SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2005-05-02** | Period of Report: **2005-03-25**
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FILER

AMERITRADE HOLDING CORP

CIK:**1173431**| IRS No.: **820543156** | State of Incorp.:**DE** | Fiscal Year End: **0930**
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SIC: **6211** Security brokers, dealers & flotation companies

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended March 25, 2005**

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ___to ___**

Commission file number: 0-49992

AMERITRADE HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**82-0543156**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

4211 South 102nd Street, Omaha, Nebraska 68127
(Address of principal executive offices)
(Zip Code)
(402) 331-7856
(Registrant' s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months, and (2) has been subject to such filing requirements for the past ninety days. Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ☑ No ☐

As of April 29, 2005, there were 402,454,071 outstanding shares of the registrant' s Common Stock.

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AMERITRADE HOLDING CORPORATION

INDEX

		Page No.
	Part I - FINANCIAL INFORMATION	
Item 1.	**Financial Statements**	
	Report of Independent Registered Public Accounting Firm	3
	Condensed Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Operations	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	**Management' s Discussion and Analysis of Financial Condition and Results of Operations**	15
Item 3.	**Quantitative and Qualitative Disclosures About Market Risk**	23
Item 4.	**Controls and Procedures**	24
	Part II - OTHER INFORMATION	
Item 1.	**Legal Proceedings**	24
Item 2.	**Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**	25
Item 4.	**Submission of Matters to a Vote of Security Holders**	25
Item 6.	**Exhibits**	26
	Signatures	27

Extension to Executive Employment Agreement
Separation and Release Agreement
Awareness Letter
302 Certification of Principal Executive Officer
302 Certification of Principal Financial Officer
Section 906 Certification

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Part I – FINANCIAL INFORMATION

Item 1. – Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Ameritrade Holding Corporation
Omaha, Nebraska

We have reviewed the accompanying condensed consolidated balance sheet of Ameritrade Holding Corporation and subsidiaries (collectively "the Company") as of March 25, 2005, and the related condensed consolidated statements of operations for the three-month and six-month periods ended March 25, 2005 and March 26, 2004, and of cash flows for the six-month periods ended March 25, 2005 and March 26, 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ameritrade Holding Corporation and subsidiaries as of September 24, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated December 9, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 24, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

April 29, 2005
Omaha, Nebraska

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Table of Contents

Ameritrade Holding Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands, except share amounts)

	March 25, 2005	September 24, 2004
ASSETS		
Cash and cash equivalents	$189,719	$ 137,392
Short-term investments	64,375	17,950
Cash and investments segregated in compliance with federal regulations	7,451,482	7,802,575
Receivable from brokers, dealers and clearing organizations	3,748,132	2,818,726
Receivable from clients and correspondents − net of allowance for doubtful accounts	3,695,574	3,100,572
Property and equipment − net of accumulated depreciation and amortization	29,258	29,870
Goodwill	770,243	770,094
Acquired intangible assets − net of accumulated amortization	266,832	247,052
Investments in equity securities	79,264	73,759
Other assets	60,029	279,031
Total assets	$16,354,908	$ 15,277,021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$4,620,697	$ 3,441,802
Payable to clients and correspondents	10,067,345	10,322,539
Accounts payable and accrued liabilities	197,613	146,108
Prepaid variable forward derivative instrument	31,407	28,738
Prepaid variable forward contract obligation	38,635	37,803
Deferred income taxes	90,755	89,123
Total liabilities	15,046,452	14,066,113
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $0.01 par value; 100,000,000 shares authorized, none issued	–	–
Common Stock, $0.01 par value; 650,000,000 shares authorized; 435,081,860 shares issued	4,351	4,351
Additional paid-in capital	1,193,740	1,195,218
Retained earnings	494,084	330,519
Treasury stock, Common, at cost − Mar. 25, 2005 - 32,912,997 shares; Sept. 24, 2004 - 27,871,600 shares	(413,479)	(346,060)
Deferred compensation	928	993
Accumulated other comprehensive income	28,832	25,887
Total stockholders' equity	1,308,456	1,210,908
Total liabilities and stockholders' equity	$16,354,908	$ 15,277,021

See notes to condensed consolidated financial statements.

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Table of Contents

Ameritrade Holding Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	March 25, 2005	March 26, 2004	March 25, 2005	March 26, 2004
Revenues:				
Commissions and clearing fees	$127,973	$169,127	$281,519	$321,405
Interest revenue	116,301	66,011	229,402	128,843
Brokerage interest expense	30,169	8,836	54,849	18,165
Net interest revenue	86,132	57,175	174,553	110,678
Other	18,400	20,562	38,415	41,221
Net revenues	232,505	246,864	494,487	473,304
Expenses:				
Employee compensation and benefits	42,850	43,912	86,839	78,205
Clearing and execution costs	6,371	6,770	12,900	15,895
Communications	9,450	11,185	18,896	20,447
Occupancy and equipment costs	9,588	9,923	20,593	21,360
Depreciation and amortization	5,374	5,604	11,646	11,561
Professional services	9,208	8,716	18,775	15,096
Interest on borrowings	449	557	1,006	1,394
Gain on disposal of property	(148)	(196)	(246)	(376)
Other	5,160	5,042	9,107	11,350
Advertising	27,525	30,152	50,635	53,218
Total expenses	115,827	121,665	230,151	228,150
Pre-tax income	116,678	125,199	264,336	245,154
Provision for income taxes	45,664	44,241	100,771	92,260
Net income	$71,014	$80,958	$163,565	$152,894
Basic earnings per share	$0.18	$0.19	$0.40	$0.36
Diluted earnings per share	$0.17	$0.19	$0.40	$0.35
Weighted average shares outstanding − basic	402,833	420,821	404,357	423,272
Weighted average shares outstanding − diluted	410,674	431,296	412,840	433,548

See notes to condensed consolidated financial statements.

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Ameritrade Holding Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six Months Ended	
	March 25, 2005	March 26, 2004
Cash flows from operating activities:		
Net income	$ 163,565	$ 152,894
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	4,832	5,685
Amortization of acquired intangible assets	6,814	5,876
Deferred income taxes	445	(2,144)
Gain on disposal of property	(246)	(376)
Loss on debt retirement	–	791
Other non-cash expenses, net	1,714	1,383
Changes in operating assets and liabilities:		
Cash and investments segregated in compliance with federal regulations	351,093	574,041
Brokerage receivables	(1,524,386)	(1,435,859)
Other assets	219,009	3,089
Brokerage payables	923,701	869,809
Accounts payable and accrued liabilities	54,479	37,036
Net cash flows from operating activities	201,020	212,225
Cash flows from investing activities:		
Purchase of property and equipment	(4,655)	(4,488)
Proceeds from sale of property and equipment	–	15
Cash paid in business combinations, net	(25,919)	(56,350)
Purchase of short-term investments	(92,475)	(55,975)
Proceeds from sale of short-term investments	46,050	46,975
Proceeds from sale of investments in equity securities	807	–
Purchase of investments in equity securities	–	(36)
Net cash flows from investing activities	(76,192)	(69,859)
Cash flows from financing activities:		
Proceeds from notes payable	280,000	8,500
Principal payments on notes payable	(280,000)	(46,828)
Proceeds from exercise of stock options	4,075	11,216
Purchase of treasury stock	(76,875)	(172,246)
Payments received on stockholder loans	–	428
Net cash flows from financing activities	(72,800)	(198,930)
Effect of exchange rate changes on cash and cash equivalents	299	(38)
Net increase (decrease) in cash and cash equivalents	52,327	(56,602)
Cash and cash equivalents at beginning of period	137,392	248,623
Cash and cash equivalents at end of period	$ 189,719	$ 192,021
Supplemental cash flow information:		
Interest paid	$ 51,470	$ 7,288
Income taxes paid	$ 43,608	$ 49,201
Noncash investing and financing activities:		
Tax benefit on exercise of stock options	$ 3,134	$ 11,069

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AMERITRADE HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month and Six-Month Periods Ended March 25, 2005 and March 26, 2004
(Unaudited)
(Columnar amounts in thousands, except per share amounts)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of Ameritrade Holding Corporation and its wholly owned subsidiaries (collectively, the "Company"). All intercompany balances and transactions have been eliminated.

These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments, which are all of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company' s annual report filed on Form 10-K for the fiscal year ended September 24, 2004.

The Company has changed its classification of investments in auction rate securities from cash and cash equivalents to short-term investments on the condensed consolidated balance sheets. Auction rate securities are long-term variable rate bonds tied to short-term interest rates that are reset through a "Dutch auction" process which occurs every seven to 35 days. Holders of auction rate securities may liquidate their holdings to prospective buyers by participating in the auctions. The Company previously accounted for auction rate securities as cash equivalents because they are highly liquid due to the auction process. On March 4, 2005, the SEC issued guidance regarding the classification of investments in auction rate securities. The SEC' s guidance indicates that auction rate securities do not qualify as cash equivalents because they have long-term maturity dates and there is no guarantee that holders will be able to liquidate their holdings through the auction process. Accordingly, the Company has reclassified approximately $18.0 million of investments in auction rate securities from cash and cash equivalents to short-term investments as of September 24, 2004. Purchases and sales of auction rate securities are presented as investing activities in the condensed consolidated statements of cash flows.

Certain items in prior year condensed consolidated financial statements have been reclassified to conform to the current presentation.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share-Based Payment* ("No. 123R"). SFAS No. 123R is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and its related implementation guidance. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity' s equity instruments or that may be settled by the issuance of those equity instruments. SFAS No. 123R requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award−the requisite service period (usually the vesting period). SFAS No. 123R was originally scheduled to be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005 for public entities that do not file as small business issuers. On April 14, 2005, the SEC announced the adoption of a new rule amending the compliance date to the beginning of the first annual reporting period that begins after June 15, 2005 for public entities that do not file as small business issuers. Therefore, SFAS No. 123R will be effective for the Company' s next fiscal year beginning October 1, 2005. As of the required effective date, public entities will apply SFAS No. 123R using a modified version of the prospective transition method. Under that transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or pro forma disclosures. The Company estimates adoption of SFAS No. 123R will result in additional stock-based compensation expense for the unvested portion of awards previously accounted for under APB No. 25 of approximately $5.6 million for the Company' s fiscal year ending September 29, 2006.

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Table of Contents

2. BUSINESS COMBINATIONS, GOODWILL AND ACQUIRED INTANGIBLE ASSETS

On October 8, 2004, the Company completed the purchase of approximately 45,000 retail client accounts from JB Oxford & Company, a subsidiary of JB Oxford Holdings, Inc. The purchase price was approximately $25.9 million. The entire purchase price has been allocated to acquired intangible assets for the fair value of the JB Oxford client relationships. This intangible asset is being amortized over a 20-year period.

The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each acquisition exceeded the fair value of the net identifiable assets of the acquired company. The following table summarizes changes in the carrying amount of goodwill by reportable segment for the six months ended March 25, 2005:

	Private Client Division	All Other	Total
Balance as of September 24, 2004	$ 770,005	$89	$770,094
Purchase accounting adjustments, net of income taxes (1)	476	–	476
Tax benefit of option exercises (2)	(327)	–	(327)
Balance as of March 25, 2005	$ 770,154	$89	$770,243

(1) Purchase accounting adjustments consist of approximately $1.2 million of adjustments to liabilities relating to the Company' s January 2004 acquisition of Bidwell & Company, partially offset by an adjustment to reclassify approximately $0.7 million of the purchase price of the Bidwell acquisition to acquired intangible assets for the Bidwell client relationships.

(2) Represents the tax benefit of exercises of replacement stock options that were issued in connection with the Datek merger. The tax benefit of an option exercise is recorded as a reduction of goodwill to the extent the Company recorded fair value of the replacement option in the purchase accounting. To the extent any gain realized on an option exercise exceeds the fair value of the replacement option recorded in the purchase accounting, the tax benefit on the excess is recorded as additional paid-in capital.

The Company' s acquired intangible assets consist primarily of client relationship intangible assets and had a carrying value of $266.8 million, net of $31.2 million of accumulated amortization as of March 25, 2005. The Company estimates amortization expense on existing acquired intangible assets will be $7.1 million for the remainder of fiscal 2005 and approximately $13.8 million for each of the five succeeding fiscal years.

3. INVESTMENTS IN EQUITY SECURITIES

The Company' s investments in equity securities consist primarily of ownership of approximately 7.9 million shares of Knight Trading Group, Inc. ("Knight"), representing approximately seven percent of Knight' s outstanding common shares as of March 25, 2005. Knight is a publicly held company that is a market maker in equity securities. The Company accounts for its investment in Knight as a marketable equity security available-for-sale. As of March 25, 2005 and September 24, 2004, the Company' s investment in Knight was valued at $76.1 million and $72.8 million, respectively. The Company' s cost basis is $0.7 million; therefore the gross unrealized gain was $75.4 million and $72.1 million at March 25, 2005 and September 24, 2004, respectively.

During fiscal 2003, the Company and a counterparty entered into a series of prepaid variable forward contracts on the Knight shares. The forward contracts mature on various dates in fiscal years 2006 and 2007. The forward contracts each contain a zero-cost embedded collar on the value of the Knight shares, with a weighted average floor price of $5.13 per share and a weighted average cap price of $6.17 per share. The Company has designated the forward contracts as cash flow hedges of the forecasted future sales of 7.9 million Knight shares. Accordingly, all changes in the fair value of the embedded collars are recorded in other comprehensive income, net of income taxes. As of March 25, 2005 and September 24, 2004, the total fair value of the embedded collars was approximately $31.4 million and $28.7 million, respectively, and was included under the caption "Prepaid variable forward derivative instrument" on the Condensed Consolidated Balance Sheet.

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The following table summarizes the Company' s investments in equity securities, liabilities associated with the prepaid variable forward contracts, and related deferred income tax effects (see Note 11 for a complete summary of comprehensive income):

	March 25, 2005	September 24, 2004	Effect on Other Comprehensive Income
Assets			
Investment in Knight	$76,069	$ 72,827	$ 3,242
Investment in The Nasdaq Stock Market, Inc. (1)	–	447	(447)
Investment in International Securities Exchange, Inc.	3,157	447	2,710
Original cost of investment in Nasdaq (1)	N/A	N/A	855
Realized loss on sale of investment in Nasdaq (1)	N/A	N/A	(48)
Total marketable equity securities	79,226	73,721	N/A
Other investments in equity securities	38	38	N/A
Total investments in equity securities	$79,264	$ 73,759	N/A
Total effect of investments in equity securities on other comprehensive income			$ 6,312
Liabilities			
Prepaid variable forward derivative instrument	$(31,407)	$ (28,738)	$ (2,669)
Prepaid variable forward contract obligation	$(38,635)	$ (37,803)	N/A
Deferred income taxes on unrealized (gains)/losses:			
Marketable equity securities	$(30,049)	$ (27,958)	$ (2,091)
Derivative instrument	12,092	11,208	884
Tax effect of realized loss on sale of investment in Nasdaq (1)	N/A	N/A	18
Deferred income taxes on unrealized (gains)/losses, net	$(17,957)	$ (16,750)	N/A
Total effect of deferred income taxes on other comprehensive income			$ (1,189)

(1) The Company sold its investment in Nasdaq in March 2005 for approximately $807,000, resulting in a realized pre-tax loss on the sale of approximately $48,000.

4. ACQUISITION EXIT LIABILITIES

The following table summarizes activity in the Company' s acquisition exit liabilities for the three-month and six-month periods ended March 25, 2005:

	Three Months Ended March 25, 2005			
	Balance at Dec. 31, 2004	Restructuring Charges	Paid and Charged Against Liability	Balance at Mar. 25, 2005
Employee compensation and benefits	$ 254	$ –	$ 118	$ 136
Occupancy and equipment costs	4,682	216	365	4,533
Total acquisition exit liabilities	$ 4,936	$ 216	$ 483	$ 4,669

	Six Months Ended March 25, 2005			
	Balance at Sept. 24, 2004	Restructuring Charges	Paid and Charged Against Liability	Balance at Mar. 25, 2005
Employee compensation and benefits	$ 577	$ –	$ 441	$ 136
Occupancy and equipment costs	5,113	216	796	4,533
Total acquisition exit liabilities	$ 5,690	$ 216	$ 1,237	$ 4,669

Acquisition employee compensation liabilities are expected to be paid in fiscal 2005. Remaining acquisition occupancy and equipment exit liabilities are expected to be utilized over the respective lease periods through fiscal 2011.

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5. CREDIT FACILITIES

On December 13, 2004, the Company entered into an amendment to its revolving credit agreement. The revolving credit agreement, as amended, permits borrowings of up to $105 million through December 12, 2005, and is secured primarily by the Company' s stock in its subsidiaries and personal property. The interest rate on borrowings is equal to one month LIBOR (determined monthly) plus a spread (determined quarterly) of 1.75 percent or 2.00 percent based on a specified financial ratio. At March 25, 2005, the interest rate on the revolving credit agreement would have been 4.6 percent. The Company also pays a commitment fee of 0.25 percent of the unused credit facility through the maturity date. The Company had no outstanding indebtedness under the revolving credit agreement at March 25, 2005 and no outstanding indebtedness under the prior revolving credit agreement at September 24, 2004. The revolving credit agreement contains certain covenants and restrictions, including maintenance of a minimum level of net worth, requiring prior written consent of the revolving lenders for certain business combinations and investments, and prohibiting the payment of cash dividends to stockholders. The Company was in compliance with or obtained waivers for all covenants under the revolving credit agreements.

The Company, through its wholly owned broker-dealer subsidiary Ameritrade, Inc., had access to secured uncommitted credit facilities with financial institutions of up to $180 million as of March 25, 2005 and September 24, 2004. Ameritrade, Inc. also had access to an unsecured uncommitted credit facility of up to $310 million as of March 25, 2005 and September 24, 2004. The financial institutions may make loans under line of credit arrangements or, in some cases, issue letters of credit under these facilities. The secured credit facilities require the Company to pledge qualified client securities to secure outstanding obligations under these facilities. Borrowings under the secured and unsecured credit facilities bear interest at a variable rate based on the federal funds rate. There were no borrowings outstanding or letters of credit issued under the secured or unsecured credit facilities as of March 25, 2005 or September 24, 2004. As of March 25, 2005 and September 24, 2004, approximately $490 million was available to Ameritrade, Inc. for either loans or, in some cases, letters of credit.

6. NET CAPITAL

The Company' s broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act")), which requires the maintenance of minimum net capital, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis.

Reflecting the effect of a regulatory matter related to an insured deposit sweep program discussed in the following paragraphs, the Company' s broker-dealer subsidiaries had aggregate net capital of $239.2 million and $30.6 million as of March 25, 2005 and September 24, 2004, respectively, resulting in excess aggregate minimum net capital of $156.7 million as of March 25, 2005 and an aggregate net capital deficiency of $40.3 million as of September 24, 2004. Excluding the effect of the regulatory matter, the Company' s aggregate net capital would have been $262.3 million as of September 24, 2004, which would have exceeded aggregate minimum net capital requirements by $191.4 million.

On November 12, 2004, the Company' s broker-dealer subsidiary Ameritrade, Inc. was notified by the staff of the NASD and the staff of the SEC Division of Market Regulation (collectively the "Staffs") that they believe that for regulatory purposes certain funds held in banks on behalf of clients are liabilities and assets of Ameritrade, Inc. rather than liabilities and assets only of the banks. The resulting assets have not been allowed for purposes of Ameritrade, Inc.' s regulatory net capital calculation. Accordingly, in the Staffs' view Ameritrade, Inc.' s net capital was below its minimum amount required under Exchange Act Rule 15c3-1. Ameritrade, Inc. cured the asserted deficiency on November 15, 2004, the first business day following the notification.

The asserted deficiency was based upon the Staffs' concerns regarding a Federal Deposit Insurance Corporation ("FDIC") insured deposit sweep program available to Ameritrade, Inc.' s clients wherein funds were deposited, through an intermediary agent, into FDIC-insured deposit accounts at banks ("Program Banks"). The Staffs' view is that Ameritrade, Inc. did not for regulatory purposes effectively move client free credit balances to bank accounts established in client names at the Program Banks. Ameritrade, Inc. was also notified, on November 5, 2004, by the NASD that client funds deposited in the FDIC-insured sweep program should be included in Ameritrade, Inc.' s computation of reserve requirements under Exchange Act Rule 15c3-3. A deposit into Ameritrade, Inc.' s reserve account was made to fund the asserted Rule 15c3-3 requirement effective November 5, 2004. As of September 24, 2004, a deposit of $231.7 million into Ameritrade, Inc.' s reserve account would have been required in accordance with the Staffs' position.

Ameritrade, Inc. informed the Staffs that it believes that the free credit balances were effectively transferred to the Program Banks in accordance with well-established banking law, that the accounts held at the Program Banks were the obligations of the Program Banks to each client and not obligations of Ameritrade, Inc., that the FDIC insurance passed through to each client in accordance with FDIC regulations and that it has been in compliance with Rules 15c3-1 and 15c3-3.

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At the direction of the NASD, Ameritrade, Inc. filed a notice describing the asserted net capital deficiency as well as Ameritrade, Inc.' s position on the matter on November 12, 2004 in accordance with Exchange Act Rule 17a-11. Ameritrade, Inc. cured the asserted deficiency the first business day following the notification by causing the transfer of the cash in the FDIC-insured accounts to a money market fund in accounts in the names of the clients. No client funds were lost and the Company believes that the client balances in the FDIC-insured deposit accounts at the Program Banks were, at all times, protected by FDIC insurance on a pass-through basis and no client balance was at risk. Ameritrade, Inc. has ceased offering the FDIC-insured product pending resolution of this matter. At the direction of the NASD, Ameritrade, Inc. filed, on December 8, 2004, amended Form X-17A-5 Financial and Operational Combined Uniform Single (FOCUS) Reports for the months of May through September 2004 reflecting the Staffs' position.

This matter had no impact on the Company' s results of operations or net cash flows for any period presented.

The NASD continues to investigate this matter and Ameritrade, Inc. is fully cooperating with the investigation. The SEC or NASD may elect to pursue disciplinary or other action with respect to this matter, which could result in censures, fines, suspensions or other sanctions. The Company is unable to predict the outcome of this matter.

The NASD and SEC have also inquired about the effect on Ameritrade, Inc.' s net capital of certain deferred income tax liabilities arising from acquisitions. The issue is whether deferred tax liabilities may offset the acquired intangible client list assets to which they relate before the acquired intangible client list assets, which are not allowable assets for regulatory net capital purposes, are deducted in the net capital calculation. Following discussions with the SEC, Ameritrade, Inc. decided to prospectively exclude these deferred income tax liabilities from the net capital calculation until the regulators provide guidance concerning this issue. Ameritrade, Inc. has done so beginning with the March 25, 2005 net capital calculation. The deferred income tax liabilities excluded totaled $92.6 million as of March 25, 2005. The Company is working with the SEC to resolve the issue.

7. STOCK OPTION AND INCENTIVE PLANS

Effective September 27, 2003, the Company adopted the fair value based method of accounting for stock-based compensation under SFAS No. 123, using the prospective transition method of SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123*. Stock-based employee compensation expense for the three months and six months ended March 25, 2005 was $0.4 million and $0.8 million, respectively. Pro forma information regarding stock-based compensation expense, net income and earnings per share is required by SFAS No. 148. This information is presented as if the Company had accounted for its stock-based awards under the fair value method for all periods:

	Three Months Ended		Six Months Ended	
	March 25, 2005	March 26, 2004	March 25, 2005	March 26, 2004
Net income, as reported	$71,014	$80,958	$163,565	$152,894
Add: Stock-based compensation expense included in reported net income, net of related income tax effects	217	6	465	8
Less: Total stock-based compensation determined under the fair value based method, net of related income tax effects	(2,881)	(3,398)	(6,859)	(7,187)
Pro forma net income	$68,350	$77,566	$157,171	$145,715
Basic earnings per share:				
As reported	$0.18	$0.19	$0.40	$0.36
Pro forma	$0.17	$0.18	$0.39	$0.34
Diluted earnings per share:				
As reported	$0.17	$0.19	$0.40	$0.35
Pro forma	$0.17	$0.18	$0.38	$0.34

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Table of Contents

8. EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	March 25, 2005	March 26, 2004	March 25, 2005	March 26, 2004
Net income	$71,014	$80,958	$163,565	$152,894
Weighted average shares outstanding − basic	402,833	420,821	404,357	423,272
Effect of dilutive securities:				
Stock options	7,821	10,456	8,462	10,254
Deferred compensation shares	20	19	21	22
Weighted average shares outstanding − diluted	410,674	431,296	412,840	433,548
Earnings per share − basic	$0.18	$0.19	$0.40	$0.36
Earnings per share − diluted	$0.17	$0.19	$0.40	$0.35

9. COMMITMENTS AND CONTINGENCIES

Legal - In September 1998, a putative class action complaint was filed against the Company by Zannini, et al. in the District Court of Douglas County, Nebraska, claiming the Company was not able to handle the volume of subscribers to its Internet brokerage services. The complaint, as amended, sought injunctive relief enjoining alleged deceptive, fraudulent and misleading practices, equitable relief compelling the Company to increase capacity, and unspecified compensatory damages. In May 2001, the Company filed a motion for summary judgment in the matter, which the plaintiffs opposed. The District Court granted summary judgment for the Company on January 2, 2002, and the plaintiffs appealed. On August 1, 2003, the Nebraska Supreme Court reversed the District Court' s grant of summary judgment and remanded the case to the District Court for further proceedings. The Nebraska Supreme Court did not decide whether the plaintiffs' claims have merit. On October 8, 2003, the Company filed with the District Court a renewed motion for summary judgment. On August 13, 2004, the District Court dismissed the plaintiffs' class action allegations and the claims of fraud, misrepresentation, unjust enrichment and injunction. The District Court stayed the case pending arbitration of individual claims of breach of contract under the customer agreements. Plaintiffs appealed. On November 1, 2004, the Company filed a motion for summary dismissal of the appeal for lack of jurisdiction on the ground that the District Court' s order was not presently appealable. On December 15, 2004, plaintiffs filed a motion to dismiss their appeal as premature. The Nebraska Supreme Court dismissed the appeal on January 7, 2005. The Company believes it has adequate legal defenses and intends to continue to vigorously defend against plaintiffs' action.

In August 2003, the Company, as a successor to National Discount Brokers Corporation ("NDB"), was served with a lawsuit filed in the District Court of Harris County, Texas, by Robert Ketchand, a court appointed receiver, against a number of defendants including Christopher A. Slaga, a bank, and NDB. The complaint, as amended, alleges that Slaga defrauded investors who invested approximately $21 million in limited partnerships that Slaga created and controlled and converted the moneys entrusted to him for investment. Two of the investors, who allegedly invested approximately $18 million, intervened in the lawsuit. The complaint states that Slaga, presently incarcerated, pled guilty to federal wire fraud violations in connection with the conduct alleged in the complaint and that the federal court in the criminal proceeding ordered Slaga to make restitution to the investors in the amount of approximately $19.7 million. As it pertained to the Company, the complaint alleged that Slaga wire transferred funds from the partnerships' bank accounts into his personal brokerage account at NDB and that Slaga used the money for highly speculative investments. The complaint alleged that an inquiry by NDB would have disclosed that money in Slaga' s personal accounts belonged to the partnerships and that NDB failed to examine the trading activities of Slaga and should have discovered the impropriety of his investments. The complaint included causes of action against NDB for aiding and abetting Slaga' s securities fraud under the Texas Securities Act, for unjust enrichment, and for funds transferred to NDB under a theory of implied contract. The receiver and the interveners requested damages in an amount to be proven at trial, including the amount of the restitution order, plus interest, attorneys' fees and costs. An agreement was reached to settle the claims against the Company as successor to NDB. On March 11, 2005, the Court entered an order approving the settlement and dismissing with prejudice the claims against the Company and on April 18, 2005, the Court entered a final judgment. The settlement will not have a material effect on the Company' s results of operations, financial condition or cash flows.

The nature of the Company' s business subjects it to lawsuits, arbitrations, claims and other legal proceedings. Management cannot predict with certainty the outcome of pending legal proceedings. A substantial adverse judgment or other resolution regarding the proceedings could have a material adverse effect on the Company' s financial condition, results of operations and cash flows. However, in the opinion of management, after consultation with legal counsel, the Company has adequate legal

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defenses with respect to the legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

The Company is in discussions with its regulators about matters raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines or other sanctions. Management believes the outcome of any resulting actions will not be material to the Company' s financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome of these matters. See Note 6 for further discussion of a regulatory matter concerning an FDIC-insured deposit sweep program.

General Contingencies - In the ordinary course of business, there are various contingencies which are not reflected in the condensed consolidated financial statements. These include Ameritrade, Inc. client activities involving the execution, settlement and financing of various client securities transactions. These activities may expose the Company to credit risk in the event the clients are unable to fulfill their contracted obligations.

Client securities activities are transacted on either a cash or margin basis. In margin transactions, the Company may extend credit to the client, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the client' s account. In connection with these activities, the Company also executes and clears client transactions involving the sale of securities not yet purchased ("short sales"). Such margin-related transactions may expose the Company to credit risk in the event each client' s assets are not sufficient to fully cover losses which clients may incur. In the event the client fails to satisfy its obligations, the Company has the authority to purchase or sell financial instruments in the client' s account at prevailing market prices in order to fulfill the client' s obligations.

The Company seeks to control the risks associated with its client activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels throughout each trading day and, pursuant to such guidelines, requires clients to deposit additional collateral, or to reduce positions, when necessary.

The Company loans securities temporarily to other broker-dealers in connection with its broker-dealer business. The Company receives cash as collateral for the securities loaned. Increases in securities prices may cause the market value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its client obligations. The Company controls this risk by requiring credit approvals for counterparties, by monitoring the market value of securities loaned on a daily basis and requiring additional cash as collateral when necessary, and by participating in a risk-sharing program offered through a securities clearinghouse.

The Company borrows securities temporarily from other broker-dealers in connection with its broker-dealer business. The Company deposits cash as collateral for the securities borrowed. Decreases in securities prices may cause the market value of the securities borrowed to fall below the amount of cash deposited as collateral. In the event the counterparty to these transactions does not return the cash deposited, the Company may be exposed to the risk of selling the securities at prevailing market prices. The Company controls this risk by requiring credit approvals for counterparties, by monitoring the collateral values on a daily basis, and by requiring collateral to be returned by the counterparties when necessary.

As of March 25, 2005, client margin securities of approximately $5.1 billion and stock borrowings of approximately $3.7 billion were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company had loaned or repledged approximately $5.0 billion of that collateral as of March 25, 2005.

The Company is a member of and provides guarantees to securities clearinghouses and exchanges. Under related agreements, the Company is generally required to guarantee the performance of other members. Under the agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company' s liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these agreements is remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheet for these transactions.

Employment Agreements – The Company has entered into employment agreements with several of its key executive officers. These employment agreements generally provide for annual base salary and incentive compensation, stock option acceleration and severance payments in the event of termination of employment under certain defined circumstances or changes in control of the Company. Compensation is subject to adjustments according to the Company' s financial performance and other factors.

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Table of Contents

10. SEGMENT INFORMATION

Financial information for the Company' s Private Client Division, which is currently the Company' s only reportable segment, and all other segments, is presented in the following tables. The totals are equal to the Company' s consolidated amounts as reported in the Condensed Consolidated Statements of Operations.

	Three Months Ended March 25, 2005			Six Months Ended March 25, 2005		
	Private Client Division	All Other	Total	Private Client Division	All Other	Total
Non-interest revenues	$ 142,294	$4,079	$146,373	$ 311,001	$8,933	$319,934
Interest revenue, net	84,258	1,874	86,132	170,995	3,558	174,553
Net revenues	$ 226,552	$5,953	$232,505	$ 481,996	$12,491	$494,487
Pre-tax income (loss)	$ 121,197	$(4,519)	$116,678	$ 264,839	$(503)	$264,336

	Three Months Ended March 26, 2004			Six Months Ended March 26, 2004		
	Private Client Division	All Other	Total	Private Client Division	All Other	Total
Non-interest revenues	$ 182,577	$7,112	$189,689	$ 351,652	$10,974	$362,626
Interest revenue, net	54,628	2,547	57,175	106,844	3,834	110,678
Net revenues	$ 237,205	$9,659	$246,864	$ 458,496	$14,808	$473,304
Pre-tax income (loss)	$ 128,060	$(2,861)	$125,199	$ 252,165	$(7,011)	$245,154

On March 15, 2005, the Company announced a reorganization of its operational structure to more closely align the Company' s operations with its client-focused strategy. In connection with the reorganization, the Company is developing a new management financial reporting structure. The Company intends to reevaluate its segment reporting in light of the new reporting structure upon its completion, which is expected to occur later in 2005.

11. COMPREHENSIVE INCOME

Comprehensive income is as follows:

	Three Months Ended		Six Months Ended	
	March 25, 2005	March 26, 2004	March 25, 2005	March 26, 2004
Net income	$ 71,014	$ 80,958	$ 163,565	$ 152,894
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on investment securities available-for-sale arising during the period	(7,772)	(17,226)	6,312	8,801
Net unrealized holding gains (losses) on derivative instrument arising during the period	10,337	17,576	(2,669)	(7,558)
Adjustment for deferred income taxes on net unrealized holding gains/losses	(989)	296	(1,189)	(62)
Reclassification adjustment for realized loss on investment securities included in net income, net of tax	30	–	30	–
Foreign currency translation adjustment	(1,165)	(164)	461	(65)
Total other comprehensive income, net of tax	441	482	2,945	1,116
Comprehensive income	$ 71,455	$ 81,440	$ 166,510	$ 154,010

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Item 2. − Management' s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in the Company' s annual report on Form 10-K for the fiscal year ended September 24, 2004, and the Condensed Consolidated Financial Statements and Notes thereto contained in this quarterly report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to: general economic and political conditions, interest rates, stock market fluctuations and changes in client trading activity, increased competition, systems failures and capacity constraints, regulatory and legal matters and uncertainties and the other risks and uncertainties set forth under the heading "Risk Factors" in Item 7 of the Company' s annual report on Form 10-K for the fiscal year ended September 24, 2004. The forward-looking statements contained in this report speak only as of the date on which the statements were made. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise.

In particular, the following statements contained in this discussion are forward-looking statements: our expectations regarding the effect of client trading activity on our results of operations; our expectations regarding average commissions and clearing fees per trade; our expectations regarding growth of net interest revenue; our expectations regarding the effect of client trading activity on account maintenance fee revenues; our expected amounts of employee compensation and benefits, clearing and execution, communications, occupancy and equipment costs, and advertising expenses; our expectations regarding our effective income tax rate; our anticipated capital and liquidity needs and our plans to finance such needs; and our expectations regarding the impact of recently issued accounting pronouncements.

The preparation of our financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1 of our Notes to Consolidated Financial Statements for the fiscal year ended September 24, 2004 contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions. We believe that the following areas are particularly subject to management' s judgments and estimates and could materially affect our results of operations and financial position: valuation of goodwill and intangible assets; valuation and accounting for derivative financial instruments; and estimates of effective income tax rates, deferred income taxes and valuation allowances. These areas are discussed in further detail under the heading "Critical Accounting Policies and Estimates" in Item 7 of our annual report on Form 10-K for the fiscal year ended September 24, 2004.

Unless otherwise indicated, the terms "we", "us" or "Company" in this report refer to Ameritrade Holding Corporation and its wholly owned subsidiaries. The term "GAAP" refers to generally accepted accounting principles in the United States.

GLOSSARY OF TERMS

In discussing and analyzing our business, we utilize several metrics and other terms that are defined in a Glossary of Terms that is available on our website at www.amtd.com and is included in Item 7 of our annual report on Form 10-K for the fiscal year ended September 24, 2004. Since the issuance of the Form 10-K, the definition of "Liquid assets" has been updated and a definition for "Net new accounts or Net account growth" has been added to the glossary. These definitions are as follows:

Liquid assets - Liquid assets is considered a Non-GAAP financial measure as defined by SEC Regulation G. We define liquid assets as the sum of a) non broker-dealer cash and cash equivalents, b) non broker-dealer short-term investments and c) regulatory net capital of our broker-dealer subsidiaries in excess of 5% of aggregate debit items. We consider liquid assets an important measure of our liquidity and of our ability to fund corporate investing and financing activities. Liquid assets should be considered as a supplemental measure of liquidity, rather than as a substitute for cash and cash equivalents.

Net new accounts or Net account growth - The number of new client accounts (funded and unfunded) opened in a specified period minus the number of client accounts closed in the same period.

RESULTS OF OPERATIONS

Our results of operations are significantly impacted by conditions in the U.S. equity markets. There is a direct correlation between the volume of our clients' trading activity and our results of operations. We cannot predict future trading volumes in the U.S. equity markets. If client trading activity increases, we expect that it would have a positive impact on our results of operations. If client trading activity were to decline, we expect that it would have a negative impact on our results of operations.

Changes in short-term interest rates and in client margin and client cash balances also impact our results of operations. We cannot predict the direction of short-term interest rates or the level of client margin and client cash balances. If short-term interest rates rise, we generally expect

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to earn a larger net interest spread. Conversely, a falling short-term interest rate environment generally would result in our earning a smaller net interest spread.

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Financial Performance Metrics

Pre-tax income, net income, earnings per share, operating margin and EBITDA (earnings before interest, taxes, depreciation and amortization) are key metrics we use in evaluating our financial performance. Operating margin and EBITDA are both considered non-GAAP financial measures as defined by SEC Regulation G.

We define operating margin as pre-tax income, adjusted to remove advertising expense and any unusual gains or charges. We consider operating margin an important measure of the financial performance of our ongoing business. Advertising spending is excluded because it is largely at the discretion of the Company, varies significantly from period to period based on market conditions and relates to the acquisition of future revenues through new accounts rather than current revenues from existing accounts. Unusual gains and charges are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. Operating margin should be considered in addition to, rather than as a substitute for, pre-tax income, net income and earnings per share.

We consider EBITDA an important measure of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA eliminates the non-cash effect of tangible asset depreciation and intangible asset amortization. EBITDA should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

The following tables set forth operating margin and EBITDA in dollars and as a percentage of net revenues for the periods indicated, and provide reconciliations to pre-tax income, which is the most directly comparable GAAP measure (dollars in thousands):

	Three months ended				Six months ended			
	March 25, 2005		March 26, 2004		March 25, 2005		March 26, 2004	
	$	% of Rev.	$	% of Rev.	$	% of Rev.	$	% of Rev.
Operating Margin								
Operating margin	$144,055	62.0 %	$155,155	62.9 %	$314,725	63.6 %	$297,996	63.0 %
Less:								
Advertising	(27,525)	(11.8 %)	(30,152)	(12.2 %)	(50,635)	(10.2 %)	(53,218)	(11.2 %)
Gain on disposal of property	148	0.1 %	196	0.1 %	246	0.0 %	376	0.1 %
Pre-tax income	$116,678	50.2 %	$125,199	50.7 %	$264,336	53.5 %	$245,154	51.8 %
EBITDA								
EBITDA	$122,501	52.7 %	$131,360	53.2 %	$276,988	56.0 %	$258,109	54.5 %
Less:								
Depreciation and amortization	(5,374)	(2.3 %)	(5,604)	(2.3 %)	(11,646)	(2.4 %)	(11,561)	(2.4 %)
Interest on borrowings	(449)	(0.2 %)	(557)	(0.2 %)	(1,006)	(0.2 %)	(1,394)	(0.3 %)
Pre-tax income	$116,678	50.2 %	$125,199	50.7 %	$264,336	53.5 %	$245,154	51.8 %

Our slightly decreased pre-tax income, operating margin and EBITDA for the three-month period ended March 25, 2005 compared to the three-month period ended March 26, 2004 are largely due to decreased revenue from commissions and clearing fees resulting from decreased client trading activity, partially offset by increased net interest revenue resulting primarily from increased client margin and credit balances and higher net interest rates earned on such balances.

Our slightly improved pre-tax income, operating margin and EBITDA for the six-month period ended March 25, 2005 compared to the six-month period ended March 26, 2004 are largely due to increased net interest revenue resulting primarily from increased client margin and credit balances and higher net interest rates earned on such balances, partially offset by decreased revenue from commissions and clearing fees resulting from decreased client trading activity.

More detailed analysis of net revenues and expenses is presented later in this discussion.

Operating Metrics

Our largest sources of revenue are 1) commissions and clearing fees and 2) net interest revenue. For the three months ended March 25, 2005, commissions and clearing fees and net interest revenue accounted for 55 percent and 37 percent of our net revenues, respectively. The primary factors driving our revenues from commissions and clearing fees are total client trades and average commissions and clearing fees per trade. The primary factors driving our net interest revenue are average client margin balances, average segregated cash balances, average client

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credit balances and the average interest rates earned and paid on such balances. We also consider client account and client asset metrics, although we believe they are generally of less significance to our results of operations for any particular period than our trading activity and net interest revenue metrics.

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Table of Contents

Trading Activity Metrics

The following table sets forth several metrics regarding client trading activity, which we utilize in measuring and evaluating performance and the results of our operations:

	Three months ended		%	Six months ended		%
	Mar. 25, 2005	Mar. 26, 2004	Change	Mar. 25, 2005	Mar. 26, 2004	Change
Total trades (in millions)	9.53	12.50	(24 %)	21.10	23.79	(11 %)
Average commissions and clearing fees per trade	$ 13.43	$ 13.53	(1 %)	$ 13.34	$ 13.51	(1 %)
Average client trades per day	167,209	211,917	(21 %)	169,472	192,605	(12 %)
Average client trades per account (annualized)	11.7	15.7	(25 %)	12.0	14.6	(18 %)
Activity rate	4.6 %	6.3 %	(27 %)	4.7 %	5.9 %	(20 %)
Trading days	57.0	59.0	(3 %)	124.5	123.5	1 %

Net Interest Revenue Metrics

The following tables set forth metrics that we use in analyzing net interest revenue:

	Three months ended Mar. 25, 2005		Three months ended Mar. 26, 2004		Percentage Change in Average Balances	Average Annualized Yield/Cost Inc./(Dec.)
	Average Balance (millions)	Average Annualized Yield/(Cost)	Average Balance (millions)	Average Annualized Yield/(Cost)		
Segregated cash	$ 7,880	2.37 %	$ 7,730	1.00 %	2 %	1.37 %
Client margin balances	$ 3,657	5.33 %	$ 3,370	4.88 %	9 %	0.45 %
Client credit balances	$ 9,662	(0.37 %)	$ 9,048	(0.12 %)	7 %	0.25 %

	Six months ended Mar. 25, 2005		Six months ended Mar. 26, 2004		Percentage Change in Average Balances	Average Annualized Yield/Cost Inc./(Dec.)
	Average Balance (millions)	Average Annualized Yield/(Cost)	Average Balance (millions)	Average Annualized Yield/(Cost)		
Segregated cash	$ 7,943	2.11 %	$ 7,627	0.98 %	4 %	1.13 %
Client margin balances	$ 3,526	5.24 %	$ 2,973	4.92 %	19 %	0.32 %
Client credit balances	$ 9,596	(0.33 %)	$ 8,689	(0.12 %)	10 %	0.21 %

Client Account and Client Asset Metrics

The following table sets forth certain metrics regarding client accounts and client assets, which we use to analyze growth and trends in our client base:

	Three months ended		%	Six months ended		%
	Mar. 25, 2005	Mar. 26, 2004	Change	Mar. 25, 2005	Mar. 26, 2004	Change
Qualified accounts (beginning of period)	1,764,000	1,582,000	12 %	1,677,000	1,520,000	10 %
Qualified accounts (end of period)	1,730,000	1,700,000	2 %	1,730,000	1,700,000	2 %
Percentage increase (decrease) during period	(2 %)	7 %		3 %	12 %	
Total accounts (beginning of period)	3,627,000	3,225,000	12 %	3,520,000	3,171,000	11 %
Total accounts (end of period)	3,665,000	3,425,000	7 %	3,665,000	3,425,000	7 %
Percentage increase (decrease) during period	1 %	6 %		4 %	8 %	
Client assets (beginning of period, in billions)	$ 79.9	$ 65.2	23 %	$ 68.8	$ 54.8	26 %
Client assets (end of period, in billions)	$ 75.6	$ 71.9	5 %	$ 75.6	$ 71.9	5 %
Percentage increase (decrease) during period	(5 %)	10 %		10 %	31 %	

Qualified accounts are all open client accounts with a total liquidation value of $2,000 or more, except clearing accounts. Qualified accounts are our most significant measure of client accounts because they have historically generated the vast majority of our revenues. Total accounts are all open client accounts (funded and unfunded), except clearing accounts.

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Our qualified accounts decreased two percent during the second quarter of fiscal 2005. The fourth quarter of fiscal 2004 is the only other quarter since the end of fiscal 2002 where we experienced a quarterly decrease in the number of qualified accounts. We are carefully monitoring the number of qualified accounts and are taking actions designed to increase the number of qualified accounts. Such actions include our recently announced reorganization of our operational structure to more closely align it with our client-focused strategy. If we were to experience significant decreases in the number of qualified accounts, it could have a material adverse effect on our future results of operations.

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Consolidated Statements of Operations Data

The following table summarizes certain data from our Condensed Consolidated Statements of Operations for analysis purposes (in millions, except percentages and interest days):

	Three months ended		%	Six months ended		%
	Mar. 25, 2005	Mar. 26, 2004	Change	Mar. 25, 2005	Mar. 26, 2004	Change
Revenues:						
Commissions and clearing fees	$ 128.0	$ 169.1	(24 %)	$ 281.5	$ 321.4	(12 %)
Interest revenue	116.3	66.0	76 %	229.4	128.8	78 %
Brokerage interest expense	30.2	8.8	241 %	54.8	18.2	202 %
Net interest revenue	86.1	57.2	51 %	174.6	110.7	58 %
Other	18.4	20.6	(11 %)	38.4	41.2	(7 %)
Net revenues	232.5	246.9	(6 %)	494.5	473.3	4 %
Expenses:						
Employee compensation and benefits	42.9	43.9	(2 %)	86.8	78.2	11 %
Clearing and execution costs	6.4	6.8	(6 %)	12.9	15.9	(19 %)
Communications	9.5	11.2	(16 %)	18.9	20.4	(8 %)
Occupancy and equipment costs	9.6	9.9	(3 %)	20.6	21.4	(4 %)
Depreciation and amortization	5.4	5.6	(4 %)	11.6	11.6	1 %
Professional services	9.2	8.7	6 %	18.8	15.1	24 %
Interest on borrowings	0.4	0.6	(19 %)	1.0	1.4	(28 %)
Gain on disposal of property	(0.1)	(0.2)	(24 %)	(0.2)	(0.4)	(35 %)
Other	5.2	5.0	2 %	9.1	11.4	(20 %)
Advertising	27.5	30.2	(9 %)	50.6	53.2	(5 %)
Total expenses	115.8	121.7	(5 %)	230.2	228.2	1 %
Pre-tax income	116.7	125.2	(7 %)	264.3	245.2	8 %
Provision for income taxes	45.7	44.2	3 %	100.8	92.3	9 %
Net income	$ 71.0	$ 81.0	(12 %)	$ 163.6	$ 152.9	7 %
Other information:						
Number of interest days in period	84	86	(2 %)	182	182	0 %
Effective income tax rate	39.1 %	35.3 %		38.1 %	37.6 %	

Note: Details may not sum to totals and subtotals due to rounding differences. Change percentages are based on non-rounded Statements of Operations amounts.

Three-Month Periods Ended March 25, 2005 and March 26, 2004

Net Revenues.

Commissions and clearing fees decreased 24 percent, primarily due to a 24 percent decrease in total trades. Average client trades per day decreased 21 percent to 167,209 for the second quarter of fiscal 2005 from 211,917 for the second quarter of fiscal 2004, and there were two fewer trading days in the second quarter of fiscal 2005 than in the second quarter of fiscal 2004. Average client trades per account (annualized) were 11.7 for the second quarter of fiscal 2005, compared to 15.7 for the second quarter of fiscal 2004. The number of qualified accounts, which have historically generated the vast majority of our revenues, increased two percent. Average commissions and clearing fees per trade decreased slightly to $13.43 in the second quarter of fiscal 2005 from $13.53 for the second quarter of fiscal 2004, due primarily to changes in the mix of client trading activity. In March 2005, we lowered our options contract pricing from $1.50 to $0.75 per contract. We expect this change to reduce average commissions and clearing fees per trade in future periods. We expect average commissions and clearing fees to range from approximately $12.50 to $13.00 per trade during the remainder of fiscal 2005, depending on the mix of client trading activity, level of payment for order flow revenue and other factors.

Net interest revenue increased 51 percent, due primarily to an increase of 137 basis points in the average interest rate earned on segregated cash, an increase of 45 basis points in the average interest rate charged on client margin balances, a nine percent increase in average client

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margin balances and a $3.2 million increase in net interest earned on our securities lending program in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004. The increased net interest revenue resulting from these factors was partially offset by an increase of 25 basis points in the average interest rate paid on client credit balances in the second quarter of fiscal 2005 from the second quarter of fiscal 2004. We generally expect net interest revenue to grow as our account base grows. However, it will also be affected by changes in interest rates and fluctuations in the levels of client margin and credit balances.

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Other revenues decreased 11 percent, due primarily to a decrease in statement and confirmation fee revenue resulting from the decreased client trading activity.

Expenses.

Employee compensation and benefits expense decreased two percent, primarily due to a decrease in performance-based compensation, partially offset by an increase in the number of full-time equivalent employees. Full-time equivalent employees increased to 2,062 at March 25, 2005, from 1,938 at March 26, 2004, primarily due to the addition of client service and technology employees in fiscal 2004 and 2005. We have continued to invest in our technology and call centers in order to maintain our position as a leader in innovative trading tools and to improve client service. We expect employee compensation expense to range between $43 million and $46 million for the third quarter of fiscal 2005.

Clearing and execution costs decreased six percent, due primarily to lower client trading volumes. We expect clearing and execution costs to range between $6 million and $7 million for the third quarter of fiscal 2005, depending largely on the level of client trading activity.

Communications expense decreased 16%, also due primarily to lower client trading activity resulting in reduced call volumes. We expect communications expense to range between $9 million and $10 million for the third quarter of fiscal 2005.

Occupancy and equipment costs decreased three percent, due to slightly lower computer equipment leasing costs. We expect occupancy and equipment costs to increase to approximately $12 million for the third quarter of fiscal 2005, due primarily to costs associated with moving technology employees to a larger facility in New Jersey.

Professional services expense increased six percent, due primarily to new corporate development initiatives in fiscal 2005.

Advertising expenses decreased nine percent, as we reduced expenditures in response to lackluster stock market conditions. We expect approximately $20 million to $25 million of advertising expenditures for the third quarter of fiscal 2005, depending on market conditions. We generally adjust our level of advertising spending in relation to stock market activity, in an effort to maximize the number of new accounts while minimizing the advertising cost per new account.

Our effective income tax rate was approximately 39 percent for the second quarter of fiscal 2005 compared to 35 percent for the second quarter of fiscal 2004. During the second quarter of fiscal 2004, we recorded an adjustment to our net deferred income tax liabilities to apply a lower expected tax rate due to the Datek integration resulting in a larger percentage of our payroll and assets being located in lower income tax states such as Nebraska and Texas as opposed to higher income tax states such as New York and New Jersey. The adjustment resulted in a lower than normal effective tax rate for the second quarter of fiscal 2004. We expect our effective income tax rate for the remainder of fiscal 2005 to range between 38.5 percent and 39 percent.

Six-Month Periods Ended March 25, 2005 and March 26, 2004

Net Revenues.

Commissions and clearing fees decreased 12 percent, primarily due to an 11 percent decrease in total trades, and a one percent decrease in average commissions and clearing fees per trade. Average client trades per day decreased 12 percent to 169,472 for the first half of fiscal 2005 from 192,605 in the first half of fiscal 2004, but there was one more trading day in the first half of fiscal 2005 than the first half of fiscal 2004. Average client trades per account (annualized) were 12.0 for the first half of fiscal 2005, compared to 14.6 for the first half of fiscal 2004. Average commissions and clearing fees per trade decreased to $13.34 in the first half of fiscal 2005 from $13.51 for the first half of fiscal 2004, due primarily to lower payment for order flow revenue per trade for the first half of fiscal 2005 compared to the first half of fiscal 2004 and changes in the mix of client trading activity.

Net interest revenue increased 58 percent, due primarily to an increase of 113 basis points in the average interest rate earned on segregated cash, an increase of 32 basis points in the average interest rate charged on client margin balances, a 19 percent increase in average client margin balances and a $6.9 million increase in net interest earned on our securities lending program in the first half of fiscal 2005 compared to the first half of fiscal 2004. The increased net interest revenue resulting from these factors was partially offset by an increase of 21 basis points in the average interest rate paid on client credit balances in the first half of fiscal 2005 from the first half of fiscal 2004.

Other revenues decreased seven percent, due primarily to a decrease in account maintenance, statement and confirm and other fee revenue, partially offset by higher money market fee income. Account maintenance fees are charged based on client assets and trading activity, therefore fluctuations in client assets or trades per account may result in fluctuations in revenues from account maintenance fees.

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Expenses.

Employee compensation and benefits expense increased 11 percent, due primarily to an increase in full-time equivalent employees to 2,062 at March 25, 2005, from 1,938 at March 26, 2004.

Clearing and execution costs decreased 19 percent, due primarily to lower client trading volumes, decreased order routing costs resulting from our implementation of a single web architecture trading platform during fiscal 2004 and a non-recurring refund of Nasdaq trading activity fees of approximately $1 million during the first quarter of fiscal 2005.

Communications expense decreased eight percent, also due primarily to lower client trading activity resulting in reduced call volumes.

Occupancy and equipment costs decreased four percent, due to slightly lower computer equipment leasing costs.

Professional services expense increased 24 percent, due primarily to new corporate development initiatives in fiscal 2005.

Other expenses decreased 20 percent, due primarily to a $1.4 million benefit from a favorable litigation settlement during the first quarter of fiscal 2005.

Advertising expenses decreased five percent, as we reduced expenditures in response to stock market conditions.

Our effective income tax rate was approximately 38 percent for the first half of both fiscal 2005 and fiscal 2004.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our liquidity and capital needs primarily through funds generated from operations and from borrowings under our credit agreements. We have also issued Common Stock and convertible subordinated notes to finance mergers and acquisitions and for other corporate purposes. Our liquidity and capital needs during the first half of fiscal 2005 were financed from our earnings, cash on hand and borrowings on our broker-dealer credit facilities. We plan to finance our capital and liquidity needs primarily from our earnings and cash on hand. In addition, we may utilize our revolving credit facility or issue equity or debt securities.

Dividends from our subsidiaries are another source of liquidity for the holding company. Some of our subsidiaries are subject to requirements of the SEC and NASD relating to liquidity, capital standards, and the use of client funds and securities, which may limit funds available for the payment of dividends to the holding company.

Under the SEC' s Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934), our broker-dealer subsidiaries are required to maintain at all times at least the minimum level of net capital required under Rule 15c3-1. This minimum net capital level is determined based upon an involved calculation described in Rule 15c3-1 that is primarily based on each broker-dealer' s "aggregate debits", which primarily are a function of client margin balances at our broker-dealer subsidiaries. Since our aggregate debits may fluctuate significantly, our minimum net capital requirements may also fluctuate significantly from period to period. The holding company may make cash capital contributions to broker-dealer subsidiaries, if necessary, to meet net capital requirements.

On November 12, 2004, our broker-dealer subsidiary Ameritrade, Inc. was notified by the staff of the NASD and the staff of the SEC Division of Market Regulation (collectively the "Staffs") that in their view Ameritrade, Inc.' s net capital was below its minimum amount required under Exchange Act Rule 15c3-1. The asserted deficiency was based upon the Staffs' concerns regarding a Federal Deposit Insurance Corporation ("FDIC") insured deposit sweep program available to Ameritrade, Inc.' s clients. Ameritrade, Inc. cured the asserted deficiency the next business day, November 15, 2004. The NASD continues to investigate this matter and Ameritrade, Inc. is fully cooperating with the investigation. We are unable to predict the outcome of this matter. See Note 6 of the notes to condensed consolidated financial statements for further discussion of this matter.

Liquid Assets

We consider liquid assets an important measure of our liquidity and of our ability to fund corporate investing and financing activities. Liquid assets is considered a Non-GAAP financial measure as defined by SEC Regulation G. We define liquid assets as the sum of a) non broker-dealer cash and cash equivalents, b) non broker-dealer short-term investments and c) regulatory net capital of our broker-dealer subsidiaries in excess of 5 percent of aggregate debit items. We include the excess regulatory net capital of our broker-dealer subsidiaries in liquid assets rather than simply including broker-dealer cash and cash equivalents, because regulatory net capital requirements may limit the amount of cash available for dividend from the broker-dealer subsidiaries to the holding company. Liquid assets should be considered as a supplemental measure of liquidity, rather than as a substitute for cash and cash equivalents. The following table sets forth a reconciliation of cash and cash equivalents to liquid assets for the periods indicated (in thousands):

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	March 25, 2005	September 24, 2004	Change
Cash and cash equivalents	$189,719	$ 137,392	$52,327
Less: Broker-dealer cash and cash equivalents	(135,084)	(99,400)	(35,684)
Non broker-dealer cash and cash equivalents	54,635	37,992	16,643
Plus: Non broker-dealer short-term investments	64,375	17,950	46,425
Plus: Excess broker-dealer regulatory net capital*	33,219	–	33,219
Liquid assets*	$152,229	$ 55,942	$96,287

* Includes the impact of a regulatory matter related to an FDIC-insured deposit sweep program as of September 24, 2004. Excluding the impact of the regulatory matter, excess broker-dealer regulatory net capital would be approximately $85.4 million and liquid assets would be approximately $141.3 million as of September 24, 2004. See Note 6 of the notes to condensed consolidated financial statements for further discussion of the regulatory matter.

The increase in liquid assets from September 24, 2004 to March 25, 2005 is primarily due to the impact of curing the FDIC-insured deposit sweep program regulatory matter of $85.4 million and net income of $163.6 million, partially offset by an increase in aggregate debit items that resulted in increased regulatory net capital required of $29.0 million, cash used in investing and financing activities, excluding short-term investments, of $102.6 million (see "Cash Flow" below) and the impact of a net capital calculation issue discussed in the following paragraph of $92.6 million. The remaining $71.5 million of the increase in liquid assets is due to increased non broker-dealer working capital due to timing of income tax and other payments, non-cash expenses that are reflected in net income, and other miscellaneous changes in excess regulatory net capital.

The NASD and SEC have inquired about the effect on Ameritrade, Inc.' s net capital of certain deferred income tax liabilities arising from acquisitions. The issue is whether deferred tax liabilities may offset the acquired intangible client list assets to which they relate before the acquired intangible client list assets, which are not allowable assets for regulatory net capital purposes, are deducted in the net capital calculation. Following discussions with the SEC, Ameritrade, Inc. decided to prospectively exclude these deferred income tax liabilities from the net capital calculation until the regulators provide guidance concerning this issue. Ameritrade, Inc. has done so beginning with the March 25, 2005 net capital calculation. The deferred income tax liabilities excluded totaled $92.6 million as of March 25, 2005. We are working with the SEC to resolve the issue.

Cash Flow

Cash provided by operating activities was $201.0 million for the first half of fiscal 2005, compared to $212.2 million for the first half of fiscal 2004. The decrease was primarily due to changes in broker-dealer working capital, partially offset by higher net income in the first half of fiscal 2005.

Cash used in investing activities was $76.2 million for the first half of fiscal 2005, compared to $69.9 million for the first half of fiscal 2004. The cash used in investing activities in the first half of fiscal 2005 consisted primarily of $46.4 million of net short-term investments in auction rate securities and $25.9 million paid in the acquisition of the online retail client accounts of JB Oxford & Company. The cash used in investing activities for the first half of fiscal 2004 consisted primarily of $55.1 million paid in the acquisition of Bidwell & Company and $9.0 million of net short-term investments in auction rate securities.

Cash used in financing activities was $72.8 million for the first half of fiscal 2005, compared to $198.9 million for the first half of fiscal 2004. The financing activities in the first half of fiscal 2005 included $76.9 million of stock repurchases, compared to $172.2 million of stock repurchases and an early redemption of convertible subordinated notes for $46.8 million during the first half of fiscal 2004. Our broker-dealer subsidiary, Ameritrade, Inc., also borrowed and subsequently repaid $280 million on its unsecured credit facilities during the first quarter of fiscal 2005 to cure the asserted Exchange Act Rule 15c3-3 deficiency described in Note 6 of the notes to condensed consolidated financial statements.

Loan Facilities

On December 13, 2004, we entered into an amendment to our revolving credit agreement. The revolving credit agreement, as amended, permits borrowings of up to $105 million through December 12, 2005, and is secured primarily by our stock in our subsidiaries and personal property. The interest rate on borrowings is equal to one month LIBOR (determined monthly) plus a spread (determined quarterly) of 1.75 percent or 2.00 percent based on a specified financial ratio. At March 25, 2005, the interest rate on the revolving credit agreement would have been 4.6 percent. We also pay a commitment fee of 0.25 percent of the unused credit facility through the maturity date. We had no outstanding indebtedness under the revolving credit agreement at March 25, 2005 and no outstanding indebtedness under the prior revolving credit agreement at September 24, 2004. The revolving credit agreement contains certain covenants and restrictions, including maintenance of

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a minimum level of net worth, requiring prior written consent of the revolving lenders for certain business combinations and investments, and prohibiting the

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payment of cash dividends to stockholders. We were in compliance with or obtained waivers for all covenants under the revolving credit agreements.

Our wholly owned broker-dealer subsidiary, Ameritrade, Inc., had access to secured uncommitted credit facilities with financial institutions of up to $180 million as of March 25, 2005 and September 24, 2004. Ameritrade, Inc. also had access to an unsecured uncommitted credit facility of up to $310 million as of March 25, 2005 and September 24, 2004. The financial institutions may make loans under line of credit arrangements or, in some cases, issue letters of credit under these facilities. The secured credit facilities require Ameritrade, Inc. to pledge qualified client securities to secure outstanding obligations under these facilities. Borrowings under the secured and unsecured credit facilities bear interest at a variable rate based on the federal funds rate. There were no borrowings outstanding or letters of credit issued under the secured or unsecured credit facilities as of March 25, 2005 or September 24, 2004. As of March 25, 2005 and September 24, 2004, approximately $490 million was available to Ameritrade, Inc. for either loans or, in some cases, letters of credit.

Prepaid Variable Forward Contracts

During fiscal 2003, we entered into a series of prepaid variable forward contracts (the "forward contracts") with a counterparty with a total notional amount of approximately $41.4 million on 7.9 million underlying Knight shares. The forward contracts each contain a zero-cost embedded collar on the value of the Knight shares, with a weighted average floor price of $5.13 per share and a weighted average cap price of $6.17 per share. At the inception of the forward contracts, we received cash of approximately $35.5 million, equal to approximately 86 percent of the notional amount. The forward contracts mature on various dates in fiscal years 2006 and 2007. At maturity, we may settle the forward contracts in shares of Knight or in cash, at our option. If the market price of the Knight stock at maturity is equal to or less than the floor price, the counterparty will be entitled to receive one share of Knight or its cash equivalent for each underlying share. If the market price of the Knight stock at maturity is greater than the cap price, the counterparty will be entitled to receive the number of shares of Knight or its cash equivalent equal to the ratio of the floor price plus the excess of the market price over the cap price, divided by the market price, for each underlying share. If the market price at maturity is greater than the floor price but less than or equal to the cap price, the counterparty will be entitled to receive the number of Knight shares or its cash equivalent equal to the ratio of the floor price divided by the market price for each underlying share. Regardless of whether the forward contract is settled in Knight shares or in cash, we intend to sell the underlying Knight shares at maturity.

We have designated the forward contracts as cash flow hedges of the forecasted future sales of 7.9 million Knight shares. The forward contracts are expected to be perfectly effective hedges against changes in the cash flows associated with the forecasted future sales outside the price ranges of the collars. Accordingly, all changes in the fair value of the embedded collars are recorded in other comprehensive income, net of income taxes. As of March 25, 2005 and September 24, 2004, the total fair value of the embedded collars was approximately $31.4 million and $28.7 million, respectively, and was included under the caption "Prepaid variable forward derivative instrument" on the Condensed Consolidated Balance Sheet.

The $35.5 million of cash received on the forward contracts is accounted for as an obligation on the Condensed Consolidated Balance Sheet. We are accreting interest on the obligation to the notional maturity amount of $41.4 million over the terms of the forward contracts using effective interest rates with a weighted average of approximately 4.3 percent. Upon settlement of each forward contract, the fair value of the collar and the realized gain or loss on the Knight stock delivered to the counterparty or otherwise sold will be reclassified from other comprehensive income into earnings.

Stock Repurchase Program

On September 9, 2002, our Board of Directors authorized a program to repurchase up to 40 million shares of our Common Stock from time to time over a two-year period beginning September 19, 2002. On May 5, 2004, our Board of Directors extended the stock repurchase program through May 5, 2006. Under the stock repurchase program, as extended, we may repurchase, from time to time, up to 70 million shares of our Common Stock, a 30 million-share increase from the previous authorization. Through March 25, 2005, we have repurchased a total of approximately 48.4 million shares at a weighted average purchase price of $10.15 per share. During the first half of fiscal 2005, we repurchased approximately 6.0 million shares at a weighted average purchase price of $12.77 per share.

Off-Balance Sheet Arrangements

The Company does not have any obligations which meet the definition of an off-balance sheet arrangement and which have or are reasonably likely to have a material effect on our financial statements.

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NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share-Based Payment* ("No. 123R"). SFAS No. 123R is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and its related implementation guidance. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity' s equity instruments or that may be settled by the issuance of those equity instruments. SFAS No. 123R requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award−the requisite service period (usually the vesting period). SFAS No. 123R was originally scheduled to be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005 for public entities that do not file as small business issuers. On April 14, 2005, the SEC announced the adoption of a new rule amending the compliance date to the beginning of the first annual reporting period that begins after June 15, 2005 for public entities that do not file as small business issuers. Therefore, SFAS No. 123R will be effective for our next fiscal year beginning October 1, 2005. As of the required effective date, public entities will apply SFAS No. 123R using a modified version of the prospective transition method. Under that transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or pro forma disclosures. We estimate adoption of SFAS No. 123R will result in additional stock-based compensation expense for the unvested portion of awards previously accounted for under APB No. 25 of approximately $5.6 million for our fiscal year ending September 29, 2006.

Item 3. − Quantitative and Qualitative Disclosures about Market Risk

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest rates and market prices. We have established policies, procedures and internal processes governing our management of market risks in the normal course of our business operations. We do not hold any market risk-sensitive instruments for trading purposes.

We seek to control the risks associated with our client activities by requiring clients to maintain margin collateral in compliance with regulatory and internal guidelines. We monitor required margin levels daily and, pursuant to such guidelines, require our clients to deposit additional collateral, or to reduce positions, when necessary. We seek to control risks associated with our securities lending and borrowing activities by requiring credit approvals for counterparties, by monitoring the market value of securities loaned and collateral values for securities borrowed on a daily basis and requiring additional cash as collateral for securities loaned or return of collateral for securities borrowed when necessary, and by participating in a risk-sharing program offered through a securities clearinghouse.

As a fundamental part of our brokerage business, we hold interest earning assets, mainly funds required to be segregated in compliance with federal regulations. These funds totaled $7.5 billion at March 25, 2005 and $7.8 billion at September 24, 2004. We invest these funds in repurchase agreements, fixed-rate U.S. Treasury securities and other qualified securities. Our interest earning assets are financed primarily by short-term interest bearing liabilities, totaling $10.1 billion at March 25, 2005 and $10.1 billion at September 24, 2004, in the form of client credit balances. We earn a net interest spread on the difference between amounts earned on client margin balances and amounts paid on client credit balances. Because we establish the rate paid on client credit balances and the rate charged on client margin balances, a substantial portion of our interest rate risk is under our direct management. However, changes in interest rates may have a beneficial or adverse affect on our results of operations. We might not change interest rates paid on client credit balances proportionately to changes in interest rates charged on client margin balances. As a result, a rising interest rate environment generally would result in our earning a larger net interest spread. Conversely, a falling interest rate environment generally would result in our earning a smaller net interest spread.

We had no borrowings outstanding under our $105 million revolving credit agreement, which bears interest at a floating rate, as of March 25, 2005 and no borrowings outstanding under the prior revolving credit agreement as of September 24, 2004. We currently hold two marketable equity securities, our investments in approximately 7.9 million shares of Knight and 112,887 shares of International Securities Exchange, Inc., which were recorded at fair value of $79.2 million ($49.2 million net of tax) at March 25, 2005 and have exposure to market price risk. The potential loss in fair value resulting from a hypothetical 10 percent adverse change in prices quoted by the stock exchanges was approximately $7.9 million at March 25, 2005. During fiscal 2003, we entered into a series of prepaid variable forward contracts with a total notional amount of approximately $41.4 million on 7.9 million underlying Knight shares. The forward contracts each contain an embedded collar on the value of the

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Knight shares, with a weighted average floor price of $5.13 per share and a weighted average cap price of $6.17 per share. We have designated the forward contracts as cash flow hedges of the forecasted future sales of 7.9 million Knight shares. As of March 25, 2005 and September 24, 2004, the fair value of the embedded collars was approximately $31.4 million and $28.7 million, respectively, and was included under the caption "Prepaid variable forward derivative instrument" on the Condensed Consolidated Balance Sheet. The forward contracts are expected to be perfectly effective hedges against changes in cash flows associated with changes in the value of Knight shares outside the price ranges of the collars.

Our revenues and financial instruments are denominated in U.S. dollars, and we generally do not invest, except for hedging purposes, in derivative financial instruments or derivative commodity instruments.

Item 4. – Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of March 25, 2005. Based on that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in its periodic reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

There have been no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. – Legal Proceedings

In September 1998, a putative class action complaint was filed against the Company by Zannini, et al. in the District Court of Douglas County, Nebraska, claiming the Company was not able to handle the volume of subscribers to its Internet brokerage services. The complaint, as amended, sought injunctive relief enjoining alleged deceptive, fraudulent and misleading practices, equitable relief compelling the Company to increase capacity, and unspecified compensatory damages. In May 2001, the Company filed a motion for summary judgment in the matter, which the plaintiffs opposed. The District Court granted summary judgment for the Company on January 2, 2002, and the plaintiffs appealed. On August 1, 2003, the Nebraska Supreme Court reversed the District Court's grant of summary judgment and remanded the case to the District Court for further proceedings. The Nebraska Supreme Court did not decide whether the plaintiffs' claims have merit. On October 8, 2003, the Company filed with the District Court a renewed motion for summary judgment. On August 13, 2004, the District Court dismissed the plaintiffs' class action allegations and the claims of fraud, misrepresentation, unjust enrichment and injunction. The District Court stayed the case pending arbitration of individual claims of breach of contract under the customer agreements. Plaintiffs appealed. On November 1, 2004, the Company filed a motion for summary dismissal of the appeal for lack of jurisdiction on the ground that the District Court's order was not presently appealable. On December 15, 2004, plaintiffs filed a motion to dismiss their appeal as premature. The Nebraska Supreme Court dismissed the appeal on January 7, 2005. The Company believes it has adequate legal defenses and intends to continue to vigorously defend against plaintiffs' action.

The nature of the Company's business subjects it to lawsuits, arbitrations, claims and other legal proceedings. We cannot predict with certainty the outcome of pending legal proceedings. A substantial adverse judgment or other resolution regarding the proceedings could have a material adverse effect on the Company's financial condition, results of operations and cash flows. However, in the opinion of management, after consultation with legal counsel, the Company has adequate legal defenses with respect to the legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

The Company is in discussions with its regulators about matters raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines or other sanctions. Management believes the outcome of any resulting actions will not be material to the Company's financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome of these matters.

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Item 2. − Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
January 1, 2005 - January 28, 2005	1,200,000	$ 12.75	1,200,000	22,932,338
January 29, 2005 - February 25, 2005	1,317,995	$ 11.52	1,317,995	21,614,343
February 26, 2005 - March 25, 2005	−	N/A	−	21,614,343
Total − Three months ended March 25, 2005	2,517,995	$ 12.11	2,517,995	21,614,343

The Company' s Common Stock repurchase program was announced on September 9, 2002. The Company' s Board of Directors authorized the Company to repurchase up to 40 million shares over a two-year period expiring September 9, 2004. On May 5, 2004, the Company' s Board of Directors extended the stock repurchase program through May 5, 2006. Under the stock repurchase program, as extended, the Company may repurchase, from time to time, up to 70 million shares of Common Stock, a 30 million-share increase from the previous authorization. The September 9, 2002 program, as extended, is the only program currently in effect and there have been no programs that have expired during the period covered by this report. The Company did not make any repurchases other than through the publicly announced program during the quarter covered by this report.

Item 4. - Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on February 16, 2005. Two persons were nominated by the Board of Directors to serve as Class III directors for terms of three years. There was no solicitation in opposition to the nominees proposed to be elected in the Proxy Statement. The following sets forth the results of the election of directors:

Name of Nominee	FOR	WITHHELD
J. Joe Ricketts	349,680,180	11,337,192
Dan W. Cook III	357,192,780	3,824,592

The proposal to ratify the appointment of Deloitte & Touche LLP as independent auditors for the fiscal year ending September 30, 2005, was approved as follows:

FOR	AGAINST	ABSTENTIONS AND BROKER NON-VOTES
352,518,709	8,388,565	110,098

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Item 6. − Exhibits

3.1	Restated Certificate of Incorporation of Ameritrade Holding Corporation (incorporated by reference to Exhibit 3.1 of the Company' s Form 8-A filed on September 5, 2002)
3.2	Amended and Restated By-Laws of Ameritrade Holding Corporation (incorporated by reference to Exhibit 3.2 of the Company' s Form 10-K filed on November 7, 2003)
10.1	Extension to Executive Employment Agreement, effective as of March 1, 2005, between Michael R. Feigeles and Ameritrade Holding Corporation
10.2	Separation and Release Agreement, dated as of March 4, 2005, between Michael R. Feigeles and Ameritrade Holding Corporation
15.1	Awareness Letter of Independent Registered Public Accounting Firm
31.1	Certification of Joseph H. Moglia, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of John R. MacDonald, Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 2, 2005

Ameritrade Holding Corporation
(Registrant)

by: /s/ Joseph H. Moglia
Joseph H. Moglia
Chief Executive Officer
(Principal Executive Officer)

by: /s/ John R. MacDonald
John R. MacDonald
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

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Exhibit 10.1

March 2, 2005

Michael R. Feigeles
181 Boulevard
Mountain Lakes, NJ 07046

RE: Ameritrade Holding Corporation ("Ameritrade") Executive Employment Agreement, Effective as of February 28, 2003 (the "Agreement")

Dear Mike:

You and Ameritrade have agreed, effective March 1, to extend the Term of your Agreement as defined in the Agreement, to March 31, 2005 (the "Extension"). All of the rights and obligations under the Agreement will continue in full force and effect through March 31, 2005.

Please sign this document (the "Letter Agreement") in the space provided below to evidence your agreement to the above. We will countersign and provide you a copy for your records.

Sincerely,
Ameritrade Holding Corporation

By: /s/ Kurt Halvorson
Kurt Halvorson, EVP and Chief Administrative Officer

I understand and agree to the Extension and the terms of this Letter Agreement after having sought counsel, at my discretion.

/s/ Michael R. Feigeles	March 3, 2005
Michael R. Feigeles	Date

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Exhibit 10.2

SEPARATION AND RELEASE AGREEMENT

THIS SEPARATION AND RELEASE AGREEMENT ("Agreement") is made this 4th day of March, 2005, effective as of the close of business March 31, 2005 ("Effective Date"), by and between Ameritrade Holding Corporation, and its successors and assigns (collectively, the "Company") and Michael R. Feigeles, his heirs, representatives, affiliates, successors and assigns (collectively the "Executive").

WITNESSETH:

WHEREAS, Executive and the Company are parties to an Employment Agreement dated February 28, 2003, as amended by a certain letter agreement dated February 28, 2005 (collectively, the "Employment Agreement") pursuant to which Executive is employed by the Company; and

WHEREAS, the Term of Executive' s employment under the Employment Agreement ends on March 31, 2005 "Termination Date"; and

WHEREAS, as a condition precedent to Executive receiving certain of the severance benefits, and subject to Executive' s continued employment through the Termination Date, the parties have agreed to execute this Agreement.

NOW, THEREFORE, in consideration of the covenants undertaken in this Agreement, including the release contained herein, the parties agree as follows:

1. Severance Payments In full and complete satisfaction of Executive' s claims under the Employment Agreement, including, but not limited to, salary, vacation, bonus, stock options, severance, change in control payments, incentive pay, sick pay, benefits, holiday, out placement services and other compensation of any kind, and as consideration for the promises contained in this Agreement, including but not limited to the release set forth in paragraph 6 herein, and subject to Executive' s compliance with the terms of this Agreement and the Employment Agreement, the Company agrees to provide Executive with the following payments:

a. The Company shall pay Executive a sum equal to 10,000.00 Dollars, payable on, or as soon as practicable after, March 31, 2005; and

b. If the total amount of Non-Competition Payments paid to the Executive as described in Section 4 below, do not exceed the following MIP computation ("Computed Amount"), then Executive shall be paid the difference up to, but not exceeding the Computed Amount. Computed Amount shall be determined as follows: 50% of the MIP award the Executive would have received for FY 05 had he been employed with the Company on October 31, 2005, reduced by $155,833.34. Such payment, if due, will be made to Executive on or as soon as

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practicable after the date the payments are made to participants in the MIP for FY05.

Except as provided herein and in Section 4 below, Executive will be entitled to no other or further compensation, remuneration, payments or benefits of any kind, including but not limited to MIP, paid time off hours, Company contributions to its 401(k) profit sharing plan, insurances and other salary continuation benefits. However, nothing in this Agreement is intended to divest Executive of any vested rights, if any, in the Company' s 401(k) Profit Sharing plan.

2. Assignment of Claims. In consideration of the payments and benefits to Executive in Section 1 herein, and Executive' s execution of this Agreement, and as an express condition of this Agreement, Executive hereby represents and warrants that, up through the date on which this Agreement is executed by the parties, he has not assigned or transferred, and he will not after such date assign or transfer, (a) any claims against the Company, (b) any rights that he may have had to assert compulsory or permissive counterclaims against the Company, or (c) any rights that he has or may have to aforesaid payments and benefits.

3. Return of Property. Executive hereby agrees that, within ten (10) calendar days after the Effective Date, he shall turn over to the Company all company equipment and property, including but not limited, to computers, printers, and related equipment, cell phones, pagers, Company Credit cards, and keys, as well as originals and copies of notes, correspondence, memoranda, records, documents, computer disks and files, and all other information or products, no matter how produced or reproduced, pertaining to the business of the Company, its subsidiaries, affiliates, officers, and shareholders ("Company Materials"), it being hereby acknowledged that all of said items are the sole and exclusive property of the Company. Executive' s signature on this Agreement shall serve as a representation and warranty that Executive has not retained any originals or copies of Company Materials.

4. Non-Compete and Confidentiality. As an inducement for the Company to enter into this Agreement and in furtherance of the terms of the Employment Agreement, Executive expressly agrees that he provides unique and specialized services, skills and expertise to the Company, and that the Company hired him because of the unique and specialized services, skills and expertise he is able to provide. Executive further expressly agrees that he has been given access to Confidential Information and trade secrets of the Company, its affiliates, and subsidiaries (collectively "Ameritrade"). Accordingly, Executive acknowledges and reaffirms his obligations under the terms of Section 5 of the Employment Agreement. In addition, the Company elects to require the Executive to comply with the terms of the Non-competition, Non-Solicitation and Non-hire provisions set forth in Section 4 of the Employment Agreement commencing on the Effective Date and for a six (6) month period thereafter ("Restricted Period") and will pay to the Executive the Non-Competition Payments for the Restricted Period as described therein.

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5. Remedies for Breach. The parties agree that it will be very difficult to determine damages caused to the Company should there be a breach by Executive of the provisions of this Agreement, including, but not limited to, Section 4. Therefore, in furtherance of the provisions of Section 9 of the Employment Agreement and any other rights or remedies afforded to the Company and not as a penalty, the parties agree that if a breach of any of the provisions of this Agreement or the Employment Agreement occurs (Forfeiture Event), the Company has the right to require that the Executive will immediately forfeit all payments and benefits paid or due to be paid to the Executive that result from the cessation of employment, including, but not limited to, the Non-Competition Payments ("Forfeited Amount").

Payment to the Company of any Forfeited Amount will be made by any or all of the following methods, at the sole discretion of the CEO of the Company to recoup the Forfeited Amount:

i. The Company may subtract any Forfeited Amount from any payment payable to the Executive by the Company or any related entity after the Forfeiture Event, and/or

ii. The Executive will pay to the Company any Forfeited Amount which is not repaid to the Company pursuant to paragraph i. above within 30 days of the Forfeiture Event.

For purposes of clarity, the parties also agree that rights afforded to Executive under the terms of Section 9 of the Employment Agreement remain in full force and effect.

6. Release. Except for claims based upon a breach of this Agreement or the Option Agreement (see Section 16 below), in consideration of the promises contained in this Agreement and the payments set forth herein, Executive hereby releases and forever discharges the Company, its subsidiaries and affiliates, and its officers, directors, shareholders, representatives, agents, predecessors, Executives, successors and assigns (hereinafter collectively and individually the "Company Releasees") from and concerning any and all liabilities, rights, claims, demands, debts, dues, sums of money, accounts, attorney' s fees, complaints, judgments, executions, actions and causes of action of any nature whatsoever, from the beginning of the world through the Effective Date, whether known or unknown, contingent or noncontingent, that Executive may now or in the future have against Company Releasees, including but not limited to any damages, harms, personal injuries or any rights, claims, complaints or actions or causes of action which were or could have been asserted by Executive arising out of or related to his work for the Company or his separation therefrom, or not being hired by Ameritrade, or any other relationship with Company Releasees, or under any local, state, or federal human rights, civil rights, labor, employment, contract, tort or other laws including, but not limited to, those dealing with employment discrimination, including Title

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VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Executive Retirement Income Security Act of 1974, as amended ("ERISA") and the Worker Adjustment and Retraining Notification Act of 1988. This release is not intended to waive any rights or claims that may arise after the date Executive signs this Agreement. Executive agrees to hold Company harmless from any costs or expenses, including without limitation, attorney fees, if sued by Executive or Executive' s assignee, with respect to any of the claims released in this section.

7. Proceedings. Executive represents that he has not sued or commenced any proceeding, and except for claims based upon a breach of this Agreement, hereby covenants and agrees not to sue, file any grievances or arbitration or commence any other proceeding, administrative or judicial, against the Company or the Company Releasees, in any court of law or equity, or before any administrative agency, with respect to any matter arising from or relating to Executive' s employment with the Company, his separation thereof, or otherwise.

8. Non-Disparagement/Non-Disclosure. Executive shall not disparage or make negative, derogatory or defamatory statements about the Company, its business activities, or any of its directors, officers, Executives, affiliates, agents, or representatives, or any of them, to the press, any person or business entity. The Company agrees that it shall not disparage or make negative, derogatory statements about the Executive. Disparagement shall in no event include statements of testimony provided pursuant to or in connection with legal regulatory matters. Executive agrees not to disclose the contents of this Agreement, unless required by law. This restriction will not apply to disclosure by Executive to members of immediate family or to legal, tax or financial advisors; provided that they are advised of this provision and Executive uses his best efforts to protect against any further disclosure by these persons.

9. Adequate Consideration. Executive expressly acknowledges that he has received adequate consideration in exchange for the release given in this Agreement, and the other obligations contained herein, and covenants that he will not in any way seek to challenge this Agreement on the grounds of lack of consideration.

10. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Nebraska, without regard to the conflict of law provisions of any state or jurisdiction, to the extent not preempted by ERISA.

11. Arbitration. Any controversy, claim or dispute arising out of or relating to this Agreement or breach thereof will be settled by final, binding and nonappealable arbitration (excluding, however, any dispute, controversy or claim arising out of Sections 4 or 5 of the Employment Agreement but only to the extent not specifically made subject to arbitration by Section 9 of said Employment Agreement) in Jersey City, New Jersey by three arbitrators. Except as otherwise expressly provided in this Section 11, the arbitration shall be conducted in

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accordance with the rules of the American Arbitration Association (the "Association") then in effect. The Company shall appoint one of the arbitrators. The Executive shall also appoint one of the arbitrators. And, finally, the first two arbitrators shall appoint the third. If the first two arbitrators cannot agree on the third arbitrator within 30 days of the appointment of the second arbitrator, then the Association shall appoint the third. All expenses of such arbitration, including fees and expenses of counsel, shall be borne by the Company unless the arbitrators determine that the Executive' s position was overall frivolous or otherwise taken in bad faith, in which case the arbitrators may determine that the Executive shall bear his own legal fees. Nothing in this paragraph shall be construed to limit the Company' s ability to obtain equitable relief with respect to any matter or controversy arising from an alleged actual or threatened breach of paragraph 4 of this Agreement without first being required to arbitrate such matter or controversy.

12. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed to be an original for all purposes.

13. Acknowledgement. Executive acknowledges that he has carefully read and fully understands the terms and provisions of this Agreement; that he is legally competent, and capable of signing this Agreement; that he has been cautioned to consult with an attorney prior to signing this Agreement; and that sufficient opportunity had been made available to him to consult with an attorney to consider the terms of this Agreement and that he has availed himself of that right. Executive further acknowledges that he has not relied upon any oral representation or statement by the Company or its representation or statement by the Company or its representatives, which is not set forth in this Agreement. Executive shall have the right to revoke this Agreement at any time up to seven (7) days following his execution of the Agreement. This Agreement shall not be enforceable or effective until after the seven-day revocation period has expired.

14. Cooperation. Executive agrees to cooperate fully with Company in any matters that may have or may result in a proceeding or legal claim against the Company, and of which Executive may have knowledge as a result of his employment. This requires Executive, without limitation to (1) make himself available upon reasonable request to provide information and assistance to the Company on such matters without additional compensation, except for reimbursement of your out-of-pocket costs, and (2) notify the Company promptly or any requests to him for information related to any pending or potential legal claim or litigation involving the Company, reviewing any such request with a designated representative of the Company prior to disclosing any such information, and permitting the representative of the Company to be present during any communication of such information. Notwithstanding anything to the contrary, the Company' s obligation to reimburse Executive for costs will not apply to any proceeding in which Executive or his interests are, in whole or in part, as determined by the Company, adverse to those of the Company, or if such proceeding involves, in whole or in part, Executive' s breach or alleged breach of his obligations under this Agreement

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or the violation of any obligation which Executive owed to the Company during the course of or in connection with employment by the Company.

15. Entire Agreement. This Agreement, the Employment Agreement through the Effective Date and the surviving provisions of the Employment Agreement after the Effective Date constitute the entire understanding of the parties, supersedes all prior oral or written agreements, and cannot be modified in nor any of its conditions waived, except by a writing signed by both parties. No agreements or representations, oral or otherwise, expressed or implied, with respect to the subject matter hereof have been made by any party, which are not set forth expressly in this Agreement. To the extent of any inconsistency between the terms of this Agreement and the terms of the Employment Agreement, the terms of this Agreement will control.

16. Options. The parties agree that the Employment Agreement expired at the end of its Term and that pursuant to Section 4(d) of the Option Agreement and subject to the terms of the Option Agreement, the Expiration Date of the options shall be the two year anniversary of the Executive' s Termination Date, such Termination Date defined herein as March 31, 2005.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth below.

AMERITRADE HOLDING CORPORATION

Date: March 4, 2005

By: /s/ Kurt D. Halvorson
Name: Kurt D. Halvorson
Title: EVP & CAO

Acknowledgments and Certifications:

You acknowledge and certify that you:

(a) **have read and understand all of the terms of this Agreement and do not rely on any representation or statement, written or oral, not set forth in this Agreement;**

(b) **understand that this Agreement specifically applies to any rights or claims you may have against Ameritrade or any Released Party under the federal Age Discrimination in Employment Act of 1967, as amended;**

(c) **understand that this Agreement does not purport to waive rights or claims that may arise from acts or events occurring after the date that this Agreement is executed by you;**

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(d) **have had a reasonable period of time to consider this Agreement;**

(e) **are signing this Agreement knowingly and voluntarily;**

(f) **have been advised to consult with an attorney before signing this Agreement;**

(g) **have the right to consider the terms of this Agreement for 45 days and if you take fewer than 45 days to review this Agreement, you hereby waive any and all rights to the balance of the 45 day review period; and**

(h) **have the right to revoke this Agreement within seven days after signing it (the "Revocation Period") and therefore this Agreement shall not become effective or enforceable until the expiration of the Revocation Period. If you choose to revoke this Agreement, you must do so by notifying Ameritrade in writing delivered to**

Ameritrade
Attn: Valerie Sherod
6940 Columbia Gateway Drive
Columbia, MD 21046

If you revoke this Agreement during this seven-day period, it at once becomes null and void in its entirety.

THIS IS A LEGALLY ENFORCEABLE DOCUMENT.

Date: March 8, 2005

/s/ Michael R. Feigeles
Michael R. Feigeles

AMERITRADE
CONFIDENTIAL

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Exhibit 15.1

AWARENESS LETTER OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

April 29, 2005

Ameritrade Holding Corporation
Omaha, Nebraska

We have made a review, in accordance with standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim financial information of Ameritrade Holding Corporation and subsidiaries for the three and six month periods ended March 25, 2005 and March 26, 2004, as indicated in our report dated April 29, 2005; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 25, 2005, is incorporated by reference in Registration Statement Numbers 333-105336, 333-99481, 333-99353, 333-86164 and 333-77573 on Form S-8 and Post Effective Amendment No. 1 to Registration Statement Number 333-88632 on Form S-3 to Form S-4.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/S/ DELOITTE & TOUCHE LLP

Omaha, Nebraska

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EXHIBIT 31.1

CERTIFICATION

I, Joseph H. Moglia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ameritrade Holding Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 2, 2005

/s/Joseph H. Moglia
Joseph H. Moglia
Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION

I, John R. MacDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ameritrade Holding Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 2, 2005

/s/John R. MacDonald
John R. MacDonald
Executive Vice President, Chief Financial
Officer and Treasurer

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Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify that the Quarterly Report on Form 10-Q for the quarter ended March 25, 2005 filed by Ameritrade Holding Corporation with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: May 2, 2005

/s/ Joseph H. Moglia

Joseph H. Moglia
Chief Executive Officer

Dated: May 2, 2005

/s/ John R. MacDonald

John R. MacDonald
Executive Vice President, Chief Financial Officer and Treasurer

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