

INVESTOOLS INC
Form PREM14A
November 02, 2006

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**UNITED STATES
SECURITY AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

INVESTOOLS INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock of the Company, par value \$0.01 per share

(2) Aggregate number of securities to which transaction applies:

19,104,762

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee is determined based upon the sum of (i) product of (a) 19,104,762 shares of Common Stock and (b) \$11.26, which was the average of the high and low price of the Common Stock on The NASDAQ Global Market on November 2, 2006, and (ii) \$170,000,000. In accordance with the Exchange Act Rule 0-11(c), the filing fee was determined by multiplying 0.000107 by the aggregate merger consideration of

\$385,119,620.12

(4) Proposed maximum aggregate value of transaction:

\$385,119,620.12

(5) Total fee paid:

\$41,207.80

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**PRELIMINARY COPY
SUBJECT TO COMPLETION, NOVEMBER 2, 2006**

**INVESTOOLS INC.
13947 South Minuteman Drive
DRAPER, UTAH 84020**

Dear INVESTools Stockholder,

You are cordially invited to attend a special meeting of stockholders (the Special Meeting) of INVESTools Inc. (the Company) to be held on , 200, at a.m. (local time) at . A notice of the meeting, a proxy card and a proxy statement containing information about the matters to be acted upon are enclosed.

As you may know, we have agreed to acquire thinkorswim Group, Inc., which will create a unique business model with the ability to offer differentiated product offerings for retail and institutional investors.

All holders of record at the close of business on , of the outstanding shares of common stock of the Company will be entitled to vote at the Special Meeting, at which you will be asked to:

1. Approve the issuance of shares of our common stock in connection with the proposed merger of thinkorswim Group, Inc. and a wholly-owned subsidiary of the Company, and grants of options to purchase our common stock to the employees of thinkorswim Group, Inc. (the Issuance Proposal);
2. Approve the amendment to our Certificate of Incorporation to increase the authorized common stock to 100 million shares (the Charter Amendment);
3. Approve an amendment to the Company s 2001 Stock Option Plan to increase the number of shares of common stock available for issuance thereunder from 8 million to 12 million shares (the Option Plan Amendment);
4. Approve the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the meeting to approve the proposals; and
5. Act upon other business as may properly come before the meeting or any adjournment thereof.

The rules of The NASDAQ Global Market require stockholder approval of the issuance of our common stock in the proposed transaction.

Approval of the Issuance Proposal and the Option Plan Amendment requires the affirmative vote of a majority of the shares of our common stock present in person or by proxy at the Special Meeting and entitled to vote thereon, provided that a quorum consisting of a majority of the shares of common stock entitled to vote is present. Approval of the Charter Amendment requires the affirmative vote of a majority of the shares of our common stock entitled to vote thereon.

The accompanying proxy statement provides important information about the proposals please read it carefully.

It is important that your shares be represented at the meeting. Accordingly, we request that you promptly sign, date and return the enclosed proxy card in the accompanying postage-paid envelope or authorize the individuals named on

your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card.

Regards,

Lee K. Barba
Chief Executive Officer

This proxy statement is dated _____ ,
and is first being mailed to stockholders on or about _____ ,

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**INVESTOOLS INC.
13947 South Minuteman Drive
DRAPER, UTAH 84020**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
, 200**

To the Stockholders of INVESTools Inc.:

A special meeting of stockholders (the Special Meeting) of INVESTools Inc. (the Company) will be held on , 200, at a.m. (local time) at , for the following purposes:

1. To approve the issuance of shares of our common stock in connection with the proposed merger of thinkorswim Group, Inc. and a wholly-owned subsidiary of the Company, and grants of options to purchase our common stock to the employees of thinkorswim Group, Inc. (the Issuance Proposal);
2. To approve the amendment to our Certificate of Incorporation to increase the authorized common stock to 100 million shares (the Charter Amendment);
3. To approve an amendment to the Company s 2001 Stock Option Plan to increase the number of shares of common stock available for issuance thereunder from 8 million to 12 million shares (the Option Plan Amendment);
4. To approve the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the meeting to approve the proposals described above; and
5. To act upon other business as may properly come before the meeting or any adjournment thereof.

Further information regarding the Special Meeting and the proposals described above is set forth in the accompanying Proxy Statement. The Board of Directors has fixed the close of business on , as the record date for the meeting, and only holders of common stock of record at such time will be entitled to vote at the Special Meeting or any adjournments thereof. You are cordially invited to attend the Special Meeting in person. Even if you plan to attend the Special Meeting, we urge you to vote your shares at your earliest convenience in order to ensure that your shares will be represented at the meeting. You can vote by signing, dating and returning the enclosed proxy card, or by submitting your proxy voting instructions by telephone or through the Internet. If you hold your shares through a broker or other nominee you should contact your broker to determine whether you may submit your proxy by telephone or Internet.

The Board of Directors has unanimously approved the proposals described above. **Accordingly, the Board of Directors unanimously recommends that you vote FOR approval of the Issuance Proposal, the Option Plan Amendment and the Charter Amendment.**

By Order of the Board of Directors

Lee K. Barba
Chairman of the Board

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**INVESTOOLS INC.
13947 South Minuteman Drive
DRAPER, UTAH 84020**

**PROXY STATEMENT
Special Meeting of Stockholders**

This Proxy Statement and accompanying Proxy Card are being furnished to stockholders in connection with the solicitation of proxies by the Board of Directors (the Board of Directors) of INVESTools Inc., a Delaware corporation (INVESTools or the Company), for use at the special meeting of stockholders of the Company to be held at _____, at _____ a.m. (local time) on _____, and at any adjournments thereof (such meeting or adjournment(s) thereof referred to as the Special Meeting), for the purpose of considering and voting upon the matters set forth in the accompanying Notice of Special Meeting of Stockholders. This Proxy Statement and the accompanying form of proxy card are first being mailed to stockholders on or about _____.

The close of business on _____, 2006, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Special Meeting. As of the record date, there were _____ shares of our common stock, par value \$0.01 per share (the Common Stock), issued and outstanding. Each share is entitled to one vote on all issues requiring a stockholder vote at the Special Meeting. The presence, in person or by proxy, of at least a majority of the outstanding shares of Common Stock on the record date is necessary to constitute a quorum at the Special Meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business.

To approve the first proposal, the issuance of shares of Common Stock in connection with the proposed merger of thinkorswim Group, Inc., a Delaware corporation (thinkorswim) and a wholly-owned subsidiary of the Company, and the granting of options to purchase Common Stock to the employees of thinkorswim, will require the affirmative vote of a majority of the shares of Common Stock present in person or by proxy at the Special Meeting and entitled to vote thereon.

To approve the second proposal, the amendment to INVESTools Certificate of Incorporation, will require the affirmative vote of a majority of the shares of our common stock entitled to vote thereon.

To approve the third proposal, the amendment to the Company's 2001 Stock Option Plan to increase the number of shares of Common Stock available for issuance thereunder from 8 million to 12 million shares, will require the affirmative vote of a majority of the shares of Common Stock present in person or by proxy at the Special Meeting and entitled to vote thereon.

Any person who signs and mails the enclosed proxy, even though executed and returned, may revoke the proxy at any time prior to the voting of the proxy (i) by the execution and submission of a revised proxy, (ii) by written notice to the Corporate Secretary of the Company or (iii) by voting in person at the Special Meeting. However, a proxy will not be revoked simply by attending the Special Meeting and not voting. To revoke a proxy previously submitted by telephone or the Internet, a stockholder of record can simply vote again at a later date, using the same procedures, in which case the later submitted vote will be recorded and the earlier vote will thereby be revoked.

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QUESTIONS AND ANSWERS

Q. Why is INVESTools asking you to approve the issuance of shares of Common Stock?

- A. On September 18, 2006, INVESTools and thinkorswim entered into an Agreement and Plan of Merger (the Merger Agreement), pursuant to which thinkorswim will merge with a wholly-owned subsidiary of INVESTools.

Under the terms of the Merger Agreement, which was approved unanimously by the Boards of Directors of INVESTools and thinkorswim, thinkorswim will become a wholly-owed subsidiary of INVESTools (the Merger) and thinkorswim stockholders will receive 50% of the merger consideration in cash and 50% in stock, representing approximately \$170 million in cash and 19.1 million shares of Common Stock. Employees of thinkorswim will also receive retention bonus opportunities equaling, in the aggregate, \$20 million, which would be paid in equal annual installments over the three-year period following the closing of the Merger.

The NASDAQ Global Market rules require the approval of the Company s stockholders prior to the issuance of additional shares of Common Stock in any transaction if the common stock to be issued as merger consideration (i) has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such common stock or (ii) is, or will be upon issuance, equal to or in excess of 20% of the number of shares of common stock outstanding before the issuance of the common stock. The number of shares to be issued to thinkorswim stockholders is equal to approximately 42.3% of the shares outstanding before the Merger (29.7% after the Merger). Therefore, your approval is required.

Delaware law requires the approval of the Company s stockholders prior to amending INVESTools Certificate of Incorporation. Immediately prior to the Merger, subject to the receipt of stockholder approval, INVESTools Certificate of Incorporation will be amended to increase the number of authorized shares of Common Stock to 100 million.

In connection with the Merger, the Company will grant to the employees of thinkorswim options to purchase 2,255,563 shares of Common Stock under the Company s 2001 Stock Option Plan, half with an exercise price equal to the fair market value of the underlying Common Stock at the time of grant, and half with an exercise price equal to 150% of such fair market value. The Company intends to amend its 2001 Stock Option Plan to maintain the approximate number of shares of Common Stock eligible for future awards under the plan, by increasing the number of shares of Common Stock available for issuance thereunder from 8 million to 12 million shares. The Company must obtain stockholder approval to amend its 2001 Stock Option Plan.

You are not being asked to approve the proposed transaction itself, although if INVESTools stockholders do not approve the issuance of shares or the amendment to the Certificate of Incorporation, the proposed transaction cannot occur on its current terms.

Q. Who is thinkorswim?

- A. thinkorswim is a leading retail online brokerage firm, specializing in options and also offering customers a broad range of products including equities, futures, mutual funds, and bonds. thinkorswim supports retail and institutional traders through its own trading platforms and is widely recognized as the premier option software for order entry, professional analytical tools and real-time position management. thinkorswim has revolutionized the option industry by teaching and executing complex, multi-leg option strategies with single-click functionality.

thinkorswim recently received Barron's top rating in their 2006 Annual Survey of Best Online Brokers for their software platform. thinkorswim's platform surpassed its peer group as Barron's choice for options traders and was the only firm to finish #1 and #2, respectively, in software and browser-based ratings.

Q. Why is the Company merging with thinkorswim?

- A. In reaching its decision to pursue a combination of INVESTools and thinkorswim, the Board of Directors consulted with senior management and the Company's financial and legal advisors and considered a number of factors. The Company believes that a combination of INVESTools and thinkorswim represents a compelling opportunity to improve value for stockholders by creating a market leader in the investor education and online brokerage industries and establishing a foundation for long-term growth. For a detailed discussion of

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the Company's reasons for merging its wholly-owned subsidiary with thinkorswim, see Issuance of Common Stock in Connection with the Proposed Merger INVESTTools Reasons for the Merger.

Q. Is the Board of Directors recommending that I vote for the issuance of Common Stock, the charter amendment, and the amendment to the 2001 Stock Option Plan?

A. Yes. The Board of Directors has unanimously approved the Merger, the issuance of shares of Common Stock in connection with the Merger, the amendment to INVESTTools Certificate of Incorporation and the amendment to the 2001 Stock Option Plan. **Accordingly, the Board of Directors unanimously recommends that you vote FOR such proposals.**

Q. How much INVESTTools stock will the current owners of thinkorswim own upon consummation of the Merger?

A. In connection with the Merger, current thinkorswim stockholders will represent approximately 29.7% of the ownership of INVESTTools, and thinkorswim will designate two seats on an expanded eight-member INVESTTools Board of Directors. Employees of thinkorswim will also receive INVESTTools stock options to purchase 2,255,563 shares of Common Stock under the Company's 2001 Stock Option Plan, half with an exercise price equal to the fair market value of the underlying Common Stock at the time of grant and half with an exercise price equal to 150% of such fair market value. These options will vest over a four-year term.

Q. Am I entitled to dissenters' rights?

A. No, you will not be entitled to dissenters' rights under Delaware law as a result of the Merger.

Q. What do I need to do now?

A. After carefully reading and considering the information contained in this Proxy Statement, you may either complete, sign and date your proxy card and voting instructions and return them in the enclosed postage-paid envelope or vote in person at the Special Meeting. Alternatively, you can simplify your voting and save the Company expense by either voting via the Internet (by visiting the website established for that purpose at [] and following the instructions listed there) or calling the toll-free number listed on the proxy card. Please vote your shares as soon as possible so that your shares will be represented at the Special Meeting.

Q. If my shares are held in street name by my broker, will my broker vote my shares for me?

A. Your broker will vote your shares only if you provide instructions on how to vote. Your broker will contact you regarding the procedures necessary for him or her to vote your shares. Please tell your broker how you would like him or her to vote your shares. If you do not tell your broker how to vote, your shares will not be voted by your broker.

Q. Can I change my vote after I have delivered my proxy?

A. Yes. You may revoke your proxy at any time before it is voted at the meeting by (i) delivering a written notice of revocation to the Secretary of INVESTTools, (ii) delivering a later-dated proxy, including by telephone or internet vote or (iii) attending the meeting and voting in person. Attendance at the Special Meeting, in and of itself, will not constitute a revocation of a proxy. If your shares are held in an account at a brokerage firm or a bank, you should contact your brokerage firm or bank to change your vote.

Q. Who may vote at the Special Meeting?

A. Holders of shares of Common Stock at the close of business on _____, 2006 may vote at the Special Meeting.

Q. How many votes are required to approve the issuance of the additional shares of Common Stock?

A. The affirmative vote of holders of a majority of the shares of Common Stock present in person or represented by proxy at the Special Meeting is required in order to approve the issuance of the additional shares in connection with the Merger. As of _____, 2006, there were _____ shares of Common Stock outstanding and, therefore, assuming that all outstanding shares of Common Stock are present in person or represented by proxy at the Special Meeting, the approval of _____ shares of Common Stock is

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required to approve the amendment to INVESTools Certificate of Incorporation and the issuance of additional shares in connection with the Merger.

Q. What if I don't vote?

A. If your proxy card is signed and returned without specifying a vote or an abstention on the proposal, it will be voted according to the recommendation of the Board of Directors on that proposal. That recommendation is shown FOR the proposals on the proxy card. To the extent shares are not voted, such non-votes will not be counted for purposes of determining whether the proposals have been approved.

Q. When do you expect the transaction to be completed?

A. The closing of the transaction is expected to occur in the first quarter of 2007.

Q. Where and when is the Special Meeting?

A. The Special Meeting will take place at _____, on _____, at _____ a.m. local time.

Q. Who can help answer my questions?

A. If you have any questions about the matters addressed in this Proxy Statement or if you need additional copies of this Proxy Statement, you should contact:

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FORWARD-LOOKING STATEMENTS

All statements in this Proxy Statement that are not historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may be identified by words such as believe, intend, expect, may, could, would, will, should, plan, project, contemplate, a statements. Because these statements reflect the Company's current views concerning future events, these forward-looking statements are subject to risks and uncertainties. The Company has made every reasonable effort to ensure that the information and assumptions on which these statements and projections are based are current, reasonable, and complete. However, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this Proxy Statement, including, without limitation, the ability to successfully integrate acquired companies; the success of brand development efforts and strategic alliances; demand for the Company's products and services; the ability to compete effectively and adjust to changing market conditions; inability to protect the Company's proprietary technology; difficulties or delays in developing improved products when expected or desired and with the additional features contemplated or desired; the potential for intellectual property infringement, warranty, product liability, and other claims; the uncertainties associated with governmental regulation; and other factors detailed from time to time in INVESTools' SEC filings. The forward-looking statements are made only as of the date hereof and the Company assumes no obligation to publicly update or revise the forward-looking statements whether as a result of new information, future events, or otherwise.

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SUMMARY

The Special Meeting (Page 19)

The Special Meeting will be held on _____, at _____ a.m. (local time) at _____. At the Special Meeting, stockholders will consider and vote upon:

the issuance of 19,104,762 shares of Common Stock to be issued in connection with the Company's proposed Merger with thinkorswim, and grants of options to the employees of thinkorswim to purchase 2,255,563 shares of Common Stock under the Company's 2001 Stock Option Plan, half with an exercise price equal to the fair market value of the underlying Common Stock at the time of grant, and half with an exercise price equal to 150% of such fair market value (the Issuance Proposal);

the amendment to INVESTTools' Certificate of Incorporation to increase the authorized Common Stock to 100 million shares (the Charter Amendment); and

the amendment to the Company's 2001 Stock Option Plan to increase the number of shares of Common Stock available for issuance thereunder from 8 million to 12 million shares (the Option Plan Amendment).

Record Date; Voting Power; and Vote Required (Page 19)

All holders of Common Stock are entitled to notice, but only stockholders of record holding Common Stock as of the close of business on _____, 2006, the record date for the Special Meeting, are entitled to vote at the Special Meeting. As of the record date, there were approximately _____ shares of Common Stock outstanding. Approximately _____ holders of record held such shares. Every holder of Common Stock is entitled to one vote for each such share the stockholder held as of the record date.

The Issuance Proposal and the Option Plan Amendment will require the affirmative vote of a majority of the shares of Common Stock present in person or by proxy at the Special Meeting and entitled to vote thereon. The Charter Amendment will require the affirmative vote of a majority of the shares of Common Stock issued and outstanding.

Revocability of Proxies (Page 20)

You have the right to revoke your proxy at any time before the vote taken at the Special Meeting: if you hold your shares in your name as a stockholder of record, by notifying _____; by attending the Special Meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting); by submitting a later-dated proxy card; or, if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Solicitation of Proxies (Page 20)

The Company will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of INVESTTools may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. INVESTTools will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. The Company has retained _____, a proxy solicitation firm, to assist it in the solicitation of proxies for the Special Meeting and will

pay a customary fee plus reimbursement of out-of-pocket expenses.

Proposed Merger (Page 21)

On September 18, 2006, INVESTools entered into the Merger Agreement with thinkorswim, pursuant to which thinkorswim will become a wholly-owned subsidiary of INVESTools in the Merger. Under the terms of the Merger Agreement, which was approved unanimously by the Boards of Directors of INVESTools and thinkorswim, thinkorswim stockholders will receive approximately \$170 million in cash and 19.1 million shares of Common Stock. Employees of thinkorswim will also receive retention bonus opportunities equaling, in the aggregate,

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\$20 million, which would be paid in equal annual installments over the three-year period following the closing of the Merger. For a detailed description of the conditions to the Merger, please see Issuance of Common Stock in Connection with the Proposed Merger Merger Agreement. For a detailed description of our reasons for the Merger, please see Issuance of Common Stock in Connection with the Proposed Merger INVESTools Reasons for the Transaction.

Upon the consummation of the transaction, the combined company will be subject to certain risks. In deciding whether to approve the Issuance Proposal and the Charter Amendment, you should carefully read and consider the risk factors contained in thinkorswim-thinkorswim Qualitative and Quantitative Disclosure About Market Risk and in INVESTools Annual Report on Form 10-K for the year ended December 31, 2005.

Board of Directors Recommendation to Stockholders (Page 33)

The Board of Directors has unanimously approved the proposals described above. **Accordingly, the Board of Directors unanimously recommends that you vote FOR approval of the Issuance Proposal, the Option Plan Amendment and the Charter Amendment.**

INVESTools Board after the Merger (Page 29)

Subject to the satisfaction or waiver of all conditions precedent to the Merger, the Company has agreed, effective immediately following the Merger, that current thinkorswim directors Tom Sosnoff and Scott Sheridan shall become members of the Board of Directors and they, or their designees, will be nominated at any annual meeting of our stockholders held within the next three years. The size of the Board of Directors shall concurrently be increased to eight members.

Management Ownership (Page 47)

At the close of business on the record date, our directors and executive officers were entitled to vote 2,253,425 shares of Common Stock, or approximately 5% of the shares outstanding on that date. These individuals have indicated that they intend to vote in favor of the Issuance Proposal and the Charter Amendment. For more information about the security ownership of our directors and executive officers, please see Security Ownership of Certain Beneficial Owners.

Opinion of INVESTools Financial Advisor (Page 23)

In connection with the Merger, one of the Company's financial advisors, Udata Securities, Inc. (Udata), delivered a written opinion to the Board of Directors as to the fairness to INVESTools, from a financial point of view, of the consideration to be paid to the thinkorswim stockholders in connection with the Merger. The full text of Udata's written opinion, dated September 15, 2006, is attached to this Proxy Statement as Annex A. The Company encourages you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. The opinion is addressed to the Board of Directors and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the issuance of the additional shares of Common Stock. INVESTools has agreed to pay Udata a fee for the delivery of this opinion.

Indebtedness and the Financing of the Merger (Page 31)

In connection with the Merger, the Company will issue approximately 19.1 million shares of Common Stock and will pay approximately \$170 million in cash to thinkorswim's securityholders. An additional \$15.2 million in cash will be

used to pay customary fees and expenses in connection with the Merger, the financing arrangements and the related transactions. The cash payments are expected to be funded by a combination of the following:

new senior secured credit facilities in the amount of \$150 million, consisting of a \$125 million senior secured term loan facility and a \$25 million senior secured revolving credit facility. The revolving credit facility is not expected to be utilized at the closing; and

cash and marketable securities on hand in an amount of approximately \$60.2 million.

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Rights of Appraisal

Under Delaware law and INVESTools Certificate of Incorporation, holders of shares of Common Stock are not entitled to any dissenters' rights to seek appraisal of their shares, or to any preemptive rights, in connection with the proposed transaction.

Material U.S. Federal Income Tax Consequences (Page 31)

There are no material U.S. federal income tax consequences to the Company's current stockholders that will result from our issuance of additional shares of Common Stock in the Merger.

Accounting Treatment (Page 31)

The Merger with thinkorswim will be accounted for under the purchase method of accounting under accounting principles generally accepted in the United States of America (US GAAP). For a detailed discussion of accounting treatment, please see Issuance of Common Stock in Connection with the Proposed Merger Accounting Treatment.

Regulatory Matters (Page 30)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the Hart-Scott-Rodino Act or HSR Act), and the rules promulgated thereunder by the Federal Trade Commission (FTC), the Merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (DOJ) and the applicable waiting period has expired or been terminated. INVESTools and thinkorswim filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on October 13, 2006, and received early termination of the waiting period on October 23, 2006.

Additionally, prior to the completion of the Merger, thinkorswim, as a U.S.-registered broker-dealer, is required under the rules of the National Association of Securities Dealers (the NASD) to make certain filings in respect of the change in control of thinkorswim.

Except as noted above with respect to the required filings under the Hart-Scott-Rodino Act, the filings with the NASD, and the filing of a Certificate of Merger in Delaware at or before the effective date of the Merger, the Company is unaware of any material federal, state or foreign regulatory requirements or approvals required for the completion of the Merger.

The Companies

INVESTools Inc.

INVESTools is a global leader in investor education. INVESTools offers a full range of investor education products and services that provide lifelong learning in a variety of delivery formats, including instructor-led workshops, at home study programs, personal training sessions and through the Internet. More than 250,000 investors around the world have graduated from INVESTools investor education programs. Visit INVESTools corporate website at <http://www.investools.com> for more information regarding the INVESTools Methodtm. INVESTools principal executive offices are located at 13947 South Minuteman Drive, Draper, Utah 84020.

thinkorswim Group, Inc.

As a leading retail online brokerage firm, thinkorswim specializes in options and also offers customers a broad range of products including equities, futures, mutual funds and bonds. The company supports retail and institutional traders through its own trading platforms and is widely recognized as the premier option software for order entry, professional analytical tools and real-time position management. thinkorswim has revolutionized the option industry by teaching and executing complex, multi-leg option strategies with single-click functionality. thinkorswim's principal executive offices are located at 600 West Chicago Avenue, Suite 100, Chicago, Illinois 60610.

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thinkorswim recently received Barron's top rating in their 2006 Annual Survey of Best Online Brokers. thinkorswim's platform surpassed its peer group as Barron's choice for options traders and was the only firm to finish #1 and #2 in software and browser-based ratings.

COMPARATIVE UNAUDITED PER SHARE DATA

The table below depicts the earnings (loss) per common share, pro forma earnings (loss) per common share, book value per common share and cash dividends declared per common share for (i) each of INVESTTools and thinkorswim on a historical basis and (ii) the combination of INVESTTools and thinkorswim on a pro forma combined basis. The pro forma data of the combined company assumes that 19.1 million shares of Common Stock will be issued in the Merger. The pro forma data of the combined company was derived by combining the historical consolidated financial information of INVESTTools and thinkorswim using the purchase method of accounting for business combinations as described elsewhere in this Proxy Statement. For a discussion of the assumptions and adjustments made in the preparation of the pro forma financial information presented in this Proxy Statement, see Unaudited Pro Forma Condensed Combined Financial Statements.

You should read the information presented in this table below together with the selected historical consolidated financial data, historical consolidated financial statements and the related notes of INVESTTools incorporated herein by reference, the separate historical consolidated financial statements and related notes of thinkorswim appearing elsewhere in this Proxy Statement, and the Unaudited Pro Forma Condensed Combined Financial Statements appearing elsewhere in this Proxy Statement. The pro forma data is unaudited and for illustrative purposes only. The companies may have performed differently had they been combined for the periods presented. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies been combined for the periods illustrated or the future results that the combined company will achieve after the consummation of the Merger.

	As of, or for the Year Ended December 31, 2005	As of, or for the Six-Months Ended June 30, 2006
INVESTTools		
Per Share Data:		
Loss Per Share - Basic and Diluted	\$ (0.35)	\$ (0.67)
Book value per share	\$ (0.53)	\$ (1.21)
Dividends declared per share		
thinkorswim		
Per Share Data:		
Earnings Per Share:		