

AMERITRADE HOLDING CORP

Form DEF 14A

December 29, 2003

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SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
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Ameritrade Holding Corporation

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than Registrant)

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**February 10, 2004**

The Annual Meeting of Stockholders of Ameritrade Holding Corporation (the Company) will be held at the Joslyn Art Museum, 2200 Dodge Street in Omaha, Nebraska on Tuesday, February 10, 2004, at 10:30 a.m., Central Standard Time, for the following purposes:

- 1) To elect three Directors to the Board of Directors;
  - 2) To ratify the appointment of Deloitte & Touche LLP as independent auditors for the Company for the fiscal year ending September 24, 2004;
  - 3) To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.
- Only stockholders of record at the close of business on December 17, 2003 will be entitled to notice of and to vote at the meeting.

Stockholders, whether or not they expect to be present at the meeting, are requested to sign and date the enclosed proxy, which is solicited on behalf of the Board of Directors, and return it promptly in the envelope enclosed for that purpose. If you elected to receive the Annual Report and Proxy Statement electronically over the Internet, you will not receive a paper proxy card, unless you request one, and we encourage you to vote online. If you did not elect to receive the materials through the Internet, you may still vote your shares electronically by following the procedures described in the Company's Proxy Statement. Any person giving a proxy has the power to revoke it at any time prior to the meeting and Stockholders who are present at the meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors

J. Peter Ricketts, Secretary

Omaha, Nebraska  
December 29, 2003

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**Ameritrade Holding Corporation**

**4211 South 102nd Street  
Omaha, Nebraska 68127**

**PROXY STATEMENT**

**for  
ANNUAL MEETING OF STOCKHOLDERS**

This Proxy Statement is furnished in connection with the solicitation of proxies to be voted at the 2004 Annual Meeting of Stockholders of Ameritrade Holding Corporation (the Company). The 2004 Annual Meeting will be held on February 10, 2004 at 10:30 a.m., Central Standard Time, at the Joslyn Art Museum, 2200 Dodge Street in Omaha, Nebraska. This Proxy Statement and the accompanying proxy card are first being mailed to stockholders on or about December 29, 2003.

**GENERAL INFORMATION ABOUT THE MEETING**

**Quorum and Voting Requirements**

The Company has one class of Common Stock. Each share of Common Stock is entitled to one vote upon each matter to be voted on at the Annual Meeting. Stockholders do not have the right to cumulate votes in the election of Directors. Only stockholders of record at the close of business on December 17, 2003 (the Record Date) will be entitled to vote at the Annual Meeting. As of the Record Date, there were 421,541,799 shares of Common Stock issued and outstanding.

The accompanying proxy is solicited from the holders of the Common Stock on behalf of the Board of Directors of the Company and is revocable at any time by giving written notice of revocation to the Secretary of the Company prior to the Annual Meeting or by executing and delivering a later-dated proxy via the Internet, telephone or mail prior to the Annual Meeting. Furthermore, the stockholders who are present at the Annual Meeting may revoke their proxies and vote in person. All shares of the Company's Common Stock represented by properly executed and unrevoked proxies will be voted by the Board of Directors of the Company in accordance with the directions given therein. Where no instructions are indicated, proxies will be voted FOR the proposals set forth in this Proxy Statement for consideration at the Annual Meeting. The Directors expect shares of the Common Stock held by executive officers and Directors of the Company will be voted FOR such proposals. Such shares represent approximately 42 percent of the Common Stock outstanding as of December 17, 2003.

A quorum consisting of at least a majority of shares of Common Stock issued and outstanding must be present at the meeting for any business to be conducted. Shares of Common Stock entitled to vote and represented by properly executed, returned and unrevoked proxies, including shares with respect to which votes are withheld, abstentions are cast or there are broker non-votes, will be considered present at the meeting for purposes of determining a quorum.

**Voting Electronically**

In order to vote online or via telephone, go to the **www.ProxyVote.com** Web site or call the toll-free number reflected on the enclosed voting form, and follow the instructions. If you would like to receive future stockholder materials electronically, please enroll at **www.investordelivery.com**. Please have the form you received in hand when accessing the site.

Please refer to the voting form enclosed herewith or to the e-mail announcement that you may have received for voting instructions. If you choose not to vote electronically, please complete and return the paper voting form in the pre-addressed, postage-paid envelope provided herewith.

If you elected to receive this Proxy Statement electronically over the Internet and would now like to receive a paper copy of this Proxy Statement so that you may submit a paper proxy in lieu of an electronic proxy, please notify the Secretary of the Company of this request.





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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**Board of Directors**

The Company's amended and restated certificate of incorporation divides the Company's Board of Directors into three classes, with three Directors per class and with each class being elected to a staggered three-year term. Currently the Company has eight Directors. J. Joe Ricketts, the Company's Chairman and Founder, certain members of his family and trusts established for their benefit (collectively, the Ricketts holders) owned approximately 25.4% of our Common Stock as of the Record Date. Investment funds affiliated with Bain Capital, Silver Lake Partners and TA Associates (collectively, the Datek holders) collectively owned approximately 18.8% of our Common Stock as of the Record Date. The Ricketts holders and the Datek holders have entered into a stockholders agreement (the Stockholders Agreement) that obligates the parties to vote their shares in favor of a Board of Directors consisting of nine members, of which three are designated by the Ricketts holders, three are designated by the Datek holders and three are independent directors selected with the agreement of the Ricketts holders and the Datek holders. Accordingly, the Board has nominated J. Peter Ricketts, C. Kevin Landry and Mark L. Mitchell as Class II Directors to be voted upon at the 2004 Annual Meeting, to serve terms ending at the 2007 Annual Meeting. J. Joe Ricketts and Stephen G. Pagliuca are Class III Directors serving terms ending at the 2005 Annual Meeting. Michael D. Fleisher, Glenn H. Hutchins and Thomas S. Ricketts are Class I Directors serving terms ending at the 2006 Annual Meeting. The third Class III Director is to be nominated with the agreement of the Ricketts holders and the Datek holders. The Board of Directors has determined that Messrs. Fleisher, Hutchins, Landry, Mitchell and Pagliuca are independent as defined in NASD Rule 4200.

This Proxy Statement relates only to the solicitation of proxies from the stockholders with respect to the election of three Class II Directors to be elected by them and the other matters described herein. The Board of Directors knows of no reason any of Messrs. J. Peter Ricketts, Landry and Mitchell might be unavailable to serve as the Class II Directors, and each has expressed an intention to serve, if elected. If any of Messrs. J. Peter Ricketts, Landry and Mitchell is unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute nominee as the Board of Directors may recommend. With the exception of the Stockholders Agreement, there are no arrangements or understandings between any of the persons nominated to be a Class II Director and any other person pursuant to which any of such nominees was selected.

The election of a Director requires the affirmative vote of a plurality of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote; provided that a quorum of at least a majority of the outstanding shares of Common Stock are represented at the meeting. Shares of Common Stock held by stockholders electing to abstain from voting and broker non-votes will be counted towards the presence of a quorum but will not be considered present and voting. Therefore, abstentions and broker non-votes will have no impact on the election of Directors. Proxies submitted pursuant to this solicitation will be voted for the election of each of Messrs. J. Peter Ricketts, Landry and Mitchell as Class II Directors, unless specified otherwise.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE **FOR** THE ELECTION OF J. PETER RICKETTS, C. KEVIN LANDRY AND MARK L. MITCHELL AS CLASS II DIRECTORS.

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The tables below set forth certain information regarding the Directors of the Company.

**Nominees to Board of Directors**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Class and Year in Which Term Expires</b>
J. Peter Ricketts	39	President, Private Client Division; Vice Chairman and Corporate Secretary of the Company	1999	Class II 2007
C. Kevin Landry	59	Managing Director and Chief Executive Officer, TA Associates, Inc.	2002	Class II 2007
Mark L. Mitchell	43	Principal, CNH Partners, LLC	1996	Class II 2007

*J. Peter Ricketts* became President of the Company's Private Client Division in June 2001. He has served as a Director since 1999, has been Secretary of the Company since May 2001 and also served as Secretary from November 1996 to October 1999. Since joining the Company in 1993, he has held various leadership positions, including Senior Vice President of Strategy and Business Development, Senior Vice President of Product Development and Senior Vice President of Marketing. Mr. Ricketts received an M.B.A. in marketing and finance and a B.A. in biology from the University of Chicago. J. Peter Ricketts is the son of J. Joe Ricketts and the brother of Thomas S. Ricketts.

*C. Kevin Landry* has served as a Managing Director and Chief Executive Officer of TA Associates, Inc. since its incorporation in 1994. From 1982 to 1994, Mr. Landry served as a Managing Partner of its predecessor partnership. Mr. Landry also is a director of Instinet Group Incorporated and Standex International Corporation. He is a member of the Private Equity Hall of Fame. He is a trustee of the Middlesex School, an Overseer of the Museum of Fine Arts, a member of the Executive Committee of Harvard University's Committee on University Resources and Co-Chairman of the Harvard Boston Major Gifts Committee. Mr. Landry received an M.B.A. from The Wharton School of Finance and a B.A. in Economics from Harvard University.

*Mark L. Mitchell* has served as a Director of the Company since December 1996 and served as a member of the Company's Board of Advisors in 1993. Mr. Mitchell is a Principal at CNH Partners, LLC, an investment management firm which he co-founded in 2001. He was a finance professor at Harvard University from 1999 to 2003 and was a finance professor at the University of Chicago from 1990 to 1999. Mr. Mitchell was a Senior Financial Economist for the SEC from 1987 to 1990. He is a member of the Nasdaq Quality of Markets Committee. He was a member of the Economic Advisory Board of NASD from 1995 to 1998. Mr. Mitchell received a Ph.D. in Applied Economics and an M.A. in Economics from Clemson University, and received a B.B.A. in Economics from the University of Louisiana at Monroe.

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<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Class and Year in Which Term Expires</b>
J. Joe Ricketts	62	Chairman and Founder of the Company	1981	Class III 2005
Michael D. Fleisher	39	Chairman and Chief Executive Officer, Gartner, Inc.	2002	Class I 2006
Glenn H. Hutchins	48	Managing Member, Silver Lake Technology Management, L.L.C.	2002	Class I 2006
Stephen G. Pagliuca	48	Managing Director, Bain Capital	2002	Class III 2005
Thomas S. Ricketts	38	Chairman and Chief Executive Officer, Incapital LLC	2002	Class I 2006

*J. Joe Ricketts* is currently Chairman of the Company's Board of Directors. He also held the position of Chief Executive Officer from 1981 through February 2001, except for the period from March 1999 to May 2000, during which he was Co-Chief Executive Officer, and the period from May 2000 to August 2000, during which he did not hold the position of Chief Executive Officer. In 1975, Mr. Ricketts became associated with the Company and served as a Director and officer. By 1981, Mr. Ricketts acquired majority control of the Company. Prior to 1975, Mr. Ricketts was a registered representative with a national brokerage firm, an investment advisor with Ricketts & Co. and a branch manager with The Dun & Bradstreet Corporation, a financial information firm. Mr. Ricketts is a Director of Securities Industry Association (SIA). Mr. Ricketts served as a member of the District Committee for District 4 of the NASD from 1996 to 1999. Mr. Ricketts serves on the Board of Directors of the American Enterprise Institute. Mr. Ricketts received a B.A. in economics from Creighton University. Mr. Ricketts is the father of J. Peter Ricketts and Thomas S. Ricketts.

*Michael D. Fleisher* has been Chairman of the Board of Gartner, Inc. since October 2001, and a director and Chief Executive Officer of Gartner since October 1999. From February 1999 to October 1999, he served as Gartner's Chief Financial Officer and Executive Vice President, Finance and Administration. Mr. Fleisher joined Gartner in April 1993. Prior to joining Gartner, Mr. Fleisher worked at Bain Capital, Inc. where he was involved in the buyout of Gartner by management and Bain Capital from Saatchi & Saatchi in October 1990. Prior to working at Bain Capital, Mr. Fleisher was a consultant with Bain & Company, a global business consulting firm. Mr. Fleisher is on the board of NYC 2012, Inc. Mr. Fleisher holds a B.S. in economics from the Wharton School of the University of Pennsylvania.

*Glenn H. Hutchins* is a Managing Member of Silver Lake Technology Management, L.L.C., which he co-founded in January 1999. Silver Lake Technology Management is a manager and advisor of private equity funds, including Silver Lake Partners, L.P. Mr. Hutchins is a Managing Member of Silver Lake Technology Associates, L.L.C., which is the general partner of Silver Lake Partners, L.P. From 1994 to 1999, Mr. Hutchins was a Senior Managing Director of The Blackstone Group, where he focused on private equity investing. Mr. Hutchins is a director of Gartner, Inc. and Seagate Technology. He is also a director of private companies and non-profit organizations. Mr. Hutchins holds an A.B. from Harvard University, an M.B.A. from Harvard Business School and a J.D. from Harvard Law School.

*Stephen G. Pagliuca* founded the Information Partners Fund for Bain Capital in 1989. As a Managing Director of Bain Capital, he has been involved in over thirty acquisitions of significant information and medical companies, including Gartner, Inc., Physio-Control and Wesley-Jessen. Previously, Mr. Pagliuca was a Vice President at Bain & Company where he managed significant relationships in the healthcare and information services industries. He was also involved in developing Bain's turnaround practice in which he worked with investment groups and corporate clients to rapidly improve under-performing business units. Mr. Pagliuca also worked as a senior accountant and international tax specialist for Peat Marwick Mitchell & Company in the Netherlands. Mr. Pagliuca is a director of Gartner, Inc., FTD, Inc. and Instinet Group.

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Incorporated. Mr. Pagliuca earned an M.B.A. from Harvard Business School and received a B.A. from Duke University.

*Thomas S. Ricketts* is the Chairman and Chief Executive Officer of Incapital LLC, a company he co-founded in 1999. Incapital is a technologically oriented investment bank focused exclusively on the underwriting and distribution of fixed income products to individual investors. Incapital underwrites for several major U.S. corporations through its InterNotes<sup>SM</sup> product platform. From 1996 to 1999, Mr. Ricketts was a Vice President and an investment banker for the brokerage division of ABN AMRO. From 1995 to 1996, he was a Vice President at Mesirow Financial. From 1988 to 1994, Mr. Ricketts was a market maker on the Chicago Board Options Exchange. Mr. Ricketts holds an M.B.A. and a B.A. from the University of Chicago. Thomas S. Ricketts is the son of J. Joe Ricketts and the brother of J. Peter Ricketts.

**Executive Officers**

The Company's executive officers are as follows:

Name	Age	Position
J. Joe Ricketts	62	Chairman and Founder
Joseph H. Moglia	54	Chief Executive Officer
Phylis M. Esposito	52	Executive Vice President, Chief Strategy Officer
Michael R. Feigeles	47	Executive Vice President, Special Projects
Kurt D. Halvorson	41	Executive Vice President, Chief Administrative Officer
Asiff S. Hirji	37	Executive Vice President, Chief Information Officer
Ellen L.S. Koplou	44	Senior Vice President and General Counsel
John R. MacDonald	48	Executive Vice President, Chief Financial Officer and Treasurer
Anne L. Nelson	50	Senior Vice President and Chief Marketing Officer
J. Peter Ricketts	39	President, Private Client Division

See [Directors Not Standing For Election](#) for information regarding the business experience of J. Joe Ricketts and [Nominees to Board of Directors](#) for information regarding the business experience of J. Peter Ricketts.

*Joseph H. Moglia* joined the Company as Chief Executive Officer in March 2001. Mr. Moglia joined the Company from Merrill Lynch, where he served as Senior Vice President and head of the Investment Performance and Product Group for Merrill's Private Client division. He oversaw all investment products, as well as the firm's insurance and 401(k) businesses. Mr. Moglia joined Merrill Lynch in 1984 and, by 1988, was the company's top institutional sales person. In 1992 he became head of Global Fixed Income Institutional Sales and in 1995 ran the firm's Municipal division before moving to its Private Client division in 1997. Prior to entering the financial services industry, Mr. Moglia was the defensive coordinator for Dartmouth College's football team. He coached various teams for 16 years, authored a book on football and wrote 11 articles that were published in national coaching journals. Mr. Moglia serves on the boards of directors of AXA Financial, Inc. and of its subsidiary, The Equitable Life Assurance Society of the U.S. Mr. Moglia received an M.S. in economics from the University of Delaware and a B.A. in economics from Fordham University.

*Phylis M. Esposito* joined the Company as Chief Strategy Officer in July 2001. Ms. Esposito is responsible for Corporate Strategy, focusing on industry and market issues to develop corporate business initiatives that mitigate risks and maximize opportunities for profitable long-term growth. Ms. Esposito also oversees Investor Relations. Ms. Esposito has over 25 years of financial markets experience. From 1998 until

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joining the Company, she served as senior partner and project manager for Mathias & Company, Management Consultants. In that role, she provided strategic advice and business plan implementation to global financial institutions, professional financial service firms and multi-national corporations. Prior to that, she was a Senior Managing Director for Bear Stearns & Company. She was also a founding Partner and Chief Financial Officer for Artemis Capital Group, and a Vice President for Goldman Sachs. Ms. Esposito received an M.B.A. from Columbia University and holds a B.A. from Fordham University.

*Michael R. Feigeles* joined the Company as Executive Vice President, Special Projects in February 2003. His duties include planning new initiatives for individual investors as well as developing relationships with Ameritrade Institutional distribution channels, including financial advisors and institutions. Mr. Feigeles has over 23 years experience in the financial services industry, spent principally with Merrill Lynch and Co. from 1978 to 2001. He received an M.B.A from Pace University in New York and a B.S. in accounting from the University of Maryland.

*Kurt D. Halvorson* has served as Chief Administrative Officer since June 2001. He is responsible for communication and coordination of the Company's Executive Management Team. In addition, he oversees human resources, corporate communications, facilities and clearing functions and administers corporate audit. Mr. Halvorson served as President of Advanced Clearing, Inc., a subsidiary of the Company, from 1997 to June 2001. He has been with the Company since 1987, also serving as Vice President and General Manager, and Vice President and Controller of Advanced Clearing. Before joining the Company, Mr. Halvorson was a Certified Public Accountant for Deloitte & Touche from 1984 to 1987. Mr. Halvorson currently is an industry governor on the board of the Chicago Stock Exchange. He is a past member of the Securities Industry Association Membership Committee and Firm and Industry Analysis Committee (FIAC), and United Way Young Leaders Society. Mr. Halvorson earned his B.S.B.A. from the University of Nebraska in 1983 and is a Certified Public Accountant. In March 2000, he graduated from the Securities Industry Institute at the Wharton School at the University of Pennsylvania.

*Asiff S. Hirji* joined the Company as Chief Information Officer in April 2003. He is responsible for developing and implementing all Information Technology initiatives at Ameritrade, including business technology planning, application development as well as IT infrastructure and architecture. He joined the Company from Bain & Company, where he led the IT Strategy practice for the company's New York office from 2002 to 2003. Prior to that Mr. Hirji was, from 2000 to 2001, President and Chief Technology Officer for New York-based Netfolio, Inc., an online investment advisor that he took through the entire lifecycle from initial inception to growth and sale. He was also a founding member of the Mitchell Madison Group from 1992 to 2000, the second largest financial services strategic consultancy in the world. Mr. Hirji received an M.B.A from The University of Western Ontario and a B.S. in computer science from The University of Calgary.

*Ellen L.S. Koplou* has served as General Counsel since June 2001. She oversees the Company's Legal Department. She joined the Company in May 1999 as Deputy General Counsel and was named Acting General Counsel in November 2000. Prior to joining the Company, Ms. Koplou was managing principal of the Columbia, Maryland office of Miles & Stockbridge P.C. where she was responsible for the operations of attorneys and staff and concentrated her practice in the areas of corporate law, e-commerce, technology law, media and commercial contracts. Ms. Koplou graduated cum laude from the University of Baltimore Law School in 1983 where she was a member of the Heusler Honor Society, a Scribes Award winner and a Comments Editor for the Law Review. She has been a member of the Maryland High Technology Council and has lectured extensively on technology-related issues. In 1998, she was selected by The Daily Record as one of Maryland's Top 100 women.

*John R. (Randy) MacDonald* has served as Chief Financial Officer since March 2000. He oversees all financial operations of the Company, including developing and planning financial transactions and Company-wide fiscal management. He is also responsible for risk management, tax planning and mergers and acquisitions. Recently, he led the integration of Ameritrade and Datek into one company. Prior to joining the Company in March 2000, Mr. MacDonald served in a similar capacity with New York City-based Investment Technology Group, Inc. Mr. MacDonald has also held executive positions at Salomon Brothers and Deloitte

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& Touche. Mr. MacDonald currently serves on the Nasdaq Technology Advisory Council. He graduated cum laude from Boston College with a B.S. in accounting.

*Anne L. Nelson* joined the Company as Vice President of Marketing in November 1999 and was promoted to Chief Marketing Officer in August 2001. As Chief Marketing Officer, Ms. Nelson oversees marketing strategy as well as advertising, brand management, database management and client marketing. Previously, she served for six years as the executive vice president of marketing for HSBC Bank USA, where she headed retail, corporate and investment marketing for the United States. Prior to joining HSBC, Ms. Nelson spent 10 years with CoreStates Financial Corp. in a number of senior level positions in their retail marketing, credit card and acquisition divisions. Ms. Nelson received an M.B.A. from Temple University and holds a B.A. from LaSalle College. She completed additional post-graduate studies at the Wharton School of the University of Pennsylvania. In 2000, she was named one of the Top 100 Advertising Executives by *Advertising Age*, and one of the Top 10 Marketers by *Financial Services Marketing*.

## **Board Meetings and Committees**

The Board of Directors conducts its business through meetings of the Board, actions taken by written consent in lieu of meetings and by the actions of its Committees. During the fiscal year ended September 26, 2003, the Board of Directors held six meetings and took action by written consent seven times. During fiscal year 2003, each Director attended at least 75 percent of the aggregate number of meetings of the Board of Directors and meetings of the Committees of the Board of Directors on which he served.

The Board of Directors has established two Committees: Audit and Compensation.

***Audit Committee.*** The functions performed by the Audit Committee are described in the Audit Committee Charter and include (i) overseeing the Company's internal accounting and operational controls as well as its financial and regulatory reporting, (ii) selecting the Company's independent auditors and managing director of corporate audit, and assessing their performance on an ongoing basis, (iii) reviewing the Company's financial statements and audit findings, and taking any action considered appropriate by the Audit Committee and the Board of Directors, (iv) performing other oversight functions as requested by the full Board of Directors and (v) reporting activities performed to the full Board of Directors. The Audit Committee Charter was adopted by unanimous written consent of the Board of Directors on September 5, 2002 and subsequently adopted by the Audit Committee at the October 3, 2002 Audit Committee meeting. The Charter was reviewed and reaffirmed by the Audit Committee at the November 11, 2003 Audit Committee meeting. The Audit Committee is currently composed of Messrs. Fleisher, Landry and Mitchell. Mr. Fleisher serves as the Audit Committee's chairman. All current Audit Committee members are independent as defined in the applicable listing standards of the NASD. The Board of Directors has determined that each Audit Committee member has sufficient knowledge in financial and auditing matters to serve on the Committee. The Board of Directors has also designated Mr. Fleisher as an audit committee financial expert as defined by the SEC. The Company's Audit Committee met 11 times during fiscal year 2003. The Report of the Audit Committee for the fiscal year ended September 26, 2003 appears under PROPOSAL 2 RATIFICATION OF APPOINTMENT OF AUDITOR .

***Compensation Committee.*** The Compensation Committee reviews and approves broad compensation philosophy and policy and changes in executive salary levels, bonus payments and stock option awards pursuant to the Company's management incentive plans as outlined below. The Compensation Committee is currently composed of Messrs. Hutchins, Mitchell and Pagliuca. Mr. Hutchins serves as the Compensation Committee's chairman. The Company's Compensation Committee met five times during fiscal year 2003. The Report of the Compensation Committee on Executive Compensation appears under EXECUTIVE COMPENSATION .

The Company does not have a standing Nominating Committee. Nominations of Directors are made by the entire Board of Directors.

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**Compensation of Directors**

The Company maintains the Ameritrade Holding Corporation 1996 Directors Incentive Plan (the Directors Plan ), administered by the Compensation Committee, pursuant to which non-employee Directors are granted various equity awards and may make elections with respect to the payment of their retainers and fees. Specifically, the Directors Plan provides that, upon a non-employee Director's election to the Board for his first term, the Director will receive (a) a stock option to purchase such number of shares of the Company's Common Stock as determined by the Chairman of the Board and approved by the Board and (b) an award of restricted stock, the fair market value of which is equal to approximately \$20,000 or such other amount determined by the Board from time to time. Non-employee Directors may also be awarded stock options other than upon their initial election to the Board as determined from time to time by the Board. Awards made pursuant to the Directors Plan will generally vest in substantially equal annual installments over a period of three years, beginning with the first anniversary of the grant date. The exercise price of options granted under the Directors Plan may not be less than the fair market value of a share of the Company's Common Stock on the date of the grant of the option. The expiration date with respect to an award under the Directors Plan is the earlier of the ten-year anniversary of the date on which the award is granted or the one-year anniversary of the date on which the non-employee Director's service as a director of the Company terminates for cause. Options are not exercisable after the expiration date. Restricted stock that is not vested on the expiration date is forfeited.

Employee Directors do not receive compensation for services provided as a Director. Non-employee Directors receive an annual retainer payable in advance. For fiscal year 2003, the annual retainer was \$25,000. Fifty percent of the retainer is payable in cash and fifty percent is payable in the form of Common Stock, provided that, if a Director has met the Company's equity ownership guidelines, the Director may elect to receive all or any portion of the stock retainer in cash. Non-employee Directors receive payments of \$1,500 for quarterly meetings and \$1,000 for Committee meetings, all payable quarterly in arrears in the form of cash or Common Stock at the election of the Director. The foregoing elections and payments are made pursuant to the Directors Plan. Awards for periods of less than 12 months are calculated and determined by the Board. Special rules applied to the payment of the annual retainer for the 2003 fiscal year to accommodate newly elected Directors.

Pursuant to the Directors Plan, non-employee Directors may elect to defer receipt of all or a portion of the retainer and meeting and Committee fees otherwise payable to the non-employee Director, including those amounts that would otherwise be payable to the non-employee Director in the form of Common Stock. Amounts deferred pursuant to a non-employee Director's election are credited to a bookkeeping account, which consists of a Cash Subaccount reflecting amounts that would otherwise have been payable to the non-employee Director in cash and a Stock Subaccount reflecting amounts that would otherwise have been payable to the non-employee Director in Common Stock. As of the first day of each fiscal quarter, the Cash Subaccount is adjusted to reflect contributions and distributions during the preceding fiscal quarter and is credited with interest computed at the prime rate as reported by the Wall Street Journal for that date (or, if that day is not a business day, the next preceding business day). The Stock Subaccount is credited with stock units as of each day that a deferred amount would otherwise have been payable to the non-employee Director in Common Stock, is charged with stock units as of each day on which amounts are distributed from the Stock Subaccount and is credited with stock units as of each record date to reflect dividends paid on the Common Stock. For purposes of the adjustments to the Stock Subaccount, one stock unit corresponds to one share of Common Stock.

Deferred amounts are payable to non-employee Directors as of a distribution date elected by the non-employee Director at the time of the deferral. If no distribution date is specified, payments begin as of the first business day of January of the year following the date on which the non-employee Director ceases to be a Director of the Company for any reason. Distributions of deferred amounts can be made in ten annual installments commencing on the distribution date elected. A non-employee Director may also elect to have payments in a lump sum or in any number of annual payments not exceeding ten. If a non-employee Director dies prior to the full payment of his deferral account, the balance will be paid in a lump sum to a beneficiary.

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designated by the non-employee Director. The Compensation Committee may also distribute the full balance of a non-employee Director's deferral account in a lump sum at any time.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon the Company's review of forms filed by Directors, officers and certain beneficial owners of the Company's Common Stock (the Section 16(a) Reporting Persons) pursuant to Section 16 of the 1934 Act, the Company has identified the following late filings by the Section 16(a) Reporting Persons: one transaction was reported late on a Form 3 filed by the Ricketts Grandchildren Trust; and one transaction was reported late on 11 Form 3s filed on behalf of entities affiliated with TA Associates, Inc.

**Stock Ownership of Certain Beneficial Owners and Management**

As of the Record Date, there were 421,541,799 shares of Common Stock issued and outstanding. The following table sets forth, as of the Record Date, the beneficial ownership of the Company's Common Stock by each of the executive officers named in the Summary Compensation Table, by Directors, by each person believed by the Company to beneficially own more than 5 percent of the Company's Common Stock and by all current executive officers and Directors of the Company as a group:

Name	Number of Shares of Common Stock	Percent of Shares of Common Stock
<b>Directors and Executive Officers</b>		
J. Joe Ricketts <sup>(1)</sup> , Chairman and Founder	89,483,044	21.1%
Joseph H. Moglia <sup>(2)</sup> , Chief Executive Officer	6,546,758	1.5%
John R. MacDonald <sup>(3)</sup> , Executive Vice President, Chief Financial Officer and Treasurer	623,876	*
J. Peter Ricketts <sup>(4)</sup> , President, Private Client Division, Vice Chairman and Corporate Secretary	8,943,990	2.1%
Phylis M. Esposito <sup>(5)</sup> , Executive Vice President, Chief Strategy Officer	442,945	*
Kurt D. Halvorson <sup>(6)</sup> , Executive Vice President, Chief Administrative Officer	566,925	*
Michael D. Fleisher <sup>(7)</sup> , Director	25,409	*
Glenn H. Hutchins <sup>(8)</sup> , Director	19,129,029	4.5%
C. Kevin Landry <sup>(9)</sup> , Director	31,980,434	7.6%
Mark L. Mitchell <sup>(10)</sup> , Director	197,039	*
Stephen G. Pagliuca <sup>(11)</sup> , Director	28,180,427	6.7%
Thomas S. Ricketts <sup>(12)</sup> , Director	7,714,563	1.8%
All Directors and Executive Officers as a group <sup>(13)</sup> (16 in group)	187,426,716	43.5%
<b>Other Stockholders</b>		
Entities affiliated with TA Associates, Inc. <sup>(14)</sup> 125 High Street, Suite 2500 Boston, MA 02110	31,967,767	7.6%
Entities affiliated with Bain Capital Funds <sup>(15)</sup> 111 Huntington Ave. Boston, MA 02199	28,156,163	6.7%
Entities affiliated with Silver Lake Partners, L.P. <sup>(16)</sup> 2725 Sand Hill Road, Building C Suite 150 Menlo Park, CA 94025	19,106,843	4.5%
Ricketts Grandchildren Trust <sup>(17)</sup>	19,008,000	4.5%



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\* Less than 1 percent of the issued and outstanding shares.

- (1) Shares of Common Stock beneficially owned by Mr. Ricketts consist of 68,381,780 shares held jointly with Marlene M. Ricketts, his spouse, in brokerage margin accounts; 8,186,112 shares held by the Marlene M. Ricketts 1994 Dynasty Trust, over which Mr. Ricketts has sole voting and dispositive power; 8,186,688 shares held by the J. Joe Ricketts 1996 Dynasty Trust, over which Mrs. Ricketts has sole voting and dispositive power; 975,000 shares owned by Mr. Ricketts individually but pledged as collateral; 1,500,000 shares held jointly with Marlene M. Ricketts but pledged as collateral; 332,352 shares held in the J. Ricketts IRA; 332,352 shares held in the M. Ricketts IRA; 2,735 shares held in Mr. Ricketts' 401(k) account; and 1,586,025 shares issuable upon the exercise of options exercisable within 60 days. Percentage ownership is determined on the basis of 423,127,824 shares of Common Stock, consisting of 421,541,799 shares outstanding and 1,586,025 shares issuable upon the exercise of options exercisable within 60 days.
- (2) Consists of 651,400 shares held by Mr. Moglia individually in a brokerage margin account; 140,000 shares held in trust for the benefit of Mr. Moglia's family; 1,939 shares held in Mr. Moglia's 401(k) account; and 5,753,419 shares issuable upon the exercise of options exercisable within 60 days. Percentage ownership is determined on the basis of 427,295,218 shares of Common Stock, consisting of 421,541,799 shares outstanding and 5,753,419 shares issuable upon the exercise of options exercisable within 60 days.
- (3) Consists of 53,005 shares held by Mr. MacDonald individually in IRA accounts; 3,638 shares held by Mr. MacDonald's spouse individually in an IRA account; 8,412 shares held in Mr. MacDonald's 401(k) account; 437,959 shares issuable upon the exercise of options exercisable within 60 days; and 120,862 shares held for the benefit of Mr. MacDonald in a deferred compensation account under the Company's Executive Deferred Compensation Program.
- (4) Consists of 964,737 shares held by Mr. Ricketts individually in a brokerage margin account; 87,868 shares held jointly with Mr. Ricketts spouse in a brokerage margin account; 19,950 shares held in trusts for the benefit of Mr. Ricketts' children; 67,648 shares in Mr. Ricketts' 401(k) account; 282,126 shares issuable upon the exercise of options exercisable within 60 days; 686,008 shares in the Marlene Ricketts Trust for the benefit of J. Peter Ricketts over which Mr. Ricketts has sole voting and dispositive power; and 6,835,653 shares in the Marlene Ricketts Annuity Trust 2001 #1, Marlene Ricketts Annuity Trust 2002 #1 and Marlene Ricketts Annuity Trust 2003 #1 over which Mr. Ricketts has shared voting and dispositive power.
- (5) Consists of 200,000 shares held by Ms. Esposito individually; 8,674 shares held in Ms. Esposito's 401(k) account; 219,825 shares issuable upon the exercise of options exercisable within 60 days; and 14,446 shares held for the benefit of Ms. Esposito in a deferred compensation account under the Company's Executive Deferred Compensation Program.
- (6) Consists of 20,000 shares held by Mr. Halvorson jointly with his spouse; 260,799 shares held in Mr. Halvorson's 401(k) account; and 286,126 shares issuable upon exercise of options exercisable within 60 days.
- (7) Consists of 2,000 shares held by Mr. Fleisher individually; 4,000 shares of restricted stock; 6,667 shares issuable upon the exercise of options exercisable within 60 days; and 12,742 shares held in a deferred compensation account for Mr. Fleisher.
- (8) Consists of 11,519 shares held by Mr. Hutchins individually; 4,000 shares of restricted stock; 6,667 shares issuable upon the exercise of options exercisable within 60 days; and 19,106,843 shares owned by Silver Lake Partners, L.P. and its affiliated entities (see footnote 16 below). Mr. Hutchins is a Managing Member and officer of the General Partner of Silver Lake Partners, L.P. Mr. Hutchins disclaims beneficial ownership of all shares owned by Silver Lake Partners, L.P. and its affiliated entities, except to the extent of his pecuniary interest therein.
- (9) Consists of 2,000 shares held by Mr. Landry individually; 4,000 shares of restricted stock; 6,667 shares issuable upon the exercise of options exercisable within 60 days; and 31,967,767 shares owned by TA Associates, Inc. and its affiliated entities (see footnote 14 below). Mr. Landry disclaims beneficial

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ownership of all shares owned by TA Associates, Inc. and its affiliated entities, except to the extent of 69,840 shares, which he owns through TA Investors LLC.

- (10) Includes 148,501 shares held by Mr. Mitchell individually in a brokerage margin account; 4,000 shares of restricted stock; 32,359 shares issuable upon the exercise of options exercisable within 60 days; and 12,179 shares in the Janet T. Mitchell IRA, over which Mr. Mitchell has shared voting and dispositive power.
- (11) Consists of 13,597 shares held by Mr. Pagliuca individually; 4,000 shares of restricted stock held by Mr. Pagliuca individually; 6,667 shares issuable upon the exercise of options exercisable within 60 days; and 28,156,163 shares owned by Bain Capital and its affiliated entities (see footnote 15 below). Mr. Pagliuca is a member of Bain Capital Investors, LLC and he, or entities affiliated with him, are partners of one or more of BCIP Associates II, BCIP Associates II-B, BCIP Trust Associates II and BCIP Trust Associates II-B. Mr. Pagliuca disclaims beneficial ownership of all such shares owned by these entities, except to the extent of his pecuniary interest therein.
- (12) Consists of 153,557 shares held by Mr. Ricketts jointly with his spouse in a brokerage margin account; 4,000 shares of restricted stock; 2,078 shares held in a deferred compensation account for Mr. Ricketts; 6,667 shares issuable upon the exercise of options exercisable within 60 days; 26,600 shares held in trusts for the benefit of Mr. Ricketts' children; 686,008 shares held in the Marlene Ricketts Trust for the benefit of Thomas S. Ricketts over which Mr. Ricketts has sole voting and dispositive power; and 6,835,653 shares in the Marlene Ricketts Annuity Trust 2001 #1, Marlene Ricketts Annuity Trust 2002 #1 and the Marlene Ricketts Annuity Trust 2003 #1 over which Mr. Ricketts has shared voting and dispositive power.
- (13) Includes 8,999,643 shares issuable upon the exercise of options exercisable within 60 days. Percentage ownership is determined on the basis of 430,541,442 shares of Common Stock, consisting of 421,541,799 shares outstanding and 8,999,643 shares issuable upon the exercise of options exercisable within 60 days.
- (14) Represents shares owned by a group of investment funds affiliated with TA Associates, including (i) 18,779,137 shares owned by TA IX, LP; (ii) 6,738,658 shares owned by TA/Advent VIII, LP; (iii) 4,567,297 shares owned by TA Atlantic & Pacific IV, LP; (iv) 1,160,800 shares owned by Advent Atlantic & Pacific III, LP; (v) 510,354 shares owned by TA Investors, LLC; and (vi) 211,521 shares owned by TA Executives Fund, LLC.
- (15) Represents shares owned by a group of investment funds affiliated with Bain Capital, including (i) 16,745,629 shares owned by Bain Capital Fund VII, LLC, whose managing member is Bain Capital Fund VII, L.P., whose sole general partner is Bain Capital Partners VII, L.P. ( BCP ), whose sole general partner is Bain Capital Investors, LLC ( BCI ); (ii) 6,195,389 shares owned by Bain Capital VII Coinvestment Fund, LLC, whose managing member is Bain Capital VII Coinvestment Fund, L.P., whose sole general partner is BCP, whose sole general partner is BCI; (iii) 4,108,561 shares owned by BCI Datek Investors, LLC, whose administrative member is BCP; and (iv) 1,106,584 shares owned by BCIP Associates II, BCIP Associates II-B, BCIP Trust Associates II and BCIP Trust Associates II-B, in each case whose managing partner is BCI.
- (16) Represents shares owned by a group of investment funds affiliated with Silver Lake Partners, L.P., the General Partner of which is Silver Lake Technology Associates, LLC, including (i) 18,180,296 shares owned by Silver Lake Partners, L.P.; (ii) 524,316 shares owned by Silver Lake Investors, L.P.; and (iii) 402,231 shares owned by Silver Lake Technology Investors, L.L.C.
- (17) The trustee of the Ricketts Grandchildren Trust is First National Bank of Omaha, First National Center, 16th and Dodge Streets, Omaha, Nebraska, 68102.

**Merger and Stockholders Agreement**

On September 9, 2002, the merger of Ameritrade Online Holdings Corp. ( AOH ) (formerly Ameritrade Holding Corporation) and Datek Online Holdings Corp. ( Datek ) was completed. As a result, AOH and Datek became wholly owned subsidiaries of the Company (formerly Arrow Stock Holding Corporation). In the merger, each share of Common Stock of AOH was automatically converted into one

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share of Common Stock of the Company and the stockholders of Datek in the aggregate received 216,341,375 shares of Common Stock of the Company.

Prior to the merger, the Ricketts holders collectively owned approximately 51.0% of the AOH Common Stock. Upon completion of the merger, the Ricketts holders owned approximately 25.5% of the Company's Common Stock and the Datek holders collectively owned approximately 29.4% of the Company's Common Stock. Therefore, the Ricketts holders and the Datek holders collectively owned a majority of the Company's Common Stock. As of the Record Date, the Ricketts holders owned approximately 25.4% and the Datek holders collectively owned approximately 18.8% of the Company's Common Stock.

Under the Stockholders Agreement by and among the Ricketts holders, the Datek holders and the Company, among other things:

the Ricketts holders and the Datek holders have agreed to vote their shares of Common Stock in favor of a Board of Directors of the Company consisting of nine members, of which three are designated by the Ricketts holders, three are designated by the Datek holders, and three are independent directors designated by the Ricketts holders and the Datek holders, subject to limitations, until after the Company's annual stockholders meeting in 2006;

if a Ricketts holder or a Datek holder sells shares in some negotiated transactions, the other Ricketts holders and Datek holders are entitled to participate in the same transaction by selling a pro rata amount of their shares;

the Ricketts holders and the Datek holders have agreed, until March 27, 2005, to vote their shares in favor of specified merger and sale of the Company transactions that are approved by specified Directors and against specified merger and sale of the Company transactions that are not approved by specified Directors; and

the Ricketts holders and the Datek holders have agreed, from March 27, 2005 until the day after the Company's annual meeting of stockholders in 2007, to vote their shares in favor of specified merger and sale of the Company transactions that are approved by a majority of the entire Board of Directors.

**EXECUTIVE COMPENSATION**

The following table sets forth a three year history of the annual and long-term compensation awarded to, earned by or paid by the Company and its subsidiaries to each person serving as Chief Executive Officer at any time during the fiscal year ended September 26, 2003, and to each of the other five highest paid executive

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officers of the Company (collectively, the Named Executive Officers ) for the fiscal year ended September 26, 2003.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-term Compensation	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Underlying Options/SARs(#)	All Other Compensation (\$)
Joseph H. Moglia <sup>(1)</sup> Chief Executive Officer	2003	600,000	1,143,750	3,269,072	8,199,813	9,132
	2002	600,000	1,068,930	7,775,000		6,337
	2001					