# A Lengthy Tenure at Ameritrade

## *From a Small Brokerage Firm to a Dot-Com Darling*

The spring of 1993 was a busy time for me at the University of Chicago. Late one evening, immersed in a research project in my office at Rosenwald Hall, a phone call from Joe Ricketts broke the silence. He said his sons had recommended me for an advisory board for his discount brokerage firm in Omaha, Nebraska. My first thought was, "Why would his sons recommend me?"

As it turned out, Joe's oldest son, Pete Ricketts, had been one of the top students in my first corporate finance class during the Winter Quarter of 1991 at the Graduate School of Business at the University of Chicago. Pete must have enjoyed the class because his younger brother, Tom, took the same course the following year and excelled just like Pete, demonstrating high intellect and a strong work ethic. It became clear that one or both had mentioned my name to their father, leading to this unexpected call. In hindsight, I was certainly thankful for that recommendation.

The conversation lasted only a short time. Joe explained the advisory board would meet four times that summer in Omaha. The meetings would only take two or three hours, with lunch or dinner involved. He would pay me a generous $20,000 plus reimburse my travel expenses. At this early stage in my academic career, I did not have time for consulting gigs, even if they generated substantial income. Plus, the senior faculty members at the University of Chicago frowned upon consulting gigs by junior faculty members, and rightfully so. However, this opportunity was especially appealing as I wanted to learn more about real-world corporate governance. Since the time commitment would be minimal, I decided to do it. I could also use the extra cash.

The first meeting was in May 1993, two months after Joe and I spoke. I flew from Chicago to Omaha, and upon entering the baggage area at the Omaha airport late that afternoon, I saw a man in a blue seersucker suit with white shoes holding a placard with my name on it. At that very moment, I felt special that Joe had sent a driver for me, even though I was content to take a cab to the hotel. I introduced myself to the driver, who responded, "Great to meet you, Mark. I am Joe Ricketts." I did not know what to think of what I was in for. We walked outside the terminal where his daughter, Laura, was waiting in a giant Cadillac. Laura was Joe's driver that day. Joe shared a brief area history with me during the short ride to Omaha. He dropped me off at the Red Lion Inn in the center of Omaha, mentioning that he had to return to his office for more work but would pick me up for dinner a couple of hours later.

Given it was Omaha, I was expecting dinner at a big steakhouse. But Joe was on a budget back then. Along with the three other advisory board members, we had dinner at a Chinese restaurant in a strip mall close to the center of town. I was the junior member of the group. Donald Clifton was Chair of Gallup, Inc., Thomas Rhodes had just finished a lengthy career at Goldman Sachs and co-founded The

Club for Growth, and David Karnes was a former U.S. Senator representing Nebraska. And then there was Joe Ricketts, of course. I imagine the other board members wondered why Joe would include an inexperienced finance professor on the advisory board. I was wondering that as well.

My overall recollection of the advisory board meetings that summer of 1993 in Omaha is that they lasted only four or five hours, as Joe had previously conveyed, and absent formal board structure. I recall that Joe spent the first meeting describing the history of his brokerage firm and its business model. Joe majored in Economics at Creighton University and started his career as a branch manager at Dun & Bradstreet, then as a registered representative with Dean Witter. In 1975, seven years after graduating from Creighton, Joe co-founded First Omaha Securities, a discount brokerage firm based in Omaha.

Launching a brokerage firm in 1975 was a frequent event. The stock market experienced a substantial change in May 1975, when the SEC first allowed brokerage firms to set their commission rates. Before this date, investors paid a set price for a trade, irrespective of the number of shares, thus resulting in extremely high commission rates for small investors. Immediately following the SEC regulatory change to allow competitive pricing, dozens of new brokerage firms began offering discounted brokerage services to small investors. Most of these start-ups failed, as with any new industry developments encouraging competition, but Joe was a survivor and proud of it.

Eventually, Joe bought out his partners' interests, renamed the brokerage firm First National Brokerage Services, later Accutrade, and was the controlling owner in 1993 when I served on his advisory board. Joe considered himself an innovator in the discount brokerage area and proudly mentioned that Accutrade was the first brokerage firm to offer automated trades via a touch-tone phone. However, I suspect few investors used that method, as Joe did not elaborate further. In addition to owning AccuTrade, Joe also owned AmeriTrade Clearing, which managed the clearing of trades undertaken by Accutrade and other smaller brokerage firms. Both Accutrade and AmeriTrade Clearing were subsidiaries of Joe's holding corporation, TransTerra, Inc.

Joe used us primarily as a sounding board during the four TransTerra advisory board meetings that summer as he bounced various ideas off us. One idea stood out, while I have only vague memories of the others. Joe showed us a brief video about CompuServe. By way of history, CompuServe began as a subsidiary of Golden United Life Insurance to develop computer processing for Golden's life insurance business and to provide a separate company to sell its computing capacity on a time-share basis. Soon, CompuServe was offering a dial-up information service to subscribers, including securities prices, news, and even email, as early as 1989. Joe's idea was to partner with CompuServe to offer online trading.

He asked for our thoughts. I replied that his idea was undoubtedly innovative, but it seemed too early to offer aggressively to clients. I had prior experience related to online trading, which formed my ideas. In 1984, Charles Schwab introduced *The Equalizer*, a platform that allowed clients to place trade orders via their computer using *The Equalizer* software. Once I settled in my position at the University of Chicago, I opened an account at Charles Schwab specifically to use *The Equalizer*. However, I decided it was a waste of time after a few attempts. The process could have been more convenient, requiring way too many keystrokes to initiate a trade, and there was a lengthy delay before knowing the outcome of

the order. This experience formed my skepticism about whether Joe could produce a better product than *The Equalizer*. Aware of *The Equalizer's* limitations, Joe envisioned a superior trading tool with an excellent user interface.

In the fourth and final meeting, Joe mentioned how much he valued the management team and the entire workforce and that he was sharing the upside by granting TransTerra stock to critical members of the senior management team. Suddenly, I had many questions for Joe, particularly about how he valued the stock since TransTerra was a private firm without a traded market for its shares.

After the meeting ended, I thanked Joe for including me on his advisory board and offered to conduct a quick valuation of TransTerra if he was willing to share the financials from the last few years. Part of me felt that Joe had overpaid me for the advisory board work, and I wanted to contribute more. Two days later, I received a FedEx package from Joe containing income statements and balance sheets for the past two or three years. The TransTerra financials were illuminating to me in a couple of ways. First, TransTerra was making far more profits than expected, given that Joe had less than fifty employees. Second, TransTerra had more book equity than I anticipated due to my lack of knowledge about the amount book equity regulators require brokerage firms to maintain on their balance sheets. Just as a bank must carry a certain amount of equity relative to their deposits, a brokerage firm like TransTerra must maintain a certain level of equity concerning the value of its clients' brokerage accounts.

While TransTerra had a substantial amount of book equity, my estimate of the market value of TransTerra far exceeded its book equity. And I wondered if management recognized the market value of their share ownership. Valuing firms is incredibly difficult, and it is even more challenging for private firms since you cannot rely on the collective wisdom of stock market participants as you can with publicly traded firms. Joe thanked me for undertaking this valuation analysis. He may have thought I was questioning his judgment on granting shares, but that was far from the case. My premise was that Joe's management team underestimated the value of the shares as it would be easy to do. In any event, my advisory board venture with TransTerra had ended. I felt lucky to have had the opportunity.

Fast forward to November 1996, more than three years after my stint on the advisory board and with no contact with Joe, he called again, unexpectedly, just like the first time. This call was also brief. Joe mentioned that he planned to take Ameritrade public (he had recently changed the holding company's name from TransTerra to Ameritrade) and asked if I would join the board and help identify other potential board members. Although he had a clear idea of the type of board members he wanted, I told him I would be useless at that function and suggested he use an executive search firm specializing in board seats. However, I expressed my interest in joining the board myself. That concluded the call.

Five months later, in March 1997, Ameritrade became a publicly traded company through an initial public offering (IPO) at $15.00 per share. By the end of the first trading day, Ameritrade's stock price had risen to $19.50. With over thirteen million outstanding shares, Ameritrade's market capitalization exceeded $250 million, and the Ricketts family owned over 80%. Joe was pleased that the stock had traded up on the offering day and was especially happy for his management team, whom he had granted shares in previous years for their dedication and hard work.

Our first board meeting took place two months later, in May 1997. I remember it well. To set the stage, just after the IPO, Joe called and asked (or told!) me to conduct a competitive and valuation analysis for him. His request caught me off-guard. I viewed that the purpose of the board of directors of a publicly traded corporation was to oversee management on behalf of the shareholders, not to perform consulting work for management. Of course, I also recognized that Joe and his family owned about 80% of the shares, so there was a significant alignment of incentives between management and shareholders. However, my primary concern was how the other board members would feel about my doing an analysis for Joe, which could create conflicts between me and the rest of the board. I worried that performing the analysis might tie me to Joe’s decisions, thus impairing my judgment as a board member. Additionally, I had yet to meet the other four outside directors, and I was the youngest by almost twenty years. I was concerned about their perception of me.

Joe wanted me to analyze E*Trade, an emerging competitor in the discount brokerage arena. He believed that E*Trade's management were novices in the discount brokerage arena and that Ameritrade should position itself to acquire E*Trade if it encountered significant challenges. Joe wanted a competitive and valuation analysis in advance to act quickly when the opportunity arose. I promptly agreed to do the analysis, mainly because it was hard to say no to Joe. However, I stipulated that I would hire Adam Fischer, the top MBA student in my Corporate Finance class the prior year, to assist with the analysis. Adam had proven himself the top student and a superb teaching assistant for the same Corporate Finance class a year later, which had concluded just before Joe reached out. After graduation in June, Adam was off to Boston Consulting Group, one of the world's most highly regarded management consulting firms. I knew Adam would excel on the project, and I also needed to focus on my academic research, leaving me with limited spare time.

Adam and I immediately got to work and completed the necessary analysis quickly. We titled the report "*The Outlook for E*Trade: An Analysis of E*Trade's Position and Strategy with Comparisons to and Implications for Ameritrade*." Before summarizing our findings, I will share a few sentences from the Executive Summary: "This report indicates that E*Trade is most likely already positioned to survive (but could still be hurt by) most major detrimental events. If there are no major catastrophes, either internal or external, E*Trade will likely become a permanent dominant player in the online discount brokerage industry."

What led us to conclude that E*Trade was a formidable foe to Ameritrade? We observed that E*Trade was pursuing an aggressive advertising strategy to attract new accounts, spending 24% of its total revenue on advertising—a substantial amount. Our task was to determine how profitable that advertising was. We built an empirical model from the marketing academic literature, which calculates an estimate of advertising goodwill and treats this as an asset that depreciates over time, like most other assets. Advertising goodwill reflects current and past advertising, with a decaying effect over time. Using regression analysis, we found that advertising goodwill could explain 93% of new account growth, a statistically significant result. Based on the regression model, we determined that E*Trade spent $133 to acquire each new account.

After determining the cost for E*Trade to generate a new account, we estimated its value. Assuming each new account has a life of four years (based on Ameritrade's historical experience), we estimated the value of each new E*Trade account to be $2,358. Thus, E*Trade achieved an excellent return on its advertising goodwill. We then conducted the same analysis for Ameritrade and discovered that it costs $312 advertising goodwill to open a new account, with each new Ameritrade account valued at $1,629. While it was also highly profitable for Ameritrade to advertise and open new accounts, the economics were far better for E*Trade.

Our report attributed E*Trade's superior account acquisition economics to its branding strategy. E*Trade had a single brand that matched the firm's name, simplifying product identification for brokerage clients. In contrast, Ameritrade had four brokerage brand names, none matching the corporate parent's name, creating more search costs for clients seeking a reputable discount broker. Our report stated, "E*Trade has been VERY successful in account acquisitions, both in Net Present Value terms and when compared against Ameritrade. Ameritrade appears to be at a severe disadvantage due to its need to promote FOUR brands, whereas E*Trade only needs to promote one." Our overall recommendation was clear: "Develop a new umbrella brand name for all of Ameritrade's offerings."

The report included other analyses, but the main conclusion was as I described above. However, I was in a dilemma. I sensed that Joe did not believe E*Trade had management with sufficient focus on discount brokerage (and indeed, at the time, E*Trade's senior management became caught up in the ongoing dot-com mania and lacked lengthy experience in stock brokerage and retail trading). I suspected he might not expect a report praising E*Trade's account acquisition strategy. Initially, I intended to FedEx the report to Joe a few days before our board meeting. However, after completing it, I decided that to present it in person, and explain the results would be better. I was nervous. We had a board dinner the evening before the formal meeting, where the board members and management met for the first time. It was a busy evening, and I had no opportunity to discuss the report with Joe. At the end of the dinner, as we were leaving, I handed Joe the report and said, "I realize this might not be the analysis you were expecting, and I would certainly understand if you wanted to disregard it."

The following morning, I arrived at the board meeting and noticed my name placard placed next to Joe's, which made me extremely nervous. Joe began the meeting by thanking everyone for attending, pointed to the board book we had all studied in advance, and then announced that it would no longer be the focus of the meeting. He then had his assistant distribute copies of my report to the other board members. By now, I was seriously sweating and red in the face, as Joe had not indicated at breakfast that he had even read my report.

Joe stated that he planned to implement the recommendations in my report. Suddenly, everyone in the room looked at me, and Joe instructed me to highlight the findings. This directive from Joe caught me off guard, and I felt a strong urge to flee and catch the next flight back to Chicago. Instead, I regained my composure and mentioned that Joe had asked me to investigate E*Trade. Given my conflicts as a

board member, I enlisted the help of my best MBA student to assist in the analysis. This rationale was my halfhearted attempt to cover myself in case things went downhill.

I explained that our examination of E*Trade revealed it to be a formidable competitor and suggested we consider adopting some of E*Trade's marketing strategies, focusing on a single brand. I presented empirical evidence showing that E*Trade achieved a much higher financial return on its advertising than Ameritrade. Ameritrade's advertising strategy was undoubtedly effective, but it needed to measure up to E*Trade's. I suggested to the board that if Ameritrade could focus on a single brand, increasing the advertising level might be worthwhile, considering the expected high financial payoffs.

After I spoke, Joe informed the board and management team of his intention to rebrand the firm and increase its advertising aggressiveness, inspired by E*Trade's account growth. The management team was hearing this for the first time, which made sense given that Joe had read the report only the night before or earlier that morning. Their body language and facial expressions reflected disbelief at Joe's willingness to take such a bold strategy based on a rough analysis from a young academic from Chicago. Also, the other board members were initially skeptical about the plan, viewing it as extremely risky. However, Joe remained undeterred. In hindsight, Joe might have already known the answer. He knew that E*Trade had a single brand, was heavily advertising, and grew accounts faster than Ameritrade. I suspect my report justified Joe's move forward, especially in dealing with the board of directors and securing their approval.

Aside from the surprise focus on my report, one other moment from that meeting stands out. Near the end, Joe implied that the board of directors worked for him and served at his pleasure. We all listened politely without pushing back, but it made me uncomfortable, and the body language of the other board members suggested they felt the same. Immediately after the formal meeting, the independent directors held a brief meeting where we all expressed dissatisfaction with Joe's assertion. We were concerned about maintaining independence and wanted to ensure a clear separation between the board and management. Joe's statement made it seem like we worked for management, specifically for him as CEO. While Joe's view was understandable—given that he held about 80% of the shares and effectively appointed us on behalf of the shareholders—it still created tension. This tension is often predictable in public companies where the CEO is the founder and a significant shareholder.

I am sure it was uncomfortable for Joe as well. It had been Joe's company for years, and now he had to deal with a board of directors that did not have much skin in the game. What I found impressive about Joe then, and still today, is that he did not fill the board with friendly faces. He chose members he did not know personally but believed could add value to the organization. Joe wanted people who shared his vision but did not just hire board members to agree with him. I wonder if Joe later regretted this decision.

Our next board meeting in August saw Joe eager for the board to approve his strategic plan. Joe and the management team had worked tirelessly between the May and August meetings, preparing for a

significant transformation within the company. I was amazed at how much they had accomplished in those three months. It was a go-big-or-go-home moment, and Joe planned to go big, really big. He was fully committed to implementing the recommendations in my report. Instead of consolidating all four of Ameritrade's brokerage brands into one, he decided to consolidate three into one and leave the fourth brand untouched. The three consolidated brands would be rebranded as Ameritrade, the holding company's name, thereby enhancing the efficiency of creating an umbrella brand name and linking it to the product.

Joe wanted to go beyond the recommendations in my report and do more than rebrand and increase advertising for Ameritrade. He recognized how quickly E*Trade was growing its account base through aggressive advertising. He decided that in addition to developing a fantastic advertising campaign, Ameritrade should offer its clients a compelling value proposition through a massive price cut. For market orders conducted online without the assistance of a broker or client representative, Ameritrade would reduce the cost from $12 to $8 per trade. Additionally, two of the other three brands consolidated into a single brand were charging more than $12 per trade, which would drop to $8. Joe's plan was not merely to level the playing field but to surpass E*Trade and everyone else in the market.

The fourth brand, Accutrade, was one Joe decided to maintain as a separate brand for the time being. Accutrade provided a higher touch service to brokerage clients than the other three brands and, as a result, charged a substantial price premium. Joe and the rest of us were mindful that dramatically reducing prices across every platform could result in short-term negative profits. There was concern about how this would impact Wall Street, especially since management had yet to establish a strong relationship with various Wall Street equity analysts. We understood that Ameritrade would need to return to the markets to raise more funds soon, and maintaining a good relationship with Wall Street was crucial.

Ameritrade’s advertising campaign sent shockwaves through the brokerage community. *The Wall Street Journal* prominently covered the launch, and by the end of the day, other brokerage firms, such as Fidelity, had responded with their price cuts. However, the competing brokerage firms failed to match Ameritrade's aggressive pricing. The campaign resulted in a surge in new account growth, creating significant challenges for Ameritrade in keeping up with the demand. While the high growth was welcome, it took time to manage, and there were growing concerns about the firm's ability to maintain a great customer experience. Despite these concerns, Joe was determined not to lose the momentum and continued to push aggressive advertising, propelling Ameritrade to the top of the leaderboard in online trades. Ameritrade quickly became a hot topic everywhere.

By early 1999, the rapid growth significantly strained Ameritrade's technology and infrastructure. The company had to scale back its advertising to cope with the increased demand. This decision was particularly tough on Joe, who took pride in running an efficient brokerage firm. Ameritrade's outdated legacy computer systems could not manage the surge in trading volume, and customers started experiencing issues. Although other online brokers faced similar challenges, the rise in trading volume

hit Ameritrade harder due to its exceptional growth from the successful advertising campaign. Eventually, the company had to slow down its advertising spend to allow time for necessary systems upgrades.

During this period, Ameritrade's stock experienced a roller coaster ride. Initially, the stock behaved like many small firm stocks post-IPO. On the first day of trading, it performed well, closing at $19.50 compared to its IPO price of $15.00. Over the next twenty-one months, from early March 1997 to late December 1998, Ameritrade's stock price averaged $26.51, ranging from a low of $12.125 to a high of $45.75. By December 21, 1998, the stock closed at $42.00. The team was pleased with this performance, and despite the technology and infrastructure challenges, the stock had climbed an impressive 180%. Shareholders were happy, and long-term members of management saw substantial increases in their wealth.

Then, on December 22, 1998, Ameritrade reported quarterly earnings and announced that client trading volume was increasing significantly, leading to a forecast of improved earnings. The stock price soared 62.5% from $42.00 to $64.25 that day. This extraordinary stock price increase marked the beginning of a remarkable rise. On January 12, 1999, the stock price closed above $100 for the first time. By February 1, 1999, it had surpassed $200; by April 5, 1999, it had closed above $300. Three days later, it closed above $400, followed by over $500 two days later. On April 13, 1999, Ameritrade's stock price closed at $693, an astonishing 46.2 times its IPO price of $15 just over two years earlier.[1]

I closely monitored Ameritrade's stock price movements during this period, recognizing the substantial wealth impact on the Ricketts family, the management team, and even outside board members, including myself. There were days when Ameritrade's stock price fluctuations significantly affected my wealth, sometimes surpassing my annual compensation at the University of Chicago. In early February 1999, I talked with another board member about the substantial increase in Ameritrade's stock price. He mentioned hearing that certain management team members and board members were beginning to sell their Ameritrade stock.

While I understood why insiders might want to sell after such a rapid increase in wealth, the fact that several were doing so quickly following the stock price surge puzzled me. After grappling with this for a couple of days, I emailed Joe, suggesting that the timing of these insider sales could have been better, especially as we were planning to raise new equity. Although we had yet to communicate the exact timing of the equity offering to investors, it was clear that we needed to raise capital to expand our infrastructure and technology to keep up with the increased trading volume. My concern was that investors would be hesitant to buy our stock in a new equity raise if they saw informed insiders selling beforehand. The signal seemed detrimental, and I expressed this to Joe in my email. Joe responded within minutes with a simple thank you for bringing it to his attention. His curt, matter-of-fact response

---

[1] The $693 stock price referenced above is split-adjusted, as the actual stock price that day closed at $173.25, but there have been two 2-for-1 stock splits since the IPO.

made me feel like I had overstepped my bounds, leaving me nervous about the upcoming board meeting.

As with my first board meeting and the few that followed, my initial thought was about my seating arrangement upon entering the boardroom. Once again, my placard was next to Joe's, which always made me uneasy. Joe called the meeting to order, and we began with the usual formalities, such as accepting the minutes of the previous meeting and reviewing committee reports. Joe then excused everyone except the senior management team and the board of directors. He methodically took a piece of paper from his coat pocket and read the email I had sent him a few days earlier. I was beyond nervous, keeping my head down as Joe spoke. Joe firmly clarified that he was against insiders selling shares, though he would not prevent it. He emphasized that the Ricketts family did not plan to sell shares anytime soon.

It was evident that Joe was disappointed that certain management team members were selling shares, which he viewed as reflecting a lack of confidence in Ameritrade's stock value. Although a few were annoyed with me for raising the issue, it became apparent as Joe spoke that he and I shared the same viewpoint. However, I wished Joe had given me ample notice and realized I needed to be more careful about what I included in future emails to Joe. It was a lesson I should have already learned.

Meanwhile, we needed a massive upgrade of our systems and technology. Joe was uncomfortable overseeing a significant technology overhaul himself. Joe's brilliance lay in recognizing his limitations; despite his success as a CEO, he knew when a task was outside his expertise. Shortly after the February 1999 board meeting, Joe hired Tom Lewis, a seasoned technology executive, to be co-CEO alongside him. This decision was unconventional for the board of directors, but it was Joe's call, and we supported it because of Joe's willingness to share decision-making power. Ideally, we would have conducted a full search, but Joe had already chosen his co-CEO, and we did not seriously consider an alternative path. However, the board and I expected this arrangement to be brief. The plan was for Tom to become the sole CEO and for Joe to become Executive Chair after twelve months as co-CEO. We were confident that major disagreements would arise between Joe and Tom, leading to Tom's departure and Joe's return as sole CEO.

Contrary to our expectations, the partnership between Joe and Tom thrived. In May 2000, as Joe had initially planned, Tom became the sole CEO. During their twelve months as co-CEOs, Ameritrade grew remarkably, and Tom successfully upgraded the infrastructure and technology. However, three months later, Tom abruptly stepped down for personal reasons, and Joe took over again as interim CEO. It became clear that Joe preferred to focus on his role as board chair rather than deal with the day-to-day complexities of managing a publicly traded company. Joe disliked reporting to the board as CEO and demonstrated little patience in dealing with analysts and investors. He wanted to create value, viewing everything else as a distraction.

Thus, the board needed to select a new CEO. Joe was vocal about his preference for his eldest son, Pete, as the new CEO. Joe also wanted the board to consider high-performing management team members or at least allow them to go through the interview process. The board assigned the CEO selection to the Human Resources Committee, which would make a recommendation for the board to consider. John Ward, who had spent much of his career in investment banking at Merrill Lynch, chaired the committee, and I was also a member. John carried the load during the CEO search process, a common occurrence in committee work, where the chair takes on the bulk of the work before discussing and deciding with other members.

Early on, John and I agreed that Ameritrade should look outside the company for the new CEO. Nonetheless, John believed it was essential to interview every senior manager aspiring to the CEO position and personally conducted those interviews. The elephant in the room was, of course, Pete Ricketts. Pete, who had been with Ameritrade for only three or four years, was running corporate strategy. He had an impressive pedigree, with both undergraduate and MBA degrees from the University of Chicago and had excelled in my course there. Pete was succeeding at Ameritrade and had a stellar reputation among senior management. Given my background with Pete and the Ricketts family, John sought my input on Pete, which aligned with his views. Our concern was that it would be challenging to convince Wall Street that Pete was the best CEO candidate for Ameritrade due to his youth and short tenure at the company. Pete needed more time. At some point, John updated Joe on the H.R. Committee's progress in selecting a new CEO.

After hearing from John, Joe contacted me and asked my thoughts on Pete. I told Joe that I thought the timing was horrible for Pete. It was better to wait three or four years until Pete had more experience and give Ameritrade more experience dealing with the analyst and investor community. The call was uncomfortable, but Joe did not push me to alter my views, and I was thankful for that. Then, a day or so later, I received another call. This one was from Pete, who immediately informed me that his dad conveyed I was unwilling to recommend Pete for the position of CEO, and Pete wanted to hear it directly from me. I gave my reasons to Pete, who seemed to accept over the phone and was pleasant throughout the entire conversation, maintaining his confidence in his ability to succeed as CEO of Ameritrade. Still, if not chosen, he would 100% support whoever the board decided on. Pete handled the decision well and was very classy about it.

Given that Joe was serving as interim CEO rather than a ceremonial caretaker, we had flexibility in hiring the right person. However, we still needed to fill the crucial position as we were already in the fall of 2000, a few months after Tom Lewis had stepped down. Fortunately, John Ward dedicated himself to filling the spot, which became his legacy at Ameritrade. Meanwhile, the firm underwent massive changes, with new hires at all levels, including senior management. In 2000, we hired Randy MacDonald, a top CFO from Investment Technology Group and formerly of Salomon Brothers, along with other high-profile hires. The Ameritrade I knew from my time on the Advisory Board in 1993 and shortly after we went public had changed significantly, with more changes on the way.

In March 2001, Ameritrade hired Joe Moglia from Merrill Lynch. Moglia, who had been with Merrill Lynch since 1984, headed the investment performance and product group for private clients. Before that, he had briefly worked as a football coach at Dartmouth University. Moglia took over just as the euphoria over online trading began to wane, with trading volumes decreasing and online brokerage firms experiencing financial difficulties. The early days of consolidation were starting, and even Ameritrade had recently acquired a small online brokerage firm. Moglia would escalate this acquisitive trend to generate large economies of scale and ensure the company's survival.

## The Age of Consolidation

To be written

## Dealing with TDBank as a Controlling Shareholder

To be written

## Takeout by Charles Schwab

To be written