

Cash Features Disclosure Statement

As an added feature to your brokerage account (“Account”), we provide a service to you that permits the uninvested cash, or “Free Credit Balance,” in your Account to earn income while you decide how those funds should be invested. This Cash Features Disclosure Statement (“Disclosure Statement”) tells you what these Cash Features are and how you can benefit from them. It also contains eligibility requirements for and important disclosures about each of them. Terms defined in your Account Agreement have the same meanings when used here.

You should also consider higher-return options for funds that are not needed immediately. Please visit www.optionsxpress.com/cash for investment alternatives.

Please read this Disclosure Statement carefully and retain a copy for your records.

Contact Us

If you have any questions or need more information about the Cash Features described in this Disclosure Statement, please call us at 1-888-280-8020.

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Cash Features Disclosure Statement for Individual Investors

1. Introduction

optionsXpress' Cash Features Program is the service that we provide that permits the uninvested cash or "free funds" in your brokerage account to earn income while you decide how those funds should be invested longer term. optionsXpress offers two ways to earn income on the Free Credit Balance in your Account:

1. The "**Free Credit Interest**" feature pays you interest, at a rate set by optionsXpress, on cash awaiting investment.
2. The "**Bank Sweep**" feature automatically makes deposits to and withdrawals from interest-bearing deposit accounts ("Deposit Accounts") at Charles Schwab Bank, a Federal Deposit Insurance Corporation ("FDIC")-insured depository institution affiliated with optionsXpress ("Schwab Bank").¹

In this Disclosure Statement, "Cash Features" refers to these two alternatives. If you are offered a choice of Cash Features on your Account Application, you must designate a Cash Feature for which your Account is eligible. If you are unsure which Cash Feature is designated for your Account, please contact us at 1-888-280-8020.

If you would prefer a different Cash Feature, and you are eligible for your preferred Cash Feature, you may request to change your Cash Feature to your preferred alternative by contacting us.

2. Your Responsibility to Monitor Eligibility

It is your responsibility to monitor your eligibility for Cash Features and to determine the best Cash Feature available to you. optionsXpress is not responsible for contacting you if you are, or later become, eligible for other higher-yielding Cash Features. Information about eligibility for each Cash Feature is available at any time by contacting us or by going to www.optionsxpress.com/sweep.

3. Rates of Return

Current rates of return for each Cash Feature can be obtained by calling us at 1-888-280-8020 or by going to www.optionsxpress.com/sweep.

There is no guarantee that the rate of return on any particular Cash Feature will be, or will remain, higher than the rate of return on any other Cash Feature or any other comparable liquid investment over any period of time.

Interest rates for the Free Credit Interest feature are established periodically by optionsXpress based on prevailing market and business conditions.

Interest rates for the Bank Sweep feature are established periodically by Schwab Bank based on prevailing market and business conditions.

The interest rates for the Free Credit Interest feature and the Bank Sweep feature vary by tier. Eligibility for a tier is determined by the amount of Free Credit Balances in your Account in the case of the Free Credit Interest feature, and by your Household Balance in the case of the Bank Sweep feature.² In general, clients with greater Free Credit Balances or Household Balances, as applicable, will earn a higher rate of interest than those clients with lower Free Credit Balances or Household Balances.

Cash Features are not intended as long-term investments. You should consider higher-return options for funds that are not needed immediately. Please visit www.optionsXpress.com/cash for investment alternatives.

¹ Schwab Bank may be referred to herein as a Sweep Bank.

² For a description of how optionsXpress determines your Household Balance, please refer to Section 11, "The Bank Sweep Feature" below.

4. Eligibility for Cash Features

Eligibility for these Cash Features is based on the registered ownership of your Account.

We may change these eligibility requirements, make certain Cash Features available to Accounts that do not otherwise meet the published criteria, pay interest rates through the Free Credit Interest feature to certain clients that are different from the standard rates for our published tiers, or establish an arrangement with Schwab Bank to pay interest rates on deposits that are different from Schwab Bank's rates available to depositors making deposits directly with Schwab Bank or that are different from the standard rates Schwab Bank pays under its published tiers. We may also change, replace, or terminate any Cash Feature available to you as provided in your Account Agreement. We will notify you in advance if any change in eligibility affects your Account.

Important disclosure information about each Cash Feature is set forth in this Disclosure Statement. In addition, a chart comparing the terms of the Cash Features is provided in the Comparison of optionsXpress Cash Features, Section 13 of this Disclosure Statement. Please contact us at 1-888-280-8020 for more information about the Cash Features available to you.

5. Cash Features Eligibility Chart

The following chart shows the Cash Features for which different Accounts qualify. If you are not sure which type of account you have, check this list:

- **Accounts for Individuals:** includes joint tenancies, life tenancies, tenancies in common, community property, sole proprietorships, custodial (UTMA and UGMA) accounts, and health savings accounts.³
- **Accounts for Organizations:** includes corporations, limited-liability companies, partnerships, and unincorporated associations, but not sole proprietorships.
- **Accounts for Trusts and Estates:** includes revocable living trusts, irrevocable trusts, business trusts, testamentary trusts, charitable-remainder trusts, and decedents' estates, but not conservatorships or guardianships.
- **International Accounts:** includes individuals or legal entities who reside outside the U.S., its territories, and its possessions.
- **Individual Retirement Accounts and Education Savings Accounts:** includes Traditional IRAs, Roth IRAs, Roth Conversion IRAs, Rollover IRAs, Inherited IRAs, Education Savings Accounts, Custodial IRAs, SEP-IRAs, and SIMPLE IRAs.
- **Other Accounts:** includes Keogh Plan Accounts, Profit Sharing Plan Accounts, and Money Purchase Plan Accounts.

Cash Features Eligibility Chart

Account Type	Cash Features	
	Bank Sweep Feature	Free Credit Interest Feature
Accounts for Individuals	Available	Available
Accounts for Organizations	Available	Available
Accounts for Trusts and Estates	Available	Available
International Accounts [†]	Not available	Available
Individual Retirement and Education Savings Accounts	Available	Not Available
Other Accounts	Not Available	Available

[†] The Bank Sweep feature is not available to Account Holders living outside the United States. Clients living outside the United States are limited to the Free Credit Interest feature.

6. Changing Your Cash Feature

You may change the Cash Feature on your Account to any other Cash Feature that you are eligible for at any time by contacting us at 1-888-280-8020. If you request a change from a Cash Feature for which you no longer qualify, you may not re-elect that Cash Feature until you once again meet its eligibility requirements.

If you request a change from one Cash Feature to another, optionsXpress will generally effect that change within 2 Business Days, but reserves the right to take longer if necessary to properly process your request.

As a condition to changing your Cash Feature, you authorize us to transfer all of your funds from your prior Cash Feature to your newly elected one.

Changing Cash Features may result in the loss of one or more Business Days' interest while your transaction is being processed. During this time, we may earn and retain interest on your funds, generally at money market rates. See the "Float Disclosure" section in your Account Agreement for more information.

7. Changes to Your Cash Feature and the Cash Features Program by optionsXpress

If you become ineligible for your chosen Cash Feature—either because you no longer meet the requirements for that feature or because we change the requirements or availability—we may change your Cash Feature and transition you to a Cash Feature that you do qualify for. If that becomes necessary, we will give you advance notice.

You understand and agree that optionsXpress may (1) make changes to the terms and conditions of our Cash Features Program; (2) make changes to the terms and conditions of any Cash Feature; (3) change, add, or discontinue Cash Features; (4) change your investment from one Cash Feature to another because you become ineligible or for any other reason; and (5) make any other changes to the Cash Features Program or Cash Features as allowed by law or with your consent.

If any of these changes occur, optionsXpress may designate another Cash Feature for which your account is eligible as set forth in the cash feature eligibility rules as updated and published by optionsXpress from time to time.

optionsXpress may obtain your consent to a change of Cash Features, changes to the Cash Features we make available, or a change in the Cash Features Program by notifying you in writing of the proposed change(s) at least 30 days prior to the effective dates of the proposed change. optionsXpress' notice will describe the new terms and conditions of the Cash Features Program or Cash Feature and the options available to you if you do not accept the new terms and conditions or product.

You agree to respond with your denial in writing within 30 days after receiving our notice. If you do not respond in writing within 30 days, you agree that optionsXpress may treat your nonresponse as your approval of the change(s). Your authorization will remain in effect until you give us written notice to the contrary. Your notice to us will not affect any obligations resulting from transactions initiated prior to our receipt of the notice. When we make such a change, you authorize us to transfer all your funds from your prior Cash Feature to your new Cash Feature.

A change in your Cash Feature may result in the loss of one or more business days' interest while your transaction is being processed. During this time, we will earn and retain interest on your funds, generally at money market rates. See the "Float Disclosure" section in your Account Agreement for more information.

8. Impact of Option Transactions in IRA Accounts and Cash Accounts on Cash Features

While it is permissible to engage in option transactions in an IRA Account, you must be aware of the unique qualities of an IRA Account. Federal regulations prohibit margin lending transactions in an IRA Account. Therefore, holders of options in an IRA (or Cash) Account MUST have a cash balance equal to or greater than the amount required to exercise the options in the Account on the last day prior to expiration ("Requirement Cash") or we will close out the position in the open market on a "best efforts" basis prior to the market close. Note that Requirement Cash results from your decision, as the IRA Account Holder, to engage in certain options trades such as cash-secured short puts and spreads. Requirement Cash will be excluded from the Free Credit Balance that otherwise sweeps to Deposit Accounts at Schwab Bank if the Bank Sweep feature is your Cash Feature. Instead, we will hold Requirement Cash at optionsXpress and pay interest on the

Requirement Cash as a Free Credit Balance. We may adjust the rate periodically, and we intend generally to set the rate on Free Credit Balances by matching the rate paid by Schwab Bank through the Bank Sweep feature.

In the event that you maintain an IRA (or Cash) Account with us and you request and receive the ability to trade American-style spreads, we may carry such positions in a margin location (or margin account), which may subject your Account to additional requirements.

9. Free Credit Interest Feature

If you are eligible for and elect the Free Credit Interest feature, we will pay you interest on the amount of Free Credit Balances in your Account at an interest rate set by optionsXpress.⁴ Interest rates are paid according to tiers. Eligibility for a tier is determined by the average value, over a one-week period, of the Free Credit Balances in your Account. Generally, the higher the Free Credit Balances in your Account at the end of the week, the higher your interest rate will be the next week. However, we are not obligated to pay different interest rates on different tiers.

The tiers for the Free Credit Interest feature are:

- Balances of \$0 to \$9,999.99
- Balances of \$10,000.00 to \$24,999.99
- Balances of \$25,000.00 to \$99,999.99
- Balances of \$100,000.00 to \$249,999.99
- Balances of \$250,000.00 to \$499,999.99
- Balances of \$500,000.00 to \$999,999.99
- Balances of \$1,000,000.00 to \$2,499,999.99
- Balances of \$2,500,000.00 to \$4,999,999.99
- Balances of \$5,000,000.00 or more

We may change the tiers from time to time. You may contact us at 1-888-280-8020 to get the current interest rate for each tier. Interest will accrue and be compounded daily. We post interest to your Account on or before the last Business Day of each month. Monthly interest is rounded to the nearest penny at the end of the interest period. If the only balance in your Account is accrued but unposted interest, interest will not be compounded for that period.

optionsXpress will pay interest on remittances by check, wire, ACH, and online billpay beginning on the first Business Day that the deposit is posted. Interest will accrue even if a hold is placed on the check or ACH. However, if we have credited your Account for interest on funds represented by a check, ACH or other item that is later unpaid, we may charge your Account for the amount of interest paid.

optionsXpress may increase or decrease the rate of interest or decide to terminate the Free Credit Interest feature, anytime, in its discretion. We also reserve the right to change, without prior notice, the method of calculating and paying interest that we describe above.

To participate in the Free Credit Interest feature, you must maintain the Free Credit Balance in your Account for the purpose of investing in securities. The Free Credit Interest feature is not a bank account and is not insured by the FDIC. If we determine that your use of the Account is inconsistent with investment purposes, or if there is no trading activity within a one-year period, then upon written notice we may stop providing the optionsXpress services described in your Account Agreement, change your Account to a different Cash Feature, or take other action that we consider appropriate.

⁴ For purposes of the Free Credit Interest Feature only, the term "Free Credit Balance" includes the amount described in definition of "Free Credit Balance" in your Account Agreement and credit balances designated as collateral for your obligations, such as Requirement Cash or a cash balance resulting from a short sale.

optionsXpress is a member of the Securities Investor Protection Corporation (SIPC®). SIPC® is a nonprofit membership corporation created by the Securities Investor Protection Act of 1970, funded primarily by its member securities brokerage firms registered with the U.S. Securities and Exchange Commission. SIPC® provides protection to clients of securities brokerage firms in the event such brokerage firms become insolvent. SIPC® provides member institutions up to \$500,000 (including \$250,000 for claims of cash) of coverage per brokerage client in each recognized capacity when aggregated with other cash held by the same brokerage client in the same capacity at the same member institution.

In addition to SIPC® coverage, optionsXpress has secured additional protection that exceeds SIPC® limits through an agreement with Lloyd's of London ("Excess Coverage"). Excess Coverage is necessary and available only in the unlikely event that assets are not fully recovered when SIPC® protection limits have been reached. The combined total of SIPC® basic account protection and optionsXpress' Excess Coverage is limited to \$150 million per customer, \$1.15 million of which may be in cash. Excess Coverage is limited to a total of \$100 million across all optionsXpress brokerage clients.⁵

10. The Bank Sweep Feature

The Bank Sweep feature automatically makes deposits to and withdrawals from deposit accounts (the "Deposit Accounts") at Schwab Bank, an FDIC-insured depository institution affiliated with optionsXpress. Funds in the Deposit Accounts are eligible for FDIC insurance as described below.

Funds in the Deposit Accounts at Schwab Bank are eligible for deposit insurance by the FDIC up to a total of \$250,000 principal and accrued interest per depositor when aggregated with all other deposits held in the same insurable capacity at Schwab Bank. For example, funds in the Deposit Accounts at Schwab Bank held by an individual are insured up to \$250,000, and funds in the Deposit Accounts at Schwab Bank held jointly by two or more individuals are insured up to \$250,000 per joint owner. Please read "Deposit Insurance: General" and "Deposit Insurance: Retirement Plans and Accounts" later in this section for important information about the deposit insurance coverage for different types of accounts and how the FDIC aggregates balances in multiple accounts when calculating the amount of your coverage.

If the Bank Sweep feature is your Cash Feature, we will automatically deposit free credit balances into Deposit Accounts at Schwab Bank. **Free Credit Balances will be deposited into Deposit Accounts without limit even if the amount in the Deposit Accounts exceeds the \$250,000 deposit insurance limit. In addition, for deposit insurance purposes, Deposit Accounts (including certificates of deposit) that you establish in one insurable capacity directly with Schwab Bank will be aggregated with the Deposit Accounts established through the Bank Sweep feature in the same insurable capacity. You are responsible for monitoring the total amount of deposits you have at Schwab Bank in order to determine the extent of deposit insurance coverage available to you. You should carefully review the "Deposit Insurance: General" and "Deposit Insurance: Retirement Plans and Accounts" sections herein.**

Structure. Through the Bank Sweep feature, two Deposit Accounts are established on your behalf at Schwab Bank: a demand deposit account ("DDA") and a money market deposit account ("MMDA"). The Deposit Accounts are a direct obligation of Schwab Bank and not, either directly or indirectly, guaranteed by optionsXpress, The Charles Schwab Corporation, or any other subsidiary or affiliate.

⁵ Under the policy secured with Lloyd's of London underwriters, additional protection for securities and cash is extended to optionsXpress up to an aggregate of \$100 million. The combined return to any customer from a Trustee, SIPC® and Lloyd's of London is limited to \$24,500,000, including cash of up to \$900,000 from the Lloyd's of London policy. This additional protection becomes available only in the event that SIPC® limits are exhausted.

Deposits. When funds in your Account are first available for sweep, we, as your agent, will open a DDA and an MMDA on your behalf at Schwab Bank and deposit your Free Credit Balance into them. Proceeds from the sale of securities will be swept into your Deposit Accounts on Settlement Day, provided there was Good Delivery of the securities sold prior to Settlement Day. Deposits such as checks, wires, ACH, online billpay, and corporate actions will be swept into your Deposit Accounts the next Business Day. Dividends, bond interest payments, and other interest income will be swept into your Deposit Accounts on payable date. optionsXpress has sole discretion to change when and how often sweeps occur upon advance written notice to you. If we have credited your Account for interest on deposits in your Deposit Accounts that result from a check or other item that is later returned unpaid, we may charge your Account for the amount of this interest.

Withdrawals. As your agent, we will make all withdrawals necessary to satisfy debits in your Account. Debits may be created when you purchase securities; when you request funds to be withdrawn; or, if your Account includes cash management features, when you write a check on your Account. Checks written on your Account are not drawn directly against the Deposit Accounts at Schwab Bank. The money needed to satisfy these debits will first be obtained as described in your Account Agreement.

If funds in one deposit account are not sufficient to satisfy your debits in your Account, you authorize us to transfer funds between your related MMDA and DDA to satisfy your debits. If there are insufficient funds in your Deposit Accounts to satisfy the debit, we will withdraw funds from other available sources as described in your Account Agreement.

At any point during a month in which transfers from your MMDA approach federal regulatory limits, you authorize optionsXpress to transfer all funds from your MMDA to your related DDA and to make deposits into your DDA until the end of the month. The first five withdrawals from your account in a calendar month will be made from your MMDA. On the same business day as the fifth withdrawal from your MMDA in a calendar month the remaining funds in your account will be transferred to your related DDA. Thereafter, withdrawals from your account for the remainder of the calendar month will be made from your DDA and additional deposits to your account will be made to your DDA. You also authorize optionsXpress, as your agent, to transfer funds on deposit in your DDA to your MMDA at the beginning of the following month. This limit on MMDA transfers will not limit the number of withdrawals you can make from funds on deposit at Schwab Bank through the Bank Sweep feature, the interest rate you earn, or the amount of FDIC insurance coverage for which you are eligible.

Under federal banking regulations, Schwab Bank must reserve the right to require seven days' written notice before permitting a transfer of funds out of an MMDA. Schwab Bank has indicated that it currently has no intention of exercising this right.

Interest. Schwab Bank will pay the same interest rate on the DDA and MMDA. Interest rates will be established periodically by Schwab Bank based on prevailing market and business conditions. Schwab Bank may pay different rates based upon tiers. Eligibility for a tier is determined by your Household Balance on a weekly basis, which is the value of the assets in qualified Accounts of your Household. To determine which of your Accounts is qualified, please contact us.

In determining your Household Balance, optionsXpress may link your Account with other qualified accounts at optionsXpress, Schwab Bank and Charles Schwab & Co. held by you and members of your household ("Accounts of your Household"). Accounts of your Household are accounts held by persons with whom you share the same last name and home address. optionsXpress may link other accounts upon your request if you and the account holders of those accounts are members of the same family; a dependent relationship exists between you and the account holder; or in certain other similar instances at our discretion. Certain accounts may not be eligible for linking.

optionsXpress is not responsible for identifying accounts that are

eligible to be linked; it is your responsibility to request the linking of accounts. While we may make a good faith effort to identify and consider accounts that are eligible for linking, we are not responsible for any claimed error in calculating your Household Balance if you fail to contact optionsXpress. For more information on how your Household Balance is calculated, please contact us.

Generally, the higher your Household Balance at the end of the week, the higher your interest rate will be the next week. However, Schwab Bank is not obligated to pay different interest rates on different tiers. Schwab Bank's tiers for the Bank Sweep feature are:

- Balances of \$0 to \$9,999.99
- Balances of \$10,000.00 to \$24,999.99
- Balances of \$25,000.00 to \$99,999.99
- Balances of \$100,000.00 to \$249,999.99
- Balances of \$250,000.00 to \$499,999.99
- Balances of \$500,000.00 to \$999,999.99
- Balances of \$1,000,000.00 to \$2,499,999.99
- Balances of \$2,500,000.00 to \$4,999,999.99
- Balances of \$5,000,000.00 or more

These tiers may change from time to time. You may contact us at 1-888-280-8020 to get the current interest rate for each tier. Interest will accrue from the day funds are deposited into Deposit Accounts at Schwab Bank through the Business Day preceding the date of withdrawal from Deposit Accounts at Schwab Bank. Interest will be compounded daily and credited on the last Business Day of each month. If the only balance in your Deposit Accounts is accrued but unposted interest, interest will not be compounded.

In the case of the Bank Sweep feature, the Free Credit Balance of one penny (\$0.01) or more in your Account will be automatically deposited into your Deposit Accounts. Proceeds from the sale of securities will be swept into your Deposit Accounts on Settlement Date, provided that the sale of your securities settled. Deposits such as checks, wires, ACH transfers, online billpay, and corporate actions will be swept into your Deposit Accounts the next Business Day. Dividends, bond interest payments, and other interest income will be swept into your Deposit Accounts on payable date. optionsXpress has sole discretion to change when and how often sweeps occur upon advance written notice to you.

If we have credited your Account for interest on deposits in your Deposit Accounts that result from a check or other item that is later returned unpaid, we may charge your Account for the amount of this interest.

The interest rates paid on the Deposit Accounts may be higher or lower than the interest rates available to depositors making deposits directly with Schwab Bank or other depository institutions in comparable accounts. You should compare the terms, interest rates, required minimum amounts, and other features of the Bank Sweep feature with those of other accounts and alternative investments.

Account Statement. All transactions in the Deposit Accounts maintained through the Bank Sweep feature will be confirmed on your account statement, which will also show the balances in your Deposit Accounts and the amount and rate of interest paid. optionsXpress, not Schwab Bank, is responsible for the accuracy of your account statements, including information related to the Bank Sweep feature. You may contact us at 1-888-280-8020 for information about your balances or if you have questions about your account statement. You should retain the account statements for your records.

Changing Banks. We may in the future add one or more banks ("Sweep Banks") to the Bank Sweep feature or substitute another Sweep Bank for Schwab Bank. We will provide you with advance notice of such changes to the Bank Sweep feature. If Schwab Bank or another Sweep Bank ceases to participate in the Bank Sweep feature, you will be provided an opportunity to establish a direct

depository relationship with Schwab Bank or the Sweep Bank, as applicable, subject to the bank's account opening policies. The consequences of maintaining a direct depository relationship with Schwab Bank are discussed below under "Your Relationship with optionsXpress and Schwab Bank." If you do not direct us to establish a direct account with a Sweep Bank that has ceased to participate in the Bank Sweep feature, we will withdraw your funds from the Sweep Bank and deposit them at the remaining Sweep Banks.

Temporary Unavailability of the Bank Sweep Feature. If we are unable to deposit your funds according to the terms of the Bank Sweep feature because Schwab Bank (and any other Sweep Bank then participating in the Bank Sweep feature) is no longer willing or able to accept deposits, we will withdraw all of your funds in the Deposit Accounts maintained through the Bank Sweep feature and temporarily designate the Free Credit Interest feature as your Cash Feature. Free Credit Balances will remain in your Account, and optionsXpress will pay you interest, at a rate set by us, on the Free Credit Balances in your Account. At such time as Schwab Bank or another Sweep Bank becomes available to accept your funds, we will designate the Bank Sweep feature as your Cash Feature, and deposit your Free Credit Balances according to the terms of the Bank Sweep feature.

In such cases, we will provide you with notice of the change in your Cash Feature as required by law. Such notice may be included in your account statement.

Your Relationship with optionsXpress and Schwab Bank. We are acting as your agent in establishing the Deposit Accounts and in depositing and withdrawing funds. You will receive no evidence of ownership, such as a passbook or certificate. Instead, Deposit Account ownership will be evidenced by a book entry on the account records of Schwab Bank and by records that we maintain as custodian of your Account.

Unless you establish the Deposit Accounts directly with Schwab Bank as described below, any instructions regarding the movement of your funds in the Bank Sweep feature must be provided by optionsXpress to Schwab Bank, and information concerning the Bank Sweep feature may only be obtained from optionsXpress. Schwab Bank will not accept instructions directly from you with respect to your Deposit Accounts held through the Bank Sweep feature, nor provide you directly with information concerning this feature.

We may, at our discretion and upon written notice, terminate your use of the Bank Sweep feature. If we do, you may establish a direct relationship with Schwab Bank, subject to its account opening policies.

Similarly, if you decide to stop participating in the Bank Sweep feature, you may establish a direct relationship with Schwab Bank by asking to have the Deposit Accounts established in your name, again subject to Schwab Bank's eligibility criteria. This will result in separating those Deposit Accounts from your Account.

We provide administrative services to Schwab Bank in support of the operation of the Bank Sweep feature. We are compensated for these administrative services in an amount up to a \$20 annual flat fee for each Account that sweeps into Deposit Accounts at Schwab Bank. We reserve the right to increase, decrease or waive all or part of this fee. We will notify you in advance of any increase. We and certain of our affiliates also provide operational, technology and other services to Schwab Bank and receive compensation for those services. In addition, certain of our employees and registered representatives may be compensated in part based, directly or indirectly, on assets in the Bank Sweep feature or the profitability of the Bank Sweep feature for Schwab Bank and our joint parent company, The Charles Schwab Corporation.

Other than applicable fees and charges imposed by us on your Account, which are described on the *Pricing & Commissions* page of our website, there will be no charge, fee or commission imposed on your Account with respect to the Bank Sweep feature.

Information about Schwab Bank. Schwab Bank is a federal savings association regulated by the Office of the Comptroller of the Currency of the U.S. Department of the Treasury. optionsXpress and Schwab

Bank are separate but affiliated companies and wholly owned subsidiaries of The Charles Schwab Corporation. The Charles Schwab Corporation is a savings and loan holding company, regulated by the Federal Reserve Board. Upon request, we will provide you with the publicly available financial information you would receive if you established a Deposit Account directly with Schwab Bank. In addition, you can obtain publicly available financial information about Schwab Bank at www.ffiec.gov/nicpubweb/nicweb/nichome.aspx or by contacting the FDIC Public Information Center by mail at 3501 North Fairfax Drive, Room E-1005, Arlington, VA 22226, or by phone at 1-877-275-3342.

We cannot guarantee in any way the financial condition of Schwab Bank or the accuracy of any publicly available financial information about Schwab Bank.

Deposit Insurance: General. The Deposit Accounts are insured by the FDIC, an independent agency of the U.S. government, up to \$250,000 for principal and accrued interest for all deposits held by you in the same insurable capacity at Schwab Bank. Generally, any accounts or deposits (including certificates of deposit) that you may maintain directly with Schwab Bank, or through any other intermediary (such as optionsXpress or another broker), in the same insurable capacity in which the Deposit Accounts are maintained would be aggregated with the Deposit Accounts for purposes of the \$250,000 deposit insurance limit. In the event that Schwab Bank fails, the Deposit Accounts are insured up to \$250,000 for principal and interest accrued to the date Schwab Bank is closed.

You are responsible for monitoring the total amount of deposits that you hold with Schwab Bank, directly or through an intermediary, in order for you to determine the extent of deposit insurance coverage available to you on your deposits, including the Deposit Accounts. optionsXpress is not responsible for any insured or uninsured portion of the Deposit Accounts or any other deposits.

In the event that Schwab Bank fails, the Deposit Accounts are insured up to \$250,000 for principal and interest accrued to the date Schwab Bank is closed.

Under certain circumstances, if you become the owner of deposits at Schwab Bank because another depositor dies, beginning six months after the death of the depositor the FDIC will aggregate those deposits for purposes of the \$250,000 deposit insurance limit with any other deposits that you own in the same insurable capacity at Schwab Bank. Examples of accounts that may be subject to this FDIC policy include joint accounts, "payable on death" accounts and certain trust accounts. The FDIC provides a six-month grace period to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible.

In the event that federal deposit insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you. There is no specific time period during which the FDIC must make insurance payments available, and optionsXpress is under no obligation to credit your Account with funds in advance of payments received from the FDIC. Furthermore, you may be required to provide certain documentation to the FDIC and to us before insurance payments are made. For example, if you hold deposits as trustee for the benefit of trust participants, you may be required to furnish affidavits and provide indemnities regarding an insurance payment.

If your Deposit Accounts are assumed by another depository institution that acquires Schwab Bank pursuant to a merger or consolidation, such deposits will continue to be separately insured from the deposits that you might have established with the acquiror until the expiration of a six-month period from the date of acquisition. Thereafter, any assumed deposits will be aggregated with your existing deposits with the acquiror held in the same capacity for purposes of federal deposit insurance. Any deposit opened at Schwab Bank after the acquisition will be aggregated with deposits established with the acquiror for purposes of federal deposit insurance.

The application of the \$250,000 deposit insurance limit is illustrated by several common factual situations discussed below.

- **Individual Customer Accounts.** Schwab Bank Deposit Accounts held by an individual in an account in the name of an agent or nominee of such individual (such as the Deposit Accounts held through optionsXpress) or held by a custodian (for example, under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act) are not treated as owned by the agent, nominee or custodian, but are added to other deposits of such individual held in the same insurable capacity (including funds held in a sole proprietorship) and are insured up to \$250,000 in the aggregate.
- **Corporate, Partnership and Unincorporated Association Accounts.** Schwab Bank Deposit Accounts held by corporations (including Subchapter S corporations), partnerships and unincorporated associations, operated for a purpose other than to increase deposit insurance, are added together with other deposits owned by such corporation, partnership and unincorporated association, respectively, and are insured up to \$250,000 in the aggregate.
- **Joint Accounts.** Schwab Bank Deposit Accounts held under any form of joint ownership valid under applicable state law may be insured up to \$250,000 in the aggregate, separately and in addition to the \$250,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by two persons would be eligible for insurance coverage of up to \$500,000 (\$250,000 for each person), subject to aggregation with each owner's interests in other Joint Accounts at the same depository institution. Joint Accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners.
- **Revocable Trust Accounts.** Schwab Bank Deposit Accounts held in a "revocable trust" are generally insured up to \$250,000 per beneficiary if the beneficiary is a natural person, charity or other non-profit organization. There are two types of revocable trusts recognized by the FDIC. **Informal revocable trusts** include accounts in which the owner evidences intent that at his or her death the funds shall belong to one or more specified beneficiaries. These trusts may be referred to as a "Totten trust" account, "payable upon death" account or "transfer on death" account. Each beneficiary must be included in optionsXpress's account records. **Formal revocable trusts** are written trust arrangements in which the owner retains ownership and control of the assets and designation of beneficiaries during his or her lifetime. The trusts may be referred to as "living" or "family" trusts. The beneficiaries of a formal revocable trust do not need to be included in optionsXpress's account records.

Under FDIC rules, FDIC coverage will be \$250,000 per beneficiary, multiplied by the number of beneficiaries, regardless of the proportional interest of each beneficiary in the revocable trust. If the trust has more than \$1,250,000 in deposits at Schwab Bank and more than five beneficiaries, the funds will be insured for the greater of \$1,250,000 or the aggregate amount of all beneficiaries' proportional interests, limited to \$250,000 per beneficiary.

Deposits in all revocable trusts of the same owner—informal and formal—at Schwab Bank will be aggregated for insurance purposes. A revocable trust established by two owners where the owners are the sole beneficiaries will be treated as a Joint Account under applicable rules and will be aggregated with other Joint Accounts.

- **Irrevocable Trust Accounts.** Schwab Bank Deposit Accounts held pursuant to one or more irrevocable trust agreements created by the same grantor (as determined under applicable state law) will be insured for up to \$250,000 for the interest of each beneficiary provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). According to the FDIC, **Coverdell Education Savings Accounts** will be treated as irrevocable trust accounts for deposit insurance purposes. The deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts

maintained by the beneficiary, the grantor, the trustee or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts at Schwab Bank created by the same grantor will be aggregated and insured up to \$250,000.

Deposit Insurance: Retirement Plans and Accounts

Retirement Plans and Accounts – General. The amount of deposit insurance for which Schwab Bank Deposit Accounts held through one or more retirement plans or accounts will be eligible, including whether Deposit Accounts held by each plan or account will be considered separately from or aggregated with Deposit Accounts held by other plans or accounts, will vary depending on the type of plan or account and, in some cases, the features of the plan or account.

The following sections discuss in general terms the rules that apply to deposits held through retirement plans and accounts. Because these rules determine the insurance available to you and whether your Schwab Bank Deposit Accounts held through different retirement plans and accounts will be aggregated for purposes of the Maximum Applicable Deposit Insurance Amount, you should consult with a tax or legal advisor to determine your available deposit insurance coverage.

Individual Retirement Accounts ("IRAs"). All Schwab Bank Deposit Accounts held in Traditional IRAs, Roth IRAs, Roth Conversion IRAs, Rollover IRAs, Inherited IRAs, Custodial IRAs, SEP-IRAs and SIMPLE IRAs will be insured up to \$250,000 in the aggregate. However, as described below, Deposit Accounts held by an IRA will be aggregated with Deposit Accounts held by certain employee benefit plans in which the owner of the IRA has an interest. Thus, the owner of an IRA will only be eligible for insurance of \$250,000 for Deposit Accounts held in plans and accounts that are subject to aggregation. See the section below headed "Aggregation of Retirement Plan and Account Deposits."

Pass-Through Deposit Insurance for Employee Benefit Plan Deposits.

Subject to the limitations discussed below, under FDIC regulations, a participant's non-contingent interests in Schwab Bank Deposit Accounts held by many types of employee benefit plans are eligible for insurance up to \$250,000 on a "pass-through" basis. This means that instead of the Schwab Bank Deposit Accounts held by an employee benefit plan at Schwab Bank being eligible for only \$250,000 in total, each employee benefit plan participant is eligible for insurance on his or her non-contingent interest in the employee benefit plan deposits up to \$250,000 subject to the aggregation of the participant's interests in different plans, as discussed below under "Aggregation of Retirement Plan and Account Deposits." The pass-through insurance provided to an employee benefit plan participant is separate from the \$250,000 deposit insurance limit allowed on Deposit Accounts held by the individual in different insurable capacities with Schwab Bank (e.g., individual accounts, joint accounts, and the like).

The types of plans for which the Schwab Bank Deposit Accounts may receive pass-through treatment are employee benefit plans, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), including Keogh Plans, whether or not they are technically "employee benefit plans" under ERISA, and eligible deferred compensation plans described in Section 457 of the Internal Revenue Code of 1986 ("the Code"). For purposes of Section 3(3) of ERISA, employee benefit plans are broadly defined to include most employee benefit plans, including most defined benefit plans and most defined contribution plans.

Defined Benefit Plans. The value of an employee's non-contingent interest in a defined benefit plan will be equal to the present value of the employee's interest in the plan, evaluated in accordance with the calculation ordinarily used under such plan. Schwab Bank Deposit Accounts held by a defined benefit plan that is eligible for pass-through treatment are not insured for an amount equal to the number of plan participants multiplied by \$250,000.

For example, a plan has on deposit \$500,000 in Deposit Accounts. The employee benefit plan has two participants, one with a non-contingent interest of \$425,000 and one with a non-contingent interest

of \$75,000. In this case, the employee benefit plan's deposit would be insured only up to \$325,000; the plan would be eligible for up to \$250,000 for the participant with the \$425,000 non-contingent interest and up to \$75,000 for the participant with the \$75,000 non-contingent interest.

Overfunded amounts, which are any portion of a plan's Deposit Accounts not attributable to the interest of beneficiaries under the plan, are insured, in the aggregate, up to \$250,000 separately from the insurance provided for any other funds owned by or attributable to the employer or a plan participant.

Defined Contribution Plans. The value of an employee's non-contingent interest in Schwab Bank Deposit Accounts held through a defined contribution plan will be equal to the amount of funds on deposit attributable to the employee's account with the plan, regardless of whether the funds on deposit resulted from contributions made by the employee, the employer, or both.

Portions of Schwab Bank Deposit Accounts held by an employee benefit plan that are attributable to the contingent interest of employees in the plan are not insured on a pass-through basis. Contingent interest of employees in an employee benefit plan are interests that are not capable of evaluation in accordance with FDIC rules, and are insured up to \$250,000 per plan.

Aggregation of Retirement Plan and Account Deposits. Under FDIC regulations, an individual's interests in plans maintained by the same employer or employee organization (e.g., a union) that are holding Schwab Bank Deposit Accounts will be insured for \$250,000 in the aggregate. In addition, under FDIC regulations an individual's interest in Deposit Accounts held by (i) IRAs, (ii) deferred compensation plans for certain employees of state or local governments or tax-exempt organizations (e.g., Section 457 plans), (iii) self-directed "Keogh Plans" of owner-employees described in Section 401(d) of the Code, and (iv) self-directed defined contribution plans, will be insured for up to \$250,000 in the aggregate whether or not maintained by the same employer or employee organization.

Questions about FDIC Deposit Insurance Coverage. If you have questions about basic FDIC insurance coverage, please contact us. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one insurable capacity. You may also obtain information by contacting the FDIC, Deposit Insurance Outreach, by letter (550 17th Street, N.W., Washington, DC 20429); by phone (1-877-275-3342, 1-800-925-4618 [TDD]); by visiting the FDIC website at www.fdic.gov/deposit/index.html; or by email using the FDIC's online Customer Assistance Form available at: <https://www2.fdic.gov/starsmail/index.asp>.

No SIPC® Coverage of Bank Deposit Accounts. To our knowledge, SIPC® has not taken a formal position on its coverage of the Deposit Accounts. We recommend that you assume that coverage of your Deposit Accounts established through the Bank Sweep feature will be limited to FDIC insurance and that you not expect coverage from SIPC®.

11. Benefits to optionsXpress, Schwab Bank, and The Charles Schwab Corporation

Schwab Bank intends to use the cash balances in the Deposit Accounts to fund current and new lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or "spread," between the interest rate paid on the Deposit Accounts and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by Schwab Bank on the loans and investments made with the funds in the Deposit Accounts. Such deposits are anticipated to provide a stable source of funds for Schwab Bank's lending and investment activities. The cash balances in the Deposit Accounts may also be used to provide funds to develop products and services for optionsXpress-affiliated companies to the extent permitted by applicable law.

We provide administrative services to Schwab Bank in support of the operation of the Bank Sweep feature. We are compensated for these

administrative services in an amount up to a \$20 annual flat fee for each Account that sweeps into a Deposit Account at Schwab Bank. We reserve the right to increase, decrease or waive all or part of this fee. We will notify you in advance of any increase. We and certain of our affiliates also provide operational, technology and other services to Schwab Bank and receive compensation for those services. In addition, certain of our employees and registered representatives may be compensated in part based, directly or indirectly, on assets in the Bank Sweep feature or the profitability of the Bank Sweep feature for Schwab Bank and our joint parent company, The Charles Schwab Corporation.

Other than applicable fees and charges imposed by us on your Account, which are described on the *Pricing & Commissions* page of our website, there will be no charge, fee or commission imposed on your Account with respect to the Bank Sweep feature.

12. Comparison of optionsXpress Cash Features

The following table compares the Free Credit Interest and Bank Sweep features:

Affiliations with optionsXpress
<p>Free Credit Interest Feature optionsXpress pays interest on Free Credit Balances.</p>
<p>Bank Sweep Feature Free Credit Balances are deposited into Deposit Accounts at Schwab Bank, an FDIC-insured depository institution affiliated with optionsXpress.</p>
<p>Expected Rates of Return</p> <p>Free Credit Interest Feature Interest rates are set at the discretion of optionsXpress. We pay interest based on interest rate tiers determined by your Free Credit Balance. There is no guarantee or assurance that interest rates will be comparable to the yields available through any other Cash Feature. Please visit www.optionsxpress.com/sweep for current rates.</p> <p>Bank Sweep Feature Interest rates are set at the discretion of Schwab Bank. Schwab Bank pays interest on funds in Deposit Accounts based on interest rate tiers determined by your Household Balance. There is no guarantee or assurance that interest rates will be comparable to the yields available through any other Cash Feature offered by optionsXpress or any other deposit product offered by Schwab Bank. Please visit www.optionsxpress.com/sweep for current rates.</p>
<p>Differences in Risk</p> <p>Free Credit Interest Feature Free credit balances held at optionsXpress are not insured or guaranteed by the FDIC, but are covered by SIPC®. optionsXpress is a member of SIPC®, which protects its members' securities up to \$500,000 (including \$250,000 for claims of cash) per brokerage client in each recognized capacity. An explanatory brochure is available on request or at www.sipc.org. SIPC® coverage is not the same as FDIC insurance. It does not insure against a decrease in value of a particular investment. In the event of the liquidation of your broker, there is no specific time period during which SIPC® must give you access to your cash or securities.</p>

Differences in Risk (continued)
<p>Bank Sweep Feature</p> <p>The Deposit Accounts are insured by the FDIC up to \$250,000 for principal and accrued interest when aggregated with all other deposits held by you in the same insurable capacity at the same institution. Your funds become eligible for this insurance immediately upon deposit. Any deposits (including certificates of deposit) that you maintain with the same institution and in the same insurable capacity, either directly or through an intermediary such as optionsXpress or another broker, will be aggregated with your Deposit Accounts at your Sweep Bank for purposes of the \$250,000 deposit insurance limit.</p> <p>While the Deposit Accounts are not subject to market risk, they are subject to the risk of a Sweep Bank's failure. In the event that a Sweep Bank at which your Deposit Accounts are held fails, and payments from the FDIC become necessary, insurance payments will be made by the FDIC to optionsXpress as your agent.</p> <p>There is no specific time period during which the FDIC must make insurance payments available, and optionsXpress will not credit your Account with funds in advance of payments received from the FDIC. Deposit Accounts are a direct obligation of the Sweep Bank and not, either directly or indirectly, guaranteed by The Charles Schwab Corporation, optionsXpress, or any subsidiary or affiliate other than the Sweep Bank.</p> <p>Until the insurance payment from the FDIC is received by optionsXpress, your funds on deposit at the failed bank will not be available for:</p> <ul style="list-style-type: none"> • withdrawals, • the payment of check-writing transactions and other payments to third parties from your Account, or • to fund securities transactions in your Account. <p>If you have outstanding checks or pending check-writing transactions or other payments to third parties, you will need to take immediate steps to ensure that funding is available for those transactions without reliance on your funds at the failed bank. Your failure to immediately take appropriate action may result in the return of checks and nonpayment of electronic debits and other items presented for payment against your Account, or charges to your margin account if applicable.</p> <p>Furthermore, you may be required to provide certain documentation to the FDIC before insurance payments are made. For example, if you hold Deposit Accounts as trustee for the benefit of trust participants, you may be required to furnish affidavits and provide certain indemnities before an insurance payment will be made.</p> <p>To our knowledge, SIPC® has not taken a formal position on coverage of Deposit Accounts. We recommend that you assume that coverage of your Deposit Accounts established through the Bank Sweep feature will be limited to FDIC insurance and that you not expect coverage from SIPC®.</p> <p>In certain circumstances, Schwab Bank (and any other Sweep Banks participating in the Bank Sweep feature) may no longer be willing or able to accept deposits through the Bank Sweep feature. If no Sweep Bank is available to accept your funds, optionsXpress will withdraw all of your deposits maintained in Deposit Accounts through the Bank Sweep feature and temporarily designate the Free Credit Interest feature as your Cash Feature. When a Sweep Bank is again available to accept your funds, optionsXpress will restore the Bank Sweep feature as your Cash Feature and sweep your Free Credit Balances in accordance with the terms of the Bank Sweep feature. In such cases, optionsXpress will provide you with notice as soon as practicable. Any temporary change in your Cash Feature will be reflected in your account statement.</p>

Differences in Benefits to optionsXpress
<p>Free Credit Interest Feature</p> <p>We will use Free Credit Balances to fund margin and other lending activities and investments.</p>
<p>Bank Sweep Feature</p> <p>Schwab Bank will use the cash balances in the Deposit Accounts to fund current and new lending activities and investments. The income that Schwab Bank may earn through its lending and investing activities is expected to be greater than the interest paid under the Free Credit Interest feature.</p>
Differences in Conflicts of Interest
<p>Free Credit Interest Feature</p> <p>In setting interest rates, optionsXpress may seek to pay as low a rate as possible, consistent with optionsXpress's view of competitive necessities.</p>
<p>Bank Sweep Feature</p> <p>In setting interest rates, Schwab Bank may seek to pay as low a rate as possible, consistent with Schwab Bank's view of competitive necessities.</p>

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