

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)

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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)

Lee Meyerson, Esq.

Elizabeth Cooper, Esq.

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(212) 455-2000

With copies to:
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

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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 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

211 Main Street

San Francisco, California 94105

Attention: Corporate Secretary

(415) 667-1959

Email: investor.relations@schwab.com

optionsXpress Holdings, Inc.

311 W. Monroe St., Suite 1000

Chicago, Illinois 60606

Attention: Corporate Secretary

1-877-280-9010

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:

(212) 297-0720

Stockholders should call:

(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.

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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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