

MASTERCARD INC
Form PRE 14A
September 15, 2005
Table of Contents

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
(Amendment No.)

Filed by the Registrant

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MASTERCARD INCORPORATED

(Name of Registrant as Specified In Its Charter)

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

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Table of Contents

, 2005

Dear MasterCard Stockholder,

You are cordially invited to attend a Special Meeting of Stockholders of MasterCard Incorporated (the Company) to be held on , 2005, at 11:00 a.m. (local time) at the MasterCard Incorporated Headquarters, 2000 Purchase Street, Purchase, New York. A notice of the meeting, a proxy card and a proxy statement containing information about the matters to be acted upon are enclosed.

All holders of record at the close of business on , 2005 of the outstanding shares of class A redeemable common stock of MasterCard Incorporated (the Company) will be entitled to vote at the Special Meeting, at which you will be asked to:

Adopt the Company's Second Amended and Restated Certificate of Incorporation in the form included as Annex A to the accompanying proxy statement;

Approve the Company's proposed initial public offering of its Class A Common Stock;

Approve the Second Amended and Restated Certificate of Incorporation of MasterCard International Incorporated (MasterCard International) in the form included as Annex E to the accompanying proxy statement;

Approve the Second Amended and Restated Bylaws of MasterCard International in the form included as Annex F to the accompanying proxy statement; and

Adopt the MasterCard Incorporated 2006 Long Term Incentive Plan in the form included as Annex G to the accompanying proxy statement.

As previously announced, the Board of Directors of the Company has approved plans for a new governance and ownership structure that will broaden our ownership to include not only customer financial institutions, but also public investors and a MasterCard charitable foundation. These plans will also result in a new board of directors with a majority of independent directors. Approval of the proposals to be acted upon at the Special Meeting is necessary for the Company to transition to the new ownership and governance structure.

We believe that the proposed changes will give us a more stable base on which to implement our customer-focused strategy and bring value to our customers' businesses. We believe this is a positive development for you as both a stockholder and a customer. We intend to continue to leverage our global strength and presence to the benefit of customers while remaining sensitive to regional needs. Through the MasterCard charitable foundation, we also intend to make a significant contribution to the societies in which we operate.

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The accompanying proxy statement provides important information about the proposals please read it carefully. **The Board of Directors recommends that stockholders vote FOR each of the proposals.** For an overview of the background and reasons for the proposals see Background and Reasons for the Proposals in the accompanying proxy statement.

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,

Baldomero Falcones
Chairman

Robert W. Selander
President and Chief Executive Officer

Table of Contents

MASTERCARD INCORPORATED

2000 Purchase Street

Purchase, New York 10577

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be held on _____, 2005

To the Stockholders of MasterCard Incorporated:

A Special Meeting of Stockholders of MasterCard Incorporated (the Company) will be held on _____, 2005 at 11:00 a.m. (local time) at the MasterCard Incorporated Headquarters, 2000 Purchase Street, Purchase, New York, to:

1. Adopt the Company's Second Amended and Restated Certificate of Incorporation in the form included as Annex A to this proxy statement, conditioned upon the adoption of each of Proposals 2, 3, and 4 by our stockholders;
2. Approve the Company's proposed initial public offering of its Class A Common Stock, conditioned upon the adoption of each of Proposals 1, 3, and 4 by our stockholders;
3. Approve the Second Amended and Restated Certificate of Incorporation of MasterCard International Incorporated (MasterCard International) in the form included as Annex E to this proxy statement, conditioned upon the adoption of each of Proposals 1, 2, and 4 by our stockholders;
4. Approve the Second Amended and Restated Bylaws of MasterCard International in the form included as Annex F to this proxy statement, conditioned upon the adoption of each of Proposals 1, 2, and 3 by our stockholders;
5. Adopt the MasterCard Incorporated 2006 Long Term Incentive Plan in the form included as Annex G to this proxy statement; and

6. Act on any other business which may properly come before the Special Meeting or any adjournment or postponement thereof.

While the proposals in this proxy statement are being listed separately for purposes of voting, they are all interdependent. In this regard, obtaining the requisite stockholder approval for each of Proposals 1,2,3, and 4 (but not Proposal 5) is a condition precedent to the effectiveness of each of the other proposals (including Proposal 5).

The close of business on _____, 2005 has been fixed as the record date for determining those stockholders entitled to vote at the Special Meeting and any adjournments or postponements of the Special Meeting. A list of eligible stockholders of record as of the close of business on the record date will be available at the Special Meeting for examination by any stockholder or the stockholder's attorney or agent. Please note that by delivering a proxy to vote at the Special Meeting, you are also granting a proxy voting in favor of any adjournments of the Special Meeting, including any adjournment for the purpose of soliciting additional proxies.

Whether or not you plan to attend the Special Meeting, please 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. If you attend the meeting, you may vote in person, which will revoke any proxy you have already submitted. You may also revoke your proxy at any time before the meeting by notifying us in writing.

Table of Contents

If you intend to attend the Special Meeting in person, kindly notify the Secretary of the Company in writing at the address set forth in this proxy statement under Introduction Solicitation of Proxies. Failure to notify the Secretary will not disqualify you from attending the Special Meeting in person.

The Company must receive your proxy card by 5:00 p.m., New York time, on _____, _____, 2005.

By Order of the Board of Directors

NOAH J. HANFT

Secretary

Purchase, New York

, 2005

Your vote is very important. Please complete, sign, date and promptly return the enclosed proxy card in the envelope provided 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.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>Introduction</u>	1
<u>Voting Procedures</u>	1
<u>General</u>	2
<u>Solicitation of Proxies</u>	2
<u>Householding</u>	3
<u>The Voting Stock</u>	3
<u>Voting Requirements</u>	3
<u>Stockholders Entitled to Vote</u>	3
<u>Interdependence of Proposals</u>	4
<u>Dissenters' Rights of Appraisal</u>	4
<u>Forward-Looking Statements</u>	4
<u>Security Ownership of Certain Beneficial Owners and Management</u>	5
<u>Background and Reasons for the Proposals</u>	6
<u>Amendment and Restatement of the Company's Certificate of Incorporation and Approval of the Company's Proposed Initial Public Offering (Proposals 1 and 2)</u>	6
<u>New Ownership and Governance Structure</u>	6
<u>Procedures for Amending and Restating the Company's Certificate of Incorporation</u>	9
<u>Amendment and Restatement of the Certificate of Incorporation and Bylaws of MasterCard International (Proposals 3 and 4)</u>	9
<u>MasterCard International 2006 Long-Term Incentive Plan (Proposal 5)</u>	10
<u>Proposal 1 Adopt the Company's Second Amended and Restated Certificate of Incorporation</u>	11
<u>Amendment and Restatement of the Company's Certificate of Incorporation</u>	11
<u>Amendment and Restatement of the Company's Bylaws</u>	25
<u>Potential Anti-Takeover Effects of the Company's Proposed Second Amended and Restated Certificate of Incorporation and Bylaws</u>	28
<u>Certain U.S. Federal Income Tax Consequences</u>	32
<u>Procedures for Amending and Restating the Company's Certificate of Incorporation</u>	36
<u>Recommendation of the Board of Directors for Proposal 1</u>	36
<u>Proposal 2 Approve the Company's Proposed Initial Public Offering of its Class A Common Stock</u>	37
<u>General</u>	37
<u>Recommendation of the Board of Directors for Proposal 2</u>	37
<u>Proposals 3 Approve the Second Amended and Restated Certificate of Incorporation MasterCard International</u>	38
<u>General</u>	38
<u>Recommendation of the Board of Directors for Proposal 3</u>	39
<u>Proposal 4 Approve the Second Amended and Restated Bylaws of MasterCard International</u>	40
<u>General</u>	40
<u>Recommendation of the Board of Directors for Proposal 4</u>	42
<u>Proposal 5 Adopt the MasterCard Incorporated 2006 Long Term Incentive Plan</u>	43
<u>General</u>	43
<u>Summary of the Incentive Plan</u>	43
<u>Purpose</u>	43
<u>Awards</u>	43
<u>Limits on Incentive Plan Awards</u>	43

Table of Contents

	<u>Page</u>
<u>Administration</u>	43
<u>Eligible Participants</u>	44
<u>Types of Incentive Plan Awards</u>	44
<u>Effect of Change in Control</u>	46
<u>Limited Transferability</u>	47
<u>Adjustment for Corporate Changes</u>	47
<u>Term, Amendment and Termination</u>	47
<u>Incentive Plan Benefits</u>	47
<u>Tax Treatment of Awards</u>	48
<u>Recommendation of the Board of Directors for Proposal 5</u>	50
<u>Executive Compensation</u>	51
<u>Summary Compensation</u>	51
<u>Long-Term Incentive Plan-Awards in Fiscal Year 2004</u>	52
<u>Retirement Benefits</u>	53
<u>Employment Agreements and Change-in-Control Agreements</u>	54
<u>Compensation of Directors</u>	56
<u>Compensation Committee Interlocks and Insider Participation</u>	57
<u>Performance Graph</u>	58
<u>Report of Compensation Committee on Executive Compensation</u>	59
<u>Other Matters</u>	62
<u>Deadline for Submitting Proposals for the 2006 Annual Meeting</u>	62
<u>Annex A</u> <u>Second Amended and Restated Certificate of Incorporation of MasterCard Incorporated</u>	A-1
<u>Annex B</u> <u>Amended and Restated Certificate of Incorporation of MasterCard Incorporated</u>	B-1
<u>Annex C</u> <u>Second Amended and Restated By-laws of MasterCard Incorporated</u>	C-1
<u>Annex D</u> <u>Amended and Restated Bylaws of MasterCard Incorporated</u>	D-1
<u>Annex E</u> <u>Second Amended and Restated Certificate of Incorporation of MasterCard International Incorporated</u>	E-1
<u>Annex F</u> <u>Second Amended and Restated Bylaws of MasterCard International Incorporated (the Corporation)</u>	F-1
<u>Annex G</u> <u>MasterCard Incorporated 2006 Long Term Incentive Plan</u>	G-1

Table of Contents

MASTERCARD INCORPORATED

2000 Purchase Street

Purchase, New York 10577

, 2005

PROXY STATEMENT

INTRODUCTION

Voting Procedures. This proxy statement (the *Proxy Statement*) is furnished in connection with the solicitation of proxies by the board of directors (the *Board of Directors*) of MasterCard Incorporated (the *Company*) for use at a Special Meeting of Stockholders of the Company to be held on _____, _____, 2005 at 11:00 a.m. (local time), or any adjournment or postponement thereof (the *Special Meeting*). This Proxy Statement and the accompanying proxy card is being furnished on or about _____, 2005 to the holders of record as of the close of business on _____, 2005 (the *Record Date*) of the Company's class A redeemable common stock.

If a stockholder attends the Special Meeting in person or sends a representative to the meeting with a signed proxy, that stockholder may vote or its representative may vote on its behalf. Stockholders unable to attend the Special Meeting can ensure that their votes are cast at the meeting by signing and dating the enclosed proxy card and returning it in the envelope provided or by authorizing the individuals named on the proxy card to vote their shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with the proxy card. When a proxy card is returned properly signed and dated or a stockholder's vote is authorized by telephone or Internet, the vote of the stockholder will be cast in accordance with the instructions on the proxy card or authorized by telephone or Internet. If a stockholder does not return a signed proxy card, authorize a proxy to vote on its behalf by telephone or Internet or attend the meeting in person or by representative and vote, no vote will be cast on behalf of that stockholder. The enclosed proxy card indicates on its face the number of shares of class A redeemable common stock registered in the name of each stockholder at the close of business on _____, 2005.

Stockholders are urged to mark the boxes on the proxy card to indicate how their votes are to be cast. If a stockholder returns a signed proxy card but does not indicate on the proxy card how it wishes to vote on a proposal, the vote represented by the proxy card will be cast **FOR** such proposal.

Pursuant to Section 212(c) of the General Corporation Law of the State of Delaware, stockholders may validly grant proxies by electronic means, such as over the Internet. Your Internet vote authorizes the named proxies on the proxy card to vote your shares in the same manner as if you had returned your proxy card. In order to vote over the Internet, visit the Company's Internet voting website at <http://proxy.georgeson.com> and, when prompted, enter the *Company Number* and *Control Number* that have been assigned to you and indicated on your proxy card. By then following the instructions on your computer screen you will be able to complete the voting process.

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Any stockholder who executes and returns a proxy card or authorizes a proxy to vote on its behalf by telephone or by Internet may revoke the proxy at any time before it is voted by:

notifying in writing Noah J. Hanft, Secretary of MasterCard Incorporated, at 2000 Purchase Street, Purchase, New York 10577;

executing and returning a subsequent proxy;

Table of Contents

subsequently authorizing the individuals named on its proxy card to vote its interests by calling the toll-free telephone number or by using the Internet as described in the instructions included with its proxy card; or

appearing in person or by representative with a signed proxy and voting at the Special Meeting.

Attendance in person or by representative at the Special Meeting will not in and of itself constitute revocation of a proxy. **If you intend to attend the Special Meeting in person, kindly notify the Secretary of the Company in writing at the address set forth below under Introduction Solicitation of Proxies. Failure to notify the Secretary will not disqualify you from attending the Special Meeting in person.**

General. Unless contrary instructions are indicated on the proxy, all shares represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted as follows:

FOR the adoption of the Company's Second Amended and Restated Certificate of Incorporation;

FOR the approval of the Company's proposed initial public offering of its Class A Common Stock;

FOR the approval of the Second Amended and Restated Certificate of Incorporation of MasterCard International Incorporated ("MasterCard International ");

FOR the approval of the Second Amended and Restated Bylaws of MasterCard International; and

FOR the adoption of the MasterCard Incorporated 2006 Long Term Incentive Plan.

In the event a stockholder specifies a different choice on the proxy, that stockholder's shares will be voted in accordance with the specification so made.

Solicitation of Proxies. The Company will bear the costs of solicitation of proxies, including the cost of preparing, printing and mailing this Proxy Statement. In addition to the solicitation of proxies by use of the mail, proxies may be solicited from stockholders by directors, officers, employees and agents of the Company in person or by telephone, facsimile or other appropriate means of communication. The Company has engaged Georgeson Shareholder Communications Inc. to act as information agent on behalf of the Company. The anticipated cost of Georgeson Shareholder's services is estimated to be approximately \$65,000 plus reimbursement of reasonable out-of-pocket expenses. No additional compensation, except for reimbursement of reasonable out-of-pocket expenses, will be paid to directors, officers and employees of the Company in connection with the solicitation. Any questions or requests for assistance regarding this Proxy Statement and related proxy materials may be directed to:

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MasterCard Incorporated

Office of the Corporate Secretary

2000 Purchase Street

Purchase, New York 10577

Attention: Noah J. Hanft

Telephone: (914) 249-2000

Facsimile: (914) 249-4262

or

Georgeson Shareholder Communications Inc.

17 State Street

10th Floor

New York, New York 10004

Telephone: (212) 440-9800

Facsimile: (212) 440-9009

Table of Contents

Householding. The SEC has adopted rules that allow a company to deliver a single proxy statement or annual report to an address shared by two or more of its stockholders. This method of delivery, known as householding, permits the Company to realize significant cost savings and reduces the amount of duplicate information stockholders receive. In accordance with notices sent to stockholders sharing a single address, the Company is sending only one proxy statement to that address unless the Company has received contrary instructions from a stockholder at that address. Any stockholders who object to or wish to begin householding may notify the Secretary of the Company orally or in writing at the telephone number or address, as applicable, set forth above. The Company will send an individual copy of the proxy statement to any stockholder who revokes its consent to householding within 30 days of the Company's receipt of such revocation.

The Voting Stock. The only class of voting stock of the Company outstanding is class A redeemable common stock. As of the Record Date, 100,000,348 shares of class A redeemable common stock were outstanding. Each share of class A redeemable common stock entitles the holder thereof to one vote. The affirmative vote of a majority of the outstanding shares of class A redeemable common stock is required for the adoption of the Company's proposed Second Amended and Restated Certificate of Incorporation, the approval of the Company's proposed initial public offering, the approval of MasterCard International's proposed Second Amended and Restated Certificate of Incorporation and the approval of MasterCard International's proposed Second Amended and Restated Bylaws. The adoption of the MasterCard Incorporated 2006 Long Term Incentive Plan requires a majority of the votes cast.

Voting Requirements. The presence in person or by proxy at the Special Meeting of the holders of a majority of the shares of class A redeemable common stock outstanding and entitled to vote on the Record Date shall constitute a quorum.

Adoption of the Company's Second Amended and Restated Certificate of Incorporation. You may vote for, against or abstain with respect to the adoption of this proposal. The affirmative vote of a majority of the outstanding shares of class A redeemable common stock of the Company must be voted for the proposal in order for it to be adopted. If you abstain from voting or do not vote for this proposal, either in person or by proxy, it will have the same effect as a vote against this proposal.

Approval of the Company's Proposed Initial Public Offering of its Class A Common Stock. You may vote for, against or abstain with respect to the adoption of this proposal. The affirmative vote of a majority of the outstanding shares of class A redeemable common stock of the Company must be voted for the proposal in order for it to be adopted. If you abstain from voting or do not vote for this proposal, either in person or by proxy, it will have the same effect as a vote against this proposal.

Approval of the Second Amended and Restated Certificate of Incorporation of MasterCard International. You may vote for, against or abstain with respect to the adoption of this proposal. The affirmative vote of a majority of the outstanding shares of class A redeemable common stock of the Company must be voted for the proposal in order for it to be adopted. If you abstain from voting or do not vote for this proposal, either in person or by proxy, it will have the same effect as a vote against this proposal.

Approval of the Second Amended and Restated Bylaws of MasterCard International. You may vote for, against or abstain with respect to the adoption of this proposal. The affirmative vote of a majority of the outstanding shares of class A redeemable common stock of the Company must be voted for the proposal in order for it to be adopted. If you abstain from voting or do not vote for this proposal, either in person or by proxy, it will have the same effect as a vote against this proposal.

Adoption of the MasterCard Incorporated 2006 Long Term Incentive Plan. You may vote for, against or abstain with respect to the adoption of this proposal. The affirmative vote of a majority of the votes cast must be voted for the proposal in order for it to be adopted. Because an abstention is not treated as a vote for or against, it will have no effect on the outcome of the vote for the proposal.

Stockholders Entitled to Vote. Only stockholders of record on the Record Date are entitled to notice of and to vote at the Special Meeting or any adjournment or postponement thereof.

Table of Contents

Interdependence of Proposals. While the proposals in this Proxy Statement are being listed separately for purposes of voting, they are all interdependent. Accordingly, obtaining the requisite stockholder approval for each of Proposals 1, 2, 3 and 4 (but not Proposal 5) is a condition precedent to the effectiveness of each of the other proposals (including Proposal 5).

Dissenters' Rights of Appraisal. Under Delaware law, the holders of the Company's class A redeemable common stock are not entitled to dissenters' rights of appraisal in connection with the proposed reclassification of our common stock or the amendments to our certificate of incorporation or bylaws, the approval of the proposed public offering, or the amendments to the certificate of incorporation or bylaws of MasterCard International.

FORWARD-LOOKING STATEMENTS

Statements contained in this Proxy Statement that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include, but are not limited to, statements about the benefits of proposals to be acted upon at the Special Meeting and the related transactions and other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, will, should, may, or words of similar import. Forward-looking statements are based upon the current beliefs and expectations of the Company's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of MasterCard Incorporated. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual outcomes may differ materially from the anticipated outcomes discussed in these forward-looking statements.

The following factors, among others, could cause actual outcomes to differ materially from the anticipated outcomes or other expectations expressed in the forward-looking statements: changes in global political and economic conditions; legal or regulatory developments; failure to obtain stockholder approval for the Proposals; and changing market conditions. Additional factors that could cause actual outcomes to differ materially from those expressed in the forward-looking statements are discussed in the Company's Registration Statement on Form S-1 initially filed with the SEC on September 15, 2005 and available at the SEC's Internet site (<http://www.sec.gov>). The Company disclaims any obligation to publicly update or revise any forward-looking information.

Table of Contents

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL
OWNERS AND MANAGEMENT**

The following table sets forth information regarding the beneficial ownership of our voting securities by each person known to us to beneficially own more than five percent of any class of our voting securities as of August 31, 2005. Under the Company's existing bylaws, only Class A members of MasterCard International are allowed to own shares of common stock of the Company, and no director or executive officer of the Company beneficially owns any equity securities of the Company or any of its subsidiaries.

Name and Address of Beneficial Owner	Shares of Class A Redeemable Common Stock Beneficially Owned ⁽¹⁾	Percent of Total Outstanding Common Stock Beneficially Owned
JPMorgan Chase & Co. ⁽²⁾ 270 Park Avenue New York, NY 10017	11,716,006	11.7%
Citigroup, Inc. ⁽³⁾ 399 Park Avenue New York, NY 10043	6,230,752	6.2%
Bank of America Corporation ⁽⁴⁾ 100 North Tryon Street Charlotte, NC 28255	6,041,817	6.0%
EURO Kartensysteme GmbH Solmsstrasse 6 60486 Frankfurt/Main Germany	5,221,131	5.2%
Europay France S.A.S. 44, rue Cambronne 75740 Paris Cedex 15 France	5,029,527	5.0%

- (1) As of July 1, 2005, pursuant to the Company's certificate of incorporation in effect on that date, all outstanding shares of Class B convertible common stock of the Company were converted into shares of class A redeemable common stock.
- (2) Based on a Schedule 13G/A Information Statement filed on February 10, 2005, JPMorgan Chase & Co. shares voting power with respect to its class A redeemable common stock with its wholly owned subsidiaries, Chase Manhattan Bank USA, National Association, and JPMorgan Chase Bank, National Association.
- (3) Based on a Schedule 13G/A Information Statement filed on February 11, 2005, Citigroup, Inc. shares investment and voting power with respect to its class A redeemable common stock with Citicorp, Citigroup Holdings Company and Citibank, N.A., its subsidiaries. Citigroup, Inc., Citicorp and Citibank, N.A. share the same address listed above. Citigroup Holdings Company's address as indicated by the Schedule 13G/A is One Rodney Square, Wilmington, DE 19801.
- (4) Bank of America Corporation's common stock reflects the class A redeemable common stock held by its subsidiaries on a consolidated basis.

The Company issued class A redeemable common stock and class B convertible common stock on June 28, 2002 pursuant to an Agreement and Plan of Merger dated as of February 13, 2002, in which MasterCard International merged with a subsidiary of the Company (the "Conversion"),

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and an Integration Agreement dated as of February 13, 2002 pursuant to which the Company acquired all of the outstanding shares of Europay International S.A. (now MasterCard Europe) (the Integration). In the Conversion and Integration, the Class A members of MasterCard International received shares of class A redeemable and class B convertible common stock of the Company representing each member's existing equity interests in MasterCard International. Pursuant to the Company's current certificate of incorporation, on July 1, 2005 all of the class B convertible common stock converted into class A redeemable common stock. The class A redeemable common stock will be reallocated among the Company's existing stockholders prior to the Record Date based on the global proxy calculation set forth in the Company's current bylaws. The global proxy calculation for this reallocation will be based on the stockholders' contributions to MasterCard's business for the twelve months ended June 30, 2005.

Table of Contents

BACKGROUND AND REASONS FOR THE PROPOSALS

Amendment and Restatement of the Company's Certificate of Incorporation and Approval of the Company's Proposed Initial Public Offering (Proposals 1 and 2)

New Ownership and Governance Structure

Overview

The Board of Directors has approved plans for a new governance and ownership structure that will broaden our ownership to include not only customer financial institutions, but also public investors and a private charitable foundation (The MasterCard Foundation). The plans will also result in a new board with a majority of independent directors.

More specifically, the new governance and ownership structure contemplates a reclassification of all of our outstanding Class A redeemable common stock into new Class B Common Stock and new Class M Common Stock, in connection with an initial public offering of our newly authorized Class A Common Stock. In addition, at the time of the initial public offering, we intend to donate 13,500,047 newly-issued shares of the new Class A Common Stock, representing approximately 10% of our equity, and \$_____ of cash to The MasterCard Foundation. This donation will have a dilutive effect on each existing stockholder's equity interest in the Company.

Reasons for Transition to New Ownership and Governance Structure

We compete in a dynamic marketplace that is being shaped by several important trends. These include the migration of consumers and businesses to electronic forms of payment such as cards, the consolidation and globalization of our customer financial institutions, the growing role of merchants as important stakeholders in payment systems such as ours, and increased competition. In particular, we have faced heightened regulatory scrutiny and legal challenges in recent years. Our customer-focused strategy seeks to proactively address these trends, and we believe that, as discussed below, our new ownership and governance structure will provide us with a stronger, more stable base from which to execute our strategy.

Many of the legal and regulatory challenges we face are in part directed at our current ownership and governance structure, in which our customers—our member financial institutions—own all of our common stock and are involved in our governance by having representatives serve on our global and regional boards of directors. While we strongly dispute these challenges, we believe that a more open ownership and governance structure should leave us less prone to challenges and provide us with additional defenses to the challenges we may face by:

ensuring that our members own a minority of the equity rights in our company and no voting rights, except over a limited range of matters that are not competitively sensitive;

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transitioning to a board of directors that includes a significant majority of directors who are independent of us and of our members;
and

limiting the continued participation of our members in governance at a regional level to advisory bodies only or, in the case of Europe, to a regional board that is overseen by our independent board of directors.

Through these means, we believe that the proposed structure will address perceived conflicts of interest in our ownership and will be recognized as increasing the openness and transparency of our governance. We believe the new ownership and governance structure will place our business in a stronger position as we will be better able to defend ourselves against legal and regulatory challenges involving our ownership and governance. We also believe that we will be more competitive within the global payments industry as customers are attracted to our more stable base to build, manage and grow their payments businesses.

In addition, through the establishment of The MasterCard Foundation, we will be able to make a significant contribution to the societies in which we operate. We also believe that our new ownership and

Table of Contents

governance structure will benefit our business by providing us with publicly traded equity that we may use as a tool to better align the incentives of our management with those of our stockholders and to attract, retain and motivate our employees and as a currency with which to effect acquisitions, as well as by providing us with enhanced access to the public markets to raise capital.

Reclassification of Existing Common Stock

If the proposals set forth in this Proxy Statement are approved at the Special Meeting, the filing of our Second Amended and Restated Certificate of Incorporation would result in the automatic reclassification of all of our 100,000,348 outstanding shares of class A redeemable common stock, causing each of our existing stockholders to receive 1.35 shares of our new Class B Common Stock for each share of class A redeemable common stock that they held prior to the reclassification and a single share of our Class M Common Stock. The Second Amended and Restated Certificate of Incorporation would also authorize the issuance of new Class A Common Stock. The Class A Common Stock and the Class B Common Stock will have the same economic rights, although the Class B Common Stock will be non-voting (except as may be required by Delaware law). The Class M Common Stock will have no economic rights. The holders of the Class M Common Stock will, however, have the right to elect up to three of our directors (but not more than one quarter of all directors) and to approve specified significant corporate transactions. **Under the new ownership and governance structure, general voting power will rest with the holders of the new Class A Common Stock and not with our existing stockholders.**

Initial Public Offering

Following the reclassification, we intend to consummate an initial public offering of the new Class A Common Stock to public investors. We intend to use all but \$650 million of our net proceeds from the proposed initial public offering to redeem a number of shares of Class B Common Stock from our existing stockholders that is equal to the aggregate number of shares of Class A Common Stock that we issue to investors in the proposed public offering (including any shares sold pursuant to the underwriters' option to purchase additional shares) and to The MasterCard Foundation. We intend to use the remaining proceeds to increase our capital. The number of shares to be redeemed from each of our existing stockholders will be ratable to their respective ownerships. The redemption price per share payable will differ between our existing stockholders in the United States (the U.S. Stockholders) and our existing stockholders outside of the United States (the Non-U.S. Stockholders), with our U.S. Stockholders bearing the economic impact of our capital increase. The redemption price per share to be received by the Non-U.S. Stockholders will equal the quotient of (A) the product of (x) the aggregate cash proceeds that we received in the proposed initial public offering (including any shares sold pursuant to the underwriters' option to purchase additional shares), net of underwriting discounts and commissions and other offering-related expenses (the Net Cash Proceeds), multiplied by (y) the fraction obtained by dividing the aggregate number of shares of Class B Common Stock then held by the Non-U.S. Stockholders by the total number of shares of Class B Common Stock then outstanding, divided by (B) the aggregate number of shares of Class B Common Stock that is being redeemed from the Non-U.S. Stockholders. **The redemption price per share to be received by U.S. Stockholders will be lower than the redemption price to be received by the Non-U.S. Stockholders** and will equal the quotient of (A) the remainder of (x) the Net Cash Proceeds minus (y) the aggregate redemption price to be received by the Non-U.S. Stockholders minus (z) \$650 million, divided by (B) the aggregate number of shares of Class B Common Stock that is being redeemed from the U.S. Stockholders; provided, however, that if such calculation results in a negative number, the redemption price per share to be received by the U.S. Stockholders will equal zero.

In establishing the redemption prices per share to be payable to the U.S. Stockholders and the Non-U.S. Stockholders, we considered the fact that MasterCard International's current certificate of incorporation and bylaws grant it the right to impose special assessments upon its members, which obligations may be allocated to the members in a particular region. However, we determined to address the impact on us of legal and regulatory challenges we face in the United States not by imposing a special assessment on members in that region but rather by retaining a portion of the Net Cash Proceeds. We believe this is more direct and results in more certain

Table of Contents

U.S. federal income tax consequences to both us and our stockholders than would a distribution of the entire Net Cash Proceeds followed by a special assessment on members in the United States.

Stock Ownership after the Reclassification and the Initial Public Offering

Following the reclassification, the issuance of shares of our Class A Common Stock in the initial public offering and as a donation to The MasterCard Foundation and the subsequent redemption of shares of our Class B Common Stock from our existing stockholders, we expect that investors in the initial public offering will own shares of Class A Common Stock representing approximately 46-49% of our equity and 82-83% of our general voting power, The MasterCard Foundation will own shares of Class A Common Stock representing approximately 10% of our equity and 17-18% of our general voting power and our existing stockholders will own 41-44% of our equity and shares of Class M Common Stock that entitle them to elect up to three of our directors (but not more than one quarter of all of directors) and approve specified significant corporate actions but are otherwise non-voting. In the event that the underwriters do not exercise in full their option to purchase additional shares of Class A Common Stock from us in connection with the initial public offering, the Second Amended and Restated Certificate of Incorporation will require us, subject to applicable law and to our Board of Director's fiduciary duties, to issue, prior to our 2007 annual meeting of stockholders, additional shares of Class A Common Stock in a public offering and to use the proceeds from such offering to redeem additional shares of Class B Common Stock so that, immediately following such subsequent offering and redemption, our existing stockholders will own approximately 41% of the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding at that time.

New Governance Structure

We will also transition to a new governance structure. A new board of directors will be elected that will be comprised of: eight directors that are independent of MasterCard and of our customer financial institutions; three directors that will be elected by the holders of the Class M Common Stock and that are expected to be representatives of our customer financial institutions from each of the Americas region, Europe region and Asia/Pacific, Middle East and Africa region; and to the extent nominated and elected, the CEO. In addition, the Board of Directors may appoint one transitional non-voting member from our current board. In addition, a European regional board will be established with specified authorities relating to the Company's European operations, subject to override by the Board of Directors in certain circumstances. The members of the European Board will be elected by the holders of shares of Class M Common Stock with their principal operations in our European region and are expected to be representatives of our customer financial institutions. The Company will also continue to receive input from customers through the establishment of a global customer advisory council and regional advisory boards, which will be comprised principally of customer representatives.

Proposals Relating to New Ownership and Governance Structure

To implement the new ownership and governance structure, we are proposing to amend and restate the Company's certificate of incorporation (Proposal 1) and to conduct an initial public offering of the new Class A Common Stock (Proposal 2). See Proposal 1 Adopt the Company's Second Amended and Restated Certificate of Incorporation for a summary of important changes in your rights that will result from the adoption of the new ownership and governance structure. For complete information, we refer you to the full text of the proposed form of Second Amended and Restated Certificate of Incorporation, which is included in this Proxy Statement as Annex A, and to the Company's existing certificate of incorporation, which is included in this Proxy Statement as Annex B. In connection with the proposed changes to our ownership and governance structure, the Board of Directors has also approved the amendment and restatement of the Company's bylaws. Under the terms of the Company's existing amended and restated bylaws, the Company's directors have the power to amend the Company's bylaws without stockholder approval. As a result, separate approval by our stockholders is not required to adopt the bylaw amendments. A description of the bylaw amendments is included in this Proxy Statement for informational purposes only. The amendment and restatement of the Company's bylaws will only

Table of Contents

become effective at the time of the effectiveness of the Second Amended and Restated Certificate of Incorporation. See Proposal 1 Adopt the Company's Second Amended and Restated Certificate of Incorporation Amendment and Restatement of the Company's Bylaws for an overview of the amendments to the Company's bylaws. For complete information, we refer you to the full text of the form of the Company's Second Amended and Restated Bylaws, which is included in this Proxy Statement as Annex C, and to the Company's existing bylaws, which are included in this Proxy Statement as Annex D.

Procedures for Amending and Restating the Company's Certificate of Incorporation

If our stockholders approve the amendment and restatement of our certificate of incorporation and the other proposals upon which the adoption of the amended and restated certificate of incorporation is conditioned, we intend to file the Second Amended and Restated Certificate of Incorporation, included as Annex A to this Proxy Statement, with the Delaware Secretary of State immediately prior to the consummation of the proposed initial public offering. The Second Amended and Restated Certificate of Incorporation will become effective on the date the filing is accepted by the Delaware Secretary of State. Please note, however, that the proposed amendment and restatement of our certificate of incorporation may be abandoned by the Board of Directors, without further action by our stockholders, at any time before or after the Special Meeting if for any reason the Board of Directors deems it advisable.

Amendment and Restatement of the Certificate of Incorporation and Bylaws of MasterCard International (Proposals 3 and 4)

The board of directors of MasterCard International has approved the amendment and restatement of MasterCard International's certificate of incorporation and its bylaws to ensure consistency with the proposed ownership and governance structure of MasterCard Incorporated, its parent entity. We believe that the governance structure of MasterCard International that will result from these amendments is more appropriate for a subsidiary of a public company.

In addition to revising its governance structure, the proposed amendment and restatement of MasterCard International's certificate of incorporation and bylaws will eliminate the special assessment right of MasterCard International and address additional miscellaneous matters.

Special Assessments. The proposed amendments and restatements remove provisions granting MasterCard International the right to impose special assessments upon its members for all or any portion of MasterCard International's expenses and liabilities arising out of extraordinary events, such as settlements or judgments in major litigations and catastrophic occurrences that may cause significant risk or damage to MasterCard International and MasterCard Incorporated. MasterCard International's right to impose assessment on its members (other than MasterCard Incorporated) for expenses and liabilities that relate to ordinary activities of MasterCard International will remain unchanged.

Governance Amendments. The proposed governance amendments, among other things, remove governance rights of members of MasterCard International (other than MasterCard Incorporated), establish new quorum requirements and remove supermajority requirements for certain decisions of the board of directors of MasterCard International, provide that a European Board will manage certain aspects of MasterCard International's European operations (consistent with the proposed changes for MasterCard Incorporated) and revise the termination provisions to allow termination of members who violate the beneficial ownership limitations set forth in the proposed Second Amended and Restated Certificate of Incorporation of MasterCard Incorporated.

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Miscellaneous. The miscellaneous amendments include, among other things, a clarification of the scope of the limitation on subjecting private property of members to the payment of debts of MasterCard International that is consistent with the foregoing provisions.

Table of Contents

See Proposal 3 Approve the Second Amended and Restated Certificate of Incorporation of MasterCard International and Proposal 4 Approve the Second Amended and Restated Bylaws of MasterCard International, for an overview of the proposed amendments and restatements of MasterCard International's certificate of incorporation and bylaws. For complete information, we refer you to the proposed Second Amended and Restated Certificate of Incorporation and the proposed Second Amended and Restated Bylaws of MasterCard International, each of which has been marked to show all changes from the certificate of incorporation and bylaws of MasterCard International currently in effect, that are included as Annex E and Annex F, respectively, to this Proxy Statement.

Procedures for Amending and Restating the Certificate of Incorporation and Bylaws of MasterCard International

As explained below in Proposal 3 Approve the Second Amended and Restated Certificate of Incorporation of MasterCard International and Proposal 4 Approve the Second Amended and Restated Bylaws of MasterCard International, the vote of the holders of the Company's class A redeemable shares is required for the adoption of the amended and restated certificate of incorporation and bylaws of MasterCard International. If our stockholders approve the amendment and restatement of MasterCard International's Amended and Restated Certificate of Incorporation and the other Proposals upon which the adoption of the amendment and restatement is conditio