As of the record date, G-Bar and JG Trust, collectively, beneficially owned an

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aggregate of 13,165,726 shares of optionsXpress common stock, representing approximately 22.9% of the shares of optionsXpress common stock entitled to vote at the special meeting. A copy of the voting agreement is attached to this proxy statement/prospectus as Annex B.

Appraisal Rights (Page 58)

Under Delaware law, optionsXpress stockholders are not entitled to the right to an appraisal of the value of their shares in connection with the merger.

Differences Between Rights of Schwab and optionsXpress Stockholders (Page 78)

As a result of the merger, holders of optionsXpress common stock will become holders of Schwab common stock. Following the merger, optionsXpress stockholders will have different rights as stockholders of Schwab than as stockholders of optionsXpress due to the different provisions of the governing documents of Schwab and optionsXpress. For additional information regarding the different rights as stockholders of Schwab than as stockholders of optionsXpress, see Comparison of Stockholder Rights beginning on page 78.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference in this proxy statement/prospectus.

Q: Why am I receiving this proxy statement/prospectus?

A: Schwab and optionsXpress have agreed to the acquisition of optionsXpress by Schwab under the terms of an agreement and plan of merger that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. In order to complete the merger, optionsXpress stockholders must vote to adopt the merger agreement. optionsXpress will hold a special meeting of its stockholders to obtain this approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the special meeting of optionsXpress stockholders, and other related matters, and you should read it carefully. The enclosed voting materials for the special meeting allow you to vote your shares of optionsXpress common stock without attending the special meeting in person.

We are delivering this proxy statement/prospectus to you as both a proxy statement of optionsXpress and a prospectus of Schwab. It is a proxy statement because the optionsXpress board of directors is soliciting proxies from its stockholders to vote on the approval of the merger agreement at a special meeting of stockholders, and your proxy will be used at the special meeting or at any adjournment or postponement of the special meeting. It is a prospectus because Schwab will issue Schwab common stock to the optionsXpress common stockholders and this prospectus contains information about that common stock.

Q: What am I being asked to vote on?

A: optionsXpress stockholders are being asked to vote on the following proposals:

- to approve and adopt the merger agreement and the merger contemplated by the merger agreement, as it may be amended from time to time; and

- to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes properly cast at the time of the meeting to approve and adopt the merger agreement.

Q: What will happen in the merger?

A: In the proposed merger, Neon Acquisition Corp., a newly formed, wholly-owned subsidiary of Schwab, will be merged with and into optionsXpress, with optionsXpress surviving the merger. After the merger, optionsXpress will be a wholly-owned subsidiary of Schwab and no longer be a publicly held corporation.

Q: What will I receive in the merger?

A:

optionsXpress stockholders will be entitled to receive merger consideration of 1.02 shares of Schwab common stock for each outstanding share of optionsXpress common stock (other than excluded shares) held at the time of the merger.

The value of the consideration is dependent upon the value of Schwab common stock and therefore will fluctuate with the market price of Schwab common stock. Accordingly, any change in the price of Schwab common stock prior to the merger will affect the market value of the consideration that optionsXpress stockholders will receive as a result of the merger.

Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of optionsXpress common stock?

A: The merger is intended to qualify for U.S. federal income tax purposes as a

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reorganization within the meaning of Section 368(a) of the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of optionsXpress common stock generally will not recognize any gain or loss with respect to the Schwab common stock received in the merger but will recognize gain or loss with respect to any cash received in lieu of fractional shares of Schwab common stock. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 53.

Q: Will I be able to trade the shares of Schwab common stock that I receive in the merger?

A: You may freely trade the shares of Schwab common stock issued in the merger, unless you are an affiliate of Schwab as defined by Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. Affiliates consist of individuals or entities that control, are controlled by, or under the common control with Schwab and include the executive officers and directors and may include significant stockholders of Schwab.

Q: What will happen to shares of Schwab common stock in the merger?

A: Nothing. Each share of Schwab common stock outstanding will remain outstanding as a share of Schwab common stock.

Q: What are the conditions to completion of the merger?

A: The obligations of Schwab and optionsXpress to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory and antitrust approvals, tax opinions and adoption of the merger agreement by optionsXpress stockholders.

Q: When do you expect the merger to be completed?

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining customary regulatory and antitrust approvals and the adoption of the merger agreement by optionsXpress stockholders at the special meeting. While we expect the merger to be completed in the third quarter of 2011, because fulfillment of some of the conditions to completion of the merger is not entirely within our control, we cannot assure you of the actual timing.

Q: When is this proxy statement/prospectus being mailed?

A: This proxy statement/prospectus and the proxy card are first being sent to optionsXpress stockholders on or about July 29, 2011.

Q: What stockholder approvals are required to complete the merger?

A: For optionsXpress, the affirmative vote of holders of a majority of the shares of optionsXpress common stock outstanding and entitled to vote at the special meeting is required to adopt the merger agreement. For Schwab, no approval of stockholders is needed and no vote will be taken.

Q: When and where is the special meeting?

A: The special meeting of stockholders of optionsXpress will be held at optionsXpress corporate headquarters, located at 311 W. Monroe St., Chicago, Illinois 60606 on August 30, 2011 at 10:00 a.m., local time.

Q: What will happen at the special meeting?

A: At the special meeting, optionsXpress stockholders will consider and vote upon the proposal to adopt the merger agreement. If, at the time of the special meeting, there are not sufficient votes to adopt the merger agreement, we may ask you to consider and vote upon a proposal to adjourn the special meeting, so that we can solicit additional proxies.

Q: Who is entitled to vote at the special meeting?

A: All holders of optionsXpress common stock who held shares at the close of business on the record date (July 18, 2011) are entitled to receive notice of and to vote at the special meeting provided that such shares remain outstanding on the date of the special meeting.

Q: What constitutes a quorum for the special meeting?

A: The presence in person or by proxy of a majority of the total number of outstanding shares of optionsXpress common stock entitled to vote constitutes a quorum for the special meeting.

Q: Does the optionsXpress board of directors recommend voting in favor of the merger agreement?

A: Yes. After careful consideration, the optionsXpress board of directors unanimously recommends that optionsXpress stockholders vote **FOR** adoption of the merger agreement.

Q: Are there any risks that I should consider in deciding whether to vote for adoption of the merger agreement?

A: Yes. You should read and carefully consider the risk factors set forth in the section in this proxy statement/prospectus entitled Risk Factors beginning on page 19.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in or incorporated by reference into this proxy statement/prospectus, including its annexes. It contains important information about the merger, the merger agreement, Schwab and optionsXpress. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid return envelope or submit a proxy through the Internet or by telephone as soon as possible so that your shares of optionsXpress common stock will be represented and voted at the special meeting.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?

A: No. Your broker, bank or other nominee will not vote your shares of optionsXpress common stock unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this proxy statement/prospectus.

Q: How will my shares be represented at the special meeting?

A: At the special meeting, the officers named in your proxy card will vote your shares in the manner you requested if you properly signed and submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted as the optionsXpress board of directors recommends, which is (1) **FOR** the adoption of the merger agreement and the merger contemplated by the merger agreement and (2) **FOR** the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

Q: What if I fail to submit my proxy card or to instruct my broker, bank or other nominee?

A: If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of optionsXpress common stock and you do not attend the special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote against adoption of the merger agreement.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. Although the optionsXpress board of directors requests that you return the proxy card accompanying this proxy statement/prospectus, all optionsXpress stockholders are invited to attend the special meeting. Stockholders of record on July 18, 2011 can vote in person at the special meeting. If your shares are held in street name, you must obtain a proxy from the record holder to vote your shares in person at the special meeting.

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Q: Can I change my vote after I have submitted my signed proxy card?

A: Yes. You can change your vote at any time after you have submitted your proxy card and before your proxy is voted at the special meeting.

You may deliver a written notice bearing a date later than the date of your proxy card to the Corporate Secretary of optionsXpress, stating that you revoke your proxy.

You may sign and deliver to the Corporate Secretary of optionsXpress a new proxy card relating to the same shares and bearing a later date.

You may properly cast a new vote through the Internet or by telephone at any time before the closure of the Internet and telephone voting facilities.

You may attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy.

You should send any notice of revocation or your completed new proxy card, as the case may be, to optionsXpress at the following address:

optionsXpress Holdings, Inc.

311 West Monroe Street, Suite 1000,

Chicago, Illinois 60606

Attn: Corporate Secretary

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

Q: What happens if I sell my shares after the record date but before the special meeting?

A: The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your optionsXpress shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive the merger consideration to be received by optionsXpress stockholders in the merger. In order to receive the merger consideration, you must hold your shares through completion of the merger.

Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?

A: If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the special meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

Q: Are optionsXpress stockholders entitled to seek appraisal or dissenters rights if they do not vote in favor of the adoption of the merger agreement?

A: No. Under Delaware law, holders of shares of optionsXpress common stock will not have appraisal rights in connection with the merger. See The Merger Appraisal Rights on page 58.

Q: Should I send in my stock certificates now?

A: No. After the merger is complete you will receive separate written instructions for surrendering your shares of optionsXpress common stock in exchange for shares of Schwab common stock. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card.

Q: Where can I find more information about the companies?

A: You can find more information about Schwab and optionsXpress from the various sources described under Where You Can Find More Information beginning on page 85.

Q: Will a proxy solicitor be used?

A: Yes. optionsXpress has engaged Okapi Partners LLC to assist in the solicitation of proxies for the special meeting and optionsXpress estimates

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it will pay Okapi Partners LLC a fee of approximately $25,000, plus $5.00 per completed incoming or outgoing call in direct solicitation of its stockholders, plus $5.00 per telephone vote received, as well as out-of-pocket expenses. In addition, optionsXpress officers and employees may request the return of proxies by telephone or in person, but no additional compensation will be paid to them.

Q: Whom should I call with questions?

A: You may contact Schwab or optionsXpress at the telephone numbers listed under Where You Can Find More Information beginning on page 85. In each case, please ask to speak with the persons identified in that section. You may also contact Okapi Partners LLC toll free at (877) 796-5274.

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SELECTED HISTORICAL FINANCIAL DATA OF SCHWAB

Schwab is providing the following information to aid you in your analysis of the financial aspects of the merger. Schwab derived (1) the financial information as of and for the fiscal years ended December 31, 2006 through December 31, 2010 from its historical audited financial statements for these fiscal years and (2) the financial information as of and for the three months ended March 31, 2011 and 2010 from its unaudited condensed consolidated financial statements which include, in the opinion of Schwab s management, all normal and recurring adjustments that are considered necessary for the fair presentation of the results for such interim periods and dates. The information set forth below is only a summary, and you should read it in conjunction with Schwab s consolidated financial statements and the related notes contained in Schwab s periodic reports filed with the Securities and Exchange Commission, or the SEC, that have been incorporated by reference in this proxy statement/prospectus. See Where You Can Find More Information beginning on page 85.

	As of and for the Three Months Ended March 31,		As of and for the Fiscal Year Ended December 31,				
(in millions, except per share data, ratios or as noted)	2011	2010	2010	2009	2008	2007	2006
Results of Operations							
Net revenues	$ 1,207	$ 978	$ 4,248	$ 4,193	$ 5,150	$ 4,994	$ 4,309
Expenses excluding interest	$ 813	$ 965	$ 3,469	$ 2,917	$ 3,122	$ 3,141	$ 2,833
Income from continuing operations	$ 394	$ 13	$ 454	$ 787	$ 1,230	$ 1,120	$ 891
Net income(1)	$ 243	$ 6	$ 454	$ 787	$ 1,212	$ 2,407	$ 1,227
Income from continuing operations per share basic	$ .20	$	$ .38	$ .68	$ 1.07	$ .93	$ .70
Income from continuing operations per share diluted	$ .20	$	$ .38	$ .68	$ 1.06	$ .92	$ .69
Basic earnings per share(1)(2)	$ .20	$	$ .38	$ .68	$ 1.06	$ 1.98	$ .96
Diluted earnings per share(1)(2)	$ .20	$	$ .38	$ .68	$ 1.05	$ 1.96	$ .95
Dividends declared per common share	$ .060	$ .060	$ .240	$ .240	$ .220	$ .200	$ .135
Special dividend declared per common share	$	$	$	$	$	$ 1.00	$
Weighted-average common shares outstanding diluted	1,207	1,188	1,194	1,160	1,157	1,222	1,286
Asset management and administration fees as a percentage of net revenues	42%	43%	43%	45%	46%	47%	45%
Net interest revenue as a percentage of net revenues	36%	35%	36%	30%	33%	33%	33%
Trading revenue as a percentage of net revenues(3)	20%	22%	20%	24%	21%	17%	18%
Effective income tax rate on income from continuing operations	38.3%	53.8%	41.7%	38.3%	39.3%	39.6%	39.6%
Capital expenditures purchases of equipment, office facilities, and property, net(4)	$ 37	$ 24	$ 127	$ 139	$ 194	$ 168	$ 59
Capital expenditures, net, as a percentage of net revenues	3%	2%	3%	3%	4%	3%	1%

	As of and for the Three Months Ended March 31,		As of and for the Fiscal Year Ended December 31,				
	2011	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
(in millions, except per share data, ratios or as noted)							
Performance Measures							
Net revenue growth (decline)	23%	(12%)	1%	(19%)	3%	16%	19%
Pre-tax profit margin from continuing operations	32.6%	1.3%	18.3%	30.4%	39.4%	37.1%	34.3%
Return on stockholders equity (annualized)	15%		8%	17%	31%	55%	26%
Financial Condition (at period end)							
Total assets	$ 94,883	$ 78,337	$ 92,568	$ 75,431	$ 51,675	$ 42,286	$ 48,992
Long-term debt	$ 2,005	$ 1,309	$ 2,006	$ 1,512	$ 883	$ 899	$ 388
Stockholders equity	$ 6,487	$ 5,671	$ 6,226	$ 5,073	$ 4,061	$ 3,732	$ 5,008
Assets to stockholders equity ratio	15	14	15	15	13	11	10
Long-term debt to total financial capital (long-term debt plus stockholders equity)	24%	19%	24%	23%	18%	19%	7%
Employee Information							
Full-time equivalent employees (at period end, in thousands)	13.1	12.6	12.8	12.4	13.4	13.3	12.4
Annualized net revenues per average full-time equivalent employee (in thousands)	$ 371	$ 310	$ 337	$ 338	$ 383	$ 387	$ 362

Note: All information is presented on a continuing operations basis unless otherwise noted.

(1) Net income in 2007 includes a gain of $1.2 billion, after tax, on the sale of U.S. Trust Corporation.
(2) Both basic and diluted earnings per share in 2008, 2007 and 2006 include discontinued operations.
(3) Trading revenue includes commission and principal transaction revenues.
(4) Capital expenditures in 2006 are presented net of proceeds of $63 million primarily from the sale of a data center.

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SELECTED HISTORICAL FINANCIAL DATA OF OPTIONSXPRESS

optionsXpress derived (1) the financial information as of and for each of the fiscal years in the five-year period ended December 31, 2010 from its historical audited financial statements for such fiscal years and (2) the financial information as of and for the three months ended March 31, 2011 and 2010 from its unaudited condensed consolidated financial statements which include, in the opinion of optionsXpress management, all normal and recurring adjustments that are considered necessary for the fair presentation of the results for such interim periods and dates. The information set forth below is only a summary, and you should read it in conjunction with optionXpress consolidated financial statements and the related notes contained in optionXpress periodic reports filed with the SEC that have been incorporated by reference in this proxy statement/prospectus. See Where You Can Find More Information beginning on page 85.

	As of and for the Three Months Ended March 31,		As of and for the Fiscal Year Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
	(in thousands, except per share data, statistical data or as noted)						
Results of Operations							
Revenues							
Commissions	$ 45,396	$ 39,598	$ 159,448	$ 159,536	$ 167,562	$ 153,913	$ 123.305
Other brokerage related revenue	5,851	4,498	17,936	26,765	30,832	35,389	33,816
Interest revenue and fees	4,283	4,767	18,409	17,787	46,956	62,493	30,781
Interest expense	(70)	(51)	(200)	(245)	(1,794)	(7,015)	(1,440)
Net interest revenue and fees	4,213	4,716	18,209	17,542	45,162	55,478	29,341
Education revenue	5,383	7,530	27,302	24,398			
Other income	5,054	689	8,549	5,177	3,002	2,250	470
Net revenues	$ 65,897	$ 57,031	$ 231,444	$ 233,418	$ 246,558	$ 247,030	$ 186,932
Expenses							
Compensation and benefits	$ 12,321	$ 11,648	$ 46,299	$ 42,452	$ 28,571	$ 26,499	$ 21,510
Brokerage, cleaning, and other related expenses	9,744	9,018	37,203	31,931	27,675	19,910	21,583
Brokerage advertising	5,383	4,369	17,863	17,608	20,716	14,816	7,454
Education marketing and fulfillment	3,043	5,295	17,208	15,763			
Depreciation and amortization	2,166	2,291	8,890	8,879	7,423	5,710	3,394
Other general and administrative	9,982	5,559	23,858	22,509	20,592	20,335	16,073
Total expenses	43,652(1)	38,180	151,321	139,142	104,977	87,270	70,014
Income before income taxes of consolidated companies	22,245	18,851	80,123	94,276	141,581	159,760	116,918
Income taxes	7,993	6,946	28,154	33,439	51,008	61,830	45,158
Net income of consolidated companies	14,252	11,905	51,969	60,837	90,573	97,930	71,760
Net income attributable to non-controlling interests	24	17	65	70	258	211	31
Net income	$ 14,228	$ 11,888	$ 51,904	$ 60,767	$ 90,315	$ 97,719	$ 71,729
Net income per share basic	$ 0.25	$ 0.21	$ 0.90	$ 1.05	$ 1.49	$ 1.55	$ 1.15
Net income per share diluted	$ 0.25	$ 0.21	$ 0.90	$ 1.05	$ 1.49	$ 1.55	$ 1.15
Weighted average shares basic	57,465	57,465	57,443	57,925	60,566	62,923	62,319
Weighted average shares diluted	57,793	57,655	57,785	58,081	60,720	63,131	62,612

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	As of and for the Three Months Ended March 31, 2011	2010	As of and for the Fiscal Year Ended December 31, 2010	2009	2008	2007	2006
	(in thousands, except per share data, statistical data or as noted)						
Statistical Data							
Number of customer accounts (at period end)(2)	389,300	357,700	379,400	351,200	318,600	262,400	204,600
Daily average revenue trades (DARTs(3))							
Retail DARTs	36,500	30,300	29,900	31,500	36,500	35,500	27,200
Institutional DARTs(4)	14,000	14,300	14,000	12,600	7,100		
Total DARTs	50,500	44,600	43,900	44,100	43,600	35,500	27,200
Customer trades per account (in thousands)(5)	33	31	30	33	38	38	37
Average commission per trade	$ 14.50	$ 14.55	$ 14.42	$ 14.41	$ 15.27	$ 17.38	$ 18.13
Option trades as a % of total trades	45%	42%	42%	42%	53%	67%	74%
Brokerage advertising expense per net new customer account(6)	$ 544	$ 672	$ 633	$ 540	$ 388	$ 304	$ 138
Balance Sheet (at period end)							
Cash and investments in securities	$ 106,441	$ 163,706	$ 112,317	$ 249,839	$ 204,387	$ 228,667	$ 194,665
Total assets	1,635,686	1,482,175	1,472,918	1,546,321	972,333	1,155,511	687,524
Total liabilities	1,516,177	1,161,045	1,367,833	1,235,446	704,038	877,561	506,665
Total stockholders equity	119,509	321,130	105,085	310,874	268,295	277,950	180,859
Dividends							
Dividends declared per share (during the period)			$ 4.50	$ 0.08	$ 0.32	$ 0.25	$ 0.20

(1) Includes loan interest and fees of $1.013 million.
(2) Customer accounts are open, numbered accounts.
(3) DARTs are total revenue-generating trades for a period divided by the number of trading days in that period.
(4) Includes all Open E Cry, LLC and other institutional revenue-generating trades beginning in July 2008.
(5) Customer trades per account are total trades divided by the average number of total customer accounts during the period.
(6) Calculated based on total net new customer accounts opened during the period. Excludes accounts acquired in the XpressTrade, LLC and Open E Cry, LLC acquisitions.

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UNAUDITED COMPARATIVE PER SHARE DATA

The table below presents per share data for (1) Schwab and optionsXpress on a historical basis, (2) Schwab on a preliminary pro forma combined basis giving effect to the merger and (3) optionsXpress on a preliminary pro forma equivalent basis based on the exchange ratio of 1.02 shares of Schwab common stock per share of optionsXpress common stock. The preliminary pro forma and pro forma equivalent information was prepared as if the merger had become effective on March 31, 2011, in the case of the book value data presented, and on January 1, 2010, in the case of the earnings and dividends declared data presented. The data presented in the table assume that the merger is accounted for using the acquisition method of accounting. The preliminary pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the financial results of Schwab had the merger actually been completed as of or at the beginning of each period presented nor does it indicate future results for any other interim or full-year period.

The information in the following table is derived from and should be read in conjunction with the historical consolidated financial statements and related notes of Schwab and optionsXpress, which are incorporated into this document by reference. See Selected Historical Financial Data of Schwab beginning on page 12 and Selected Historical Financial Data of optionsXpress beginning on page 14.

	At or for the Year Ended December 31, 2010		At or for the Three Months Ended March 31, 2011	
Schwab				
Basic earnings per common share				
Historical	$	0.38	$	0.20
Pro forma(1)	$	0.39	$	0.20
Diluted earnings per common share				
Historical	$	0.38	$	0.20
Pro forma(1)	$	0.38	$	0.20
Dividends declared per common share				
Historical	$	0.240	$	0.060
Pro forma	$	0.240	$	0.060
Book value per common share outstanding at period end				
Historical	$	5.18	$	5.38
Pro forma		N/A	$	5.22
optionsXpress				
Basic earnings per common share				
Historical	$	0.90	$	0.25
Pro forma equivalent(2)	$	0.40	$	0.20
Diluted earnings per common share				
Historical	$	0.90	$	0.25
Pro forma equivalent(2)	$	0.39	$	0.20
Dividends declared per common share				
Historical	$	4.50	$	
Pro forma equivalent(2)	$	0.24	$	0.06
Book value per common share outstanding at period end				
Historical	$	1.83	$	2.08
Pro forma equivalent(2)		N/A	$	5.32

(1) The preliminary pro forma earnings per share information was prepared based on the combined historical consolidated earnings of Schwab and optionsXpress, adjusted to give effect to pro forma events that are (a) directly attributable to the merger, (b) factually supportable and (c) expected to have a continuing impact on combined results.

(2) The preliminary pro forma equivalent per share information was obtained by multiplying the pro forma per share amounts shown for Schwab by the exchange ratio of 1.02.

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COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION

Schwab common stock is listed and traded on the New York Stock Exchange under the symbol SCHW. optionsXpress common stock is listed and traded on the NASDAQ Global Select Market under the symbol OXPS. The following table sets forth, for the calendar quarters indicated, (1) the high and low sales prices per share of Schwab common stock as reported on the NASDAQ Stock Market until March 5, 2010, at which time it began trading on the New York Stock Exchange, and thereafter on the New York Stock Exchange, and (2) the high and low sales prices of optionsXpress common stock as reported on the NASDAQ Global Select Market. In addition, the table also sets forth the quarterly cash dividends per share declared by Schwab and optionsXpress with respect to their common stock.

	Schwab			optionsXpress		
	High	Low	Dividends Declared	High	Low	Dividends Declared
For the calendar quarterly period ended:						
2008						
March 31, 2008	$ 24.78	$ 18.04	$ 0.05	$ 33.39	$ 19.56	$ 0.08
June 30, 2008	$ 22.78	$ 18.31	$ 0.05	$ 24.67	$ 19.77	$ 0.08
September 30, 2008	$ 26.00	$ 18.78	$ 0.06	$ 26.52	$ 19.42	$ 0.08
December 31, 2008	$ 24.37	$ 14.59	$ 0.06	$ 19.01	$ 11.29	$ 0.08
2009						
March 31, 2009	$ 16.63	$ 11.34	$ 0.06	$ 13.86	$ 8.66	$ 0.08
June 30, 2009	$ 18.92	$ 15.31	$ 0.06	$ 19.31	$ 11.56	
September 30, 2009	$ 19.45	$ 16.47	$ 0.06	$ 18.55	$ 14.09	
December 31, 2009	$ 19.49	$ 16.94	$ 0.06	$ 18.48	$ 13.99	
2010						
March 31, 2010	$ 19.78	$ 17.50	$ 0.06	$ 17.47	$ 14.32	
June 30, 2010	$ 19.88	$ 14.18	$ 0.06	$ 18.09	$ 15.25	
September 30, 2010	$ 15.43	$ 12.76	$ 0.06	$ 17.18	$ 14.23	
December 31, 2010	$ 17.42	$ 13.98	$ 0.06	$ 21.00	$ 15.14	$ 4.50
2011						
March 31, 2011	$ 19.45	$ 17.16	$ 0.06	$ 18.49	$ 14.11	
June 30, 2011	$ 18.72	$ 15.78	$ 0.06	$ 18.87	$ 16.01	
September 30, 2011 (through July 21, 2011)	$ 16.72	$ 14.97	N/A	$ 16.97	$ 15.13	

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The following table presents:

the last reported sale price of a share of optionsXpress common stock, as reported on the NASDAQ Global Select Market; and

the last reported sale price of a share of Schwab common stock, as reported on the New York Stock Exchange,
in each case, on March 18, 2011, the last trading day prior to the public announcement of the proposed merger, and on July 21, 2011, the last practicable trading day prior to the date of this proxy statement/prospectus. The following table also presents the equivalent per share value of the Schwab common stock that optionsXpress stockholders would receive for each share of their optionsXpress common stock if the merger was completed on those dates:

	optionsXpress Common Stock	Schwab Common Stock	Equivalent Value Per Share of optionsXpress Common Stock(1)
March 18, 2011	$ 15.33	$ 17.56	$ 17.91
July 21, 2011	$ 15.80	$ 15.64	$ 15.95

(1) Calculated by multiplying the closing price of Schwab common stock as of the specified date by the exchange ratio of 1.02.

The market value of the Schwab common stock to be issued in exchange for shares of optionsXpress common stock upon the completion of the merger will not be known at the time of the optionsXpress special meeting. The above tables show only historical comparisons. Because the market prices of Schwab common stock and optionsXpress common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to optionsXpress stockholders in determining whether to adopt the merger agreement. Stockholders are encouraged to obtain current market quotations for Schwab common stock and optionsXpress common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference in this proxy statement/prospectus. See Where You Can Find More Information beginning on page 85.

The holders of Schwab common stock receive dividends as and when declared by Schwab s board of directors out of statutory surplus or from net profits. Following the completion of the merger, subject to approval and declaration by Schwab s board of directors, Schwab expects to continue paying quarterly cash dividends on a basis consistent with past practice. The current annualized rate of dividends on a share of Schwab common stock is $0.240 per share.

optionsXpress has not paid dividends since the first quarter of 2009, other than a special cash dividend of $4.50 per common share paid on December 27, 2010. Under the terms of the merger agreement, optionsXpress is prohibited from declaring or paying any dividends prior to completion of the merger.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption Information Regarding Forward-Looking Statements on page 23, you should carefully consider the following risk factors in deciding whether to vote for adoption of the merger agreement.

Because the exchange ratio is fixed and the market price of Schwab common stock will fluctuate, optionsXpress stockholders will not know until the effective time of the merger the value of the consideration they will receive in the merger.

Upon completion of the merger, each share of optionsXpress common stock, other than excluded shares, will be converted into the right to receive 1.02 shares of Schwab common stock. Because the exchange ratio is fixed and will not be adjusted in the event of any increase or decrease in the price of either Schwab common stock or optionsXpress common stock, the value of the Schwab common stock to be issued in the merger will depend upon the market price of Schwab common stock. This market price may vary from the closing price of Schwab common stock on the date the merger was announced, on the date that this proxy statement/prospectus was mailed to optionsXpress stockholders and on the date of the optionsXpress special meeting. Accordingly, at the time of the optionsXpress special meeting, optionsXpress stockholders will not necessarily know or be able to calculate the value of the consideration they would be entitled to receive upon completion of the merger. You should obtain current market quotations for shares of Schwab common stock and for shares of optionsXpress common stock.

The market price of Schwab common stock after the merger may be affected by factors different from those affecting the shares of Schwab or optionsXpress currently.

The businesses of Schwab and optionsXpress differ and, accordingly, the results of operations of Schwab and the market price of Schwab common stock following the merger may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of Schwab and optionsXpress. For a discussion of the businesses of Schwab and optionsXpress and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this proxy statement/prospectus and referred to under Where You Can Find More Information beginning on page 85.

The failure to successfully integrate optionsXpress business and operations and/or fully realize synergies from the merger in the expected time frame may adversely affect Schwab s future results.

The success of the merger will depend, in part, on Schwab s ability to successfully integrate optionsXpress business and operations and fully realize the anticipated benefits and synergies from combining the businesses of Schwab and optionsXpress. However, to realize these anticipated benefits and synergies, the businesses of Schwab and optionsXpress must be successfully combined. If Schwab is not able to achieve these objectives following the merger, the anticipated benefits and synergies of the merger may not be realized fully or at all or may take longer to realize than expected.

Schwab and optionsXpress have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in the loss of key employees, as well as the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies, any or all of which could adversely affect Schwab s ability to maintain relationships with clients, customers and employees after the merger or to achieve the anticipated benefits and synergies of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Schwab and optionsXpress.

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The merger agreement limits optionsXpress ability to pursue alternatives to the merger.

The merger agreement contains provisions that make it more difficult for optionsXpress to sell its business to a party other than Schwab. These provisions include a general prohibition on optionsXpress solicitation of any acquisition proposal or offer for a competing transaction, the requirement that optionsXpress pay a termination fee of $41,900,000 if the merger agreement is terminated in specified circumstances and the requirement that optionsXpress submit the adoption of the merger agreement to a vote of optionsXpress stockholders unless the merger agreement is terminated in accordance with its terms. See Proposal No. 1: The Merger Agreement No Solicitation of Alternative Transactions and Proposal No. 1: The Merger Agreement Termination of the Merger Agreement Termination Fee beginning on pages 67 and 72, respectively.

These provisions might discourage a third party that might have an interest in acquiring all or a significant part of optionsXpress from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per share value than the current proposed merger consideration. Furthermore, a potential competing acquiror may propose to pay a lower per share price to optionsXpress stockholders than it might otherwise have proposed to pay because of optionsXpress obligation, in connection with termination of the merger agreement under certain circumstances, to pay Schwab a $41,900,000 termination fee.

The merger agreement may be terminated in accordance with its terms and the merger may not be completed.

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include: adoption of the merger agreement by optionsXpress stockholders, regulatory and antitrust approvals, absence of orders prohibiting the completion of the merger, effectiveness of the registration statement of which this proxy statement/prospectus is a part, the receipt of authorization for listing of the shares of Schwab common stock on the New York Stock Exchange, continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements, and the receipt by both parties of legal opinions from their respective tax counsels.

In addition, both Schwab and optionsXpress have rights to terminate the merger agreement under certain circumstances specified in the merger agreement. See Proposal No. 1: The Merger Agreement Termination of the Merger Agreement beginning on page 70 for a discussion of the circumstances under which the merger agreement could be terminated.

Lawsuits challenging the merger have been filed against optionsXpress, the optionsXpress board of directors, Schwab and Neon Acquisition Corp., and an adverse judgment in such lawsuits or any future similar lawsuits may prevent the merger from becoming effective or from becoming effective within the expected timeframe.

optionsXpress, the optionsXpress board of directors, Schwab and Neon Acquisition Corp. are named as defendants in consolidated class action lawsuits filed in the Circuit Court of Cook County, Illinois and the Court of Chancery in the State of Delaware, challenging the proposed merger and seeking, among other things, to enjoin the defendants from completing the merger on the agreed-upon terms and rescission of the merger to the extent it has been completed. On April 28, 2011, the Delaware consolidated action was stayed in favor of the Illinois consolidated action. On June 16, 2011, the Illinois Court of Chancery dismissed with prejudice all claims against Schwab and Neon Acquisition Corp. On June 22, 2011, the parties in the Illinois action entered into a Memorandum of Understanding to resolve all claims related to the merger. The final settlement is subject to final documentation and court approval and is conditioned on consummation of the merger. See The Merger Litigation Relating to the Merger beginning on page 58.

One of the conditions to the closing of the merger is that no order, injunction or decree or other legal restraint or prohibition that prevents the completion of the merger be in effect. If any plaintiff were successful in

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obtaining an injunction prohibiting the optionsXpress or Schwab defendants from completing the merger on the agreed-upon terms, then such injunction may prevent the merger from becoming effective or from becoming effective within the expected timeframe.

optionsXpress stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of Schwab following the merger.

optionsXpress stockholders currently have the right to vote in the election of the board of directors of optionsXpress and on other matters affecting optionsXpress. Upon the completion of the merger, each optionsXpress stockholder will become a stockholder of Schwab with a percentage ownership that is much smaller than any such stockholder s percentage ownership of optionsXpress. It is expected that the former stockholders of optionsXpress as a group will receive shares in the merger constituting approximately 4.6% of the outstanding shares of Schwab common stock immediately after the merger. Because of this, optionsXpress stockholders will have significantly less influence on the management and policies of Schwab than they now have on the management and policies of optionsXpress.

optionsXpress directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of optionsXpress stockholders.

In considering the information contained in this proxy statement/prospectus, you should be aware that optionsXpress executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of optionsXpress stockholders generally. These interests include the rights to continued indemnification and insurance coverage by Schwab after the merger for acts or omissions occurring before the merger. In addition, Schwab has entered into retention agreements with certain executive officers of optionsXpress, which provide for continued employment as well as other rights and benefits. Schwab may negotiate and enter into additional agreements with other executive officers of optionsXpress prior to the effective time of the merger. See The Merger Interests of optionsXpress Directors and Executive Officers in the Merger beginning on page 47 for a discussion of these financial interests.

The fairness opinion obtained by optionsXpress from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Evercore Group L.L.C., optionsXpress financial advisor in connection with the proposed merger, has delivered to the board of directors of optionsXpress its opinion dated as of March 18, 2011. The opinion of Evercore stated that as of such date, and based on and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth in the opinion, the exchange ratio was fair, from a financial point of view, to the holders of the shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Schwab or optionsXpress, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of Schwab and optionsXpress.

The merger is subject to the receipt of consents and approvals from governmental and regulatory entities that may delay the date of completion of the merger or impose conditions that could have an adverse effect on Schwab.

Before the merger may be completed, various approvals or consents must be obtained from the Department of Justice, Federal Trade Commission, Financial Industry Regulatory Authority, Chicago Board Options Exchange, NASDAQ Stock Market LLC, Investment Industry Regulatory Organization of Canada and applicable Canadian provincial securities commissions, Netherlands Authority for the Financial Markets, Dutch Central Bank, Monetary Authority of Singapore and other governmental and regulatory authorities. Satisfying the

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requirements of these governmental and regulatory entities may delay the date of completion of the merger. In addition, these governmental and regulatory entities may include conditions on the completion of the merger or require changes to the terms of the merger.

While Schwab and optionsXpress do not currently expect that any such conditions or changes would result in a material adverse effect on Schwab, there can be no assurance that they will not, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of Schwab following the merger, any of which might have a material adverse effect on Schwab following the merger. Schwab is not obligated to complete the merger if the regulatory approvals received in connection with the completion of the merger include any conditions or restrictions that would reasonably be expected to have a material adverse effect on Schwab, but Schwab could choose to waive this condition.

Failure to complete the merger could negatively impact the stock price and future business and financial results of optionsXpress.

If the merger is not completed, the ongoing business of optionsXpress may be adversely affected and optionsXpress will be subject to several risks, including the following:

- optionsXpress may be required, under certain circumstances, to pay Schwab a termination fee of $41,900,000 under the merger agreement;

- optionsXpress will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

- under the merger agreement, optionsXpress is subject to certain restrictions on the conduct of its business prior to completing the merger which may adversely affect its ability to execute certain of its business strategies; and

- matters relating to the merger may require substantial commitments of time and resources by optionsXpress management, which could otherwise have been devoted to other opportunities that may have been beneficial to optionsXpress as an independent company.

In addition, if the merger is not completed, optionsXpress may experience negative reactions from the financial markets and from its customers and employees. optionsXpress also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against it to perform its obligations under the merger agreement. If the merger is not completed, optionsXpress cannot assure its stockholders that the risks described above will not materialize and will not materially affect its business, financial results and stock price.

The shares of Schwab common stock to be received by optionsXpress stockholders as a result of the merger will have different rights from shares of optionsXpress common stock.

Following completion of the merger, optionsXpress stockholders will no longer be stockholders of optionsXpress. optionsXpress stockholders will instead be stockholders of Schwab. There will be important differences between your current rights as an optionsXpress stockholder and the rights to which you will be entitled as a Schwab stockholder. See Comparison of Stockholder Rights beginning on page 78 for a discussion of the different rights associated with Schwab common stock and optionsXpress common stock.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including the documents incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements that refer to expectations, projections, or other characterizations of future events or circumstances and are identified by words such as believe, anticipate, expect, estimate, intend, plan, will, may, aim, target, could, should, co growth, increase and other similar expressions. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between Schwab and optionsXpress, including future financial and operating results and performance; statements about Schwab s and optionsXpress plans, objectives, expectations and intentions with respect to future operations, products and services; financial projections; and Schwab s payment of dividends.

These forward-looking statements, which reflect Schwab s and optionsXpress management s beliefs, objectives and expectations as of the date of this proxy statement/prospectus, or in the case of any documents incorporated by reference, as of the date of those documents, are necessarily estimates. Achievement of the expressed beliefs, objectives and expectations is subject to risks and uncertainties that could cause actual results to differ materially.

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

- the failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all, including regulatory and government approvals;
- the failure of the stockholders of optionsXpress to adopt the merger agreement;
- disruptions to the parties businesses as a result of the announcement and pendency of the merger;
- the parties ability to successfully implement their integration strategies;
- the risk that the future business operations of optionsXpress will not be successful;
- the risk that expected revenue, expense and other synergies from the merger may not be fully realized or may take longer than expected to realize;
- changes in general economic and financial market conditions;
- the level of interest rates, equity valuations and trading activity;
- the parties ability to attract and retain clients and grow client assets/relationships;
- competitive pressures on rates and fees;

- the level of client assets, including cash balances;
- the impact of changes in market conditions on money market fund fee waivers, revenues, expenses and pre-tax margins;
- capital needs;
- the parties ability to develop and launch new products, services and capabilities in a timely and successful manner;
- the effect of adverse developments in litigation or regulatory matters; and
- any adverse impact of financial reform legislation and related regulations.

Additional factors that could cause Schwab s and optionsXpress results to differ materially from those described in the forward-looking statements can be found in Schwab s and optionsXpress filings with the Securities and Exchange Commission, including Schwab s and optionsXpress Annual Reports on Form 10-K for the fiscal year ended December 31, 2010.

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You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to Schwab or optionsXpress or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, Schwab and optionsXpress undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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INFORMATION ABOUT THE COMPANIES

The Charles Schwab Corporation

Schwab, a savings and loan holding company headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries, in securities brokerage, banking, asset management, and related financial services. At June 30, 2011, Schwab had $1.66 trillion in client assets, 8.1 million active brokerage accounts, 1.44 million corporate retirement plan participants, and 745,000 banking accounts.

Significant business subsidiaries of Schwab include:

- Charles Schwab & Co., Inc., which was incorporated in 1971, is a securities broker-dealer with over 300 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, U.K., and serves clients in Hong Kong through one of Schwab s subsidiaries;

- Charles Schwab Bank, which commenced operations in 2003, is a federal savings bank located in Reno, Nevada; and

- Charles Schwab Investment Management, Inc., which is the investment advisor for Schwab s proprietary mutual funds.

Schwab provides financial services to individuals and institutional clients through two segments Investor Services and Institutional Services. The Investor Services segment includes Schwab s retail brokerage and banking operations. The Institutional Services segment provides custodial, trading, and support services to independent investment advisors, as well as retirement plan, equity compensation plan, and other financial services to corporations and their employees. As of June 30, 2011, Schwab had full-time, part-time and temporary employees, and persons employed on a contract basis that represented the equivalent of about 13,200 full-time employees.

The address of Schwab s principal executive offices is 211 Main Street, San Francisco, California 94105, and its telephone number is (415) 667-7000. For additional information about Schwab, see Where You Can Find More Information beginning on page 85.

Neon Acquisition Corp.

Neon Acquisition Corp. is a Delaware corporation and a direct wholly-owned subsidiary of Schwab. Neon Acquisition Corp. was organized on January 13, 2011, solely for the purpose of effecting the merger with optionsXpress. It has not carried on any activities other than in connection with the merger. The address of Neon Acquisition Corp. s principal executive offices is 211 Main Street, San Francisco, California 94105, and its telephone number is (415) 667-7000.

optionsXpress Holdings, Inc.

optionsXpress, a Delaware company and pioneer in equity options and futures trading, offers an innovative suite of online brokerage services for investor education, strategy evaluation and trade execution. optionsXpress subsidiaries include optionsXpress, Inc., a retail online brokerage specializing in options and futures, brokersXpress, LLC, an online trading and reporting platform for independent investment professionals, Open E Cry, LLC, an innovative futures broker offering direct access futures trading for high volume commodities and futures traders through its proprietary software platform, and Optionetics, Inc., a leading provider of investment education services, including live seminars, proprietary software analytics, online and offline educational products and individual coaching.

The address of optionsXpress principal executive offices is 311 W. Monroe St., Suite 1000, Chicago, Illinois 60606, and its telephone number is (312) 630-3300. For additional information about optionsXpress, see Where You Can Find More Information beginning on page 85.

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THE SPECIAL MEETING OF OPTIONSXPRESS STOCKHOLDERS

Date, Time, Place and Purpose of the Special Meeting

This proxy statement/prospectus is being furnished to holders of optionsXpress common stock as part of the solicitation of proxies by the board of directors of optionsXpress for use at the special meeting of optionsXpress stockholders to be held on August 30, 2011, beginning at 10:00 a.m., local time, at optionsXpress corporate headquarters, located at 311 W. Monroe St., Chicago, Illinois 60606, or at any postponement or adjournment thereof.

The special meeting of optionsXpress stockholders is being held for the following purposes:

1. *Approval and Adoption of the Merger Agreement*. To consider and vote on a proposal to approve and adopt the merger agreement and the merger contemplated by the merger agreement, as it may be amended from time to time.

2. *Adjournment of the Special Meeting*. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes properly cast at the time of the meeting to approve and adopt the merger agreement.

Record Date and Quorum

The holders of record of optionsXpress common stock as of the close of business on July 18, 2011, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were 57,534,789 shares of optionsXpress common stock outstanding. Each share of optionsXpress common stock is entitled to one vote on each matter to be voted on at the special meeting. This proxy statement/prospectus and the enclosed form of proxy are first being mailed to optionsXpress stockholders on or about July 29, 2011.

The holders of a majority of the outstanding shares of optionsXpress common stock at the close of business on the record date represented in person or by proxy will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining whether a quorum is present at the special meeting and any postponement or adjournment of the special meeting. However, if a new record date is set for the adjourned or postponed special meeting, then a new quorum must be established.

Required Vote

Under Delaware law, the merger cannot be completed unless the holders of a majority of the outstanding shares of optionsXpress common stock entitled to vote at the close of business on the record date for the special meeting vote for the approval and adoption of the merger agreement. Each outstanding share of optionsXpress common stock is entitled to one vote.

Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of holders representing a majority of the shares present in person or by proxy at the special meeting.

Two of optionsXpress stockholders, G-Bar Limited Partnership and JG 2002 Delta Trust, which collectively held approximately 22.9% of the outstanding voting stock of optionsXpress as of March 18, 2011 and as of the record date, have each entered into a voting agreement obligating them to vote all of their shares of optionsXpress common stock FOR the approval and adoption of the merger agreement and FOR any adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies; Revocation

Giving a proxy means that an optionsXpress stockholder authorizes the persons named in the enclosed proxy card to vote its shares at the special meeting in the manner it directs. An optionsXpress stockholder may

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vote by proxy or in person at the special meeting. If you hold your shares of optionsXpress common stock in your name as a stockholder of record, to submit a proxy, you as an optionsXpress stockholder may use one of the following methods:

Submit a proxy by mail, by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States;

Submit a proxy by Internet, by accessing the website specified on the proxy card and following the instructions on the proxy card; or

Submit a proxy by telephone, by dialing the toll-free number specified on the proxy card and following the instructions on the proxy card.

If you are a stockholder of record and submit a proxy by any method set forth above, your shares will be voted at the special meeting as you indicate. If no instructions are indicated on your proxy card, your shares of optionsXpress common stock will be voted FOR the approval and adoption of the merger agreement and FOR any adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

The persons named as proxies may propose and vote for one or more adjournments of the special meeting to solicit additional proxies.

If your shares are held in street name by your broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker and they can give you directions on how to vote your shares. Under the applicable rules, brokers who hold shares in street name for customers may not exercise their voting discretion with respect to the approval of non-routine matters such as the approval and adoption of the merger agreement. Therefore, absent specific instructions from the beneficial owner of the shares, brokers are not empowered to vote the shares with respect to the approval and adoption of the merger agreement (i.e., broker non-votes). Shares of optionsXpress common stock held by persons attending the special meeting but not voting, or shares for which we have received proxies with respect to which holders have abstained from voting, will be considered abstentions. Abstentions and properly executed broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists but will have the same effect as a vote Against the approval and adoption of the merger agreement. Abstentions also will have the same effect as a vote Against any adjournment of the special meeting, but broker non-votes will have no effect with respect to the adjournment proposal.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must (i) advise the Corporate Secretary of optionsXpress of the revocation in writing, (ii) submit by mail a new proxy card dated after the date of the proxy you wish to revoke, (iii) cast a new vote through the Internet or by telephone at any time before the closure of the Internet and telephone voting facilities, or (iv) attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy. All written notices of revocation and other communications with respect to revocation of proxies should be addressed to optionsXpress as follows: Corporate Secretary, 311 West Monroe Street, Suite 1000, Chicago, Illinois 60606.

Please note that if you hold your shares in street name and you have instructed your broker to vote your shares, the options for revoking your proxy described in the paragraph above do not apply and instead you must follow the directions provided by your broker to change your vote.

Adjournments and Postponements

Although it is not expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice (if the adjournment is not for more than 30 days or, if there are multiple adjournments, 120 total days from the date fixed for the original meeting), other

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than by an announcement made at the special meeting of the time, date and place of the adjourned meeting. Whether or not a quorum exists, the holders of a majority of the shares of optionsXpress common stock present in person or represented by proxy at the special meeting and entitled to vote at the meeting may adjourn the special meeting. If no instructions are indicated on your proxy card, your shares of optionsXpress common stock will be voted FOR any adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow optionsXpress stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Solicitation of Proxies

optionsXpress will pay the expenses of soliciting proxies to be voted at the special meeting, except that optionsXpress and Schwab have each agreed to share equally the costs of preparing, printing, filing and mailing this document, other than attorneys and accountants fees which will be paid by the party incurring the expense. In addition to soliciting proxies by mail, directors, officers and employees of optionsXpress may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. optionsXpress has engaged the firm of Okapi Partners LLC to assist optionsXpress in the distribution and solicitation of proxies from optionsXpress stockholders and optionsXpress will pay Okapi Partners LLC an estimated fee of $25,000, plus $5.00 per completed incoming or outgoing call in direct solicitation of its stockholders, plus $5.00 per telephone vote received, as well as out-of-pocket expenses for its services.

optionsXpress will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

Delivery of Proxy Materials

To reduce the expenses of delivering duplicate proxy materials to optionsXpress stockholders, optionsXpress is relying upon Securities and Exchange Commission rules that permit it to deliver only one proxy statement/prospectus to multiple stockholders who share an address unless optionsXpress received contrary instructions from any stockholder at that address. If you share an address with another stockholder and have received only one proxy statement/prospectus, you may write or call optionsXpress at the following address to request a separate copy of this document and optionsXpress will promptly send it to you at no cost to you: Investor Relations, optionsXpress Holdings, Inc., 311 W. Monroe St., Suite 1000, Chicago, Illinois 60606, or by telephoning optionsXpress at 1-877-280-9010. If your shares are held in the name of a bank, broker, or other nominee and you wish to receive separate copies of the proxy materials, please contact the bank, broker or other nominee.

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THE MERGER

The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement and financial advisor opinion attached as annexes to this proxy statement/prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement and financial advisor opinion attached as annexes to this proxy statement/prospectus, for a more complete understanding of the merger.

On March 18, 2011, Schwab and optionsXpress entered into the merger agreement, which provides for the acquisition by Schwab of optionsXpress through a merger of Neon Acquisition Corp. with and into optionsXpress. After the merger, optionsXpress will be the surviving corporation and will be a wholly-owned subsidiary of Schwab.

Upon completion of the merger, each outstanding share of optionsXpress common stock (other than excluded shares) will be converted into the right to receive 1.02 shares of Schwab common stock.

See Proposal No. 1: The Merger Agreement, beginning on page 60, for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating or amending the merger agreement.

Background of the Merger

optionsXpress board of directors has, over the past several years, in discharge of its normal responsibilities, periodically reviewed with management and outside financial advisors and legal advisors the potential strategic direction for optionsXpress in light of its financial performance and market, economic, competitive, regulatory and other conditions and developments. These discussions have included the possibility of, among other things, business combinations involving optionsXpress and other brokerage companies, particularly in view of the increasing competition in the industry.

optionsXpress, at both the management and board of directors levels, has analyzed potential opportunities for strategic partnerships with companies operating in the same industry, as well as financial partnerships with potential investors, and acquisitions. In 2008, optionsXpress pursued a potential acquisition of another online options trading company. Ultimately, that company was instead acquired by a major online brokerage firm. In addition, at various times beginning in 2008 and continuing through 2010, optionsXpress has had discussions about possible business combinations with three potential strategic industry partners, not including Schwab. optionsXpress entered into confidentiality agreements with each of these parties. The parties did differing levels of diligence and engaged in differing levels of discussions regarding the terms of a potential deal. None of these discussions developed into a mutually agreeable merger proposal that would be beneficial to optionsXpress stockholders.

Specifically, optionsXpress entered into a confidentiality agreement with Company A in January 2010. Following further discussions, Company A decided that it would not be able to offer a price in a range that would be acceptable to optionsXpress stockholders. optionsXpress entered into a confidentiality agreement with Company B in February 2010 to explore a potential strategic transaction. The parties shared information, but after further discussion, determined that they could not reach an attractive price. Company B did not provide a formal offer. optionsXpress entered into a confidentiality agreement with Company C in May 2010. After exchanging information, Company C provided an informal and non-binding indication of interest. The board of directors considered Company C s value indication, and in conjunction with the advice of its financial advisor, decided that the indicated value was not attractive. Company C never provided a formal offer and discussions between the parties ended when the parties determined that they could not reach an attractive price. In connection with its discussions with Company C, optionsXpress formally engaged Evercore Group L.L.C. on July 28, 2010. Over the past two years, Evercore provided advice, analysis, and presentations to the optionsXpress board of directors on several occasions. Topics have included, but are not limited to, the overall competitive landscape, optionsXpress stand-alone value, analysis of potential business transactions, and the synergies of specific potential strategic partners. Evercore has also assisted optionsXpress in conducting diligence and negotiations with potential partners. Prior to its formal engagement by optionsXpress on July 28, 2010, Evercore had received no fees for its services. The board of directors decided to engage Evercore after carefully considering optionsXpress experience with other financial advisors and Evercore s experience and reputation. The board of directors concluded that Evercore was particularly well-qualified to assist optionsXpress in analyzing its strategic options because of Evercore s experience advising other online brokerage companies, its reputation as a strong financial advisor and its knowledge of and experience with the retail financial industry. Shortly after Evercore was engaged, it analyzed several strategic alternatives for the optionsXpress board of directors and senior management. On October 6, 2010, Evercore made a presentation to the optionsXpress board of directors in which it gave an overview of the industry and analyzed the potential for increased competition in the near term from larger-scale competitors and potential partnerships, including each national market participant and select smaller participants. Evercore presented the board of directors with analysis on more than ten companies. For each, Evercore analyzed, among other things, the company s potential strategic fit with optionsXpress, synergy potential, ability to pay, and likelihood to participate in a strategic combination with optionsXpress. As part of this analysis, Evercore identified three Tier 1 industry participants that it believed were most attractive as potential strategic partners because they offered the most synergy potential. optionsXpress had already explored a potential strategic partnership with two of the three industry participants identified by Evercore and, after significant discussions, had been unable to reach an agreement that would be beneficial to optionsXpress stockholders. Evercore identified Schwab as the third attractive Tier 1 potential partner. Evercore noted that, although Schwab had not been an active acquirer in the brokerage market, Schwab was a strong strategic fit, possessed significant long-term value potential and presented a high degree of synergy potential. Evercore also analyzed each of the Tier 1 participants sensitivity to a normalized interest rate and trading environment to determine how each company would be affected by an economic upturn and analyzed their potential long-term value. Evercore advised the board of directors that Schwab was best positioned from key industry drivers in a normalized interest rate and trading environment.

Evercore s presentation also noted that earnings in the online brokerage industry were at a cyclical low due to low interest rates and low trading activity, and that, as a result, a stock-for-stock merger would be relatively more advantageous for optionsXpress stockholders because they would still benefit if interest rates and/or trading activity recovered. The potential for a private equity backed take-private transaction was also discussed. However, based on the capital requirements, the lack of synergies, and the inability of optionsXpress stockholders to participate in a turnaround in interest rates and/or trading activity, Evercore did not believe that optionsXpress would be attractive to a private equity sponsor at a price that would benefit stockholders. Given the lack of upside going forward and potential synergies with private equity investors, the prior discussions with three strategic acquirers and Schwab s perceived lack of acquisition appetite, Evercore concluded that an acquisition in the short term was unlikely. Evercore also presented an analysis on maintaining the status quo and not pursuing any strategic or financial transactions. As part of this presentation, Evercore also provided the optionsXpress board of directors with its analysis of the value to optionsXpress stockholders if optionsXpress were not acquired. Evercore looked at four scenarios based on 2010-2014 Revenue CAGR, ranging from 20% to -4%. As of October 6, 2010, before optionsXpress decided to pursue a $4.50 per share special dividend, Evercore presented on a future value basis projected January 1, 2014 price ranges for optionsXpress common stock of $42.55 to $47.93 per share on the high end which assumed a robust economic recovery and increased interest rates, and $7.42 to $9.44 per share on the low end.

On November 11, 2010, Walter Bettinger, Chief Executive Officer of Schwab, met informally with James A. Gray, Chairman of optionsXpress and David Fisher, Chief Executive Officer of optionsXpress. The parties expressed interest in pursuing a possible business combination, and the parties agreed that the potential synergies made such a transaction worth exploring.

On November 15, 2010, optionsXpress entered into a mutual confidentiality agreement with Schwab and the parties began to exchange information for each party s respective due diligence reviews.

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On November 18, 2010, during a scheduled quarterly meeting, the optionsXpress board of directors discussed the preliminary conversations with Schwab regarding the potential transaction and received advice from representatives of Evercore and Kirkland & Ellis LLP, or Kirkland, optionsXpress outside legal counsel. At this time, the optionsXpress board of directors noted that, based upon its prior interactions with other strategic industry partners and the advice it had received from Evercore regarding the likelihood of a transaction with another strategic industry partner or with private equity investors and the strategic advantages of a transaction with Schwab, pursuing a potential transaction with Schwab was in the best interests of stockholders. Over the following several weeks, optionsXpress senior management met with senior management of Schwab to discuss potential business synergies and revenue enhancement opportunities as well as preliminary terms of a potential business combination.

On November 24, 2010, unrelated to the potential transaction with Schwab, the optionsXpress board of directors declared a dividend on optionsXpress common shares of $4.50 per share. The board of directors believed that issuing a dividend was the best use of optionsXpress excess cash based on the strength of optionsXpress business model and balance sheet, the current lack of immediate value-creating acquisition opportunities, potential increase of dividend tax rates in 2011 and its potential positive impact on the market price of optionsXpress stock, among other things. The board of directors determined that issuing a dividend was in the best interest of optionsXpress stockholders. There was also specific discussion about the implications of this dividend on the trading price of the common shares and whether it would have any impact on the desirability of optionsXpress as an acquisition candidate. Based in part on Schwab s reaction to the proposed dividend when management discussed the concept with Schwab, the optionsXpress board of directors concluded that the dividend would be neutral to positive to a potential acquirer s evaluation of optionsXpress as an acquisition candidate because it would make optionsXpress capital structure more similar to likely acquirers and eliminate the question of how to value the significant amount of company cash that optionsXpress held prior to the dividend.

Over the following weeks, optionsXpress continued discussions with Schwab regarding a potential business combination. On December 9, 2010, Mr. Gray had a general discussion with Mr. Bettinger about price, without either side making a specific proposal. On December 17, 2010, Schwab proposed an ex-dividend price of approximately $17.00 per share. On January 5, 2011, Schwab for the first time proposed an exchange ratio of 1.0 share of Schwab common stock for each share of optionsXpress outstanding common stock. The optionsXpress board of directors held a special meeting on January 6, 2011, at which representatives from Kirkland highlighted the board of directors fiduciary obligations with regard to a business combination transaction and Evercore discussed the strategic fit of the transaction as well as pricing, timing and negotiation strategy. The board of directors asked numerous questions of each advisor. The board of directors and senior management viewed Schwab s proposed pricing favorably and concluded that Schwab s common stock was desirable consideration for purposes of the potential transaction because (i) optionsXpress stockholders would benefit more from future interest rate increases as Schwab stockholders, (ii) a Schwab combination presented opportunities for optionsXpress to expand its customer base, (iii) the Schwab transaction presented attractive synergies, and (iv) a Schwab acquisition would address the potential for increased competition in the near term from large scale competitors. The optionsXpress board of directors directed management to continue discussions with Schwab and endeavor to negotiate an improved offer. Specifically, after consulting internally and with Evercore, the board of directors debated between two exchange ratios, 1.1 or 1.05, to present as a counter-offer, and then authorized Messrs. Gray and Fisher to propose an exchange ratio of 1.075 to one and negotiate an exchange ratio between that and Schwab s 1.0 to one offer.

Over the next several days, the parties negotiated the exchange ratio. On January 7, 2011, Messrs. Gray and Fisher countered Schwab s 1.0 to one proposal with a fixed ratio of 1.075 to one. Schwab responded to this proposal with an offer of a fixed exchange ratio of 1.01 to one. Messrs. Gray and Fisher had a follow up conversation with Schwab on January 10, 2011, proposing a fixed exchange ratio of 1.02 to one, subject to approval by the optionsXpress board of directors. After further negotiation, Schwab provisionally accepted the proposal. The provisionally agreed upon price represented a premium for optionsXpress stockholders of 22.9 percent based upon the respective closing price of each company s stock on that day.

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On January 11, 2011, in conjunction with the parties provisional agreement relating to the exchange ratio the previous day, Simpson Thacher & Bartlett LLP, or Simpson, outside legal counsel to Schwab, delivered a preliminary draft of the merger agreement. Notably, this initial draft did not contain a fiduciary out allowing the optionsXpress board of directors to terminate the agreement to accept a superior proposal. In addition, Simpson delivered an initial draft of a voting agreement, pursuant to which G-Bar Limited Partnership and JG 2002 Delta Trust, stockholders of optionsXpress controlled by Mr. Gray that collectively hold approximately 23 percent of optionsXpress outstanding common stock, would each agree to, among other things, vote its shares in favor of the adoption of the merger agreement and against any takeover bid by a third party.

On January 13, 2011, the board of directors of optionsXpress held a special meeting to discuss the potential transaction and the proposed merger agreement. During that meeting, Messrs. Gray and Fisher updated the board on the progress optionsXpress had made towards the potential transaction, specifically noting that the parties had negotiated an exchange ratio of 1.02 shares of Schwab common stock for each share of optionsXpress common stock. Messrs. Gray and Fisher also discussed with the board the potential synergies and revenue enhancements that the parties had identified, as well as potential operational benefits of a business combination with Schwab. Messrs. Gray and Fisher also noted that the parties had not completed their respective due diligence investigations and that there were open issues regarding certain terms of the merger agreement which the two parties were continuing to negotiate, including the fiduciary out to allow optionsXpress to terminate the transaction with Schwab if another suitor approached optionsXpress with a superior transaction offer. Representatives of Kirkland led a discussion relating to the fiduciary obligations of the board of directors with regard to the transaction. Members of the board of directors asked questions of Kirkland s representatives regarding open terms of the merger agreement. Thereafter, representatives of Evercore presented an analysis of the transaction at the current pricing terms. The analysis indicated that the current pricing being discussed was within the range of fairness and that Schwab s stock was attractive as an acquisition currency. The board of directors then asked a number of questions and discussed pricing, timing and strategy for continuing to negotiate the terms of the transaction. The board of directors directed management to continue work on the transaction and to report on progress to the board at a subsequent meeting.

Over the following days, the parties and their legal and financial advisors held periodic meetings regarding the proposed transaction and outstanding issues in diligence and the merger agreement. On January 15, 2011, optionsXpress concluded that it was unlikely that the parties would be able to reach agreement on a transaction in the near term, due to unresolved issues.

On January 17, 2011, the board of directors of optionsXpress held another special meeting to discuss developments in the potential transaction. Messrs. Gray and Fisher reported on the foregoing. The parties continued to work on due diligence, and on February 9, 2011, Messrs. Gray and Fisher updated the optionsXpress board of directors on their progress. The board of directors encouraged continued work on the transaction.

On or about March 7, 2011, negotiations among business principals resumed. Simpson circulated a revised draft of the merger agreement to Kirkland that included, for the first time, a fiduciary out provision. The parties and their legal and financial advisors held several discussions over the following days regarding the proposed transaction and outstanding issues in the merger agreement and the other transaction documents.

On March 11, 2011, the board of directors of optionsXpress held a special meeting with Evercore and Kirkland to discuss the status of the merger agreement and related transaction documents and open issues remaining with respect to the proposed transaction. The board of directors directed management to continue working towards resolution of all outstanding items.

On March 17, 2011, the board of directors of optionsXpress held a special meeting to consider and approve the merger and the merger agreement. At the meeting, representatives of Kirkland reviewed the terms of the substantially final draft of the merger agreement and the voting agreement, and facilitated a discussion by the board of directors. The board of directors noted that the relative trading prices of optionsXpress and Schwab s

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common stock had not changed materially since the initial agreement on an exchange ratio in January and accordingly the financial benefits of the transaction to optionsXpress stockholders remained favorable. Representatives of Evercore presented their financial analysis and recommendation and orally delivered the opinion of Evercore that, based on and subject to the various assumptions made, matters considered and limitations described in the opinion, as of March 17, 2011, the exchange ratio was fair, from a financial point of view, to the holders of optionsXpress common stock. Evercore s opinion was subsequently confirmed in writing on March 18, 2011. Following discussions, the optionsXpress board of directors unanimously approved the merger agreement, the voting agreement and the transactions contemplated by those and other documents, and resolved to recommend that optionsXpress stockholders vote to adopt the merger agreement and approve the merger and related transactions.

On the evening of March 18, 2011, optionsXpress, Schwab and Neon Acquisition Corp. executed the merger agreement. In addition, optionsXpress and Schwab entered into the voting agreement with G-Bar Limited Partnership and JG 2002 Delta Trust on the same day.

On March 21, 2011, the parties issued a press release prior to the opening of the U.S. financial markets announcing the execution of the merger agreement and the voting agreement and the terms of the proposed acquisition of optionsXpress by Schwab.

Recommendation of the optionsXpress Board of Directors; Reasons for the Merger

Recommendation of the Board of Directors. On March 17, 2011, after careful consideration, the board of directors of optionsXpress unanimously (i) determined that the merger agreement, the terms thereof, the merger and the other transactions contemplated thereby are fair to and in the best interests of optionsXpress and the holders of optionsXpress common stock and (ii) approved and declared the advisability of the merger agreement. Accordingly, the optionsXpress board of directors recommends that stockholders vote FOR the proposal to adopt the merger agreement and FOR any adjournment proposal by the board.

Reasons for the Merger. The material factors and potential benefits of the merger considered by the members of the optionsXpress board of directors, each of which support the determination and recommendation set forth above, include the following:

- the recent and historical market prices of optionsXpress common stock, including the market price of optionsXpress common stock relative to those of other industry participants and general market indices, and the fact that the 1.02 exchange ratio of shares of Schwab common stock to each share of optionsXpress common stock represents a premium of approximately 20 percent to the average closing price of optionsXpress common stock during the 30 trading days ending on March 18, 2011, the last trading day before the announcement of the merger agreement, and a premium of approximately 21 percent based on the 90-day average price of optionsXpress common stock as of such date;

- the potentially unique benefits of a business combination with Schwab, including revenue and cost synergies, business opportunities and, accordingly, the potential for increases in the value of Schwab stock going forward;

- the overall attractiveness of Schwab stock as an acquisition currency;

- the potential for increased competition in the near future from larger-scale competitors;

- optionsXpress right to compel Schwab to specifically perform its obligations under the merger agreement and thus to consummate the transaction upon satisfaction of the closing conditions;

- the fact that the merger is not subject to a financing condition;

- the likelihood that Schwab would close the transaction on the terms set forth in the merger agreement;

the overall terms of the proposed transaction;

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the regular evaluation of strategic alternatives by the optionsXpress board of directors and its familiarity with optionsXpress business, operations, financial condition, competitive position, business strategy, and prospects, and general industry, economic, and market conditions, including the risks and uncertainties in optionsXpress business, in each case on a historical, current, and prospective basis;

the process conducted by optionsXpress over a period of years of exploring its strategic alternatives and the possible alternatives to the merger (including the possibility of continuing to operate optionsXpress as an independent company), the range of possible benefits to optionsXpress stockholders of such alternatives relative to optionsXpress prospects as an independent company, and the timing and likelihood of accomplishing the goals of any such alternatives;

subject to compliance with the terms and conditions of the merger agreement, the optionsXpress board of directors right to change its recommendation to vote in favor of the proposal to adopt the merger agreement and, prior to the adoption of the merger agreement by stockholders, to terminate the merger agreement in order to enter into a definitive agreement with a competing bidder with respect to a superior proposal, upon the payment to Schwab of a $41,900,000 termination fee (inclusive of expense reimbursement); and

The belief of the optionsXpress board of directors that the merger was more favorable to optionsXpress stockholders than the potential value that might result from other alternatives available, including continuing to operate in the ordinary course of business and the alternatives of pursuing other strategic initiatives. In particular, the board of directors considered and discussed both with Evercore and internally the possibility of being purchased by a financial buyer. The board of directors determined that the current economic and lending environment made it highly unlikely that a financial buyer could offer a price for optionsXpress that would benefit its stockholders.

The board of directors of optionsXpress also considered potential risks and negative factors relating to the merger, including the following:

the fact that after the merger optionsXpress current stockholders will be subject to the risks associated with being a Schwab stockholder;

the risks and costs to optionsXpress if the merger does not close, including the diversion of management and employee attention, potential employee attrition, the potential effect on business and customer relationships, and the transaction costs that will be incurred even if the merger is not consummated;

the restrictions in the merger agreement on the conduct of optionsXpress business prior to the consummation of the merger, requiring optionsXpress to conduct its business in the ordinary course of business consistent with past practices, subject to certain specific exceptions, which may delay or prevent optionsXpress from undertaking business opportunities that may arise pending consummation of the merger;

the provision in the merger agreement requiring optionsXpress to pay a termination fee of $41.9 million if the merger agreement is terminated under certain circumstances;

the fact that the merger agreement prevents optionsXpress from soliciting other acquisition proposals; and

the fact that certain officers and directors of optionsXpress have certain interests in the merger that are in addition to their interests as stockholders, which has the potential to influence their views and actions in connection with the merger proposal.

The foregoing discussion addresses the material factors considered by the optionsXpress board of directors in their consideration of the merger agreement and the merger, but is not exhaustive and does not present all of the factors considered by the board. In light of the number and variety of factors and the amount of information considered, the optionsXpress board of directors did not find it practicable to quantify, rank, or otherwise assign relative weights to the specific factors considered in reaching their determination. Individual members of the

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board may have given different weights to different factors. The determination to approve the merger agreement was made after consideration of all of the relevant factors as a whole, and the optionsXpress board of directors based their ultimate decisions to approve the merger agreement and the merger on their business judgment that the potential benefits of the merger to optionsXpress stockholders were not outweighed by the risks and other negative aspects of the merger.

Opinion of Evercore Group L.L.C., Financial Advisor to optionsXpress

On March 17, 2011, at a meeting of the optionsXpress board of directors, Evercore delivered to the optionsXpress board of directors an oral opinion, which opinion was subsequently confirmed by delivery of a written opinion dated March 18, 2011, to the effect that, as of that date and based on and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth in the opinion, the exchange ratio was fair, from a financial point of view, to the holders of the shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger.

The full text of Evercore s written opinion, dated March 18, 2011, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex C to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus. You are urged to read Evercore s opinion carefully and in its entirety. Evercore s opinion was directed to the optionsXpress board of directors and addresses only the fairness, from a financial point of view, of the exchange ratio to the holders of the shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger. The opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to any holder of optionsXpress common stock as to how such stockholder should vote or act with respect to any matters relating to the merger. Evercore s opinion does not address the relative merits of the merger as compared to other business or financial strategies that might be available to optionsXpress, nor does it address the underlying business decision of optionsXpress to engage in the merger.

In connection with rendering its opinion, Evercore, among other things:

- reviewed certain publicly available business and financial information relating to optionsXpress and Schwab that Evercore deemed to be relevant, including publicly available research analysts estimates;
- reviewed certain non-public historical and projected financial statements and operating data relating to optionsXpress and Schwab prepared and furnished to Evercore by management of optionsXpress and Schwab, respectively;
- discussed the past and current operations, financial projections and current financial condition of optionsXpress with management of optionsXpress (including management s views on the risks and uncertainties of achieving such projections);
- discussed the past and current operations, financial projections and current financial condition of Schwab with management of Schwab (including management s views on the risks and uncertainties of achieving such projections);
- reviewed the reported prices and the historical trading activity of optionsXpress common stock and Schwab common stock;
- compared the financial performance of optionsXpress and Schwab and their respective stock market trading multiples with those of certain other publicly traded companies that Evercore deemed relevant;
- compared the financial performance of optionsXpress and the valuation multiples and premiums relating to the merger with those of certain other transactions that Evercore deemed relevant;

reviewed certain cost savings and operating synergies projected by the management of Schwab to result from the merger;

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discussed the impact of changes to the operating environment on the projected financial performance of optionsXpress and Schwab with management of optionsXpress and Schwab, respectively;

reviewed a draft of the merger agreement dated March 16, 2011 and a draft of the voting agreement dated March 11, 2011, which Evercore assumed were in substantially final form and from which Evercore assumed the final form would not vary in any respect material to its analysis; and

performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability therefor. With respect to the projected financial data relating to optionsXpress and Schwab referred to above, Evercore assumed that such projected financial data had been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management of optionsXpress and Schwab, respectively, as to the future financial performance of optionsXpress and Schwab. Evercore expressed no view as to any projected financial data relating to optionsXpress or Schwab or the assumptions on which such projected financial data was based. With respect to periods not covered by the projected financial data received from Schwab, Evercore used, with the consent of the optionsXpress board of directors, publicly available research analysts estimates. Evercore relied, at the direction of the optionsXpress board of directors, without independent verification, upon the assessments of projected cost savings and operating synergies provided to Evercore by management of Schwab.

For purposes of rendering its opinion, Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement were true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the merger agreement and that all conditions to the completion of the merger would be satisfied without material waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the completion of the merger would be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on optionsXpress or the completion of the merger or materially reduce the benefits to the holders of optionsXpress common stock of the merger.

Evercore did not make or assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of optionsXpress, nor was Evercore furnished with any such appraisals. Evercore did not evaluate the solvency or fair value of optionsXpress under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore s opinion was necessarily based upon information made available to it as of the date of its opinion and financial, economic, market and other conditions as they existed and as could be evaluated on the date of its opinion. It should be understood that subsequent developments may affect Evercore s opinion and that Evercore has no obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness, from a financial point of view, of the exchange ratio to the holders of the shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger. Evercore did not express any view on, and its opinion did not address, the fairness of the proposed transaction to, or any consideration received in connection therewith by, the holders of any other securities, creditors or other constituencies of optionsXpress, nor the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of optionsXpress, or any class of such persons, whether relative to the exchange ratio or otherwise. Evercore assumed that any modification to the structure of the transaction would not vary such structure in any respect material to its analysis. Evercore s opinion did not address the relative merits of the merger as compared to other business or financial strategies that might be available to optionsXpress, nor did Evercore s opinion address the underlying business decision of optionsXpress to engage in the merger. In arriving at its opinion, Evercore was not authorized to solicit, and did not solicit, interest from any third party with respect to the acquisition of any or all of the optionsXpress common stock or any business combination or

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other extraordinary transaction involving optionsXpress. Evercore expressed no opinion as to the price at which shares of optionsXpress or Schwab will trade at any time. Evercore s opinion noted that Evercore is not a legal, regulatory, accounting or tax expert and that Evercore had assumed the accuracy and completeness of assessments by optionsXpress and its advisors with respect to legal, regulatory, accounting and tax matters.

Except as described above, the optionsXpress board of directors imposed no other instructions or limitations on Evercore with respect to the investigations made or the procedures followed by Evercore in rendering its opinion. Evercore s opinion was only one of many factors considered by the optionsXpress board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the optionsXpress board of directors or optionsXpress management with respect to the merger or the exchange ratio.

Set forth below is a summary of the material financial analyses reviewed by Evercore with the optionsXpress board of directors on March 17, 2011 in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before March 15, 2011 (the second to last trading day prior to March 17, 2011, the date on which the optionsXpress board of directors adopted a resolution to approve the merger), and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. These tables must be read together with the text of each summary in order to understand fully the financial analyses. The tables alone do not constitute a complete description of the financial analyses. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Evercore s financial analyses.

Relative Valuation Summary

Based on various stand-alone valuations of optionsXpress and Schwab, discussed below, Evercore calculated an implied valuation range of common shares of Schwab for each common share of optionsXpress and compared these valuation ranges to the exchange ratio of 1.020. Except as indicated below, Evercore calculated each of these valuation ranges by dividing the end points of the appropriate reference range of equity values calculated for optionsXpress by the mid-point of the corresponding reference range of equity values for Schwab. For the Implied Exchange Ratio Valuation Range, Evercore adjusted the historical prices of optionsXpress common shares prior to December 28, 2010 to reflect the $4.50 special dividend.

Summary Relative Valuation

Valuation Approach	**Implied Valuation Range**	
Implied Exchange Ratio: LTM Low High[1]	0.624x	1.002x
Analyst Target Price	0.658x	1.062x
Peer Group Trading (2011E P/E based valuation)	0.884x	1.002x
Peer Group Trading (2011E TEV/EBITDA based valuation)	0.843x	1.054x
PV of Estimated Equity Value at 12/31/12 and 12/31/13	0.646x	0.732x
Precedent Transactions[2]	0.724x	0.919x
Discounted Dividend Analysis of optionsXpress / PV of Estimated Equity Value of Schwab[3]	0.786x	0.881x
Premiums Paid[4]	1.052x	1.136x

(1) Represents the high and low values calculated by dividing the closing share price of optionsXpress by the closing share price of Schwab for each trading day in the twelve month period ending on March 15, 2011.

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(2) Calculated using the average of the reference range of equity values for optionsXpress calculated in the Precedent Transaction Analysis, using transaction multiples based on latest twelve months financial data for (a) Revenue, (b) EBITDA + synergies, and (c) relating to the 2009 acquisition of thinkorswim Group Inc. by TD Ameritrade Holding Corporation, as adjusted, all divided by the average of the reference range of equity values for Schwab calculated in the Peer Group Trading Analysis.

(3) Calculated using the end points of the reference range of equity values for optionsXpress calculated in the Discounted Dividend Analysis divided by the mid-point of the reference range of equity values for Schwab calculated using the Present Value of Future Stock Price Analysis at December 31, 2013.

(4) Calculated by applying a range of premiums from 25% to 35% to the ratio of optionsXpress closing share price to Schwab s closing share price, as calculated on March 15, 2011.

Historical Exchange Ratio Analysis. Evercore calculated the average implied exchange ratio by dividing the historical per share price of optionsXpress common stock by the historical per share price of Schwab common stock over the period from optionsXpress January 27, 2005 IPO to March 15, 2011 and over the five-year, three-year, two-year, one-year, six-month and one-month periods prior to and including March 15, 2011.

	Average Exchange Ratio[(1)]	**Implied Premium Represented by 1.02 Exchange Ratio**
Current	0.841x	21.2%
1-Month	0.847x	20.4%
6-Month	0.829x	23.0%
1-Year	0.776x	31.5%
2-Year	0.703x	45.1%
3-Year	0.696x	46.5%
5-Year	0.880x	16.0%
Since 1/27/05	0.928x	9.9%

(1) optionsXpress prices prior to December 28, 2010 adjusted to reflect $4.50 special dividend.

optionsXpress Stand-alone Valuation

Historical Share Price Performance Analysis. Evercore considered the historical share price performance of optionsXpress common stock over the period from optionsXpress January 27, 2005 IPO to March 15, 2011 and over the five-year, three-year, one-year, six-month, three-month, one-month and one-week periods prior to and including March 15, 2011.

optionsXpress Historical Share Price Performance

Period	**Share Price Performance**[(1)]
1-Week	(7.1%)
1-Month	(6.2%)
3-Month	(0.9%)
6-Month	33.7%
1-Year	18.4%
3-Year	(0.3%)
5-Year	(37.4%)
Since IPO Pricing	25.2%

(1) optionsXpress prices prior to December 28, 2010 adjusted to reflect $4.50 special dividend.

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Research Analyst Stock Price Targets and Recommendations. Evercore reviewed publicly available equity research on optionsXpress published by ten Wall Street investment banks other than Evercore, and analyzed the price targets for optionsXpress common stock included in those reports. These targets reflect each analyst s estimate of the future public market trading price of optionsXpress common stock and are not discounted to reflect present values. Evercore noted that undiscounted equity analyst price targets of optionsXpress common stock as of March 15, 2011 ranged from $13.00 to $21.00 per share, with a mean of $15.93 per share and a median of $16.00 per share. Evercore discounted these price targets to present value as of March 15, 2011 using a discount rate of 10.5%. This discount rate was the mid-point of the 9.5% 11.5% range used in the optionsXpress Present Value of Future Stock Price Analysis and the optionsXpress Discounted Dividend Analysis, which took into consideration, among other things, a cost of equity calculation. This analysis indicated a reference range of equity values for optionsXpress common stock of $11.76 to $19.00 per share. The price targets published by equity research analysts do not necessarily reflect current market trading prices for optionsXpress common stock and these price targets are subject to numerous uncertainties, including the future financial performance of optionsXpress and future market conditions. Evercore also provided a summary of the recommendations of the equity research analysts with regard to optionsXpress common stock, which included one buy recommendation, three sell recommendations and six hold recommendations.

Peer Group Trading Analysis. In order to assess how the public market values shares of similar publicly traded companies, Evercore reviewed and compared specific financial and operating data relating to optionsXpress to that of a group of selected peer companies that Evercore deemed to have certain characteristics that are similar to those of optionsXpress. As part of its peer group trading analysis, Evercore calculated and analyzed the multiple of current stock price to estimated 2011 and 2012 earnings per share (commonly referred to as a P/E multiple) for optionsXpress and each member of its peer group. Evercore also calculated and analyzed the multiple of enterprise value to estimated 2011 and 2012 earnings before interest, taxes, depreciation and amortization, or EBITDA (commonly referred to as an EBITDA multiple), for optionsXpress and each member of its peer group. The companies that Evercore deemed to have certain characteristics similar to those of optionsXpress were Schwab, TD Ameritrade Holding Corporation, Interactive Brokers Group, Inc., E*TRADE Financial Corporation and TradeStation Group, Inc. For the purpose of calculating enterprise value, Evercore added each company s debt net of excess cash, based on its most recent publicly available balance sheet, to its market equity value. For each company, the amount of excess cash was adjusted to reflect estimated regulatory requirements.

The analysis of current stock price to estimated earnings per share indicated that, for the selected peer group, the 2011E P/E multiples ranged from 16.7x to 27.1x and the 2012E P/E multiples ranged from 13.7x to 15.5x, in each case based on Institutional Brokers Estimate System, or IBES, mean consensus estimates. This compared to a 2011E P/E multiple of 15.9x for optionsXpress and a 2012E P/E multiple of 13.1x for optionsXpress, in each case based on optionsXpress current share price and IBES mean consensus estimates. Evercore noted that the P/E multiple implied by the exchange ratio for optionsXpress estimated 2011 and 2012 earnings per share, in each case based on estimates provided by optionsXpress management, was 19.6x and 14.7x, respectively.

Based on the above analysis, Evercore then applied a range of P/E multiples from 15x to 17x to the 2011 EPS estimate provided by optionsXpress management. The midpoint of this range was based on the current optionsXpress 2011 P/E multiple. This analysis implied a reference range of equity values for optionsXpress common stock of $13.92 to $15.77 per share.

The analysis of financial multiples indicated that, for the selected peer group, 2011E EBITDA multiples ranged from 8.6x to 12.8x and 2012E EBITDA multiples ranged from 5.4x to 10.1x, in each case based on IBES mean consensus estimates. This compared to a 2011E EBITDA multiple of 8.8x and a 2012E EBITDA multiple of 7.3x for optionsXpress, in each case based on IBES mean consensus estimates. Evercore noted that, with respect to the merger, the implied enterprise value as a multiple of optionsXpress estimated 2011 and 2012 EBITDA, in each case based on estimates provided by optionsXpress management, was 10.6x and 8.1x, respectively.

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Based on the above analysis, Evercore then applied a range of EBITDA multiples from 8x to 10x to the 2011 EBITDA estimate provided by optionsXpress management. The midpoint of this range was based on the current optionsXpress 2011 EV/EBITDA multiple. This analysis implied a reference range of equity values for optionsXpress common stock of $13.74 to $17.18 per share.

Evercore selected the peer companies identified above because their respective businesses and operating profiles are reasonably similar to that of optionsXpress. However, because of the inherent differences between the businesses, operations and prospects of optionsXpress, on the one hand, and the businesses, operations and prospects of the selected peer companies on the other, no company is exactly the same as optionsXpress.

Historical Next Twelve Months Price-to-Earnings Analysis. Evercore compared the P/E multiples for optionsXpress and Schwab based on IBES mean consensus estimated next twelve months earnings per share over the five-year, three-year, one-year, six-month, three-month, one-month, and one-week periods prior to and including March 15, 2011. For the same time periods, Evercore calculated the premium of Schwab s P/E multiples to the P/E multiples of optionsXpress, TD Ameritrade and the average of optionsXpress and TD Ameritrade. Evercore excluded E*TRADE from this analysis because its P/E multiples were not meaningful.

	Average P/E			Schwab Premium to:		
	optionsXpress(1)	Schwab	TD Ameritrade	optionsXpress	TD Ameritrade	Average
Current	15.9x	21.8x	17.2x	37%	27%	32%
1-Week	17.0x	22.7x	18.3x	33%	24%	29%
1-Month	17.4x	23.1x	18.6x	33%	24%	28%
3-Month	17.2x	22.3x	18.3x	30%	22%	26%
6-Month	16.1x	21.5x	17.0x	34%	27%	31%
1-Year	13.8x	22.1x	15.8x	66%	41%	53%
3-Year	10.7x	21.3x	14.9x	122%	44%	83%
5-Year	13.3x	20.9x	15.1x	83%	40%	61%

(1) optionsXpress prices prior to December 28, 2010 adjusted to reflect $4.50 special dividend.

Present Value of Future Stock Price Analysis. Evercore performed a present value of illustrative future stock price analysis of optionsXpress based on the optionsXpress management projections provided to Evercore by optionsXpress management. In this analysis, Evercore calculated the share price of optionsXpress at year-end 2012 and year-end 2013 by applying a range of P/E multiples from 15x to 17x to optionsXpress projected earnings per share for 2013 and 2014, respectively. These illustrative future stock prices were discounted to present value as of March 15, 2011 using a range of discount rates from 9.5% to 11.5%, taking into consideration, among other things, a cost of equity calculation. This analysis implied a reference range of equity values for optionsXpress common stock of $17.78 to $20.15 per share based on the share price calculated at year-end 2012 and $19.22 to $21.78 per share based on the share price calculated at year-end 2013, in each case using a discount rate of 10.5%. Evercore derived these ranges of P/E multiples and discount rates based on, among other things, its professional judgment and experience, including its understandings of the size, product diversity, relative profitability and expected growth of optionsXpress and the selected peer companies to which Evercore compared optionsXpress in the optionsXpress Peer Group Trading Analysis and the multiples and discount rates of those peer companies.

Discounted Dividend Analysis. Evercore performed a discounted dividend analysis for optionsXpress based on the projections provided by optionsXpress management and IBES mean consensus estimates. This analysis was based on the sum of the present value of projected dividendable cash flow for optionsXpress on a stand-alone basis from March 15, 2011 through year-end 2014 and the present value of the terminal value as a multiple of optionsXpress estimated 2015 net income. The financial projections provided by optionsXpress management ended in 2014. Evercore assumed 2014-15 growth in net income of 18%, based on the average of the 2013-14

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growth forecast by management and the IBES long-term growth rate. Evercore calculated a range of terminal values of optionsXpress using a range of discount rates from 9.5% to 11.5%, taking into consideration, among other things, a cost of equity calculation, and a range of terminal value net income multiples from 15x to 17x. This analysis implied a reference range of equity values for optionsXpress common stock of $23.25 to $26.06 per share, using a discount rate of 10.5%. Evercore derived these ranges of terminal value net income multiples and discount rates based on, among other things, its professional judgment and experience, including its understandings of the size, product diversity, relative profitability and expected growth of optionsXpress and the selected peer companies to which Evercore compared optionsXpress in the optionsXpress Peer Group Trading Analysis and the multiples and discount rates of those peer companies.

Selected Precedent M&A Transactions Analysis. Evercore calculated valuation multiples based on publicly-available information for ten transactions involving target companies that Evercore deemed to have certain characteristics that are similar to those of optionsXpress and compared them to the multiples implied in the merger. However, none of the selected transactions or the selected companies that participated in the selected transactions are directly comparable to the proposed merger.

Date Announced	**Acquiror**	**Target**
1/8/2009	TD Ameritrade	thinkorswim Group
11/6/2007	ING Direct	ShareBuilder
9/19/2006	INVESTools	thinkorswim Group
9/29/2005	E*TRADE	BrownCo, LLC
8/8/2005	E*TRADE	Harrisdirect LLC
6/22/2005	Ameritrade	TD Waterhouse
4/8/2002	Ameritrade Holding Corp.	Datek Online Holding Corporation
11/28/2001	Bank of Montreal	CSFBdirect, Inc.
7/31/2001	Ameritrade Holding Corp.	National Discount Brokers Corporation
10/12/2000	Deutsche Bank AG	National Discount Brokers Corporation

	Mean	**Median**	**High**	**Low**	**optionsXpress At Proposed Exchange Ratio**
Transaction Value/LTM Revenue	4.3x	3.7x	8.0x	2.2x	4.7x
Transaction Value/LTM EBITDA	16.7x	18.6x	58.3x	5.7x	12.6x
Transaction Value/(LTM EBITDA + Total Synergies)	4.4x	3.7x	6.9x	3.2x	6.4x

Based on the above analysis, Evercore applied a range of transaction multiples from 3.5x to 4.5x latest twelve months, or LTM, revenue to optionsXpress 2010 revenue. The range selected by Evercore was based on the mean and median multiples determined based on the precedent transactions. This analysis implied a reference range of equity values for optionsXpress common stock of $13.67 to $17.58 per share.

Based on the above analysis, Evercore also applied a range of transaction multiples from 16.5x to 18.5x LTM EBITDA to optionsXpress 2010 EBITDA. The range selected by Evercore was based on the mean and median multiples determined based on the precedent transactions. This analysis implied a reference range of equity values for optionsXpress common stock of $23.88 to $26.77 per share. However, Evercore advised the optionsXpress board of directors that this valuation range fails to take into account synergies and is thus the least relevant of the valuation ranges based on analysis of precedent transactions.

Lastly, based on the above analysis, Evercore applied a range of transaction multiples from 3.5x to 4.5x LTM EBITDA-plus-synergies to optionsXpress 2010 EBITDA-plus-synergies. The range selected by Evercore was based on the mean and median multiples determined based on the precedent transactions. The $80 million synergy estimate used was provided to Evercore by the management of Schwab. This analysis implied a reference range of equity values for optionsXpress common stock of $9.90 to $12.73 per share.

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For each of the above analyses, Evercore adjusted the 2010 results for optionsXpress to exclude certain non-recurring gains related to a prior acquisition and the initial public offering of CBOE Holdings, Inc.

Evercore performed more detailed analysis based on TD Ameritrade s 2009 acquisition of thinkorswim Group Inc., or the TOS Transaction, computing the implied value per optionsXpress share based on the multiples paid for the brokerage portion of thinkorswim. The analysis excluded thinkorswim s education business to more accurately reflect the value of thinkorswim s core brokerage business. Including the education business would have resulted in lower multiples for the TOS transaction. Because of the depressed state of the market at the time of the TOS Transaction, Evercore increased the multiples upward for the equity portion of the consideration in the TOS Transaction, based on the ratio of TD Ameritrade s 2011E P/E multiple at March 15, 2011 to its 2009E P/E multiple at January 8, 2009, leading to higher implied values per optionsXpress share. The multiples calculated by Evercore for the TOS Transaction before any of the adjustments described above were 1.6x Revenue, 5.6x EBITDA, and 3.7x EBITDA-plus-synergies.

Analysis Based on TOS Transaction

	Adjusted TOS Brokerage Multiples	Implied Value/optionsXpress Share
Revenue	3.7x	$ 12.92
EBITDA	7.3x	$ 11.21
EBITDA + Synergies	4.7x	$ 13.85

Based on the above analysis, Evercore implied a reference range of equity values for optionsXpress common stock of $11.21 to $13.85 per share.

Analysis of Historical Premiums Paid. Evercore reviewed the premiums to be paid in acquisitions of U.S. companies announced from January 1, 2006 until March 15, 2011 with transaction equity values between $500 million and $1.5 billion, excluding merger of equals transactions and transactions where less than 100% of the target was acquired. Using information from Securities Data Corp. and FactSet Research Systems Inc., premiums paid were calculated as the percentage by which the per share consideration paid in each such transaction exceeded the closing market share prices of the target companies one day, one week and four weeks prior to transaction announcements. These results are summarized as follows:

	Premium Paid (100% Stock Consideration)				Premium Paid (All Transactions)		
	1 Day Prior	1 Week Prior	4 Weeks Prior		1 Day Prior	1 Week Prior	4 Weeks Prior
Number of Transactions	7	7	7	Number of Transactions	94	94	94
Mean	32.7%	34.3%	32.7%	Mean	33.3%	35.9%	41.0%
Median	23.9%	38.1%	36.3%	Median	25.4%	29.8%	31.3%
High	64.5%	60.0%	48.2%	High	148.6%	220.2%	301.5%
Low	17.7%	14.7%	13.5%	Low	1.6%	1.7%	1.1%
optionsXpress At Proposed Exchange Ratio	21.2%	12.6%	13.7%	optionsXpress At Proposed Exchange Ratio	21.2%	12.6%	13.7%

Based on the above analysis, Evercore applied a range of premiums from 25% to 35% to the closing share price of optionsXpress common stock on March 15, 2011. This analysis implied a reference range of equity values for optionsXpress common stock of $18.78 to $20.28 per share.

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Schwab Stand-alone Valuation

Historical Share Price Performance Analysis. Evercore considered historical data with regard to the share price performance of Schwab common stock over the five-year, three-year, one-year, six-month, three-month, one-month and one-week periods prior to and including March 15, 2011.

Schwab Historical Share Price Performance

Period	Share Price Performance
1-Week	(6.6%)
1-Month	(7.9%)
3-Month	6.3%
6-Month	28.2%
1-Year	(2.1%)
3-Year	(4.9%)
5-Year	5.4%

Research Analyst Stock Price Targets and Recommendations. Evercore reviewed publicly available equity research on Schwab published by 22 Wall Street investment banks other than Evercore, and analyzed the price targets for Schwab common stock included in those reports. These targets reflect each analyst s estimate of the future public market trading price of Schwab common stock and are not discounted to reflect present values. Evercore noted that undiscounted equity analyst price targets of Schwab common stock as of March 15, 2011 ranged from $16.00 to $23.00 per share, with a mean of $20.27 per share and a median of $20.00 per share. Evercore discounted these price targets to present value as of March 15, 2011 using a discount rate of 9%, taking into consideration, among other things, a cost of equity calculation. This analysis indicated a reference range of equity values for Schwab common stock of $14.68 to $21.10 per share. The price targets published by equity research analysts do not necessarily reflect current market trading prices for Schwab common stock and these price targets are subject to numerous uncertainties, including the future financial performance of Schwab and future market conditions. Evercore also provided a summary of the recommendations of the equity research analysts with regard to Schwab common stock, which included eleven buy recommendations, one sell recommendation and ten hold recommendations.

Peer Group Trading Analysis. In order to assess how the public market values shares of similar publicly traded companies, Evercore reviewed and compared specific financial and operating data relating to Schwab to that of a group of selected peer companies that Evercore deemed to have certain characteristics that are similar to those of Schwab. As part of its peer group trading analysis, Evercore calculated and analyzed 2011E P/E multiples for Schwab and each member of its peer group. Evercore also calculated and analyzed 2011E EBITDA multiples for Schwab and each member of its peer group using the same methodology discussed in the optionsXpress Peer Group Trading Analysis section above. The companies that Evercore deemed to have certain characteristics similar to those of Schwab were optionsXpress, TD Ameritrade, Interactive Brokers, E*TRADE and TradeStation. The analysis of P/E multiples indicated that, for the selected peer group, the 2011E P/E multiples ranged from 15.9x to 27.1x, in each case based on IBES mean consensus estimates. This compared to a 2011E P/E multiple of 21.8x for Schwab, based on Schwab s current share price and IBES mean consensus estimates.

Based on the above analysis, Evercore then applied a range of P/E multiples from 20x to 23x to the 2011 EPS estimate for Schwab. The midpoint of this range was based on the current Schwab 2011 P/E multiple. This analysis implied a reference range of equity values for Schwab common stock of $14.64 to $16.84 per share.

The analysis of financial multiples indicated that, for the selected peer group, 2011E EBITDA multiples ranged from 8.6x to 12.8x based on IBES mean consensus estimates. This compared to a 2011E EBITDA multiple of 12.6x for Schwab, based on IBES mean consensus estimates.

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Based on the above analysis, Evercore then applied a range of EBITDA multiples from 12x to 14x to the 2011 EBITDA estimate for Schwab. The midpoint of this range was based on the current Schwab 2011 EV/EBITDA multiple. This analysis implied a reference range of equity values for Schwab common stock of $14.99 to $17.60 per share.

The 2011 estimates for Schwab used by Evercore were based on information provided by Schwab management, which included the Schwab 2011 Financial Plan presented to the Schwab board of directors on January 27, 2011, updated to reflect the Schwab Q1 2011 Net Income Forecast as of March 2011. Schwab provided no estimates for any subsequent period.

Evercore selected the peer companies identified above because their respective businesses and operating profiles are reasonably similar to that of Schwab. However, because of the inherent differences between the businesses, operations and prospects of Schwab, on the one hand, and the businesses, operations and prospects of the selected peer companies on the other, no company is exactly the same as Schwab.

Present Value of Future Stock Price Analysis. Evercore performed a present value of illustrative future stock price analysis of Schwab using the IBES mean consensus estimate for 2013 and a 2014 estimate calculated by growing the 2013 IBES mean consensus estimate at the IBES mean consensus long-term growth rate. The IBES mean consensus long-term growth rate used by Evercore to derive the 2014 Schwab estimate was 15.4%. In this analysis, Evercore calculated the share price of Schwab at year-end 2012 and year-end 2013 by applying a range of P/E multiples from 20x to 23x to Schwab s projected earnings per share for 2013 and 2014, respectively. These illustrative future stock prices were discounted to present value as of March 15, 2011 using a range of discount rates from 8% to 10% , taking into consideration, among other things, a cost of equity calculation, and were increased to reflect the present value of the future dividends per share projected by IBES to be paid by Schwab over the relevant projection period. Evercore used dividend projections for Schwab from IBES, which were $0.27 and $0.34 per share in 2012 and 2013, respectively. This analysis implied a reference range of equity values for Schwab common stock of $25.81 to $29.62 per share based on the stock price calculated at year-end 2012 and $27.56 to $31.58 per share based on the stock price calculated at year-end 2013, in each case using a discount rate of 9%. Evercore derived these ranges of P/E multiples and discount rates based on, among other things, its professional judgment and experience, including its understandings of the size, product diversity, relative profitability and expected growth of Schwab and the selected peer companies to which Evercore compared Schwab in the Schwab Peer Group Trading Analysis and the multiples and discount rates of those peer companies.

Sensitivity to Environment. Evercore estimated the prospective effect of a variety of potential external occurrences on the respective 2011E earnings per share of optionsXpress and Schwab.

	% Change in 2011E Earnings per Share	
	optionsXpress 2011E	**Schwab 2011E**
Fed Funds Increase by 1.0%	28%	68%
Incremental 10% Market Appreciation (Immediate)	0%	15%
10% Increase in Account Trading Activity	17%	5%
10% Decline in Pricing	(19%)	(6%)

General

In connection with the review of the merger by the optionsXpress board of directors, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore s opinion. In arriving at its fairness determination, Evercore considered the results of all the analyses and did not attribute any particular weight to

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any factor or analysis considered by it. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, Evercore may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Evercore s view of the value of optionsXpress or Schwab or their respective common stocks. No company used in the above analyses as a comparison is directly comparable to optionsXpress or Schwab, and no transaction used is directly comparable to the transactions contemplated by the merger agreement. Further, in evaluating comparable transactions, Evercore made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of optionsXpress, Schwab and Evercore, such as the impact of competition on optionsXpress and Schwab and their respective industries generally, industry growth and the absence of any material adverse change in the financial condition of optionsXpress and Schwab or in the markets generally.

Evercore prepared these analyses for the purpose of providing an opinion to the optionsXpress board of directors as to the fairness, from a financial point of view, of the exchange ratio to the holders of the shares of optionsXpress common stock entitled to receive shares of Schwab common stock in the merger. These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty and are based upon numerous factors, assumptions with respect to industry performance, general business and economic conditions and other matters or events beyond the control of optionsXpress, Schwab and Evercore, none of optionsXpress, Schwab or Evercore assumes responsibility if future results are materially different from those forecast. The exchange ratio of shares of Schwab common stock to be received by the holders of the shares of optionsXpress common stock pursuant to the merger agreement was determined through arm s-length negotiations between optionsXpress and Schwab and was approved by the optionsXpress board of directors. Evercore did not recommend any specific exchange ratio to the optionsXpress board of directors or the Schwab board of directors or that any given exchange ratio constituted the only appropriate exchange ratio.

Pursuant to its engagement letter, Evercore received a fee of $3 million for delivery of its fairness opinion, which was to be paid for delivery of a fairness opinion regardless of the conclusion reached in the opinion. An additional fee of $12 million becomes payable to Evercore promptly upon completion of the transaction. Furthermore, optionsXpress has agreed to reimburse Evercore for its reasonable expenses up to $30,000 (with additional amounts subject to approval by optionsXpress) incurred in connection with the engagement and to indemnify Evercore for certain liabilities arising out of its engagement. The optionsXpress board of directors engaged Evercore as its financial advisor because it is an internationally recognized investment banking and advisory firm that has substantial experience in transactions similar to the merger. Evercore, as part of its investment banking business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, competitive biddings and valuations for corporate, estate and other purposes. During the two year period prior to the date of Evercore s opinion, Evercore and its affiliates provided financial advisory services to optionsXpress, but have not received any fees for the rendering of those services or any reimbursement of expenses. During the two year period prior to the date of Evercore s opinion, no material relationship existed between Evercore and its affiliates and Schwab pursuant to which compensation was received by Evercore or its affiliates as a result of such a relationship. Evercore may provide financial or other services to optionsXpress or Schwab in the future and in connection with any such services Evercore may receive compensation. In the ordinary course of its business, Evercore and its affiliates may, from time to time, trade in the securities or the indebtedness of optionsXpress, Schwab and their affiliates or any currencies or commodities (or derivative thereof) for its own account, the accounts of investment funds and other clients under the management of Evercore and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities, indebtedness, currencies or commodities (or derivative thereof) for any such account.

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Financial Projections

optionsXpress does not as a matter of course make public projections as to future revenues, earnings or other results. However, optionsXpress has included the prospective financial information set forth below to provide its stockholders access to certain non-public financial projections provided to the optionsXpress board of directors, Schwab and optionsXpress financial advisor for purposes of considering and evaluating the merger. The board of directors of optionsXpress, its financial advisor and Schwab were provided with all of the financial projections set forth below. The accompanying prospective financial information was not prepared with a view toward public disclosure or a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but in the view of optionsXpress, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents to the best of optionsXpress knowledge and belief the expected course of action of optionsXpress. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on the prospective information. The inclusion of this information should not be regarded as an indication that optionsXpress board of directors, Schwab or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

Neither optionsXpress or Schwab s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the prospective financial information.

The following table presents selected projected financial data for the fiscal years ended December 31 of the year indicated. The projections were prepared by optionsXpress management in November 2010. The projections do not take into account any circumstances, events or accounting pronouncements occurring after the date they were prepared, nor does optionsXpress intend to update or otherwise revise the projected financial information to reflect circumstances arising since its preparation or to reflect the occurrence of unanticipated events.

	Management Forecast				2010-2014E
(in millions, except DARTs, customer assets and EPS)	**2011E**	**2012E**	**2013E**	**2014E**	**CAGR**
DARTs	**50,589**	**55,501**	**60,629**	**66,532**	11.0%
% Growth	*15.2%*	*9.7%*	*9.2%*	*9.7%*	
Customer Assets (in billions)	**$ 8.9**	**$ 10.2**	**$ 11.9**	**$ 13.9**	15.3%
% Growth	*13.1%*	*15.5%*	*16.2%*	*16.6%*	
Revenue	**$ 244.2**	**$ 291.9**	**$ 327.1**	**$ 371.0**	13.2%
% Growth	*7.9%*	*19.6%*	*12.0%*	*13.4%*	
Pre-tax Income	**$ 86.4**	**$ 115.8**	**$ 133.9**	**$ 161.1**	21.1%
% Growth	*15.3%*	*34.0%*	*15.6%*	*20.3%*	
% Margin	*35.4%*	*39.7%*	*40.9%*	*43.4%*	
EBITDA	**$ 99.5**	**$ 129.8**	**$ 148.6**	**$ 175.4**	20.3%
% Growth	*18.7%*	*30.5%*	*14.5%*	*18.0%*	
% Margin	*40.7%*	*44.5%*	*45.4%*	*47.3%*	
Net Income	**$ 54.0**	**$ 72.4**	**$ 83.7**	**$ 100.7**	20.7%
% Growth	*13.7%*	*34.0%*	*15.6%*	*20.3%*	
% Margin	*22.1%*	*24.8%*	*25.6%*	*27.1%*	
EPS	**$ 0.93**	**$ 1.23**	**$ 1.42**	**$ 1.69**	19.8%
% Growth	*12.8%*	*33.1%*	*14.9%*	*19.5%*	

While the summary financial projections set forth above were prepared in good faith by members of optionsXpress management, no assurance can be given regarding future events. Therefore, these financial projections may not be necessarily predictive of actual future operating results, and this information should not be relied on as such. The estimates and assumptions underlying these financial projections involve judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions as well as additional matters specific to the optionsXpress business, many of which are beyond optionsXpress control. The projections cover multiple years and such information by its nature becomes more speculative with each successive year. Additionally, the financial projections in this section were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or published guidelines of the Securities and Exchange Commission regarding financial projections. The financial projections are not historical fact. In light of the foregoing, optionsXpress stockholders are cautioned not to unduly rely on these summary financial projections.

The inclusion of these financial projections should not be interpreted as an indication that optionsXpress considers this information necessarily predictive of actual future results, and this information should not be relied on for that purpose. These projections are not included in this document in order to induce any stockholder of optionsXpress to vote to approve the merger agreement, or to impact any investment decision with respect to its common stock. See Information Regarding Forward-Looking Statements beginning on page 23.

OPTIONSXPRESS DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING SINCE THEIR PREPARATION OR TO REFLECT THE OCCURRENCE OF SUBSEQUENT EVENTS EVEN IN THE EVENT THAT ANY OR ALL OF THE UNDERLYING ASSUMPTIONS ARE NO LONGER APPROPRIATE.

Interests of optionsXpress Directors and Executive Officers in the Merger

In considering the recommendations of the optionsXpress board of directors, you should be aware that certain of optionsXpress directors and executive officers have interests in the transaction that are different from, or in addition to, the interests of optionsXpress stockholders generally. These interests may present them with actual or potential conflicts of interest, and these interests, to the extent material, are described below. The board of directors of optionsXpress was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decisions to approve the merger agreement and the merger and the recommendation that optionsXpress stockholders vote in favor of approving the merger. For purposes of all of the optionsXpress agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change in control.

The following table identifies the number of shares of Schwab common stock that will be received by each director and executive officer of optionsXpress in exchange for optionsXpress common stock (excluding deferred shares) held by each such director and executive officer, in each case based on his direct and indirect holdings as of July 15, 2011:

Name	Number of Shares of optionsXpress Common Stock	Number of Shares of Schwab Common Stock to be Received in Exchange for optionsXpress Common Stock Upon Closing
James A. Gray	13,198,406	13,462,374
Ned Bennett	1,487,595	1,517,347
David A. Fisher	114,050	116,331
Thomas E. Stern	72,555	74,006
Michael J. Soenen	28,118	28,680
Scott Wald	25,575	26,087
Peter Bottini	14,820	15,116
Adam J. DeWitt	14,499	14,789
Bruce R. Evans	13,072	13,333
Steven Fradkin	13,072	13,333
Howard C. Draft	13,072	13,333
Kirk Chartier	1,000	1,020

Interests of Mr. James Gray (Chairman of the Board of Directors)

Mr. James Gray, the chairman of the board of directors of optionsXpress, beneficially owned 13,257,582 shares, or approximately 23.0%, of outstanding common stock of optionsXpress, which includes vested options to acquire 59,176 shares of optionsXpress common stock, in each case as of the record date, personally and through his interest in G-Bar Limited Partnership and JG 2002 Delta Trust. Pursuant to the voting agreement entered into among G-Bar, JG Trust, Schwab and optionsXpress in connection with the execution of the merger agreement, G-Bar and JG Trust has each agreed to, among other things, (1) vote its shares in favor of the adoption of the agreement and plan of merger and against any takeover bid by a third party, (2) comply with certain restrictions on the disposition of such shares, subject to the terms and conditions contained in the voting agreement and (3) grant an irrevocable proxy in favor of designated officers of Schwab to vote its shares of optionsXpress common stock as required by the terms of the proposed voting agreement. Upon completion of the merger, and pursuant to the terms of the merger agreement, Mr. Gray, through G-Bar and JG Trust, would exchange all of his equity interest in optionsXpress for approximately 13,522,733 shares of Schwab common stock, which includes vested options to acquire shares of Schwab common stock.

Pursuant to the terms of his amended and restated retention letter agreement with optionsXpress, dated January 3, 2007, in the event that Mr. Gray ceases to be chairman of the board of directors of optionsXpress, without his prior consent, Mr. Gray is entitled to 12 months of separation pay at the rate of his then-current base remuneration of $300,000 per year payable in 12 equal monthly installments. Mr. Gray s retention letter agreement also provides for a post-separation 12-month noncompetition period as well as a simultaneous 12-month non-solicitation/non-hire restriction. optionsXpress has the option to pay Mr. Gray his then-current base retainer in monthly installments for up to 24 additional months in order to extend his noncompetition period after the initial 12-month period has lapsed.

Interests of Mr. Ned Bennett (Vice Chairman of the Board of Directors)

Pursuant to the terms of his employment letter agreement dated January 15, 2004, if the employment of Mr. Bennett is terminated by optionsXpress without cause or by Mr. Bennett for good reason, then Mr. Bennett is entitled to 12 months of base salary payable in 12 monthly installments. Mr. Bennett s current base salary is $385,000.

Mr. Bennett is subject to a 12-month noncompetition period as well as a simultaneous 12-month non-solicitation period following his termination of employment. In the event of Mr. Bennett s termination of employment for any reason, optionsXpress has the option to pay Mr. Bennett his then-current base salary in monthly installments for up to 24 additional months in order to extend his noncompetition period after the initial 12-month period has lapsed.

Equity Compensation Awards

The merger agreement provides that, upon completion of the merger, each optionsXpress stock option and deferred share will be converted, based on the 1.02 exchange ratio, into an option or deferred share of Schwab common stock, and will otherwise be subject to the same terms as the original optionsXpress stock option or deferred share, as applicable, was subject. optionsXpress directors and executive officers own optionsXpress common stock, options and deferred shares of optionsXpress common stock and, like other optionsXpress stockholders, will be entitled to receive equity securities of Schwab for their optionsXpress shares, options and stock-based awards.

In addition, pursuant to retention agreements between Schwab and Messrs. David Fisher, Adam DeWitt and Peter Bottini entered into in connection with the execution of the merger agreement (as described in greater detail below), upon a change in control of optionsXpress, each executive s unvested optionsXpress options will become fully vested and exercisable and their deferred shares will vest in full. Pursuant to Mr. Bennett s equity arrangements with optionsXpress, upon a change in control of optionsXpress, his unvested optionsXpress options

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will become fully vested and exercisable and his deferred shares will vest in full. The unvested optionsXpress options and deferred shares of optionsXpress common stock held by other directors and officers of optionsXpress will continue to vest according to the terms of the instrument by which such options or deferred shares were granted.

The following table identifies, for each of the executive officers of optionsXpress, (1) the aggregate number of shares of Schwab common stock that would be held by each executive upon completion of the merger that correspond to their optionsXpress deferred shares that become vested upon completion of the merger, (2) the aggregate number of vested options to acquire shares of Schwab common stock that would be held by each executive upon completion of the merger that correspond to the optionsXpress stock options that are currently unvested stock options, and (3) the average exercise price of vested options to acquire shares of Schwab common stock that would be held by each executive upon completion of the merger that correspond to the optionsXpress stock options that are currently unvested stock options, in each such case based on optionsXpress equity compensation holdings as of July 15, 2011:

Name	Number of Outstanding Shares of Schwab Stock Received Upon Vesting of Deferred Shares at Closing	Number of Schwab Shares Subject to Stock Options Which Vest at Closing	Average Exercise Price of Stock Options on Schwab Shares Which Vest at Closing
David A. Fisher	141,250	117,849	$ 13.74
Adam J. DeWitt	34,925	28,750	$ 13.78
Peter Bottini	28,846	96,154	$ 12.18
Ned W. Bennett	2,040	3,141	$ 17.82
Kirk Chartier			
Thomas E. Stern			

The following table identifies for each member of the board of directors of optionsXpress (other than Messrs. Fisher and Bennett), (1) the aggregate number of shares of Schwab common stock that would be held by each such director upon completion of the merger, (2) the aggregate number of options to acquire shares of Schwab common stock that would be held by each director upon completion of the merger, and (3) the average exercise price of options to acquire shares of Schwab common stock that would be held by each executive upon completion of the merger, in each case based on optionsXpress equity compensation holdings as of July 15, 2011:

Name	Number of Outstanding Shares of Schwab Stock Received at Closing	Number of Schwab Shares Subject to Stock Options at Closing	Average Exercise Price of Stock Options on Schwab Shares at Closing
James A. Gray	13,462,374	60,360	$ 16.06
Michael J. Soenen	28,680	14,821	$ 14.63
Scott Wald	26,087	42,463	$ 16.38
Howard C. Draft	13,333	24,143	$ 16.06
Bruce R. Evans	13,333	24,143	$ 16.06
Steven Fradkin	13,333	33,303	$ 17.56

Special Dividend Deferred Share Bonus Program

optionsXpress declared and paid a $4.50 per share special dividend in December 2010. At the time, the board of directors of optionsXpress approved the payment of a special bonus, which we refer to as the special dividend bonus, in the amount of $4.50 per share in cash for each unvested deferred share that was granted before December 28, 2010 and became vested after the payment of the dividend. Since December 31, 2010, optionsXpress has paid the special dividend bonus for deferred shares that have vested according to their original vesting schedules. The following table identifies, for each executive officer of optionsXpress, (1) the aggregate number of deferred shares of optionsXpress common stock that would become vested as a result of the merger

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for which a special dividend bonus payment would be made as a result and (2) the aggregate amount of the special dividend bonus that would become vested and payable upon completion of the merger:

Name	Deferred Shares Vested	Special Dividend Bonus
David A. Fisher	95,580	$ 430,110
Adam J. DeWitt	22,840	$ 102,780
Peter Bottini	13,540	$ 60,930
Ned Bennett	2,000	$ 9,000
Kirk Chartier		
Thomas E. Stern		

Interests of Kirk Chartier (Chief Marketing Officer)

Pursuant to the terms of his offer letter with optionsXpress dated January 4, 2010, Mr. Chartier is entitled to an amount equal to his current base salary of $300,000 if his employment with optionsXpress is terminated without cause. In addition, if his termination without cause is within 12 months following a change in control, Mr. Chartier s unvested options and restricted stock will immediately vest upon such termination.

Other Executives

Except as described above, no other optionsXpress executive officers have employment agreements with optionsXpress or any other arrangements with optionsXpress which would provide them with any severance benefits or accelerated vesting of any optionsXpress equity incentive awards that they may hold, upon the completion of the merger.

Retention Agreements with Schwab

In connection with the merger, Schwab has entered into retention agreements with Messrs. Fisher, DeWitt and Bottini, which we collectively refer to as the retention agreements, each of which supersedes each such executive s previous employment agreement with optionsXpress, and is conditioned and becomes effective upon completion of the merger. It is possible that other members of optionsXpress current management team will enter into arrangements with Schwab or its affiliates in connection with the completion of the merger after the date of this proxy statement/prospectus.

Title/Compensation

Pursuant to their retention agreements, Messrs. Fisher, DeWitt and Bottini will hold the following positions and be entitled to an annual base salary as set forth in the table below.

Name	Title	Annual Base Salary
David A. Fisher	Senior Vice President and President of optionsXpress	$ 425,000
Adam J. DeWitt	Vice President, optionsXpress	$ 260,000
Peter Bottini	Vice President, optionsXpress	$ 275,000

Bonuses

Pursuant to their retention agreements, Messrs. Fisher, DeWitt and Bottini are entitled to certain annual, deal and retention bonuses. For the first two calendar years ending after the date on which the merger is completed, the executives will be eligible to earn annual target bonus opportunities equal to $425,000 in the case of Mr. Fisher, $120,000 in the case of Mr. DeWitt and $200,000 in the case of Mr. Bottini. For the first calendar year ending after the closing date, the annual target bonus opportunity will be pro-rated based on the number of days worked for Schwab during that year.

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The executives are also entitled to receive a lump sum amount that is at least equal to a pro-rata portion (based on the number of days in the period of optionsXpress fiscal year that precedes the date of the closing of the merger, relative to 365 days) of $342,500 for Mr. Fisher, $165,000 for Mr. DeWitt and $190,000 for Mr. Bottini. This bonus amount may be increased in the discretion of the Chief Operating Officer of Schwab s Investor Services business based upon the actual performance of optionsXpress during the period of optionsXpress fiscal year that precedes the closing date.

So long as each respective executive is employed through the closing date of the merger, such executive is entitled to deal bonuses as follows (i) following the closing, $800,000 to Mr. Fisher, $355,000 to Mr. DeWitt and $500,000 to Mr. Bottini and (ii) following the second anniversary of the closing date of the merger, $592,500 to Mr. Fisher, $225,000 to Mr. DeWitt and $250,000 to Mr. Bottini, which will be paid whether or not the executive is employed with optionsXpress on such second anniversary date.

Finally, if each respective executive is employed through the following anniversary dates, such executive is entitled to a retention bonus as follows: (i) upon the first anniversary of the closing date, $607,500 to Mr. Fisher, $262,500 to Mr. DeWitt and $187,500 to Mr. Bottini and (ii) upon the second anniversary of the closing date, $1,170,000 to Mr. Fisher, $412,500 to Mr. DeWitt and $562,500 to Mr. Bottini. If any of the respective executives employment is terminated by Schwab without cause or by the executives for good reason (as defined in the retention agreements), the executive will still be entitled to any unpaid amounts of these retention bonuses on the dates they would otherwise be due. A summary of the foregoing bonuses is set forth in the table below.

Name	Annual Target Bonus	Pre-Closing Annual Bonus	Deal Bonus	Retention Bonus
David A. Fisher	$ 425,000(1)	$ 342,500(2)	$ 800,000(3)	$ 607,500(5)
			$ 592,500(4)	$ 1,170,000(6)
Adam J. DeWitt	$ 120,000(1)	$ 165,000(2)	$ 355,000(3)	$ 262,500(5)
			$ 225,000(4)	$ 412,500(6)
Peter Bottini	$ 200,000(1)	$ 190,000(2)	$ 500,000(3)	$ 187,500(5)
			$ 250,000(4)	$ 562,500(6)

(1) Pro rata payment for the first calendar year after the closing date to be made based upon the number of days worked for Schwab in such period relative to 365 days.
(2) Pro rata payment to be made based upon the number of days worked for optionsXpress in such period relative to 365 days.
(3) Payable in the normal payroll processing cycle of Schwab following the closing date of the merger.
(4) Payable in the normal payroll processing cycle of Schwab following the second anniversary of the closing date of the merger.
(5) Payable in the normal payroll processing cycle of Schwab following the first anniversary of the closing date of the merger if executive remains employed by Schwab through such date.
(6) Payable in the normal payroll processing cycle of Schwab following the second anniversary of the closing date of the merger if executive remains employed by Schwab through such date.

Equity Compensation

As discussed above, pursuant to the retention agreements, in the event that the merger is completed, each of Messrs. Fisher s, DeWitt s and Bottini s unvested optionsXpress options will become fully vested and exercisable and their unvested shares of optionsXpress deferred shares will vest in full upon the completion of the merger.

In addition, pursuant to the retention agreements, Messrs. Fisher, DeWitt and Bottini are eligible to receive from Schwab certain equity incentive awards. As soon as practicable after the closing date of the merger, Schwab will recommend to its board of directors or the compensation committee that the executives receive equity awards with a value (based on the closing price of Schwab common stock on the date of grant of such awards) equal to $1,500,000 in the case of Mr. Fisher, $350,000 in the case of Mr. DeWitt and $600,000 in the case of Mr. Bottini. Of these awards, 70% will be options to purchase shares of Schwab common stock, and the remaining 30% will be time-vested restricted stock units of Schwab common stock. These equity grants vest, subject to each respective executive s continued employment with Schwab through each vesting date, as follows: 25% on each of the second and third anniversaries of the grant date; and the remaining 50% of the fourth anniversary of the grant date. These equity grants will otherwise be subject to terms specified in the applicable Schwab award agreement to be provided to the executives at the time of grant.

The executives will also be eligible for additional equity grants under Schwab s Key Contributor Program, while employed with Schwab, during each of the first two annual grant cycles of Schwab that begin following the closing date (generally expected to occur on or about October 2011 and 2012) having a target value (based on the closing price of Schwab common stock on the date of grant of such awards) equal to $400,000 for Mr. Fisher, $150,000 for Mr. DeWitt and $125,000 for Mr. Bottini. Following these grants cycles, each executive will be eligible to receive equity grants at a target value equal to the level applicable to other Schwab employees of similar rank.

Other Terms

Except as described above, none of Messrs. Fisher, DeWitt, or Bottini will be eligible for any payments or benefits upon any termination of their employment with Schwab. However, upon any termination, each executive is subject to a covenant not to compete which precludes such executive from managing, controlling, participating in (whether as an officer, director, employee, partner, agent, representative or otherwise), consulting with or rendering services with respect to any entity that engages or proposes to engage in the on-line securities industry for the retail, consumer customer base (including, for the avoidance of doubt and without limitation, the service of retail brokerage accounts through independent representatives) or any other business conducted by optionsXpress, Schwab or any of its subsidiaries and in which such executive materially participated during his employment term for the duration of a restricted period. For Mr. Fisher, the restricted period will last for (i) 24 months upon any termination of employment that occurs during the period beginning with the closing date and ending on the first anniversary of the closing date, (ii) 18 months if the termination of employment occurs after the first anniversary but on or before the second anniversary of the closing date, and (iii) 12 months if the termination of employment occurs at any time after the second anniversary of the closing date. For Messrs. DeWitt and Bottini, the restrictive period will last for (i) 18 months following any termination of employment that occurs during the period beginning with the closing date and ending on the second anniversary of the closing date, and (ii) 12 months if the termination of employment occurs at any time after the second anniversary of the closing date.

Indemnification

Schwab has agreed to indemnify and hold harmless all past and present officers and directors of optionsXpress and its subsidiaries in their capacities as such against all losses, claims, damages, liabilities, costs, expenses, judgments, fines and amounts paid in settlement to the fullest extent such persons would be entitled to such indemnification under the certificate of incorporation and bylaws of optionsXpress as in effect on the date of the merger agreement and permitted by applicable law.

The merger agreement provides that Schwab will use its reasonable best efforts to cause the persons serving as officers and directors of optionsXpress immediately prior to the effective time to be covered for a period of six years after completion of the merger by Schwab s current directors and officers liability insurance policies, or policies of at least the same coverage and amount and containing terms and conditions that are not in the aggregate less advantageous than the current policy, subject to specified cost limitations. Alternatively, Schwab or optionsXpress may obtain tail insurance policies with a claims period of at least six years of the completion of the merger, subject to specified cost limitations.

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Schwab s Reasons for the Merger

Schwab s reasons for entering into the merger agreement include to:

- acquire a more flexible and extendable technology platform that positions Schwab to better meet active investor client needs today and in the future;
- improve Schwab s scale, operational efficiency, long-term growth and ability to attract and retain clients;
- unite Schwab s and optionsXpress complementary strengths across equities, options and futures;
- use optionsXpress derivative trading tools, analytics and education, as well as foreign exchange capabilities, for Schwab s existing client base;
- offer Schwab s breadth of products and services to optionsXpress clients;
- provide Schwab the opportunity to capitalize on the growth of the derivatives trading market;
- provide Schwab s clients with expanded access to investor education on derivatives trading; and
- increase Schwab s stockholder value through enhanced growth and operating leverage.

The board of directors of Schwab approved the merger agreement after Schwab s senior management discussed with the board of directors a number of factors, including those described above and the business, results of operations, financial performance and condition, strategic direction and prospects of optionsXpress. The Schwab board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The Schwab board of directors viewed its position as being based on all the information and the factors presented to and considered by it. In addition, individual directors may have given different weights to different information and factors.

Schwab s Board of Directors after the Merger

Upon completion of the merger, the current directors of Schwab are expected to continue in their current positions. Information about the current Schwab directors can be found in the documents listed under the heading Schwab Securities and Exchange Commission Filings in the section entitled Where You Can Find More Information beginning on page 85.

Material U.S. Federal Income Tax Consequences of the Merger

The following summary describes the anticipated material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of optionsXpress common stock. The following summary is based upon the Code, its legislative history, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and foreign laws, or federal laws other than those pertaining to income tax, or federal laws applicable to alternative minimum taxes, are not addressed in this proxy statement/prospectus.

For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner which is:

an individual citizen or resident of the United States;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions;

a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate that is subject to U.S. federal income taxation on its income regardless of its source.

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This discussion addresses only those holders of optionsXpress common stock that hold their optionsXpress common stock as a capital asset within the meaning of Section 1221 of the Code and does not address all the U.S. federal income tax consequences that may be relevant to particular holders of optionsXpress common stock in light of their individual circumstances or to holders of optionsXpress common stock that are subject to special rules, such as:

- financial institutions;
- investors in pass-through entities;
- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to use a mark to market method of accounting;
- persons that hold optionsXpress common stock as part of a straddle, hedge, constructive sale or conversion transaction;
- regulated investment companies;
- real estate investment trusts;
- persons whose functional currency is not the U.S. dollar;
- persons who are not citizens or residents of the United States; and
- holders who acquired their shares of optionsXpress common stock through the exercise of an employee stock option or otherwise as compensation.

If a partnership or other entity taxed as a partnership holds optionsXpress common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisors about the tax consequences of the merger to them.

The actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult with your own tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

Tax Consequences of the Merger Generally

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, the material U.S. federal income tax consequences will be as follows:

- no gain or loss will be recognized by Schwab or optionsXpress as a result of the merger;

- except as discussed below with respect to cash received instead of a fractional share of Schwab common stock, under Cash Received Instead of a Fractional Share of Schwab Common Stock, no gain or loss will be recognized by U.S. holders who exchange all of their optionsXpress common stock for Schwab common stock pursuant to the merger;

- the aggregate basis of the Schwab common stock received by a U.S. holder of optionsXpress common stock in the merger (including fractional shares of Schwab common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the optionsXpress common stock for which it is exchanged; and

- the holding period of Schwab common stock received in exchange for shares of optionsXpress common stock (including fractional shares of Schwab common stock deemed received and redeemed as described below) will include the holding period of the optionsXpress common stock for which it is exchanged.

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If a U.S. holder acquired different blocks of optionsXpress shares at different times or different prices, such U.S. holder must determine its tax basis and holding period separately with respect to each block of optionsXpress shares.

Completion of the merger is conditioned on, among other things, the receipt by optionsXpress and Schwab of legal opinions from Kirkland & Ellis LLP and Simpson Thacher & Bartlett LLP, respectively, each dated as of the closing date of the merger, that for U.S. federal income tax purposes the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on certain assumptions and on representation letters provided by optionsXpress and Schwab to be delivered at the time of closing. Although the merger agreement allows each of Schwab and optionsXpress to waive this condition to closing, neither Schwab nor optionsXpress currently anticipates doing so. Neither of the tax opinions will be binding on the Internal Revenue Service. Neither Schwab nor optionsXpress intends to request any ruling from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger and there is no guarantee that the Internal Revenue Service will treat the merger as a reorganization within the meaning of Section 368(a) of the Code.

Cash Received Instead of a Fractional Share of Schwab Common Stock

A U.S. holder of optionsXpress common stock who receives cash instead of a fractional share of Schwab common stock will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by Schwab. As a result, such U.S. holder of optionsXpress common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. Any such gain or loss recognized by the U.S. holders will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder s holding period for the relevant shares is greater than one year. The deductibility of capital losses is subject to limitations.

You are urged to consult with your own tax advisors about the particular tax consequences of the merger to you, including the effects of U.S. federal, state or local, or foreign and other tax laws.

Backup Withholding and Information Reporting

Payments of cash in lieu of a fractional share of Schwab common stock to a U.S. holder pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder s U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

U.S. holders will be required to retain records pertaining to the merger. Each U.S. holder of optionsXpress common stock who is required to file a U.S. federal income tax return and who is a significant holder that receives Schwab common stock in the merger will be required to file a statement with such U.S. federal income tax return setting forth such holder s basis in the optionsXpress common stock surrendered and the fair market value of the Schwab common stock and cash received in the merger. A significant holder is a holder of optionsXpress common stock, who, immediately before the merger, owned at least 5% of the outstanding stock of optionsXpress.

This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.

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Accounting Treatment of the Merger

The merger will be accounted for using the acquisition method of accounting with Schwab treated as the acquiror. Under this method of accounting, optionsXpress assets and liabilities will be recorded by Schwab at their respective fair values as of the closing date of the merger and added to those of Schwab. The amount of the purchase price in excess of the aggregate fair value of the net assets of optionsXpress will be recorded as goodwill. However, in the event that the aggregate fair value of the net assets of optionsXpress exceeds the purchase price, such excess will be recognized in earnings by Schwab on the closing date of the merger. The purchase price will be measured by multiplying the number of Schwab common shares issued in connection with the merger by the closing share price of Schwab s common stock on the effective date of the merger. Financial statements of Schwab issued after the merger will not be restated retroactively to reflect the historical financial position or results of operations of optionsXpress prior to the merger. The results of operations of optionsXpress will be included in the results of operations of Schwab beginning on the effective date of the merger.

Regulatory Approvals Required for the Merger

Schwab and optionsXpress have agreed to use reasonable best efforts to obtain the regulatory approvals required or advisable to complete the merger.

Antitrust Approvals

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice, which is referred to as the Antitrust Division, and the U.S. Federal Trade Commission, which is referred to as the FTC (collectively referred to as the antitrust agencies), under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules that have been promulgated under the Act, collectively referred to herein as the HSR Act. Under the HSR Act, Schwab and optionsXpress are required to make premerger notification filings and to await the expiration or early termination of the statutory waiting period (and any extension of the waiting period) prior to completing the merger. On April 7, 2011, Schwab and optionsXpress each filed a Premerger Notification and Report Form with the antitrust agencies, and the applicable waiting period under the HSR Act was terminated early on April 22, 2011.

There can be no assurance that the merger will not be challenged on antitrust or competition grounds or, if a challenge is made, what the outcome would be. The Antitrust Division, the FTC, any U.S. state and other applicable U.S. or non-U.S. regulatory bodies may challenge the merger on antitrust or competition grounds at any time, including after the expiration or termination of the waiting period under the HSR Act or other applicable process, as they may deem necessary or desirable or in the public interest. Accordingly, at any time before or after the completion of the merger, any such party could take action under the antitrust laws, including, without limitation, by seeking to enjoin the effective time of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under antitrust or competition laws under certain circumstances.

Other Regulatory Procedures

The merger is subject to certain regulatory requirements of other municipal, state and federal, domestic or foreign, governmental agencies and authorities, including those relating to the offer and sale of securities. Schwab and optionsXpress have agreed to use reasonable best efforts to obtain as promptly as practicable all regulatory approvals that are required to complete the transactions contemplated by the merger agreement. The foreign, federal and state securities authorities, regulatory authorities and organizations, and self-regulatory organizations, from which approvals must be sought or to which notifications must be provided include, among others: (1) the Financial Industry Regulatory Authority, Chicago Board Options Exchange and NASDAQ Stock Market LLC; (2) the Netherlands Authority for the Financial Markets and Dutch Central Bank; (3) the Monetary Authority of Singapore; and (4) the Investment Industry Regulatory Organization of Canada and applicable Canadian provincial securities commissions (which Canadian approvals have been received).

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Schwab and optionsXpress have obtained or are currently working to comply in all material respects with the requirements of these required regulatory approvals, as appropriate, and do not currently anticipate that they will materially hinder, delay or restrict completion of the merger. Although neither optionsXpress nor Schwab knows of any reason why any outstanding regulatory approvals would not be obtained in a timely manner, neither Schwab nor optionsXpress can be certain when or if such approvals will be obtained.

Conversion of Shares; Exchange of Certificates; Dividends; Withholding

Conversion and Exchange of Shares. The conversion of shares of optionsXpress common stock (other than excluded shares) into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after completion of the merger, the exchange agent will exchange certificates and book-entry shares representing shares of optionsXpress common stock for the merger consideration to be received in the merger pursuant to the terms of the merger agreement. Wells Fargo Bank, N.A. will be the exchange agent in the merger and will exchange certificates and book-entry shares for the merger consideration and perform other duties as explained in the merger agreement.

If any Schwab shares are to be issued in a name other than that in which the optionsXpress stock certificates or book-entry shares surrendered in exchange for the merger consideration are registered, the person requesting the exchange must pay any transfer or other taxes required by reason of the issuance of the new Schwab shares in a name other than that of the registered holder of the optionsXpress stock certificate or book-entry shares surrendered, or must establish to the satisfaction of the exchange agent that any such taxes have been paid or are not applicable.

optionsXpress stock certificates may be exchanged for the merger consideration with the exchange agent for up to nine months after the completion of the merger. At the end of that period, any shares of Schwab common stock may at Schwab s option be returned to Schwab or transferred as directed by Schwab, and in such case, any holders of optionsXpress stock certificates that have not exchanged their stock certificates would then be entitled to look only to Schwab for payment of the merger consideration.

Letter of Transmittal. As soon as reasonably practicable after the effective time of the merger, the exchange agent will send a letter of transmittal to those persons who were record holders of shares of optionsXpress common stock immediately prior to the effective time of the merger. This mailing will contain instructions on how to surrender optionsXpress shares in exchange for the merger consideration the holder is entitled to receive under the merger agreement. Holders of optionsXpress common stock that hold their shares in certificated form will be required to return, along with surrendered certificates, a letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, to be entitled to receive the merger consideration pursuant to the terms of the merger agreement. However, holders of optionsXpress common stock who hold their shares in book-entry form (rather than through a certificate representing optionsXpress common stock) will not be required to deliver a certificate or an executed letter of transmittal to the exchange agent in order to receive the merger consideration that the holder is entitled to receive pursuant to the terms of the merger agreement.

If you hold your shares in certificated form, do not submit your optionsXpress stock certificates for exchange now. You will receive transmittal instructions from the exchange agent at a later date. Please be sure to read and follow the transmittal instructions when you receive them.

If a certificate for optionsXpress common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon making of an affidavit of that fact and the posting of a bond in a reasonable amount as an indemnity.

Fractional Shares. No fractional shares of Schwab common stock will be issued to any holder of optionsXpress common stock upon completion of the merger. For each fractional share that would otherwise be

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issued, Schwab will pay cash (without interest) in an amount equal to the fractional share interest to which such stockholder would otherwise be entitled (after taking into account all shares of optionsXpress common stock held by such stockholders) multiplied by the closing price of Schwab common stock as reported on the New York Stock Exchange on the last trading day immediately preceding the effective time of the merger.

Dividends and Distributions. Until shares of optionsXpress common stock are surrendered for exchange, any dividends or other distributions declared after the effective time of the merger with respect to shares of Schwab common stock into which optionsXpress shares may have been converted will accrue but will not be paid. Schwab will pay to former optionsXpress stockholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their shares. At and after the effective time of the merger, there will be no transfers on the stock transfer books of optionsXpress of any optionsXpress shares. If shares of optionsXpress common stock are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which such shares have been converted pursuant to the merger agreement.

Withholding. Schwab or the exchange agent will be entitled to deduct and withhold from the merger consideration otherwise payable to any optionsXpress stockholder the amounts it is required to deduct and withhold under any provision of any federal, state, local or foreign tax law. To the extent that Schwab or the exchange agent withholds any amounts, these amounts will be treated for all purposes of the merger as having been paid to the stockholders in respect of whom such deduction and withholding were made.

Appraisal Rights

Section 262 of the Delaware General Corporation Law, or the DGCL, provides that stockholders have the right, in some circumstances, to dissent from certain corporate actions and to instead demand payment of the fair value of their shares. Stockholders do not have appraisal rights with respect to shares of any class or series of stock if such shares of stock, or depositary receipts in respect thereof, are either (1) listed on a national securities exchange or (2) held of record by more than 2,000 holders, unless the stockholders receive in exchange for their shares anything other than shares of stock of the surviving or resulting corporation (or depositary receipts in respect thereof), or of any other corporation that is publicly listed or held by more than 2,000 holders of record, cash in lieu of fractional shares or fractional depositary receipts described above or any combination of the foregoing. Therefore, because optionsXpress common stock is listed on the NASDAQ Global Select Market, and holders thereof will receive in the merger only shares of Schwab common stock, which will be publicly listed on the New York Stock Exchange, and cash in lieu of fractional shares, holders of optionsXpress common stock will not be entitled to appraisal rights in the merger with respect to their shares of optionsXpress common stock.

Litigation Relating to the Merger

As previously disclosed in the Registration Statement on Form S-4 originally filed with the SEC on April 21, 2011, a number of purported class action lawsuits were filed by optionsXpress stockholders challenging Schwab s proposed acquisition of optionsXpress. These suits name as defendants optionsXpress, members of optionsXpress board of directors (whom we refer to as the individual defendants), Schwab and Neon Acquisition Corp. (collectively referred to as defendants).

Seven lawsuits were filed in the Circuit Court of Cook County, Illinois. By orders dated April 6, 2011 and April 27, 2011, the Illinois lawsuits were consolidated under the caption Kolton v. Gray, et al. (Civ. Action No. 11CH10657) (which we refer to as the Consolidated Illinois Action). On May 9, 2011, the Illinois plaintiffs filed a consolidated amended complaint (which we refer to as the Illinois Amended Complaint).

Three lawsuits were filed in the Court of Chancery of the State of Delaware. By order dated April 25, 2011, the Delaware lawsuits were consolidated under the caption In re optionsXpress Holdings, Inc. Shareholder Litigation, Consolidated C.A. No. 6314-VCL (which we refer to as the Consolidated Delaware Action). The

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Delaware plaintiffs filed a consolidated amended complaint on April 25, 2011. On April 28, 2011, the Delaware court stayed the Consolidated Delaware Action in favor of the Consolidated Illinois Action.

The complaints generally allege that (i) the individual defendants breached fiduciary duties owed to optionsXpress stockholders by allegedly approving the merger agreement at an unfair price and through an unfair process and by agreeing to certain deal protection devices; and (ii) the transaction unfairly benefits certain members of optionsXpress board of directors, including the chief executive officer, to the disadvantage of other optionsXpress stockholders. The complaints also allege that Schwab and Neon Acquisition Corp. aided and abetted the alleged fiduciary breaches by the individual defendants. The complaints seek, among other relief, to enjoin the transaction, rescission in the event the transaction is consummated, an order directing defendants to account to plaintiff and other members of the putative class for all damages caused by their breaches, and an award of costs and disbursements, including reasonable attorneys and expert fees.

On May 20, 2011, defendants moved to dismiss the Illinois Amended Complaint. On June 16, 2011, the Illinois court dismissed with prejudice all claims against Schwab and Neon Acquisition Corp. in the Consolidated Illinois Action.

On June 22, 2011, the parties entered into a Memorandum of Understanding to resolve all claims related to the merger. Following arm s length negotiations, the parties agreed that, in exchange for full releases of all claims related to the merger, defendants would provide supplemental disclosures to the amended Registration Statement on Form S-4, of which this proxy statement/prospectus is a part. Defendants have also agreed not to oppose any fee application by plaintiffs counsel that does not exceed $650,000. The settlement is subject to final documentation and court approval and is conditioned on consummation of the merger. Defendants deny any wrongdoing in connection with the merger and believe the claims lack merit. In the event the settlement is not finalized, the remaining defendants will continue to defend the claims vigorously.

Restrictions on Sales of Shares by Certain Affiliates

The shares of Schwab common stock to be issued in the merger will be freely transferable under the Securities Act, except for shares issued to any stockholder who is an affiliate of Schwab as defined by Rule 144 under the Securities Act. Affiliates consist of individuals or entities that control, are controlled by, or are under common control with Schwab and include the executive officers and directors of Schwab and may include significant stockholders of Schwab.

Stock Exchange Listings

Following the merger, the shares of Schwab common stock will continue to trade on the New York Stock Exchange under the symbol SCHW.

Delisting and Deregistration of optionsXpress Common Stock after the Merger

When the merger is completed, the optionsXpress common stock currently listed on the NASDAQ Global Select Market will be delisted from the NASDAQ Global Select Market and will be deregistered under the Exchange Act.

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PROPOSAL NO. 1: THE MERGER AGREEMENT

This section of the document describes the material terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is incorporated herein by reference and attached as Annex A to this proxy statement/prospectus. This summary may not contain all of the information about the merger agreement that may be important to you. You are urged to read the full text of the merger agreement.

Structure

Subject to the terms and conditions of the merger agreement, and in accordance with Delaware law, at the completion of the merger, Neon Acquisition Corp. (a newly formed and wholly-owned subsidiary of Schwab established to facilitate the acquisition of optionsXpress) will be merged with and into optionsXpress. optionsXpress will survive the merger as a wholly-owned subsidiary of Schwab and will continue its corporate existence under the laws of the State of Delaware under the name optionsXpress Holdings, Inc.

Each share of Schwab common stock issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of Schwab, and each share of optionsXpress common stock issued and outstanding at the effective time of the merger (other than excluded shares) will be converted into the right to receive 1.02 shares of Schwab common stock, as described below. See Consideration to be Received in the Merger.

The merger agreement provides that Schwab may change the method of effecting the business combination between Schwab and optionsXpress; however, no such change will alter or change the amount or kind of merger consideration to be provided under the merger agreement, materially impede or delay completion of the merger, or adversely affect the anticipated tax consequences to optionsXpress or its stockholders in the merger.

Effective Time

The merger will be completed and become effective when the parties to the merger agreement file the certificate of merger with the Secretary of State of the State of Delaware. However, Schwab and optionsXpress may agree to a later time for completion of the merger and specify that time in the certificate of merger in accordance with Delaware law. The closing of the merger will take place on the second business day after the conditions to the merger have been satisfied or waived, or on such other date as Schwab and optionsXpress may agree.

Surviving Corporation, Governing Documents and Directors

At the effective time of the merger, the certificate of incorporation and bylaws of optionsXpress, as in effect immediately prior to the effective time of the merger, will be amended so as to read as that of Neon Acquisition Corp., respectively, and will be the certificate of incorporation and bylaws of optionsXpress as the surviving corporation of the merger.

At the effective time of the merger, the board of directors of Neon Acquisition Corp. immediately prior to the effective time of the merger will be the directors of optionsXpress as the surviving corporation of the merger.