

TD AMERITRADE HOLDING CORP

Form 10-K

November 18, 2011

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

**Form 10-K**

- b ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2011**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to**

**Commission file number: 0-49992**

**TD Ameritrade Holding Corporation**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**82-0543156**  
*(I.R.S. Employer  
Identification No.)*

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

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock \$0.01 par value	The NASDAQ Stock Market LLC

**Securities registered pursuant to Section 12(g) of the Act:**

(Title of class)

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$4.6 billion computed by reference to the closing sale price of the stock on the Nasdaq Global Select Market on March 31, 2011, the last trading day of the registrant's most recently completed second fiscal quarter.

The number of shares of common stock outstanding as of November 10, 2011 was 549,169,937 shares.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Definitive Proxy Statement relating to the registrant's 2012 Annual Meeting of Stockholders to be filed hereafter (incorporated into Part III hereof).

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Unless otherwise indicated, references to we, us, our, Company, or TD Ameritrade mean TD Ameritrade Holding Corporation and its subsidiaries, and references to fiscal mean the Company's fiscal year ended September 30. References to the parent company mean TD Ameritrade Holding Corporation.

## **PART I**

### **Item 1. Business**

#### **Form of Organization**

The Company was established in 1971 as a local investment banking firm and began operations as a retail discount securities brokerage firm in 1975. The parent company is a Delaware corporation.

#### **Operations**

We are a leading provider of securities brokerage services and technology-based financial services to retail investors, traders and independent registered investment advisors ( RIAs ). We provide our services predominantly through the Internet, a national branch network and relationships with RIAs. We believe that our services appeal to a broad market of independent, value-conscious retail investors, traders, financial planners and institutions. We use our efficient platform to offer brokerage services to retail investors and institutions under a simple, low-cost commission structure.

We have been an innovator in electronic brokerage services since entering the retail securities brokerage business in 1975. We believe that we were the first brokerage firm to offer the following products and services to retail clients: touch-tone trading; trading over the Internet; unlimited, streaming, free real-time quotes; extended trading hours; direct access to market destinations; and commitment on the speed of order execution. Since initiating online trading, we have substantially increased our number of brokerage accounts, average daily trading volume and total assets in client accounts. We have also built, and continue to invest in, a proprietary trade processing platform that is both cost-efficient and highly scalable, significantly lowering our operating costs per trade. In addition, we have made significant and effective investments in building the TD Ameritrade brand.

#### **Strategy**

We intend to capitalize on the growth and consolidation of the retail brokerage industry in the United States and leverage our low-cost infrastructure to grow our market share and profitability. Our long-term growth strategy is to increase our market share of total assets in client accounts by providing superior offerings to long-term investors, RIAs and active traders. We strive to enhance the client experience by providing sophisticated asset management products and services, enhanced trading tools and capabilities and a superior, proprietary, single-platform system to support RIAs. The key elements of our strategy are as follows:

*Focus on brokerage services.* We continue to focus on attracting active traders, long-term investors and RIAs to our brokerage services. This focused strategy is designed to enable us to maintain our low operating cost structure while offering our clients outstanding products and services. We primarily execute client securities transactions on an agency, rather than a principal, basis. We maintain only a small inventory of fixed income securities to meet client requirements.

*Provide a comprehensive long-term investor solution.* We continue to expand our suite of diversified investment products and services to best serve investors' needs. We help clients make investment decisions by providing simple-to-use investment tools, guidance, education and objective third-party research.

*Maintain industry leadership and market share with active traders.* We help active traders make better-informed investment decisions by offering fast access to markets, insight into market trends and innovative tools such as strategy back-testing and comprehensive options research and trading capabilities.

*Continue to be a leader in the RIA industry.* We provide RIAs with comprehensive brokerage and custody services supported by our robust integrated technology platform, customized personal service and practice management solutions.

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*Leverage our infrastructure to add incremental revenue.* Through our proprietary technology, we are able to provide a very robust online experience for long-term investors and active traders. Our low-cost, scalable systems provide speed, reliability and quality trade execution services for clients. The scalable capacity of our trading system allows us to add a significant number of transactions while incurring minimal additional fixed costs.

*Continue to be a low-cost provider of quality services.* We achieve low operating costs per trade by creating economies of scale, utilizing our proprietary transaction-processing systems, continuing to automate processes and locating much of our operations in low-cost geographical areas. This low fixed-cost infrastructure provides us with significant financial flexibility.

*Continue to differentiate our offerings through innovative technologies and service enhancements.* We have been an innovator in our industry over our 36-year history. We continually strive to provide our clients with the ability to customize their trading experience. We provide our clients greater choice by tailoring our features and functionality to meet their specific needs.

*Leverage the TD Ameritrade brand.* We believe that we have a superior brand identity and that our advertising has established TD Ameritrade as a leading brand in the retail brokerage market.

*Continue to aggressively pursue growth through acquisitions.* When evaluating potential acquisitions, we look for transactions that will give us operational leverage, technological leverage, increased market share or other strategic opportunities.

Most recently, on June 11, 2009, we acquired thinkorswim Group Inc. ( thinkorswim ). The acquisition enhanced our industry leadership position in client trades per day and provides our clients with access to thinkorswim s advanced trading technology, tools and services, as well as a leading investor education program.

## **Client Offerings**

We deliver products and services aimed at providing a comprehensive, personalized experience for active traders, long-term investors and independent RIAs. Our client offerings are described below:

*TD Ameritrade®* is our core offering for self-directed retail investors. We offer sophisticated tools and services, including Trade Architect®, SnapTicket,<sup>™</sup> Trade Triggers,<sup>™</sup> QuoteScope,<sup>™</sup> Market Motion Detector and WealthRuler.<sup>™</sup> We offer futures and foreign exchange trading to TD Ameritrade brokerage clients through our thinkorswim from TD Ameritrade desktop application. We offer TD Ameritrade Apex for clients who place an average of five trades per month over a three-month period or maintain a total account value of at least \$100,000. Apex clients receive free access to services that are normally available on a paid subscription basis, as well as access to exclusive services and content.

*TD Ameritrade Institutional* is a leading provider of comprehensive brokerage and custody services to more than 4,000 independent RIAs and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows RIAs to run their practices more effectively and efficiently while optimizing time with clients. Additionally, TD Ameritrade Institutional provides a robust offering of products, programs and services. These services are all designed to help advisors build their businesses.

*thinkorswim by TD Ameritrade* provides a suite of trading platforms serving self-directed and institutional traders and money managers. thinkorswim platforms have easy-to-use interfaces, sophisticated analytical and



research tools, and fast and efficient order execution for complex trading strategies. thinkorswim clients trade a broad range of products including stock and stock options, index options, futures and futures options, foreign exchange, mutual funds and fixed income.

*Investools* offers a comprehensive suite of investor education products and services for stock, option, foreign exchange, futures, mutual fund and fixed-income investors. Investools educational products and services are primarily built around an investing method that is designed to teach both experienced and beginning investors how to approach the selection process for investment securities and actively manage their investment portfolios. Course offerings are generally combined with web-based tools, personalized

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instruction techniques and ongoing service and support and are offered in a variety of learning formats. Designed for the advanced student, continuing education programs offer students comprehensive access to a multitude of products and services priced either individually or on a bundled basis. Typically included in the continuing education bundles are additional curriculum, online courses, live workshops and coaching services.

*Amerivest™* is an online advisory service that develops portfolios of exchange-traded funds ( ETFs ) or mutual funds, along with cash and cash alternatives, to help long-term investors pursue their financial goals. Our subsidiary, Amerivest Investment Management, LLC, recommends an investment portfolio based on our proprietary automated five-step process centered on an investor's goals and risk tolerance.

*TD Ameritrade Corporate Services* provides self-directed brokerage services to employees and executives of corporations, either directly in partnership with the employer or through joint marketing relationships with third-party administrators, such as 401(k) providers and employee benefit consultants. Trust and custody services are also offered to a wide range of plan types through our TD Ameritrade Trust Company subsidiary.

## **Products and Services**

We strive to provide the best value of retail brokerage services to our clients. The products and services available to our clients include:

*Common and preferred stock.* Clients can purchase common and preferred stocks, American Depositary Receipts and closed-end funds traded on any United States exchange or quotation system.

*Exchange-Traded Funds.* ETFs are baskets of securities (stocks or bonds) that typically track recognized indices. They are similar to mutual funds, except that they trade on an exchange like stocks. Our ETF Market Center offers our clients over 100 commission-free ETFs, each of which has been selected by independent experts at Morningstar Associates. Trades in these ETFs are commission-free, provided the funds are held for 30 days or longer. Our Web site includes an ETF screener, along with independent research and commentary to assist investors in their decision-making.

*Options.* We offer a full range of option trades, including complex, multi-leg option strategies. All option trades, including complex trades, are accessible on our trading platform.

*Futures.* We offer futures trades, as well as options on futures, in a wide variety of commodities, stock indices and currencies.

*Foreign exchange.* We offer access to trading in over 100 different currency pairs.

*Mutual funds.* Clients can compare and select from a portfolio of over 13,000 mutual funds from leading fund families, including a broad range of no-transaction-fee ( NTF ) funds. Clients can also easily exchange funds within the same mutual fund family.

*Fixed income.* We offer our clients access to a variety of Treasury, corporate, government agency and municipal bonds, as well as mortgage-backed securities and certificates of deposit.

*New issue securities.* We offer primary and secondary offerings of fixed income securities, closed-end funds and preferred stock.

*Margin lending.* We extend credit to clients that maintain margin accounts.

*Cash management services.* Through third-party banking relationships, we offer FDIC-insured deposit accounts and money market mutual funds to our clients as cash sweep alternatives. Through these relationships, we also offer free standard checking, free online bill pay and ATM services with unlimited ATM fee reimbursements at any machine nationwide.

We earn commissions and transaction fees on client trades in common and preferred stock, ETFs, closed-end funds, options, futures, foreign exchange, mutual funds and fixed income securities. Margin lending and the related securities lending business generate net interest revenue. Cash management services and fee-based mutual funds

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generate insured deposit account fees and investment product fee revenues. The following table presents the percentage of net revenues contributed by each class of similar services during the last three fiscal years:

Class of Service	Percentage of Net Revenues Fiscal Year Ended September 30,		
	2011	2010	2009
Commissions and transaction fees	44.5%	46.6%	52.0%
Net interest revenue	17.8%	16.5%	14.4%
Insured deposit account fees	27.6%	26.6%	23.6%
Investment product fees	6.0%	5.1%	7.7%
Other revenues	4.1%	5.2%	2.3%
Net revenues	100.0%	100.0%	100.0%

We provide our clients with an array of channels to access our products and services. These include the Internet, our network of retail branches, mobile trading applications, interactive voice response and registered representatives via telephone.

**Client Service and Support**

We strive to provide the best client service in the industry as measured by: (1) speed of response time to telephone calls, (2) turnaround time responding to client inquiries and (3) client satisfaction with the account relationship.

We endeavor to optimize our highly-rated client service by:

Ensuring prompt response to client service calls through adequate staffing with properly trained and motivated personnel in our client service departments, a majority of whom hold the Series 7 license;

Tailoring client service to the particular expectations of the clients of each of our client segments; and

Expanding our use of technology to provide automated responses to the most typical inquiries generated in the course of clients' securities trading and related activities.

We provide access to client service and support through the following means:

*Web sites.* Our Web sites provide basic information on how to use our services, as well as an in-depth education center that includes a guide to online investing and an encyclopedia of finance. *Ted*, our Virtual Investment Consultant, is a Web tool that allows retail clients to interact with a virtual representative to ask questions regarding our products, tools and services.

*Branches.* We offer a nationwide network of over 100 retail branches, located primarily in large metropolitan areas.

*E-mail.* Clients are encouraged to use e-mail to contact our client service representatives. Our operating standards require a response within 24 hours of receipt of the e-mail; however, we strive to respond within four hours after receiving the original message.

*Telephone.* For clients who choose to call or whose inquiries necessitate calling one of our client service representatives, we provide a toll-free number that connects to advanced call handling systems. These systems provide automated answering and directing of calls to the proper department. Our systems also allow linkage between caller identification and the client database to give the client service representative immediate access to the client's account data when the call is received. Client service representatives are available 24 hours a day, seven days a week.

### **Technology and Information Systems**

Our technological capabilities and systems are central to our business and are critical to our goal of providing the best execution at the best value to our clients. Our operations require reliable, scalable systems that can handle

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complex financial transactions for our clients with speed and accuracy. We maintain sophisticated and proprietary technology that automates traditionally labor-intensive securities transactions. Our ability to effectively leverage and adopt new technology to improve our services is a key component of our success.

We continue to make investments in technology and information systems. We have spent a significant amount of resources to increase capacity and improve speed and reliability. To provide for system continuity during potential power outages, we have equipped our data centers with uninterruptible power supply units and back-up generators.

Our trading platforms currently have the capacity to process approximately 1,500,000 trades per day and approximately 33,000 client login connections per second. The greatest number of trades our clients have made in a single day is approximately 895,000.

## **Advertising and Marketing**

We intend to continue to grow and increase our market share by advertising online, on television, in print and direct mail and on our own Web sites. We invest heavily in advertising programs designed to bring greater brand recognition to our services. We intend to continue to aggressively advertise our services. From time to time, we may choose to increase our advertising to target specific groups of investors or to decrease advertising in response to market conditions.

Advertising for retail clients is generally conducted through Web sites, financial news networks and other television and cable networks. We also place print advertisements in a broad range of business publications and use direct mail advertising. Advertising for institutional clients is significantly less than for retail clients and is generally conducted through highly-targeted media. We also utilize third-party partners to market our investor education offerings at live events.

To monitor the success of our various marketing efforts, we use a data gathering and tracking system. This system enables us to determine the type of advertising that best appeals to our target market so that we can invest in these programs in the future. Additionally, through the use of our database tools, we are working to more efficiently determine the needs of our various client segments and tailor our services to their individual needs. We intend to utilize this system to strengthen our client relationships and support marketing campaigns to attract new clients. Our uses of client information are disclosed in our privacy statement.

All of our brokerage-related communications with the public are regulated by the Financial Industry Regulatory Authority ( FINRA ).

## **Clearing Operations**

Our subsidiary, TD Ameritrade Clearing, Inc. ( TDAC ), provides clearing and execution services to TD Ameritrade, Inc., our introducing broker-dealer subsidiary. Clearing services include the confirmation, receipt, settlement, delivery and record-keeping functions involved in processing securities transactions. Our clearing broker-dealer subsidiary provides the following back office functions:

- Maintaining client accounts;
- Extending credit in a margin account to the client;
- Engaging in securities lending and borrowing transactions;

Settling securities transactions with clearinghouses such as The Depository Trust & Clearing Corporation and The Options Clearing Corporation;

Settling commissions and transaction fees;

Preparing client trade confirmations and statements;

Performing designated cashiering functions, including the delivery and receipt of funds and securities to or from the client;

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Possession, control and safeguarding of funds and securities in client accounts;

Processing cash sweep transactions to and from insured deposit accounts and money market mutual funds;

Transmitting tax accounting information to the client and to the applicable tax authority; and

Forwarding prospectuses, proxy materials and other shareholder information to clients.

During August 2011, we completed the conversion of thinkorswim's securities clearing brokerage operations from an outsourced clearing broker-dealer to the TDAC clearing platform. We continue to contract with an external provider for futures clearing and related back-office services. We also contract with external providers to facilitate foreign exchange trading for our clients.

## **Competition**

We believe that the principal determinants of success in the retail brokerage market are brand recognition, size of client base and client assets, ability to attract new clients and client assets, client trading activity, efficiency of operations, technology infrastructure and access to financial resources. We also believe that the principal factors considered by clients in choosing a brokerage firm are reputation, client service quality, price, convenient locations, product offerings, quality of trade execution, platform capabilities, innovation and overall value. Based on our experience, focus group research and the success we have enjoyed to date, we believe that we presently compete successfully in each of these categories.

The market for brokerage services, particularly electronic brokerage services, continues to evolve and is highly competitive. We experience significant competition and expect this competitive environment to continue. We encounter direct competition from numerous other brokerage firms, many of which provide online brokerage services. These competitors include E\*TRADE Financial Corporation, The Charles Schwab Corporation, Fidelity Investments and Scottrade, Inc. We also encounter competition from established full-commission brokerage firms such as Merrill Lynch and Morgan Stanley Smith Barney, as well as financial institutions, mutual fund sponsors and other organizations, some of which provide online brokerage services.

## **Regulation**

The securities industry is subject to extensive regulation under federal and state law. Broker-dealers are required to register with the U.S. Securities and Exchange Commission ( SEC ) and to be members of FINRA. In addition, our introducing broker-dealer subsidiary (TD Ameritrade, Inc.) is registered with the Commodity Futures Trading Commission ( CFTC ) as a non-clearing futures commission merchant and is a member of, and the corresponding services functions are regulated by, the National Futures Association ( NFA ). Our broker-dealer subsidiaries are subject to the requirements of the Securities Exchange Act of 1934 (the Exchange Act ) relating to broker-dealers, including, among other things, minimum net capital requirements. For our clearing broker-dealer subsidiary (TDAC), this minimum net capital level is determined by a calculation described in Rule 15c3-1 that is primarily based on aggregate debits, which primarily are a function of client margin balances. TDAC is required to maintain minimum net capital of 2% of aggregate debits. Since our aggregate debits may fluctuate significantly, our minimum net capital requirements may also fluctuate significantly from period to period. TD Ameritrade, Inc. is required to maintain minimum net capital of \$1.0 million.

Certain of our subsidiaries are also registered as investment advisors under the Investment Advisers Act of 1940. We are also subject to regulation in all 50 states and the District of Columbia, including registration requirements.



In its capacity as a securities clearing firm, TDAC is a member of The Depository Trust & Clearing Corporation and The Options Clearing Corporation, each of which is registered as a clearing agency with the SEC. As a member of these clearing agencies, TDAC is required to comply with the rules of such clearing agencies, including rules relating to possession or control of client funds and securities, margin lending and execution and settlement of transactions.

Margin lending activities are subject to limitations imposed by regulations of the Federal Reserve System and FINRA. In general, these regulations provide that, in the event of a significant decline in the value of securities

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collateralizing a margin account, we are required to obtain additional collateral from the borrower or liquidate security positions.

We are subject to a number of state and federal laws applicable to companies conducting business on the Internet that address client privacy, system security and safeguarding practices and the use of client information. For additional, important information relating to government regulation, please review the information set forth under the heading **Risk Factors Relating to the Regulatory Environment** in Item 1A **Risk Factors**.

## **Risk Management**

Our business activities expose us to various risks. Identifying and measuring our risks is critical to our ability to manage risk within acceptable tolerance levels in order to minimize the effect on our business, results of operations and financial condition.

Our management team is responsible for managing risk, and it is overseen by our board of directors, primarily through the board's Risk Committee. We use risk management processes and have policies and procedures for identifying, measuring and managing risks, including establishing threshold levels for our most significant risks. Our risk management, compliance, internal audit, and legal departments assist management in identifying and managing risks. Our management team's Enterprise Risk Committee (ERC) is responsible for reviewing risk exposures and risk mitigation. Subcommittees of the ERC have been established to assist in identifying and managing specific areas of risk.

Our business exposes us to the following broad categories of risk:

*Operational Risk* Operational risk is the risk of loss resulting from inadequate or failed internal processes or controls, human error, systems and technology problems or from external events. It also involves compliance with regulatory and legal requirements. Operational risk is the most prevalent form of risk in our risk profile. We manage operational risk by establishing policies and procedures to accomplish timely and efficient processing, obtaining periodic internal control attestations from management and conducting internal audit reviews to evaluate the effectiveness of internal controls.

*Market Risk* Market risk is the risk of loss resulting from adverse movements in market factors, such as asset prices, foreign exchange rates and interest rates. Our market risk related to asset prices is mitigated by our execution of client securities transactions primarily on an agency, rather than a principal, basis and our maintenance of only a small inventory of fixed-income securities to meet client requirements. Interest rate risk is our most prevalent form of market risk. For more information about our interest rate risk and how we manage it, see Item 7A **Quantitative and Qualitative Disclosures About Market Risk**.

*Credit Risk* Credit risk is the risk of loss resulting from failure of obligors to honor their payments. Our exposure to credit risk mainly arises from client margin lending and leverage activities, securities lending activities and other counterparty credit risks. For more information about our credit risk and how we manage it, see Item 7A **Quantitative and Qualitative Disclosures About Market Risk**.

*Liquidity Risk* - Liquidity risk is the risk of loss resulting from the inability to meet current and future cash flow needs. We actively monitor our liquidity position at the subsidiary and holding company levels. For more information, see Item 7 **Management's Discussion and Analysis of Financial Condition and Results of Operations** **Liquidity and Capital Resources**.

*Strategic Risk* Strategic risk is the risk of loss arising from ineffective business strategies, improper implementation of business strategies, or lack of responsiveness to changes in the business and competitive environment. Our executive management is responsible for establishing an appropriate corporate strategy intended to create value for stockholders, clients and employees, with oversight by our board of directors. Our management is responsible for defining the priorities, initiatives and resources necessary to execute the strategic plan, and is evaluated by the board of directors based on its success in doing so.

*Reputational Risk* Reputational risk is the risk arising from possible negative perceptions, whether true or not, of the Company among our clients, counterparties, stockholders, suppliers, employees and regulators. The potential for either enhancing or damaging our reputation is inherent in almost all aspects of

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business activity. We manage this risk through our commitment to a set of core values that emphasize and reward high standards of ethical behavior, maintaining a culture of compliance and by being responsive to client and regulatory requirements.

Risk is inherent in our business, and therefore, despite our efforts to manage risk, there can be no assurance that we will not sustain unexpected losses. For a discussion of the factors that could materially affect our business, financial condition or future results of operations, see Item 1A Risk Factors.

## **Intellectual Property Rights**

Our success and ability to compete are significantly dependent on our intellectual property, which includes our proprietary technology, trade secrets and client base. We rely on copyright, trade secret, trademark, domain name, patent and contract laws to protect our intellectual property and have utilized the various methods available to us, including filing applications for patents and trademark registrations with the United States Patent and Trademark Office and entering into written licenses and other technology agreements with third parties. Our patented and patent pending technologies include stock indexing and investor education technologies, as well as innovative trading and analysis tools. Our trademarks include both our primary brand, TD Ameritrade, as well as brands for other products and services. A substantial portion of our intellectual property is protected by trade secrets. The source and object code for our proprietary software is also protected using applicable methods of intellectual property protection and general protections afforded to confidential information. In addition, it is our policy to enter into confidentiality and intellectual property ownership agreements with our employees and confidentiality and noncompetition agreements with our independent contractors and business partners and to control access to and distribution of our intellectual property.

## **Employees**

As of September 30, 2011, we had 5,451 full-time equivalent employees. None of our employees is covered by a collective bargaining agreement. We believe that our relations with our employees are good.

## **Financial Information about Segments and Geographic Areas**

We primarily operate in the securities brokerage industry and have no other reportable segments. Substantially all of our revenues from external clients for the fiscal years ended September 30, 2011, 2010 and 2009 were derived from our operations in the United States.

## **Internet Address**

Additional information concerning our business can be found on our Web site at [www.amtd.com](http://www.amtd.com). We ask that interested parties visit or subscribe to newsfeeds at [www.amtd.com](http://www.amtd.com) for the most up-to-date corporate financial information, presentation announcements, transcripts and archives. Web site links provided in this report, although correct when published, may change in the future. We make available free of charge on our Web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC.

## **Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition or future results of operations. Although the risks described below are those that management believes are the most significant, these are not the only risks facing our company.

Additional risks and uncertainties not currently known to us or that we currently do not deem to be material also may materially affect our business, financial condition or future results of operations.

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**Risk Factors Relating to Our Business Operations**

***Economic conditions and other securities industry risks could adversely affect our business.***

Substantially all of our revenues are derived from our securities brokerage business. Like other securities brokerage businesses, we are directly affected by economic and political conditions, broad trends in business and finance and changes in volume and price levels of securities transactions. Events in global financial markets in recent years, including failures and government bailouts of large financial services companies, resulted in substantial market volatility and increased client trading volume. However, any sustained downturn in general economic conditions or U.S. equity markets could result in reduced client trading volume and net revenues. For example, events such as the terrorist attacks in the United States on September 11, 2001 and the invasion of Iraq in 2003 resulted in periods of substantial market volatility and reductions in trading volume and net revenues. Severe market fluctuations or weak economic conditions could reduce our trading volume and net revenues and have a material adverse effect on our profitability.

***We have exposure to interest rate risk.***

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our FDIC-insured deposit account arrangement with TD Bank USA, N.A. and TD Bank N.A., which are subject to interest rate risk. During fiscal 2009, the Federal Open Market Committee reduced the federal funds rate from 2.00% to between 0% and 0.25%. In addition, medium- to long-term interest rates have also decreased substantially since fiscal 2009. This lower interest rate environment has compressed our net interest spread and reduced our spread-based revenues. It has also resulted in our voluntarily waiving fees on certain money market mutual funds in order to prevent our clients' yields on such funds from becoming negative. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

***Our brokerage operations have exposure to liquidity risk.***

Maintaining adequate liquidity is crucial to our brokerage operations, including key functions such as transaction settlement and margin lending. Our liquidity needs to support interest-earning assets are primarily met by client cash balances or financing created from our securities lending activities. A reduction of funds available from these sources may require us to seek other potentially more expensive forms of financing, such as borrowings on our revolving credit facility. Our liquidity could be constrained if we are unable to obtain financing on acceptable terms, or at all, due to a variety of unforeseen market disruptions. If we are unable to meet our funding needs on a timely basis, our business would be adversely affected.

***We are exposed to credit risk with clients and counterparties.***

We extend margin credit and leverage to clients, which are collateralized by client cash and securities. We also borrow and lend securities in connection with our broker-dealer business. A significant portion of our net revenues is derived from interest on margin loans. By permitting clients to purchase securities on margin and exercise leverage on futures positions, we are subject to risks inherent in extending credit, especially during periods of rapidly declining markets in which the value of the collateral held by us could fall below the amount of a client's indebtedness. In addition, in accordance with regulatory guidelines, we collateralize borrowings of securities by depositing cash or securities with lenders. Sharp changes in market values of substantial amounts of securities and the failure by parties to the borrowing transactions to honor their commitments could have a material adverse effect on our revenues and profitability.

*Our clearing operations expose us to liability for errors in clearing functions.*

Our broker-dealer subsidiary, TDAC, provides clearing and execution services to our introducing broker-dealer subsidiary, TD Ameritrade, Inc. Clearing and execution services include the confirmation, receipt, settlement

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and delivery functions involved in securities transactions. Clearing brokers also assume direct responsibility for the possession or control of client securities and other assets and the clearing of client securities transactions. However, clearing brokers also must rely on third-party clearing organizations, such as The Depository Trust & Clearing Corporation and The Options Clearing Corporation, in settling client securities transactions. Clearing securities firms, such as TDAC, are subject to substantially more regulatory control and examination than introducing brokers that rely on others to perform clearing functions. Errors in performing clearing functions, including clerical and other errors related to the handling of funds and securities held by us on behalf of clients, could lead to regulatory fines and civil penalties as well as losses and liability in related legal proceedings brought by clients and others.

***Systems failures, delays and capacity constraints could harm our business.***

We receive and process trade orders through a variety of electronic channels, including the Internet, mobile trading applications and our interactive voice response system. These methods of trading are heavily dependent on the integrity of the electronic systems supporting them. Our systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, computer viruses, distributed denial of service ( DDOS ) attacks, spurious spam attacks, intentional acts of vandalism and similar events. It could take several hours or more to restore full functionality following any of these events. Extraordinary trading volumes could cause our computer systems to operate at an unacceptably slow speed or even fail. Extraordinary Internet traffic caused by DDOS or spam attacks could cause our Web site to be unavailable or slow to respond. While we have made significant investments to upgrade the reliability and scalability of our systems and added hardware to address extraordinary Internet traffic, there can be no assurance that our systems will be sufficient to handle such extraordinary circumstances. We may not be able to project accurately the rate, timing or cost of any increases in our business or to expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner. Systems failures and delays could occur and could cause, among other things, unanticipated disruptions in service to our clients, slower system response time resulting in transactions not being processed as quickly as our clients desire, decreased levels of client service and client satisfaction and harm to our reputation. The occurrence of any of these events could have a material adverse effect on our business, results of operations and financial condition.

***Our networks and client information could be vulnerable to security risks.***

The secure transmission of confidential information over public networks is a critical element of our operations. Our networks could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security problems, as evidenced by the spam litigation described under Item 3, Legal Proceedings. In addition, vulnerabilities of our external service providers could pose security risks to client information. We, along with the financial services industry in general, have experienced losses related to clients' login and password information being compromised, generally caused by clients' use of public computers or vulnerabilities of clients' private computers.

Persons who circumvent security measures could wrongfully use our confidential information or our clients' confidential information or cause interruptions or malfunctions in our operations. We could be required to expend significant additional resources to protect against the threat of security breaches or to alleviate problems caused by any breaches, and we could suffer reputational damage as a result of such breaches, which could negatively affect our ability to attract and retain clients. We may not be able to implement security measures that will protect against all security risks. Because we provide a security guarantee under which we reimburse clients for losses resulting from unauthorized activity in their accounts, significant unauthorized activity could have a material adverse effect on our results of operations.

***Substantial competition could reduce our market share and harm our financial performance.***



The market for electronic brokerage services is continually evolving and is intensely competitive. The retail brokerage industry has experienced significant consolidation, which may continue in the future, and which may increase competitive pressures in the industry. Consolidation could enable other firms to offer a broader range of products and services than we do, or offer them at lower prices. There has been substantial price competition in the industry, including various free trade offers. We expect this competitive environment to continue in the future. We

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face direct competition from numerous retail brokerage firms, including E\*TRADE Financial Corporation, The Charles Schwab Corporation, Fidelity Investments and Scottrade, Inc. We also encounter competition from the broker-dealer affiliates of established full-commission brokerage firms, such as Merrill Lynch and Morgan Stanley Smith Barney, as well as from financial institutions, mutual fund sponsors and other organizations, some of which provide online brokerage services. Some of our competitors have greater financial, technical, marketing and other resources, offer a wider range of services and financial products, and have greater name recognition and a more extensive client base than we do. We believe that the general financial success of companies within the retail securities industry will continue to attract new competitors to the industry, such as banks, software development companies, insurance companies, providers of online financial information and others. These companies may provide a more comprehensive suite of services than we do. Increased competition, including pricing pressure, could have a material adverse effect on our results of operations and financial condition.

***We will need to introduce new products and services and enhance existing products and services to remain competitive.***

Our future success depends in part on our ability to develop and enhance our products and services. In addition, the adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to enhance or adapt our services or infrastructure. There are significant technical and financial costs and risks in the development of new or enhanced products and services, including the risk that we might be unable to effectively use new technologies, adapt our services to emerging industry standards or develop, introduce and market enhanced or new products and services. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability.

***We rely on external service providers to perform certain key functions.***

We rely on a number of external service providers for certain key technology, processing, service and support functions. These include the services of other broker-dealers, market makers and exchanges to execute client orders. We contract with external providers for futures and foreign exchange clearing and related back-office services. External content providers provide us with financial information, market news, charts, option and stock quotes, research reports and other fundamental data that we offer to clients. These service providers face technological and operational risks of their own. Any significant failures by them, including improper use or disclosure of our confidential client, employee or company information, could cause us to incur losses and could harm our reputation.

We cannot assure that any external service providers will be able to continue to provide these services in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet our needs. An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial constraints or problems, unanticipated trading market closures or for any other reason, and our inability to make alternative arrangements in a smooth and timely manner, if at all, could have a material adverse effect on our business, results of operations and financial condition.

## **Risk Factors Relating to the Regulatory Environment**

***Recent legislation will result in changes to rules and regulations applicable to our business, which may negatively impact our business and financial results.***

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) was signed into law. The Dodd-Frank Act requires many federal agencies to adopt new rules and regulations that will apply to the financial services industry and also calls for many studies regarding various industry practices. In particular, the Dodd-Frank Act gives the SEC discretion to adopt rules regarding standards of conduct for broker-dealers providing

investment advice to retail customers. The various studies required by the legislation could result in additional rulemaking or legislative action, which could negatively impact our business and financial results. While we have not yet been required to make material changes to our business or operations as a result of the Dodd-Frank Act, it is not certain what the scope of future rulemaking or interpretive guidance from the SEC, FINRA, banking regulators and other regulatory agencies may be, and what impact this will have on our compliance costs, business, operations and profitability.

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Our profitability could also be affected by rules and regulations that impact the business and financial communities generally, including changes to the laws governing banking, fiduciary duties, conflicts of interest, taxation, electronic commerce, client privacy and security of client data.

***Failure to comply with net capital requirements could adversely affect our business.***

The SEC, FINRA, CFTC, NFA and various other regulatory agencies have stringent rules with respect to the maintenance of specific levels of net capital by securities broker-dealers. Net capital is a measure, defined by the SEC, of a broker-dealer's readily available liquid assets, reduced by its total liabilities other than approved subordinated debt. Our broker-dealer subsidiaries are required to comply with net capital requirements. If we fail to maintain the required net capital, the SEC could suspend or revoke our registration, or FINRA could expel us from membership, which could ultimately lead to our liquidation, or they could impose censures, fines or other sanctions. If the net capital rules are changed or expanded, or if there is an unusually large charge against net capital, then our operations that require capital could be limited. A large operating loss or charge against net capital could have a material adverse effect on our ability to maintain or expand our business.

***Regulatory uncertainties could harm our business.***

The securities industry is subject to extensive regulation and broker-dealers are subject to regulations covering all aspects of the securities business. The SEC, FINRA, CFTC, NFA, Department of Labor and other self-regulatory organizations and state and foreign regulators can, among other things, censure, fine, issue cease-and-desist orders to, suspend or expel a broker-dealer or any of its officers or employees. We could fail to establish and enforce procedures to comply with applicable regulations, which could have a material adverse effect on our business.

Our Web sites are accessible world-wide over the Internet, and we currently have account holders located outside the United States. These accounts comprise approximately 1.5% of our total accounts and are spread across many jurisdictions. Adverse action by foreign regulators with respect to regulatory compliance by us in foreign jurisdictions could adversely affect our revenues from clients in such countries or regions.

Various regulatory and enforcement agencies have been reviewing the following areas, among others, related to the brokerage industry:

sales practices and suitability of financial products and services;

money market mutual funds;

mutual fund and exchange-traded fund trading;

anti-money laundering policies and procedures;

client cash sweep arrangements;

regulatory reporting obligations;

risk management;

valuation of financial instruments;

best execution practices;

client privacy;

system security and safeguarding practices;

advertising claims;

brokerage services provided to investment advisors;

systemic risk;

fraud detection;

market access and manipulative trading;

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trading in low-priced securities;

use of social media; and

financial and liquidity risk.

These reviews could result in enforcement actions, fines, penalties, significant new regulations or clarification of existing regulations, which could adversely affect our operations.

In addition, we use the Internet as a major distribution channel to provide services to our clients. A number of regulatory agencies have adopted regulations regarding client privacy, system security and safeguarding practices and the use of client information by service providers. Additional laws and regulations relating to the Internet and safeguarding practices could be adopted in the future, including laws related to identity theft and regulations regarding the pricing, taxation, content and quality of products and services delivered over the Internet. Complying with these laws and regulations may be expensive and time-consuming and could limit our ability to use the Internet as a distribution channel, which would have a material adverse effect on our business and profitability.

***We are subject to litigation and regulatory investigations and proceedings and may not always be successful in defending against such claims and proceedings.***

The financial services industry faces substantial litigation and regulatory risks. We are subject to arbitration claims and lawsuits in the ordinary course of our business, as well as class actions and other significant litigation. We also are the subject of inquiries, investigations and proceedings by regulatory and other governmental agencies. Actions brought against us may result in settlements, awards, injunctions, fines, penalties and other results adverse to us. Predicting the outcome of such matters is inherently difficult, particularly where claims are brought on behalf of various classes of claimants or by a large number of claimants, when claimants seek substantial or unspecified damages or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine or penalty could be material to our operating results or cash flows for a particular period, depending on our results for that period, or could cause us significant reputational harm, which could harm our business prospects. In market downturns, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against financial services companies have historically increased. We are also increasingly subject to litigation claims from third parties alleging infringement of their intellectual property rights. Such litigation can require the expenditure of significant resources, regardless of whether the claims have merit. If we were found to have infringed a third-party patent or other intellectual property right, then we could incur substantial liability and in some circumstances could be enjoined from using the relevant technology or providing related products and services, which could have a material adverse effect on our business and results of operations.

## **Risk Factors Relating to Strategic Acquisitions and the Integration of Acquired Operations**

***Acquisitions involve risks that could adversely affect our business.***

We intend to pursue strategic acquisitions of businesses and technologies. Acquisitions may entail numerous risks, including:

difficulties in the integration of acquired operations, services and products;

failure to achieve expected synergies;

diversion of management's attention from other business concerns;

assumption of unknown material liabilities of acquired companies;

amortization of acquired intangible assets, which could reduce future reported earnings;

potential loss of clients or key employees of acquired companies; and

dilution to existing stockholders.

As part of our growth strategy, we regularly consider, and from time to time engage in, discussions and negotiations regarding strategic transactions, such as acquisitions, mergers and combinations within our industry.

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The purchase price for possible acquisitions could be paid in cash, through the issuance of common stock or other securities, borrowings or a combination of these methods.

We cannot be certain that we will be able to continue to identify, consummate and successfully integrate strategic transactions, and no assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. For example, we could begin negotiations that we subsequently decide to suspend or terminate for a variety of reasons. However, opportunities may arise from time to time that we will evaluate. Any transactions that we consummate would involve risks and uncertainties to us. These risks could cause the failure of any anticipated benefits of an acquisition to be realized, which could have a material adverse effect on our revenues and profitability.

## **Risk Factors Relating to Owning Our Stock**

*The market price of our common stock has experienced, and may continue to experience, substantial volatility.*

Our common stock, and the U.S. securities markets in general, can experience significant price fluctuations. The market prices of securities of financial services companies, in particular, have been especially volatile. The price of our common stock could decrease substantially. Among the factors that may affect our stock price are the following:

speculation in the investment community or the press about, or actual changes in, our competitive position, organizational structure, executive team, operations, financial condition, financial reporting and results, effectiveness of cost reduction initiatives, or strategic transactions;

the announcement of new products, services, acquisitions, or dispositions by us or our competitors; and

increases or decreases in revenue or earnings, changes in earnings estimates by the investment community, and variations between estimated financial results and actual financial results.

Changes in the stock market generally or as it concerns our industry, as well as geopolitical, economic, and business factors unrelated to us, may also affect our stock price.

Because the market price of our common stock can fluctuate significantly, we could become the object of securities class action litigation, which could result in substantial costs and a diversion of management's attention and resources and could have a material adverse effect on our business and the price of our common stock.

*We are restricted by the terms of our revolving credit facilities and senior notes.*

Our senior unsecured revolving credit facilities contain various negative covenants and restrictions that may limit our ability to:

incur additional indebtedness;

create liens;

sell all or substantially all of our assets;

change the nature of our business;

merge or consolidate with another entity; and



conduct transactions with affiliates.

Under our revolving credit facilities, we are also required to maintain compliance with a maximum consolidated leverage ratio covenant (not to exceed 3.00:1.00) and a minimum consolidated interest coverage ratio covenant (not less than 4.00:1.00). TDAC is required to maintain compliance with a minimum consolidated tangible net worth covenant and our broker-dealer subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. As a result of the covenants and restrictions contained in the revolving credit facilities and our senior unsecured notes, we are limited in how we conduct our business. We cannot guarantee that we will be able to remain in compliance with these covenants or be able to obtain waivers for noncompliance in the

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future. A failure to comply with these covenants could have a material adverse effect on our financial condition by impairing our ability to secure and maintain financing.

***Our corporate debt level may limit our ability to obtain additional financing.***

As of September 30, 2011, we had approximately \$1.3 billion of long-term debt. Our ability to meet our cash requirements, including our debt service obligations, is dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are or may be beyond our control. We cannot provide assurance that our business will generate sufficient cash flows from operations to fund our cash requirements. If we are unable to meet our cash requirements from operations, we would be required to obtain alternative financing. The degree to which we may be leveraged as a result of the indebtedness we have incurred could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes, could make us more vulnerable to industry downturns and competitive pressures or could limit our flexibility in planning for, or reacting to, changes and opportunities in our industry, which may place us at a competitive disadvantage. There can be no assurance that we would be able to obtain alternative financing, that any such financing would be on acceptable terms or that we would be permitted to do so under the terms of existing financing arrangements. In the absence of such financing, our ability to respond to changing business and economic conditions, make future acquisitions, react to adverse operating results, meet our debt service obligations or fund required capital expenditures could be materially and adversely affected.

***Our business, financial position, and results of operations could be harmed by adverse rating actions by credit rating agencies.***

If our counterparty credit rating or the credit ratings of our outstanding indebtedness are downgraded, or if rating agencies indicate that a downgrade may occur, our business, financial position, and results of operations could be adversely affected and perceptions of our financial strength could be damaged. A downgrade would have the effect of increasing our incremental borrowing costs and could decrease the availability of funds for borrowing. In addition, a downgrade could adversely affect our relationships with our clients.

***TD and the Ricketts holders exercise significant influence over TD Ameritrade.***

As of September 30, 2011, TD and J. Joe Ricketts, our founder, members of his family and trusts held for their benefit (which we collectively refer to as the Ricketts holders), owned approximately 45% and 15%, respectively, of our outstanding common stock. As a result, TD and the Ricketts holders have the ability to significantly influence the outcome of any matter submitted for the vote of our stockholders. TD is permitted under a stockholders agreement to exercise voting rights only with respect to 45% of our outstanding shares of common stock until termination of the stockholders agreement (which will occur no later than January 24, 2016). There is no restriction on the ability of TD to vote its shares following the complete termination of the stockholders agreement. Under the stockholders agreement, if our stock repurchases cause TD's ownership percentage to increase, TD is only permitted to own up to 48% of our outstanding common stock and has until January 24, 2014 to reduce its ownership to 45%. The Ricketts holders are permitted under the stockholders agreement to own up to 29% of our outstanding common stock, with no restriction on the number of shares they may own following the termination of the stockholders agreement. As a result of their significant share ownership in TD Ameritrade, TD or the Ricketts holders may have the power, subject to applicable law, to significantly influence actions that might be favorable to TD or the Ricketts holders, but not necessarily favorable to our other stockholders.

The stockholders agreement also provides that TD may designate five of the twelve members of our board of directors and the Ricketts holders may designate three of the twelve members of our board of directors, subject to adjustment based on their respective ownership positions in TD Ameritrade. As of September 30, 2011, based on their ownership

positions, TD and the Ricketts holders may designate five and two of the twelve members of our board of directors, respectively. Accordingly, TD and the Ricketts holders are able to significantly influence the outcome of all matters that come before our board.

The ownership position and governance rights of TD and the Ricketts holders could also discourage a third party from proposing a change of control or other strategic transaction concerning TD Ameritrade. As a result, our

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common stock could trade at prices that do not reflect a takeover premium to the same extent as do the stocks of similarly situated companies that do not have a stockholder with an ownership interest as large as TD's and the Ricketts holders' combined ownership interest.

***We have extensive relationships and business transactions with TD and some of its affiliates, which if terminated or modified could have a material adverse effect on our business, financial condition and results of operations.***

We have extensive relationships and business transactions with TD and certain of its affiliates. The insured deposit account agreement and mutual fund agreements between us and affiliates of TD provide a significant portion of our revenue. During fiscal 2011, net revenues related to these agreements accounted for approximately 28% of our net revenues. The termination or modification of these agreements without replacing them with comparable terms, which may not be available, could have a material adverse effect on our business, financial condition and results of operations.

***Conflicts of interest may arise between TD Ameritrade and TD, which may be resolved in a manner that adversely affects our business, financial condition or results of operations.***

Conflicts of interest may arise between us and TD in areas relating to past, ongoing and future relationships, including corporate opportunities, potential acquisitions or financing transactions, sales or other dispositions by TD of its interests in TD Ameritrade and the exercise by TD of its influence over our management and affairs. Some of the directors on our board are persons who are also officers or directors of TD or its subsidiaries. Service as a director or officer of both TD Ameritrade and TD or its other subsidiaries could create conflicts of interest if such directors or officers are faced with decisions that could have materially different implications for us and for TD. Our amended and restated certificate of incorporation contains provisions relating to the avoidance of direct competition between us and TD. In addition, an independent committee of our board of directors reviews and approves transactions with TD and its affiliates. We have not established any other formal procedures to resolve potential or actual conflicts of interest between us and TD. There can be no assurance that any of the foregoing potential conflicts would be resolved in a manner that does not adversely affect our business, financial condition or results of operations. In addition, the provisions of the stockholders agreement related to non-competition are subject to numerous exceptions and qualifications and may not prevent us and TD from competing with each other to some degree in the future.

***The terms of the stockholders agreement, our charter documents and Delaware law could inhibit a takeover that stockholders may consider favorable.***

Provisions in the stockholders agreement among TD and the Ricketts holders, our certificate of incorporation and bylaws and Delaware law will make it difficult for any party to acquire control of us in a transaction not approved by the requisite number of directors. These provisions include:

- the presence of a classified board of directors;
- the ability of the board of directors to issue and determine the terms of preferred stock;
- advance notice requirements for inclusion of stockholder proposals at stockholder meetings; and
- the anti-takeover provisions of Delaware law.

These provisions could delay or prevent a change of control or change in management that might provide stockholders with a premium to the market price of their common stock.

***Our future ability to pay regular dividends to holders of our common stock is subject to the discretion of our board of directors and will be limited by our ability to generate sufficient earnings and cash flows.***

On October 26, 2010, we declared the first quarterly cash dividend on our common stock. Any future payment of dividends will depend on our ability to generate earnings and cash flows. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend upon a number of factors that the board of directors deems relevant, including future

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earnings, the success of our business activities, capital requirements, the general financial condition and future prospects of our business and general business conditions. If we are unable to generate sufficient earnings and cash flows from our business, we may not be able to pay dividends on our common stock.

Our ability to pay cash dividends on our common stock is also dependent on the ability of our subsidiaries to pay dividends to the parent company. Some of our subsidiaries are subject to requirements of the SEC, FINRA, the CFTC, the NFA and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company.

### **Item 1B. *Unresolved Staff Comments***

None.

### **Item 2. *Properties***

Our corporate headquarters is located in Omaha, Nebraska and occupies approximately 74,000 square feet of leased space. The lease expires in April 2019. In the Omaha metropolitan area, we also lease approximately 398,000 square feet of building space for administrative and operational facilities. The leases on these other Omaha-area locations expire on various dates from 2012 through 2020. We are currently constructing new facilities in Omaha on land we purchased to create a corporate campus. The transition to the new campus is scheduled to take place in phases and to be completed in 2013.

We lease approximately 190,000 and 140,000 square feet of building space for additional operations centers in Jersey City, New Jersey and Ft. Worth, Texas, respectively. The Jersey City and Ft. Worth leases expire in 2020 and 2015, respectively. We lease smaller administrative and operational facilities in California, Colorado, Illinois, Maryland, Texas and Utah. We also lease over 100 branch offices located in large metropolitan areas in 34 states. We believe that our facilities are suitable and adequate to meet our needs.

### **Item 3. *Legal Proceedings***

*Spam Litigation* A purported class action, captioned *Elvey v. TD Ameritrade, Inc.*, was filed on May 31, 2007 in the United States District Court for the Northern District of California. The complaint alleged that there was a breach in TD Ameritrade, Inc.'s systems, which allowed access to e-mail addresses and other personal information of account holders, and that as a result account holders received unsolicited e-mail from spammers promoting certain stocks and have been subjected to an increased risk of identity theft. The complaint requested unspecified damages and injunctive and other equitable relief. A second lawsuit, captioned *Zigler v. TD Ameritrade, Inc.*, was filed on September 26, 2007, in the same jurisdiction on behalf of a purported nationwide class of account holders. The factual allegations of the complaint and the relief sought were substantially the same as those in the first lawsuit. The cases were consolidated under the caption *In re TD Ameritrade Account Holders Litigation* and a consolidated complaint was filed. The Company hired an independent consultant to investigate whether identity theft occurred as a result of the breach. The consultant conducted four investigations from August 2007 to June 2008 and reported that it found no evidence of identity theft. On September 12, 2011, TD Ameritrade, Inc. received final Court approval of a class settlement agreement between TD Ameritrade, Inc. and plaintiffs Richard Holober and Brad Zigler. Under the settlement, the Company will pay no less than \$2.5 million in settlement benefits. Total compensation to be paid to all eligible members of the settlement class will not exceed \$6.5 million, inclusive of any award of attorneys' fees and costs. In addition, the settlement agreement provides that the Company will retain an independent information technology security consultant to assess whether the Company has met certain information technology security standards.

*Reserve Fund Matters* During September 2008, The Reserve, an independent mutual fund company, announced that the net asset value of the Reserve Yield Plus Fund declined below \$1.00 per share. The Yield Plus Fund was not a money market mutual fund, but its stated objective was to maintain a net asset value of \$1.00 per share. TD Ameritrade, Inc.'s clients continue to hold shares in the Yield Plus Fund (now known as Yield Plus Fund In Liquidation), which is being liquidated. On July 23, 2010, The Reserve announced that through that date it had distributed approximately 94.8% of the Yield Plus Fund assets as of September 15, 2008 and that the Yield Plus Fund had approximately \$39.7 million in total remaining assets. The Reserve stated that the fund's Board

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of Trustees has set aside almost the entire amount of the remaining assets to cover potential claims, fees and expenses. The Company estimates that TD Ameritrade, Inc. clients' current positions held in the Reserve Yield Plus Fund amount to approximately 79% of the fund.

TD Ameritrade, Inc. has received subpoenas and other requests for documents and information from the SEC and other regulatory authorities regarding TD Ameritrade, Inc.'s offering of the Yield Plus Fund to clients. TD Ameritrade, Inc. is cooperating with the investigations and requests. On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, agreeing to the entry of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (Order). In the Order, the SEC finds that TD Ameritrade, Inc. failed reasonably to supervise its registered representatives with a view to preventing their violations of Section 17(a)(2) of the Securities Act of 1933 in connection with their offer and sale of the Yield Plus Fund. TD Ameritrade, Inc. did not admit or deny any of the findings in the Order, and no fine was imposed. Under the settlement agreement, TD Ameritrade, Inc. agreed to pay \$0.012 per share to all eligible current or former clients that purchased shares of the Yield Plus Fund and continued to own those shares. Clients who purchased Yield Plus Fund shares through independent registered investment advisors were not eligible for the payment. In February 2011, the Company paid clients approximately \$10 million under the settlement agreement.

The Pennsylvania Securities Commission has filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. An administrative hearing will be held to determine whether there have been violations of certain provisions of the Pennsylvania Securities Act of 1972 and rules thereunder and to determine what, if any, administrative sanctions should be imposed. TD Ameritrade, Inc. is defending the action.

In November 2008, a purported class action lawsuit was filed with respect to the Yield Plus Fund. The lawsuit is captioned *Ross v. Reserve Management Company, Inc. et al.* and is pending in the U.S. District Court for the Southern District of New York. The Ross lawsuit is on behalf of persons who purchased shares of Reserve Yield Plus Fund. On November 20, 2009, the plaintiffs filed a first amended complaint naming as defendants the fund's advisor, certain of its affiliates and the Company and certain of its directors, officers and shareholders as alleged control persons. The complaint alleges claims of violations of the federal securities laws and other claims based on allegations that false and misleading statements and omissions were made in the Reserve Yield Plus Fund prospectuses and in other statements regarding the fund. The complaint seeks an unspecified amount of compensatory damages including interest, attorneys' fees, rescission, exemplary damages and equitable relief. On January 19, 2010, the defendants submitted motions to dismiss the complaint. The motions are pending.

The Company estimates that its clients' current aggregate shortfall, based on the original par value of their holdings in the Yield Plus Fund, less the value of fund distributions to date and the value of payments under the Company's SEC settlement, is approximately \$37 million. This amount does not take into account any assets remaining in the fund that may become available for future distributions.

The Company is unable to predict the outcome or the timing of the ultimate resolution of the Pennsylvania action and the Ross lawsuit, or the potential loss, if any, that may result from these unresolved matters. However, management believes the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

*Other Legal and Regulatory Matters* The Company is subject to other lawsuits, arbitrations, claims and other legal proceedings in connection with its business. Some of these legal actions include claims for substantial or unspecified compensatory and/or punitive damages. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company's financial condition, results of operations and cash flows or could cause the Company significant reputational harm. Management believes the Company has adequate legal



defenses with respect to these legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, if any, that may result from these matters.

In the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other

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sanctions. Management believes the outcome of any resulting actions will not be material to the Company's financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Price Range of Common Stock**

Our common stock trades on the Nasdaq Global Select Market under the symbol AMTD. The following table shows the high and low sales prices for our common stock for the periods indicated, as reported by the Nasdaq Global Select Market. The prices reflect inter-dealer prices and do not include retail markups, markdowns or commissions.

	<b>Common Stock Price</b>			
	<b>For the Fiscal Year Ended September 30, 2011</b>		<b>2010</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 19.01	\$ 15.90	\$ 21.30	\$ 17.91
Second Quarter	\$ 22.90	\$ 18.44	\$ 20.06	\$ 16.55
Third Quarter	\$ 22.60	\$ 18.44	\$ 20.58	\$ 15.18
Fourth Quarter	\$ 20.76	\$ 13.43	\$ 16.98	\$ 14.53

The closing sale price of our common stock as reported on the Nasdaq Global Select Market on November 3, 2011 was \$17.06 per share. As of that date there were 862 holders of record of our common stock based on information provided by our transfer agent. The number of stockholders of record does not reflect the number of individual or institutional stockholders that beneficially own our stock because most stock is held in the name of nominees. Based on information available to us, we believe there are approximately 111,000 beneficial holders of our common stock.

**Dividends**

We declared a \$0.05 per share quarterly cash dividend on our common stock during each quarter of fiscal 2011. We did not declare or pay cash dividends on our common stock during fiscal 2010. On October 20, 2011, we declared a \$0.06 per share quarterly cash dividend, which is payable on November 15, 2011 to all holders of record of our common stock as of November 1, 2011. The payment of any future dividends will be at the discretion of our board of directors and will depend upon a number of factors that the board of directors deems relevant, including future earnings, the success of our business activities, capital requirements, the general financial condition and future prospects of our business and general business conditions.

Our ability to pay cash dividends on our common stock is also dependent on the ability of our subsidiaries to pay dividends to the parent company. Some of our subsidiaries are subject to requirements of the SEC, FINRA, the CFTC, the NFA and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company. See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources for further information.

**Securities Authorized for Issuance Under Equity Compensation Plans**

Information about securities authorized for issuance under the Company's equity compensation plans is contained in Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

**Table of Contents****Performance Graph**

*The following Company common stock performance information is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act and shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933, as amended, or the Exchange Act.*

The following graph and table set forth information comparing the cumulative total return through the end of the Company's most recent fiscal year from a \$100 investment on September 29, 2006 in the Company's common stock, a broad-based stock index and the stocks comprising an industry peer group.

Index	Period Ended					
	9/29/06	9/30/07	9/30/08	9/30/09	9/30/10	9/30/11
TD Ameritrade Holding Corporation	100.00	96.66	88.44	104.14	85.68	78.83
S&P 500	100.00	116.44	90.85	84.58	93.17	94.24
Peer Group	100.00	105.26	110.07	81.62	60.72	48.04

The Peer Group is comprised of the following companies that have significant retail brokerage operations:

E\*TRADE Financial Corporation  
The Charles Schwab Corporation

Table of Contents**Purchases of Equity Securities by the Issuer and Affiliated Purchasers****ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
July 1, 2011 – July 31, 2011	2,114,696	\$ 18.91	2,100,859	17,888,170
August 1, 2011 – August 31, 2011	5,311,651	\$ 14.99	5,311,651	12,576,519
September 1, 2011 – September 30, 2011	5,844,486	\$ 14.49	5,831,870	6,744,649
Total – Three months ended September 30, 2011	13,270,833	\$ 15.39	13,244,380	6,744,649

On August 5, 2010, our board of directors authorized the repurchase of up to 30 million shares of our common stock. We disclosed this authorization on August 9, 2010 in our quarterly report on Form 10-Q. This program was the only stock repurchase program in effect and no programs expired during the fourth quarter of fiscal 2011.

During the quarter ended September 30, 2011, 26,453 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

**Item 6. Selected Financial Data**

	2011	Fiscal Year Ended September 30,			2007
		2010	2009	2008	
	(In thousands, except per share amounts)				
<b>Consolidated Statements of Income Data:</b>					
Net revenues	\$ 2,762,659	\$ 2,560,691	\$ 2,407,926	\$ 2,537,356	\$ 2,176,946
Operating income	1,047,842	965,373	1,101,478	1,341,021	1,146,995
Net income	637,753	592,188	643,705	803,917	645,900
Earnings per share – basic	\$ 1.12	\$ 1.01	\$ 1.11	\$ 1.35	\$ 1.08
Earnings per share – diluted	\$ 1.11	\$ 1.00	\$ 1.10	\$ 1.33	\$ 1.06
Weighted average shares outstanding – basic	570,314	585,128	578,972	593,746	598,503
Weighted average shares outstanding – diluted	576,462	591,922	587,252	603,133	608,263

Dividends declared per share	\$	0.20	\$	0.00	\$	0.00	\$	0.00	\$	0.00
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**As of September 30,**  
**2009**  
**(In thousands)**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Consolidated Balance Sheet</b>					
<b>Data:</b>					
Cash and cash equivalents	\$ 1,031,963	\$ 741,492	\$ 791,211	\$ 674,135	\$ 413,787
Total assets	17,125,762	14,726,918	18,371,810	15,951,522	18,092,443
Long-term obligations	1,347,573	1,323,068	1,443,465	1,444,544	1,481,948
Stockholders' equity	4,115,817	3,771,879	3,551,283	2,925,038	2,154,921

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by,

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followed by or that include the words may, could, would, should, believe, expect, anticipate, plan, estimate, project, intend and similar words or expressions. In particular, forward-looking statements contained in this discussion include our expectations regarding: the effect of client trading activity on our results of operations; the effect of changes in interest rates on our net interest spread; average commissions and transaction fees per trade; amounts of commissions and transaction fees, asset-based revenues and other revenues; the effect of our migration of client cash balances into the insured deposit account offering; amounts of total operating expenses and other expenses; our effective income tax rate; our capital and liquidity needs and our plans to finance such needs; and the impact of recently issued accounting pronouncements.

The Company's actual results could differ materially from those anticipated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to: general economic and political conditions and other securities industry risks; fluctuations in interest rates; stock market fluctuations and changes in client trading activity; credit risk with clients and counterparties; increased competition; systems failures, delays and capacity constraints; network security risks; liquidity risk; new laws and regulations affecting our business; regulatory and legal matters and uncertainties and the other risks and uncertainties set forth under Item 1A. Risk Factors of this Form 10-K. The forward-looking statements contained in this report speak only as of the date on which the statements were made. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

**Glossary of Terms**

In discussing and analyzing our business, we utilize several metrics and other terms that are defined in the following Glossary of Terms. *Italics* indicate other defined terms that appear elsewhere in the Glossary. The term "GAAP" refers to U.S. generally accepted accounting principles.

*Activity rate* =  $\frac{\text{funded accounts} \times \text{Average client trades per day}}{\text{funded accounts}}$  during the period divided by the average number of *funded accounts* during the period.

*Asset-based revenues* = Revenues consisting of (1) *net interest revenue*, (2) *insured deposit account fees* and (3) *investment product fees*. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average *client margin balances*, average *segregated cash balances*, average *client credit balances*, average *client insured deposit account balances*, average *fee-based investment balances* and average *securities borrowing and securities lending balances*. Average rates consist of the average interest rates and fees earned and paid on such balances.

*Average client trades per funded account (annualized)* =  $\frac{\text{Total trades}}{\text{funded accounts}}$  during the period, annualized based on the number of *trading days* in the fiscal year.

*Average client trades per day* =  $\frac{\text{Total trades}}{\text{trading days}}$  divided by the number of *trading days* in the period. This metric is also known as *daily average revenue trades (DARTs)*.

*Average commissions and transaction fees per trade* =  $\frac{\text{Total commissions and transaction fee revenues as reported on the Company's Consolidated Statements of Income (excluding revenues from the active trader business acquired from thinkorswim Group Inc. (thinkorswim) and clearing revenues from TD Waterhouse UK)} \div \text{total trades}}{\text{total trades}}$  for the period. Commissions and transaction fee revenues primarily consist of trading commissions, revenue-sharing arrangements with market destinations (also referred to as *payment for order flow*) and markups on riskless principal transactions in fixed-income securities.

*Basis point* = When referring to interest rates, one basis point represents one one-hundredth of one percent.

*Beneficiary accounts* *Brokerage accounts* managed by a custodian, guardian, conservator or trustee on behalf of one or more beneficiaries. Examples include accounts maintained under the Uniform Gift to Minors Act (UGMA) or Uniform Transfer to Minors Act (UTMA), guardianship, conservatorship and trust arrangements and pension or profit plan for small business accounts.



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*Brokerage accounts* Accounts maintained by the Company on behalf of clients for securities brokerage activities. The primary types of brokerage accounts are *cash accounts*, *margin accounts*, *IRA accounts* and *beneficiary accounts*.

*Cash accounts* *Brokerage accounts* that do not have *margin account* approval.

*Client assets* The total value of cash and securities in *brokerage accounts*.

*Client cash and money market assets* The sum of all client cash balances, including *client credit balances* and client cash balances swept into *insured deposit accounts* or money market mutual funds.

*Client credit balances* Client cash held in *brokerage accounts*, excluding balances generated by client short sales on which no interest is paid. Interest paid on client credit balances is a reduction of *net interest revenue*. Client credit balances are included in payable to clients on our Consolidated Balance Sheets.

*Client margin balances* The total amount of cash loaned to clients in *margin accounts*. Such loans are secured by client assets. Interest earned on client margin balances is a component of *net interest revenue*. Client margin balances are included in receivable from clients on our Consolidated Balance Sheets.

*Conduit-based assets* Deposits paid on *securities borrowing* associated with our conduit-based securities borrowing/lending business. In our conduit business, we act as an intermediary by borrowing securities from one counterparty and lending the same securities to another counterparty. We generally earn a net interest spread equal to the excess of interest earned on *securities borrowing* deposits over the interest paid on *securities lending* deposits.

*Daily average revenue trades ( DARTs )* *Total trades* divided by the number of *trading days* in the period. This metric is also known as *average client trades per day*.

*EBITDA and EBITDA excluding investment gains/losses* EBITDA (earnings before interest, taxes, depreciation and amortization) and EBITDA excluding investment gains/losses are non-GAAP financial measures. We consider EBITDA and EBITDA excluding investment gains/losses to be important measures of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA is used as the denominator in the consolidated leverage ratio calculation for covenant purposes under our holding company's senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA excluding investment gains/losses also eliminates the effect of non-brokerage investment-related gains and losses that are not likely to be indicative of the ongoing operations of our business. EBITDA and EBITDA excluding investment gains/losses should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

*EPS excluding investment gains/losses* Earnings per share ( EPS ) excluding investment gains/losses is a non-GAAP financial measure. We define EPS excluding investment gains/losses as earnings (loss) per share, adjusted to remove the after-tax effect of non-brokerage investment-related gains and losses. We consider EPS excluding investment gains/losses an important measure of our financial performance. Gains/losses on non-brokerage investments and investment-related derivatives are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS excluding investment gains/losses should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

*EPS from ongoing operations* EPS from ongoing operations is a non-GAAP financial measure. We define EPS from ongoing operations as earnings (loss) per share, adjusted to remove any significant unusual gains or charges. We consider EPS from ongoing operations an important measure of the financial performance of our ongoing business.

Unusual gains and charges are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS from ongoing operations should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

*Fee-based investment balances* Client assets invested in money market mutual funds, other mutual funds and Company programs such as AdvisorDirect® and Amerinvest,™ on which we earn fee revenues. Fee revenues earned on these balances are included in *investment product fees* on our Consolidated Statements of Income.

*Funded accounts* All open client accounts with a total *liquidation value* greater than zero.

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*Insured deposit account* The Company is party to an Insured Deposit Account ( IDA ) agreement with TD Bank USA, N.A. ( TD Bank USA ), TD Bank, N.A. and The Toronto-Dominion Bank ( TD ). Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the Depository Institutions ) make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company a fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a flat fee to the Depository Institutions of 25 basis points and the cost of FDIC insurance premiums.

*Investment product fees* Revenues earned on *fee-based investment balances*. Investment product fees include fees earned on money market mutual funds, other mutual funds and through Company programs such as AdvisorDirect® and Amerivest™.

*IRA accounts (Individual Retirement Arrangements)* A personal trust account for the exclusive benefit of a U.S. individual (or his or her beneficiaries) that provides tax advantages in accumulating funds to save for retirement or other qualified purposes. These accounts are subject to numerous restrictions on additions to and withdrawals from the account, as well as prohibitions against certain investments or transactions conducted within the account. The Company offers traditional, Roth, Savings Incentive Match Plan for Employees (SIMPLE) and Simplified Employee Pension (SEP) IRA accounts.

*Liquid assets management target* Liquid assets management target is a non-GAAP financial measure. We define liquid assets management target as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management (\$50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). We include the excess capital of our broker-dealer subsidiaries in liquid assets management target, rather than simply including broker-dealer cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer subsidiaries to the parent company. Excess capital, as defined under clause (c) above, is generally available for dividend from the broker-dealer subsidiaries to the parent company. We consider liquid assets management target to be a measure that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. *Liquid assets regulatory threshold* is a related metric that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

*Liquid assets regulatory threshold* Liquid assets regulatory threshold is a non-GAAP financial measure. We define liquid assets regulatory threshold as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of 120% of the minimum dollar net capital requirement or in excess of 81/3% of aggregate indebtedness and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. We include the excess capital of our broker-dealer and trust company subsidiaries in liquid assets regulatory threshold, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined under clauses (c) and (d) above, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. We consider liquid assets regulatory threshold to be a measure that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances. *Liquid assets management target* is a related metric that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. Our liquid assets metrics should be considered as supplemental

measures of liquidity, rather than as substitutes for cash and cash equivalents.

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*Liquidation value* The net value of a client's account holdings as of the close of a regular trading session. Liquidation value includes client cash and the value of long security positions, less margin balances and the cost to buy back short security positions.

*Margin accounts* *Brokerage accounts* in which clients may borrow from the Company to buy securities or for any other purpose, subject to regulatory and Company-imposed limitations.

*Net interest margin ( NIM )* A measure of the net yield on our average *spread-based assets*. Net interest margin is calculated for a given period by dividing the annualized sum of *net interest revenue* (excluding *net interest revenue* from *conduit-based assets*) and *insured deposit account* fees by average *spread-based assets*.

*Net interest revenue* Net interest revenue is interest revenues less brokerage interest expense. Interest revenues are generated by charges to clients on margin balances maintained in *margin accounts*, the investment of cash from operations and *segregated cash* in short-term marketable securities and interest earned on *securities borrowing*. Brokerage interest expense consists of amounts paid or payable to clients based on credit balances maintained in *brokerage accounts* and interest incurred on *securities lending*. Brokerage interest expense does not include interest on Company non-brokerage borrowings.

*Net new assets* Consists of total client asset inflows, less total client asset outflows, excluding activity from business combinations. Client asset inflows include interest and dividend payments and exclude changes in client assets due to market fluctuations. Net new assets are measured based on the market value of the assets as of the date of the inflows and outflows.

*Net new asset growth rate (annualized)* Annualized *net new assets* as a percentage of *client assets* as of the beginning of the period.

*New accounts* The number of new client accounts (funded and unfunded) opened in a specified period.

*Operating expenses excluding advertising* Operating expenses excluding advertising is a non-GAAP financial measure. Operating expenses excluding advertising consists of total operating expenses, adjusted to remove advertising expense. We consider operating expenses excluding advertising an important measure of the financial performance of our ongoing business. Advertising spending is excluded because it is largely at the discretion of the Company, can vary significantly from period to period based on market conditions and generally relates to the acquisition of future revenues through new accounts rather than current revenues from existing accounts. Operating expenses excluding advertising should be considered in addition to, rather than as a substitute for, total operating expenses.

*Return on client assets (ROCA)* Annualized pre-tax income divided by average *client assets* during the period.

*Securities borrowing* We borrow securities temporarily from other broker-dealers in connection with our broker-dealer business. We deposit cash as collateral for the securities borrowed, and generally earn interest revenue on the cash deposited with the counterparty.

*Securities lending* We loan securities temporarily to other broker-dealers in connection with our broker-dealer business. We receive cash as collateral for the securities loaned, and generally incur interest expense on the cash deposited with us.

*Segregated cash* Client cash and investments segregated in compliance with Rule 15c3-3 of the Securities Exchange Act of 1934 (the Customer Protection Rule) and other regulations. Interest earned on segregated cash is a component

of *net interest revenue*.

*Spread-based assets* Client and brokerage-related asset balances, including *client margin balances*, *segregated cash*, *insured deposit account* balances, deposits paid on *securities borrowing* (excluding *conduit-based assets*) and other cash and interest-earning investment balances. Spread-based assets is used in the calculation of our *net interest margin*.

*Total trades* Revenue-generating client securities trades, which are executed by the Company's broker-dealer subsidiaries, excluding trades related to the active trader business acquired from thinkorswim and trades

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processed for TD Waterhouse UK. Total trades are a significant source of the Company's revenues. Such trades include, but are not limited to, trades in equities, options, futures, foreign exchange, mutual funds and debt instruments. Trades generate revenue from commissions, markups on riskless principal transactions in fixed income securities, transaction fees and/or revenue-sharing arrangements with market destinations (also known as payment for order flow).

*Trading days* Days in which the U.S. equity markets are open for a full trading session. Reduced exchange trading sessions are treated as half trading days.

*Transaction-based revenues* Revenues generated from client trade execution, consisting primarily of commissions, markups on riskless principal transactions in fixed income securities, transaction clearing fees and revenue sharing arrangements with market destinations (also known as payment for order flow).

## **Financial Statement Overview**

We provide securities brokerage and clearing services to our clients through our introducing and clearing broker-dealers. Substantially all of our net revenues are derived from our brokerage activities and clearing and execution services. Our primary focus is serving retail clients and independent registered investment advisors by providing services with straightforward, affordable pricing.

Our largest sources of revenues are asset-based revenues and transaction-based revenues. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average client margin balances, average segregated cash balances, average client credit balances, average client insured deposit account balances, average fee-based investment balances and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also receive payment for order flow, which results from arrangements we have with many execution agents to receive cash payments in exchange for routing trade orders to these firms for execution. Payment for order flow revenue is included in commissions and transaction fees on our Consolidated Statements of Income.

Our largest operating expense generally is employee compensation and benefits. Employee compensation and benefits expense includes salaries, bonuses, stock-based compensation, group insurance, contributions to benefit programs, recruitment, severance and other related employee costs.

Clearing and execution costs include incremental third-party expenses that tend to fluctuate as a result of fluctuations in client accounts or trades. Examples of expenses included in this category are outsourced clearing services, statement and confirmation processing and postage costs and clearing expenses paid to the National Securities Clearing Corporation, option exchanges and other market centers. Communications expense includes telecommunications, other postage, news and quote costs. Occupancy and equipment costs include the costs of leasing and maintaining our office spaces and the lease expenses on computer and other equipment. Depreciation and amortization includes depreciation on property and equipment and amortization of leasehold improvements. Amortization of acquired intangible assets consists of amortization of amounts allocated to the value of intangible assets acquired in business combinations.

Professional services expense includes costs paid to outside firms for assistance with legal, accounting, technology, regulatory, marketing and general management issues. Advertising costs include production and placement of advertisements in various media, including online, television, print and direct mail, as well as client promotion and development costs. Advertising expenses may fluctuate significantly from period to period.

(Gains) losses on money market funds and client guarantees include gains and losses related to: (a) money market fund holdings and (b) our guarantee related to auction rate securities ( ARS ) settlement agreements. See Guarantees under Note 14 of the Notes to Consolidated Financial Statements for information regarding the ARS settlement agreements. Other operating expenses include provision for bad debt losses, fraud and error losses, gains or losses on disposal of property, insurance expenses, travel expenses and other miscellaneous expenses.



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Interest on borrowings consists of interest expense on our long-term debt, capital leases and other borrowings. Loss on debt refinancing consists of charges to write off the unamortized balance of debt issuance costs associated with credit facilities that were refinanced or replaced. (Gain) loss on sale of investments represents gains and losses realized on the sale of corporate (non broker-dealer) investments.

## **Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1, under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements, of this Form 10-K contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions. We believe that the following areas are particularly subject to management's judgments and estimates and could materially affect our results of operations and financial position.

### ***Valuation of goodwill and acquired intangible assets***

We test goodwill for impairment on at least an annual basis, or whenever events and circumstances indicate that the carrying value may not be recoverable. In performing the impairment tests, we utilize quoted market prices of our common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to our reporting units, if applicable, based on operating revenues, and is compared with the carrying value of the reporting units. No impairment charges have resulted from our annual impairment tests. We review our acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. We evaluate recoverability by comparing the undiscounted cash flows associated with the asset to the asset's carrying amount. We also evaluate the remaining useful lives of intangible assets each reporting period to determine if events or trends warrant a revision to the remaining period of amortization. We have had no events or trends that have warranted a material revision to the originally estimated useful lives.

### ***Valuation of stock-based compensation***

Stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period based on the number of awards for which the requisite service is expected to be rendered. We must make assumptions regarding the number of stock-based awards that will be forfeited. For performance-based awards, we must also make assumptions regarding the likelihood of achieving performance goals. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

### ***Estimates of effective income tax rates, deferred income taxes and related valuation allowances***

We estimate our income tax expense based on the various jurisdictions where we conduct business. This requires us to estimate our current income tax obligations and to assess temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities. Temporary differences result in deferred income tax assets and liabilities. We must evaluate the likelihood that deferred income tax assets will be realized. To the extent we determine that realization is not more likely than not, we establish a valuation allowance. Establishing or increasing a valuation allowance results in a corresponding increase to income tax expense in our Consolidated Statements of Income. Conversely, to the extent circumstances indicate that a valuation allowance can be reduced or is no longer necessary, that portion of the valuation allowance is reversed, reducing income tax expense.

We must make significant judgments to calculate our provision for income taxes, our deferred income tax assets and liabilities and any valuation allowance against our deferred income tax assets. We must also exercise judgment in

determining the need for, and amount of, any accruals for uncertain tax positions. Because the application of tax laws and regulations to many types of transactions is subject to varying interpretations, amounts reported in our consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities.

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### ***Accruals for contingent liabilities***

Accruals for contingent liabilities, such as legal and regulatory claims and proceedings, reflect an estimate of probable losses for each matter. In making such estimates, we consider many factors, including the progress of the matter, prior experience and the experience of others in similar matters, available defenses, insurance coverage, indemnification provisions and the advice of legal counsel and other experts. In many matters, such as those in which substantial or indeterminate damages or fines are sought, or where cases or proceedings are in the early stages, it is not possible to determine whether a loss will be incurred, or to estimate the range of that loss, until the matter is close to resolution, in which case no accrual is made until that time. Because matters may be resolved over long periods of time, accruals are adjusted as more information becomes available or when an event occurs requiring a change. Significant judgment is required in making these estimates, and the actual cost of resolving a matter may ultimately differ materially from the amount accrued.

### ***Valuation of guarantees***

We enter into guarantees in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. We record a liability for the estimated fair value of the guarantee at its inception. If actual results differ significantly from these estimates, our results of operations could be materially affected. For further details regarding our guarantees, see the following sections under Item 8, Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements: Guarantees under Note 14; Commitments and Contingencies and Insured Deposit Account Agreement under Note 18; Related Party Transactions.

### **Results of Operations**

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

Changes in average balances, especially client margin, credit, insured deposit account and mutual fund balances, may significantly impact our results of operations. Changes in interest rates also significantly impact our results of operations. We seek to mitigate interest rate risk by aligning the average duration of our interest-earning assets with that of our interest-bearing liabilities. We cannot predict the direction of interest rates or the levels of client balances. If interest rates rise, we generally expect to earn a larger net interest spread. Conversely, a falling interest rate environment generally would result in our earning a smaller net interest spread.

### ***Financial Performance Metrics***

Pre-tax income, net income, earnings per share and EBITDA are key metrics we use in evaluating our financial performance. EBITDA is a non-GAAP financial measure.

We consider EBITDA to be an important measure of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA is used as the denominator in the consolidated leverage ratio calculation for covenant purposes under our holding company's senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.



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The following table sets forth EBITDA in dollars and as a percentage of net revenues for the periods indicated, and provides reconciliations to net income, which is the most directly comparable GAAP measure (dollars in thousands):

	Fiscal Year Ended September 30,					
	2011		2010		2009	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
EBITDA	\$ 1,212,373	43.9%	\$ 1,114,438	43.5%	\$ 1,219,236	50.6%
Less:						
Depreciation and amortization	(66,759)	(2.4)%	(57,032)	(2.2)%	(45,891)	(1.9)%
Amortization of acquired intangible assets	(97,126)	(3.5)%	(100,463)	(3.9)%	(73,870)	(3.1)%
Interest on borrowings	(32,017)	(1.2)%	(44,858)	(1.8)%	(40,070)	(1.7)%
Provision for income taxes	(378,718)	(13.7)%	(319,897)	(12.5)%	(415,700)	(17.3)%
Net income	\$ 637,753	23.1%	\$ 592,188	23.1%	\$ 643,705	26.7%

Our EBITDA increased for fiscal 2011 compared to fiscal 2010, primarily due to an 8% increase in net revenues, partially offset by a 7% increase in total operating expenses. The increase in net revenues was due primarily to growth in average spread-based and other fee-based investment balances and an 8% increase in total client trades, partially offset by lower net interest margin earned on the spread-based balances and lower average commissions and transaction fees per trade. The increase in total operating expenses was due primarily to increases in employee compensation and benefits and professional services expenses during fiscal 2011 and the effect of a \$12.7 million gain on money market funds and client guarantees during fiscal 2010. Detailed analysis of net revenues and operating expenses is presented later in this discussion.

**Operating Metrics**

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For fiscal 2011, asset-based revenues and transaction-based revenues accounted for 51% and 44% of our net revenues, respectively. Asset-based revenues consist of (1) net interest revenue, (2) insured deposit account fees and (3) investment product fees. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average client margin balances, average segregated cash balances, average client credit balances, average client insured deposit account balances, average fee-based investment balances and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also consider client account and client asset metrics, although we believe they are generally of less significance to our results of operations for any particular period than our metrics for asset-based and transaction-based revenues.

**Asset-Based Revenue Metrics**

We calculate the return on our interest-earning assets (excluding conduit-based assets) and our insured deposit account balances using a measure we refer to as net interest margin. Net interest margin is calculated for a given period by dividing the annualized sum of net interest revenue (excluding net interest revenue from conduit-based assets) and insured deposit account fees by average spread-based assets. Spread-based assets consist of client and brokerage-related asset balances, including client margin balances, segregated cash, insured deposit account balances, deposits paid on securities borrowing (excluding conduit-based assets) and other cash and interest-

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earning investment balances. The following table sets forth net interest margin and average spread-based assets (dollars in millions):

	<b>2011</b>	<b>Fiscal Year 2010</b>	<b>2009</b>	<b>11 vs. 10 Increase/ (Decrease)</b>	<b>10 vs. 09 Increase/ (Decrease)</b>
Average interest-earning assets (excluding conduit business)	\$ 13,495	\$ 13,272	\$ 9,917	\$ 223	\$ 3,355
Average insured deposit account balances	48,537	39,187	22,003	9,350	17,184
Average spread-based balances	\$ 62,032	\$ 52,459	\$ 31,920	\$ 9,573	\$ 20,539
Net interest revenue (excluding conduit business)	\$ 491.6	\$ 420.9	\$ 342.7	\$ 70.7	\$ 78.2
Insured deposit account fee revenue	762.5	682.2	568.1	80.3	114.1
Spread-based revenue	\$ 1,254.1	\$ 1,103.1	\$ 910.8	\$ 151.0	\$ 192.3
Average yield interest-earning assets (excluding conduit business)	3.59%	3.13%	3.41%	0.46%	(0.28)%
Average yield insured deposit account fees	1.55%	1.72%	2.55%	(0.17)%	(0.83)%
Net interest margin (NIM)	1.99%	2.07%	2.81%	(0.08)%	(0.74)%

The following tables set forth key metrics that we use in analyzing net interest revenue, which, exclusive of the conduit business, is a component of net interest margin (dollars in millions):

	<b>Interest Revenue (Expense)</b>			<b>11 vs. 10</b>	<b>10 vs. 09</b>
	<b>Fiscal Year</b>			<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Segregated cash	\$ 2.2	\$ 6.3	\$ 6.6	\$ (4.1)	\$ (0.3)
Client margin balances	389.5	333.1	234.2	56.4	98.9
Securities borrowing (excluding conduit business)	102.9	84.9	105.4	18.0	(20.5)
Other cash and interest-earning investments	1.3	1.7	4.9	(0.4)	(3.2)
Client credit balances	(1.7)	(2.9)	(4.1)	1.2	1.2
Securities lending (excluding conduit business)	(2.6)	(2.2)	(4.3)	(0.4)	2.1
Net interest revenue (excluding conduit business)	491.6	420.9	342.7	70.7	78.2
Securities borrowing conduit business	0.8	1.7	10.9	(0.9)	(9.2)
Securities lending conduit business	(0.6)	(0.9)	(6.7)	0.3	5.8
Net interest revenue	\$ 491.8	\$ 421.7	\$ 346.9	\$ 70.1	\$ 74.8





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	Average Balance Fiscal Year			11 vs. 10	10 vs. 09
	2011	2010	2009	% Change	% Change
Segregated cash	\$ 3,016	\$ 4,675	\$ 3,916	(35)%	19%
Client margin balances	8,756	6,991	4,491	25%	56%
Securities borrowing (excluding conduit business)	472	536	450	(12)%	19%
Other cash and interest-earning investments	1,251	1,070	1,060	17%	1%
Interest-earning assets (excluding conduit business)	13,495	13,272	9,917	2%	34%
Securities borrowing conduit business	288	481	1,242	(40)%	(61)%
Interest-earning assets	\$ 13,783	\$ 13,753	\$ 11,159	0%	23%
Client credit balances	\$ 8,351	\$ 8,548	\$ 6,219	(2)%	37%
Securities lending (excluding conduit business)	1,646	1,643	1,231	0%	33%
Interest-bearing liabilities (excluding conduit business)	9,997	10,191	7,450	(2)%	37%
Securities lending conduit business	288	481	1,242	(40)%	(61)%
Interest-bearing liabilities	\$ 10,285	\$ 10,672	\$ 8,692	(4)%	23%

	Average Yield (Cost) Fiscal Year			11 vs. 10	10 vs. 09
	2011	2010	2009	Net Yield Increase/ (Decrease)	Net Yield Increase/ (Decrease)
Segregated cash	0.07%	0.13%	0.17%	(0.06)%	(0.04)%
Client margin balances	4.39%	4.70%	5.14%	(0.31)%	(0.44)%
Other cash and interest-earning investments	0.10%	0.16%	0.46%	(0.06)%	(0.30)%
Client credit balances	(0.02)%	(0.03)%	(0.07)%	0.01%	0.04%
Net interest revenue (excluding conduit business)	3.59%	3.13%	3.41%	0.46%	(0.28)%
Securities borrowing conduit business	0.28%	0.34%	0.86%	(0.06)%	(0.52)%
Securities lending conduit business	(0.18)%	(0.19)%	(0.53)%	0.01%	0.34%
Net interest revenue	3.52%	3.02%	3.07%	0.50%	(0.05)%

The following tables set forth key metrics that we use in analyzing investment product fee revenues (dollars in millions):

	<b>Fee Revenue Fiscal Year</b>			<b>11 vs. 10 Increase/ (Decrease)</b>	<b>10 vs. 09 Increase/ (Decrease)</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>		
Money market mutual fund	\$ 8.5	\$ 9.9	\$ 108.5	\$ (1.4)	\$ (98.6)
Other investment product fees	157.9	119.4	75.8	38.5	43.6
Total investment product fees	\$ 166.4	\$ 129.3	\$ 184.3	\$ 37.1	\$ (55.0)

	<b>Average Balance Fiscal Year</b>			<b>11 vs. 10 %</b>	<b>10 vs. 09 %</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>	<b>Change</b>
Money market mutual fund	\$ 8,712	\$ 9,846	\$ 23,312	(12)%	(58)%
Other fee-based investment balances	69,568	51,734	36,113	34%	43%
Total fee-based investment balances	\$ 78,280	\$ 61,580	\$ 59,425	27%	4%

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	2011	Average Yield Fiscal Year 2010	2009	11 vs. 10 Increase/ (Decrease)	10 vs. 09 Increase/ (Decrease)
Money market mutual fund	0.10%	0.10%	0.46%	0.00%	(0.36)%
Other investment product fees	0.22%	0.23%	0.21%	(0.01)%	0.02%
Total investment product fees	0.21%	0.21%	0.31%	0.00%	(0.10)%

**Transaction-Based Revenue Metrics**

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

	2011	Fiscal Year 2010	2009	11 vs. 10 % Change	10 vs. 09 % Change
Total trades (in millions)	100.74	93.33	93.27	8%	0%
Average commissions and transaction fees per trade(1)	\$ 12.18	\$ 12.79	\$ 13.35	(5)%	(4)%
Average client trades per day	398,986	371,835	371,579	7%	0%
Average client trades per funded account (annualized)	18.2	17.3	18.2	5%	(5)%
Activity rate funded accounts	7.2%	6.9%	7.3%	4%	(5)%
Trading days	252.5	251.0	251.0	1%	0%

(1) Average commissions and transaction fees per trade excludes thinkorswim active trader and TD Waterhouse UK businesses.

**Client Account and Client Asset Metrics**

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

	2011	Fiscal Year 2010	2009
New accounts opened	645,000	668,000	737,000
Funded accounts (beginning of year)	5,455,000	5,279,000	4,918,000
Funded accounts (end of year)	5,617,000	5,455,000	5,279,000
Percentage change during year	3%	3%	7%
Client assets (beginning of year, in billions)	\$ 354.8	\$ 302.0	\$ 278.0
Client assets (end of year, in billions)	\$ 378.7	\$ 354.8	\$ 302.0

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Percentage change during year		7%		17%		9%
Net new assets (in billions)	\$	41.5	\$	33.9	\$	26.6
Net new assets annualized growth rate		12%		11%		10%

In connection with our purchase of thinkorswim on June 11, 2009, we acquired approximately 113,000 funded accounts and approximately \$4 billion in client assets.

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The following table summarizes certain data from our Consolidated Statements of Income for analysis purposes (dollars in millions):

	Fiscal Year			11 vs. 10 %	10 vs. 09 %
	2011	2010	2009	Change	Change
Revenues:					
Transaction-based revenues:					
Commissions and transaction fees	\$ 1,228.1	\$ 1,193.8	\$ 1,253.2	3%	(5)%
Asset-based revenues:					
Interest revenue	496.7	427.7	362.1	16%	18%
Brokerage interest expense	(4.8)	(6.1)	(15.2)	(20)%	(60)%
Net interest revenue	491.8	421.7	346.9	17%	22%
Insured deposit account fees	762.5	682.2	568.1	12%	20%
Investment product fees	166.4	129.3	184.3	29%	(30)%
Total asset-based revenues	1,420.8	1,233.2	1,099.3	15%	12%
Other revenues	113.8	133.8	55.4	(15)%	141%
Net revenues	2,762.7	2,560.7	2,407.9	8%	6%
Operating expenses:					
Employee compensation and benefits	674.9	622.4	511.2	8%	22%
Clearing and execution costs	100.1	90.4	70.9	11%	27%
Communications	106.5	106.9	83.1	(0)%	29%
Occupancy and equipment costs	142.4	142.9	124.3	(0)%	15%
Depreciation and amortization	66.8	57.0	45.9	17%	24%
Amortization of acquired intangible assets	97.1	100.5	73.9	(3)%	36%
Professional services	169.8	132.2	127.6	28%	4%
Advertising	253.2	250.0	197.1	1%	27%
(Gains) losses on money market funds and client guarantees		(12.7)	13.8	(100)%	N/A
Other	104.1	105.7	58.7	(2)%	80%
Total operating expenses	1,714.8	1,595.3	1,306.4	7%	22%
Operating income	1,047.8	965.4	1,101.5	9%	(12)%
Other expense (income):					
Interest on borrowings	32.0	44.9	40.1	(29)%	12%
Loss on debt refinancing	1.4	8.4		(83)%	N/A
(Gain) loss on sale of investments	(2.1)	0.0	2.0	N/A	(98)%

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Total other expense (income)	31.4	53.3	42.1	(41)%	27%
Pre-tax income	1,016.5	912.1	1,059.4	11%	(14)%
Provision for income taxes	378.7	319.9	415.7	18%	(23)%
Net income	\$ 637.8	\$ 592.2	\$ 643.7	8%	(8)%
<u>Other information:</u>					
Effective income tax rate	37.3%	35.1%	39.2%		
Average debt outstanding	\$ 1,267.6	\$ 1,303.0	\$ 1,444.3	(3)%	(10)%
Average interest rate incurred on borrowings	2.28%	3.09%	2.44%		

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

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***Fiscal Year Ended September 30, 2011 Compared to Fiscal Year Ended September 30, 2010***

*Net Revenues*

Commissions and transaction fees increased 3% to \$1.23 billion, primarily due to increased total client trades, partially offset by lower average commissions and transaction fees per trade. Total trades increased 8%, as average client trades per day increased 7% to 398,986 for fiscal 2011 compared to 371,835 for fiscal 2010, and there were 1.5 more trading days during fiscal 2011 compared to fiscal 2010. Average client trades per funded account were 18.2 for fiscal 2011 compared to 17.3 for fiscal 2010. Average commissions and transaction fees per trade decreased to \$12.18 per trade for fiscal 2011 from \$12.79 for fiscal 2010, primarily due to (1) lower payment for order flow revenue per trade, (2) decreased trading activity from our long-term investor clients, while our active trader clients, many of whom have negotiated rates, continued to trade at similar levels and (3) higher futures and foreign exchange trading activity, which earn lower average commissions and transaction fees per trade and do not generate payment for order flow revenue. We expect average commissions and transaction fees to range between \$11.70 and \$12.20 per trade during fiscal 2012, depending on the mix of client trading activity, level of payment for order flow revenue and other factors. We expect revenues from commissions and transaction fees to range from \$1.08 billion to \$1.31 billion for fiscal 2012, depending on the volume of client trading activity, average commissions and transaction fees per trade and other factors.

Asset-based revenues, which consists of net interest revenue, insured deposit account fees and investment product fees, increased 15% to \$1.42 billion, as described below. We expect asset-based revenues to range from \$1.41 billion to \$1.64 billion for fiscal 2012, depending largely on the interest rate environment and the rate of growth in spread-based and fee-based asset balances. The low end of this estimated range assumes no change in the federal funds rate or LIBOR yield curve for fiscal 2012. The high end of the estimated range also assumes no change in the federal funds rate, but assumes a gradually increasing LIBOR yield curve for fiscal 2012. Overall, we expect increased average spread-based and fee-based asset balances for fiscal 2012 to be partially or completely offset by a decrease in the expected average yield earned on spread-based assets, due to the expected continued low short- to medium-term interest rate environment.

Net interest revenue increased 17% to \$491.8 million, due primarily to a 25% increase in average client margin balances and a \$17.0 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 31 basis points in the average yield earned on client margin balances for fiscal 2011 compared to fiscal 2010.

Insured deposit account fees increased 12% to \$762.5 million, due primarily to a 24% increase in average client insured deposit account balances during fiscal 2011 compared to fiscal 2010. The increased insured deposit account balances are partly due to our success in attracting net new client assets over the past year and partly due to our strategy of migrating client cash held in credit balances or swept to money market mutual funds to the insured deposit account offering. We began migrating client cash in April 2009 and completed the initial program in January 2010. We expect our migration strategy to position the Company to earn higher net revenues, as we generally earn a higher yield on insured deposit account balances than on money market mutual fund or client credit balances. The effect of the increased insured deposit account balances was partially offset by a decrease of 17 basis points in the average yield earned on the insured deposit account assets during fiscal 2011 compared to fiscal 2010.

Investment product fees increased 29% to \$166.4 million, primarily due to a 34% increase in average other fee-based investment balances.

Other revenues decreased 15% to \$113.8 million, primarily due to lower client education revenues for fiscal 2011 compared to fiscal 2010 and lower software fee revenue related to a legacy thinkorswim product that was discontinued

in fiscal 2011. We expect other revenues to range from \$96 million to \$122 million for fiscal 2012.

*Operating Expenses*

Total operating expenses increased 7% to \$1.71 billion during fiscal 2011, as described below. We expect total operating expenses to range from \$1.67 billion to \$1.83 billion for fiscal 2012.



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Employee compensation and benefits expense increased 8% to \$674.9 million, primarily due to higher incentive-based compensation related to Company and individual performance, including our continued success in attracting net new client assets, and increased severance costs related to the departure of our chief operating officer and related management changes in fiscal 2011 compared to fiscal 2010.

Clearing and execution costs increased 11% to \$100.1 million, due primarily to an increase in outsourced clearing fees for our thinkorswim business in fiscal 2011 compared to fiscal 2010, including additional costs associated with the completion of the thinkorswim clearing conversion during the fourth quarter of fiscal 2011.

Depreciation and amortization increased 17% to \$66.8 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements.

Professional services increased 28% to \$169.8 million, primarily due to higher usage of consulting and contract services during fiscal 2011 compared to fiscal 2010 in connection with new product development, technology infrastructure upgrades and the integration of thinkorswim.

Advertising expense increased 1% to \$253.2 million. We generally adjust our level of advertising spending in relation to stock market activity and other market conditions in an effort to maximize the number of new accounts while minimizing the advertising cost per new account.

Gains on money market funds and client guarantees during fiscal 2010 consisted of \$9.4 million of recoveries on our Reserve Primary Fund holdings, \$1.9 million of favorable fair market value adjustments to our Reserve International Liquidity Fund holdings and \$1.4 million of gains related to the final fulfillment of our auction rate securities and Primary Fund client guarantees. The Reserve funds were money market mutual funds for which the net asset value declined below \$1.00 per share during fiscal 2008, resulting in our incurring losses related to client guarantees and corporate holdings. Our auction rate securities client guarantee is discussed further under Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies.

Other operating expenses decreased 2% to \$104.1 million, primarily due to decreased litigation, arbitration and regulatory expenses during fiscal 2011 compared to fiscal 2010. This decrease was partially offset by higher bad debt expense associated with increased client trading activity in fiscal 2011, and \$16.9 million of losses on disposal of property during fiscal 2011, primarily related to our decision to cease development of a new back office system, as well as technology assets written off related to exiting our Kansas City data center.

*Other Expenses and Income Taxes*

Other expenses decreased 41% to \$31.4 million, due primarily to lower average interest rates incurred on our debt during fiscal 2011 compared to fiscal 2010 and due to higher debt refinancing charges during fiscal 2010 compared to fiscal 2011. We expect other expenses to range from \$27 million to \$30 million for fiscal 2012.

Interest on borrowings decreased 29% to \$32.0 million, due primarily to lower average interest rates incurred on our debt and a decrease of approximately \$35 million in average debt outstanding during fiscal 2011 compared to fiscal 2010. The average interest rate incurred on our debt was 2.28% for fiscal 2011, compared to 3.09% for fiscal 2010. The lower average interest rate incurred on our debt during fiscal 2011 was due to the effect of the fixed-for-variable interest rate swaps on our Senior Notes entered into during fiscal 2010 and 2011.

Loss on debt refinancing of \$1.4 million during fiscal 2011 consisted of a charge to write off the unamortized balance of debt issuance costs associated with our holding company's prior unsecured revolving credit facility. On June 28,

2011, our holding company replaced its prior revolving credit facility with a new senior unsecured revolving credit facility. Loss on debt refinancing of \$8.4 million during fiscal 2010 consisted of a charge to write off the unamortized balance of debt issuance costs associated with the Term A and Term B credit facilities under our January 23, 2006 credit agreement. On November 25, 2009, we refinanced our long-term debt by issuing the Senior Notes and used the proceeds from the issuance of the Senior Notes, together with cash on hand, to repay in full the outstanding principal under our January 23, 2006 credit agreement.

Our effective income tax rate was 37.3% for fiscal 2011, compared to 35.1% for fiscal 2010. The effective tax rate for fiscal 2011 was lower than normal due to \$6.1 million of favorable resolutions of state income tax matters

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and \$1.2 million of favorable deferred income tax adjustments resulting from recent state income tax law changes. These items favorably impacted the Company's earnings for fiscal 2011 by approximately \$0.01 per share. The effective tax rate for fiscal 2010 was unusually low due to \$32.0 million of favorable resolutions of certain federal and state income tax matters during fiscal 2010. These items favorably impacted our earnings for fiscal 2010 by approximately \$0.05 per share. We expect our effective income tax rate to range from 38% to 39% for fiscal 2012, excluding the effect of any adjustments related to remeasurement or resolution of uncertain tax positions. However, we expect to experience some volatility in our quarterly and annual effective income tax rate because current accounting rules for uncertain tax positions require that any change in measurement of a tax position taken in a prior tax year be recognized as a discrete event in the period in which the change occurs.

***Fiscal Year Ended September 30, 2010 Compared to Fiscal Year Ended September 30, 2009******Net Revenues***

Commissions and transaction fees decreased 5% to \$1.19 billion, primarily due to lower average commissions and transaction fees per trade. Average commissions and transaction fees per trade decreased to \$12.79 per trade for fiscal 2010 from \$13.35 for fiscal 2009, primarily due to lower payment for order flow revenue per trade and the full-year effect of thinkorswim trading activity, which earns somewhat lower average commissions and transaction fees per trade, during fiscal 2010. These decreases were partially offset by a higher percentage of option trades and a decrease in promotional trades during fiscal 2010. Average client trades per day were virtually unchanged at 371,835 for fiscal 2010 compared to 371,579 for fiscal 2009. However, on a pro forma basis combined with thinkorswim, average client trades per day decreased 11% from 418,639 for fiscal 2009. Average client trades per funded account were 17.3 for fiscal 2010 compared to 18.2 for fiscal 2009.

Net interest revenue increased 22% to \$421.7 million, due primarily to a 56% increase in average client margin balances, partially offset by a decrease of 44 basis points in the average yield earned on client margin balances and a \$21.8 million decrease in net interest revenue from our securities borrowing/lending program for fiscal 2010 compared to fiscal 2009.

Insured deposit account fees increased 20% to \$682.2 million, due primarily to a 78% increase in average client insured deposit account balances during fiscal 2010 compared to fiscal 2009 and the effect of a \$13.3 million (6 basis points) FDIC special regulatory assessment during fiscal 2009. The increased insured deposit account balances are primarily due to our strategy of migrating client cash held in client credit balances or swept to money market mutual funds to the insured deposit account offering beginning in April 2009. In January 2010, we moved an additional \$4.2 billion of client cash held in client credit balances into the insured deposit account offering. The effect of the increased insured deposit account balances was significantly offset by a decrease of 89 basis points (excluding the effect of the FDIC special regulatory assessment mentioned above) in the average yield earned on the insured deposit account assets during fiscal 2010.

Investment product fees decreased 30% to \$129.3 million, primarily due to a 58% decrease in average money market mutual fund balances and a decrease of 36 basis points in the average yield earned on client money market mutual fund balances, partially offset by a 43% increase in average other fee-based investment balances in fiscal 2010 compared to fiscal 2009. The decrease in average money market mutual fund balances resulted primarily from our client cash migration strategy discussed above. The decrease in the average yield earned in fiscal 2010 was primarily due to our decision to voluntarily begin waiving fees on certain money market mutual funds during the first quarter of fiscal 2009 in order to prevent our clients' yields on such funds from becoming negative. The unfavorable impact of the fee waivers on the average yield earned gradually increased during fiscal 2009.

Other revenues increased to \$133.8 million, primarily due to an increase in education revenues as a result of the thinkorswim acquisition.

*Operating Expenses*

Employee compensation and benefits expense increased 22% to \$622.4 million, primarily due to an increase in average headcount resulting from the thinkorswim acquisition and higher incentive-based compensation related to actual Company and individual performance, including our success in attracting net new client assets, in fiscal 2010

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compared to fiscal 2009. The average number of full-time equivalent employees was 5,281 for fiscal 2010 compared to 4,788 for fiscal 2009.

Clearing and execution costs increased 27% to \$90.4 million, due primarily to expenses associated with the additional accounts and transaction processing volumes resulting from the thinkorswim acquisition, partially offset by lower client statement processing costs in fiscal 2010 compared to fiscal 2009.

Communications expense increased 29% to \$106.9 million, due primarily to expenses associated with the additional accounts and transaction processing volumes resulting from the thinkorswim acquisition, increased telecommunications costs resulting from our migration to a new secondary data center during fiscal 2009 and increased costs for quotes and market information.

Occupancy and equipment costs increased 15% to \$142.9 million due primarily to upgrades to our technology infrastructure and facilities and due to the addition of thinkorswim occupancy and equipment costs.

Depreciation and amortization increased 24% to \$57.0 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements and due to depreciation of assets recorded in the thinkorswim acquisition.

Amortization of acquired intangible assets increased 36% to \$100.5 million, due to amortization of intangible assets recorded in the thinkorswim acquisition.

Professional services increased 4% to \$132.2 million, primarily due to higher usage of consulting and contract services during fiscal 2010 in connection with new product development, technology infrastructure upgrades and the integration of thinkorswim. These increases were significantly offset by the effect of a \$13 million acquisition earn-out payment and a \$5 million write-off of software development costs during fiscal 2009.

Advertising expense increased 27% to \$250.0 million, primarily due to increased spending for the TD Ameritrade brand in response to competitive market share opportunities and the full year effect of marketing support for the thinkorswim business.

Gains on money market funds and client guarantees during fiscal 2010 consists of \$9.4 million of recoveries on our Reserve Primary Fund holdings, \$1.9 million of favorable fair market value adjustments to our Reserve International Liquidity Fund holdings and \$1.4 million of gains related to the final fulfillment of our auction rate securities and Primary Fund client guarantees. Losses on money market funds and client guarantees during fiscal 2009 consists of losses associated with our client commitments related to auction rate securities settlement agreements. The Reserve funds were money market mutual funds for which the net asset value declined below \$1.00 per share during fiscal 2008, resulting in our incurring losses related to client guarantees and corporate holdings. Our auction rate securities client guarantee is discussed further under Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies.

Other operating expenses increased 80% to \$105.7 million, primarily due to increased litigation, arbitration and regulatory expenses and additional expenses related to the thinkorswim business, including education travel and venue costs, in fiscal 2010 compared to fiscal 2009.

*Other Expenses and Income Taxes*

Interest on borrowings increased 12% to \$44.9 million, due primarily to higher average interest rates incurred on our debt, partially offset by a 10% decrease in average debt outstanding during fiscal 2010 compared to fiscal 2009. The

average interest rate incurred on our debt was 3.09% for fiscal 2010, compared to 2.44% for fiscal 2009, primarily due to the refinancing of our long-term debt on November 25, 2009.

Loss on debt refinancing of \$8.4 million consists of a charge to write off the unamortized balance of debt issuance costs associated with the Term A and Term B credit facilities under our January 23, 2006 credit agreement. On November 25, 2009, we refinanced our long-term debt by issuing the Senior Notes and used the proceeds from the issuance of the Senior Notes, together with cash on hand, to repay in full the outstanding principal under our January 23, 2006 credit agreement.

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Our effective income tax rate decreased to 35.1% for fiscal 2010, compared to 39.2% for fiscal 2009. The effective tax rate for fiscal 2010 was unusually low due to \$32.0 million of favorable resolutions of certain federal and state income tax matters during fiscal 2010. These items favorably impacted our earnings for fiscal 2010 by approximately \$0.05 per share. The effective tax rate for fiscal 2009 was slightly higher than normal due to unfavorable deferred income tax adjustments of approximately \$8.9 million resulting from state income tax law changes and capital loss limitations on certain money market mutual fund holdings. These items unfavorably impacted our earnings for fiscal 2009 by approximately \$0.02 per share.

## **Liquidity and Capital Resources**

We have historically financed our liquidity and capital needs primarily through the use of funds generated from operations and from borrowings under our credit agreements. We have also issued common stock and long-term debt to finance mergers and acquisitions and for other corporate purposes. Our liquidity needs during fiscal 2011 were financed primarily from our earnings and cash on hand. We plan to finance our operational capital and liquidity needs in fiscal 2012 primarily from our earnings, cash on hand and, if necessary, borrowings on our parent company and broker-dealer credit facilities.

Dividends from our subsidiaries are a source of liquidity for the parent company. Some of our subsidiaries are subject to requirements of the Securities and Exchange Commission ( SEC ), the Financial Industry Regulatory Authority ( FINRA ), the Commodity Futures Trading Commission ( CFTC ), the National Futures Association ( NFA ) and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company.

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

### ***Liquid Assets***

We consider our liquid assets metrics to be important measures of our liquidity and of our ability to fund corporate investing and financing activities. Our liquid assets metrics are considered non-GAAP financial measures. We include the excess capital of our broker-dealer and trust company subsidiaries in the calculation of our liquid assets metrics, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined below, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. The liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

We define liquid assets management target as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management (\$50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). We consider liquid assets management target to be a measure that reflects our liquidity that would be readily available for corporate investing or financing activities under normal operating circumstances.

We define liquid assets regulatory threshold as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of 120% of the minimum dollar net capital requirement or in excess of 81/3% of aggregate indebtedness and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. We consider liquid assets regulatory threshold to be



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a measure that reflects our liquidity that would be available for corporate investing or financing activities under unusual operating circumstances.

The following table sets forth a reconciliation of cash and cash equivalents, which is the most directly comparable GAAP measure, to our liquid assets metrics (dollars in thousands):

	<b>Liquid Assets- Management Target</b>			<b>Liquid Assets- Regulatory Threshold</b>		
	<b>September 30, 2011</b>	<b>2010</b>	<b>Change</b>	<b>September 30, 2011</b>	<b>2010</b>	<b>Change</b>
Cash and cash equivalents	\$ 1,031,963	\$ 741,492	\$ 290,471	\$ 1,031,963	\$ 741,492	\$ 290,471
Less: Broker-dealer cash and cash equivalents	(656,206)	(426,618)	(229,588)	(656,206)	(426,618)	(229,588)
Trust company cash and cash equivalents	(108,587)	(50,937)	(57,650)	(108,587)	(50,937)	(57,650)
Investment advisory cash and cash equivalents	(7,184)	(28,944)	21,760	(7,184)	(28,944)	21,760
Corporate cash and cash equivalents	259,986	234,993	24,993	259,986	234,993	24,993
Plus: Excess trust company Tier 1 capital				8,555	12,284	(3,729)
Excess broker-dealer regulatory net capital	591,902	326,368	265,534	1,138,972	828,979	309,993
Liquid assets	\$ 851,888	\$ 561,361	\$ 290,527	\$ 1,407,513	\$ 1,076,256	\$ 331,257

The increase in liquid assets is summarized as follows (dollars in thousands):

	<b>Liquid Assets</b>	
	<b>Management Target</b>	<b>Regulatory Threshold</b>
Liquid assets as of September 30, 2010	\$ 561,361	\$ 1,076,256
Plus: EBITDA(1)	1,212,373	1,212,373
Proceeds from exercise of stock options	3,351	3,351
Cash received in sale of business	5,228	5,228
Proceeds from sale of investments	2,581	2,581
Return of prepayment on structured stock repurchase	118,834	118,834
Other changes in working capital and regulatory net capital	61,142	47,712
Less: Income taxes paid	(321,100)	(321,100)
Interest paid	(43,409)	(43,409)

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Purchase of property and equipment	(152,889)	(152,889)
Cash transferred in disposal of subsidiary	(3,453)	(3,453)
Purchase of investments	(5,006)	(5,006)
Purchase of treasury stock	(348,534)	(348,534)
Payment of debt issuance costs	(1,783)	(1,783)
Principal payments on long-term debt	(4,262)	(4,262)
Principal payments on capital lease obligations	(10,015)	(10,015)
Payment of cash dividends	(114,212)	(114,212)
Additional net capital requirement due to increase in aggregate debits	(108,319)	(54,159)
Liquid assets as of September 30, 2011	\$ 851,888	\$ 1,407,513

(1) See *Financial Performance Metrics* earlier in this section for a description of EBITDA.

***Loan Facilities***

*Senior Notes* - On November 25, 2009 we sold, through a public offering, \$1.25 billion aggregate principal amount of unsecured senior notes, consisting of \$250 million aggregate principal amount of 2.950% Senior Notes

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due December 1, 2012 (the 2012 Notes ), \$500 million aggregate principal amount of 4.150% Senior Notes due December 1, 2014 (the 2014 Notes ) and \$500 million aggregate principal amount of 5.600% Senior Notes due December 1, 2019 (the 2019 Notes and, collectively with the 2012 Notes and the 2014 Notes, the Senior Notes ). Interest on the Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year.

We may redeem each series of the Senior Notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of (a) 100% of the principal amount of the notes being redeemed, and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed, discounted to the date of redemption on a semi-annual basis at the comparable U.S. Treasury rate, plus: 25 basis points in the case of the 2012 Notes, 30 basis points in the case of the 2014 Notes and 35 basis points in the case of the 2019 Notes, plus, in each case, accrued and unpaid interest to the date of redemption.

*Interest Rate Swaps* We are exposed to changes in the fair value of our fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge this exposure, on December 30, 2009, we entered into fixed-for-variable interest rate swaps on the 2012 Notes and 2014 Notes for notional amounts of \$250 million and \$500 million, respectively, with maturity dates matching the respective maturity dates of the 2012 Notes and 2014 Notes. In addition, on January 7, 2011, we entered into a fixed-for-variable interest rate swap on the 2019 Notes for a notional amount of \$500 million, with a maturity date matching the maturity date of the 2019 Notes. The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the interest rate swap agreements, we receive semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and make quarterly variable-rate interest payments based on three-month LIBOR plus (a) 0.9693% for the swap on the 2012 Notes, (b) 1.245% for the swap on the 2014 Notes and (c) 2.3745% for the swap on the 2019 Notes. As of September 30, 2011, the weighted-average effective interest rate on the Senior Notes was 1.97%.

*TD Ameritrade Holding Corporation Credit Agreement* On June 28, 2011, TD Ameritrade Holding Corporation (the Parent ) entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of \$300 million (the Parent Revolving Facility ). The Parent Revolving Facility replaced the Parent s prior \$300 million unsecured revolving credit facility, which was scheduled to expire on December 31, 2012. The maturity date of the Parent Revolving Facility is June 28, 2014.

The applicable interest rate under the Parent Revolving Facility is calculated as a per annum rate equal to, at the option of the Parent, (a) LIBOR plus an interest rate margin ( Parent LIBOR loans ) or (b) (i) the highest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) one-month LIBOR plus 1.00%, plus (ii) an interest rate margin ( Base Rate loans ). The interest rate margin ranges from 1.25% to 2.25% for Parent LIBOR loans and from 0.25% to 1.25% for Base Rate loans, determined by reference to the Company s public debt ratings. The Parent is obligated to pay a commitment fee ranging from 0.15% to 0.375% on any unused amount of the Parent Revolving Facility, determined by reference to the Parent s public debt ratings. As of September 30, 2011, the interest rate margin would have been 1.50% for Parent LIBOR loans and 0.50% for Base Rate loans, and the commitment fee was 0.20%, each determined by reference to the Parent s Standard & Poor s public debt rating of A-. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2011.

The Parent Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, mergers, consolidations, transactions with affiliates, change in nature of business and the sale of all or substantially all of the assets of the Company. The Parent is also required to maintain compliance with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant, and the Parent s broker-dealer subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. The Company was in compliance with all covenants under the Parent Revolving Facility as of September 30, 2011.

*TD Ameritrade Clearing, Inc. Credit Agreement* On June 28, 2011, TD Ameritrade Clearing, Inc. ( TDAC ), the Company s clearing broker-dealer subsidiary, entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of \$300 million (the TDAC Revolving Facility ). The maturity date of the TDAC Revolving Facility is June 28, 2014.

The applicable interest rate under the TDAC Revolving Facility is calculated as a per annum rate equal to, at the option of TDAC, (a) LIBOR plus an interest rate margin ( TDAC LIBOR loans ) or (b) the federal funds

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effective rate plus an interest rate margin ( Fed Funds Rate loans ). The interest rate margin ranges from 1.00% to 2.00% for both TDAC LIBOR loans and Fed Funds Rate loans, determined by reference to the Company's public debt rating. TDAC is obligated to pay a commitment fee ranging from 0.125% to 0.30% on any unused amount of the TDAC Revolving Facility, determined by reference to the Company's public debt rating. As of September 30, 2011, the interest rate margin would have been 1.25% for both TDAC LIBOR loans and Fed Funds Rate loans, and the commitment fee was 0.15%, each determined by reference to the Parent's public debt rating. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2011.

The TDAC Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of TDAC, mergers, consolidations, change in nature of business and the sale of all or substantially all of the assets of TDAC. TDAC is also required to maintain minimum tangible net worth and is required to maintain compliance with minimum regulatory net capital requirements. TDAC was in compliance with all covenants under the TDAC Revolving Facility as of September 30, 2011.

### ***Stock Repurchase Programs***

On August 5, 2010, our board of directors authorized the repurchase of up to 30 million shares of our common stock. On August 20, 2010, we entered into an agreement with an investment bank counterparty to effect a structured repurchase of up to 12 million shares of our common stock. Under the terms of this agreement, we prepaid \$169.2 million to the counterparty. Settlement of the transaction occurred on December 1, 2010 and we purchased approximately 3.2 million shares for approximately \$50.4 million (\$15.94 per share). The number of shares we purchased from the counterparty and the purchase price were based on the average of the daily volume-weighted average share price of our common stock over the measurement period for the transaction, less a pre-determined discount. Upon settlement of this transaction, the excess prepayment amount of \$118.8 million was returned to us in cash.

From the inception of the August 5, 2010 stock repurchase authorization through September 30, 2011, we have repurchased an aggregate of approximately 23.3 million shares at a weighted average purchase price of \$16.96 per share. As of September 30, 2011, we had approximately 6.7 million shares remaining on the August 5, 2010 stock repurchase authorization. On October 20, 2011, our board of directors authorized the repurchase of up to an additional 30 million shares of our common stock.

### ***Cash Dividends***

Our board of directors declared a \$0.05 per share quarterly cash dividend on our common stock during each quarter of fiscal 2011. We paid a total of \$114.2 million to fund the dividends for fiscal 2011. On October 20, 2011, our board of directors declared a \$0.06 per share quarterly cash dividend on our common stock for the first quarter of fiscal 2012. We expect to pay approximately \$33 million on November 15, 2011 to fund this dividend.

### ***Off-Balance Sheet Arrangements***

We enter into guarantees and other off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. For information on these arrangements, see the following sections under Item 8, Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies and Insured Deposit Account Agreement under Note 18 Related Party Transactions. The IDA agreement accounts for a significant percentage of our net revenues (28% of our net revenues for the fiscal year ended September 30, 2011) and enables our clients to invest in an FDIC-insured deposit product without the need for the Company to maintain a bank charter.



**Table of Contents****Contractual Obligations**

The following table summarizes our contractual obligations as of September 30, 2011 (dollars in thousands):

Contractual Obligations	Total	Payments Due by Period (Fiscal Years):			
		Less Than 1 Year 2012	1-3 Years 2013-14	3-5 Years 2015-16	More Than 5 Years After 2016
Long-term debt obligations(1)	\$ 1,395,879	\$ 26,050	\$ 295,955	\$ 529,398	\$ 544,476
Capital lease obligations	11,329	6,397	4,932		
Operating lease obligations	360,526	48,482	91,323	78,138	142,583
Purchase obligations(2)	303,196	194,697	85,308	7,890	15,301
Income taxes payable(3)	195,053	195,053			
<b>Total</b>	<b>\$ 2,265,983</b>	<b>\$ 470,679</b>	<b>\$ 477,518</b>	<b>\$ 615,426</b>	<b>\$ 702,360</b>

- (1) Represents scheduled principal payments, estimated interest payments and commitment fees pursuant to the Senior Notes, the interest rate swaps and the revolving credit facilities. Actual amounts of interest may vary depending on changes in variable interest rates associated with the interest rate swaps.
- (2) Purchase obligations primarily relate to agreements for goods and services such as computer hardware and software, telecommunications, market information, advertising and marketing, professional services, property and construction, and employee compensation and benefits.
- (3) A significant portion of our income taxes payable as of September 30, 2011 consists of liabilities for uncertain tax positions and related interest and penalties. The timing of payments, if any, on liabilities for uncertain tax positions cannot be predicted with reasonable accuracy.

**Recently Issued Accounting Pronouncements**

*ASU 2011-04* In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U.S. Generally Accepted Accounting Principles ( U.S. GAAP ) for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify FASB's intent about the application of existing fair value measurement and disclosure requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU 2011-04 is effective during interim and annual periods beginning after December 15, 2011. Therefore, ASU 2011-04 will be effective for the Company's fiscal quarter beginning January 1, 2012 (the Company's second quarter of fiscal 2012). Adoption of ASU 2011-04 is not expected to have a material impact on the Company's financial statements.

*ASU 2011-05* In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in

stockholders' equity and allows two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive statements, consisting of a statement of net income followed by a separate statement of other comprehensive income. ASU 2011-05 requires retrospective application and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Therefore, ASU 2011-05 will be effective for the Company's fiscal year beginning October 1, 2012. The adoption of ASU 2011-05 will change the manner in which the components of other comprehensive income are presented in the financial statements, but is not expected to have any other material impact on the Company's financial statements.

*ASU 2011-08* In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*. The amendments under ASU 2011-08 will allow entities to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative



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assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for entities to consider in conducting the qualitative assessment. Entities will have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step quantitative goodwill impairment test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. Adoption of ASU 2011-08 is not expected to have a material impact on the Company's financial statements.

### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest rates and market prices. We have established policies, procedures and internal processes governing our management of market risks in the normal course of our business operations.

#### **Market-related Credit Risk**

Two primary sources of credit risk inherent in our business are 1) client credit risk related to margin lending and leverage and 2) counterparty credit risk related to securities lending and borrowing. We manage risk on client margin lending and leverage by requiring clients to maintain margin collateral in compliance with regulatory and internal guidelines. The risks associated with margin lending and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. We monitor required margin levels daily and, pursuant to such guidelines, require our clients to deposit additional collateral, or to reduce positions, when necessary. We continuously monitor client accounts to detect excessive concentration, large orders or positions, patterns of day trading and other activities that indicate increased risk to us. We manage risks associated with our securities lending and borrowing activities by requiring credit approvals for counterparties, by monitoring the market value of securities loaned and collateral values for securities borrowed on a daily basis and requiring additional cash as collateral for securities loaned or return of collateral for securities borrowed when necessary and by participating in a risk-sharing program offered through the Options Clearing Corporation.

The interest rate swaps on our Senior Notes are subject to counterparty credit risk. Credit risk on derivative financial instruments is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold and by entering into credit support agreements. The bilateral credit support agreements related to the interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps.

#### **Interest Rate Risk**

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our insured deposit account arrangement with TD Bank USA, N.A. and TD Bank, N.A. and on money market mutual funds, which are subject to interest rate risk. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread.

Our most prevalent form of interest rate risk is referred to as *gap* risk. This risk occurs when the interest rates we earn on our assets change at a different frequency or amount than the interest rates we pay on our liabilities. We have an Asset/Liability Committee as the governance body with the responsibility of managing interest rate risk, including gap risk.

We use net interest simulation modeling techniques to evaluate the effect that changes in interest rates might have on pre-tax income. Our model includes all interest-sensitive assets and liabilities of the Company and interest-sensitive assets and liabilities associated with the insured deposit account arrangement. The simulations involve assumptions that are inherently uncertain and, as a result, cannot precisely predict the impact that changes in interest rates will have on pre-tax income. Actual results may differ from simulated results due to differences in timing and

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frequency of rate changes, changes in market conditions and changes in management strategy that lead to changes in the mix of interest-sensitive assets and liabilities.

The simulations assume that the asset and liability structure of our Consolidated Balance Sheet and the insured deposit account arrangement would not be changed as a result of a simulated change in interest rates. The results of the simulations based on our financial position as of September 30, 2011 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in approximately \$91 million higher pre-tax income, while a gradual 1% (100 basis points) decrease in interest rates over a 12-month period would result in approximately \$37 million lower pre-tax income. The results of the simulations reflect the fact that short-term interest rates remain at historically low levels, including the federal funds target rate, which is currently a range of zero to 0.25%.

**Market Risk on Auction Rate Securities**

As of September 30, 2011, we held ARS with a fair value of \$20 million. A hypothetical 10% decrease in the fair value of our ARS would reduce our pre-tax income by approximately \$2 million.

**Other Market Risks**

Substantially all of our revenues and financial instruments are denominated in U.S. dollars. We generally do not enter into derivative transactions, except for hedging purposes.

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**Item 8. *Financial Statements and Supplementary Data***

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders  
TD Ameritrade Holding Corporation

We have audited the accompanying consolidated balance sheets of TD Ameritrade Holding Corporation (the Company ) as of September 30, 2011 and 2010, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended September 30, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TD Ameritrade Holding Corporation at September 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TD Ameritrade Holding Corporation s internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 18, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Minneapolis, Minnesota  
November 18, 2011

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****CONSOLIDATED BALANCE SHEETS**

As of September 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
	<b>(In thousands)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,031,963	\$ 741,492
Cash and investments segregated in compliance with federal regulations	2,519,249	994,026
Receivable from brokers, dealers and clearing organizations	834,469	1,207,723
Receivable from clients, net	8,059,410	7,393,855
Receivable from affiliates	92,963	90,523
Other receivables, net	115,316	68,928
Securities owned, at fair value	446,609	217,234
Property and equipment, net	340,690	272,211
Goodwill	2,466,978	2,467,013
Acquired intangible assets, net	1,024,352	1,124,259
Deferred income taxes	4,642	9,915
Other assets	189,121	139,739
<b>Total assets</b>	<b>\$ 17,125,762</b>	<b>\$ 14,726,918</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Payable to brokers, dealers and clearing organizations	\$ 1,709,572	\$ 1,934,315
Payable to clients	8,979,327	6,810,391
Accounts payable and accrued liabilities	585,720	476,306
Payable to affiliates	3,912	3,244
Deferred revenue	42,230	63,512
Long-term debt	1,336,789	1,302,269
Capitalized lease obligations	10,784	20,799
Deferred income taxes	341,611	344,203
<b>Total liabilities</b>	<b>13,009,945</b>	<b>10,955,039</b>
Stockholders equity:		
Preferred stock, \$0.01 par value, 100 million shares authorized; none issued		
Common stock, \$0.01 par value, one billion shares authorized; 631,381,860 shares issued; 2011 554,285,716 outstanding; 2010 576,134,924 outstanding	6,314	6,314
Additional paid-in capital	1,583,327	1,390,283
Retained earnings	3,645,846	3,122,305
Treasury stock, common, at cost: 2011 77,096,144 shares; 2010 55,246,936 shares	(1,119,969)	(747,271)
Deferred compensation	146	196

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Accumulated other comprehensive income	153	52
Total stockholders' equity	4,115,817	3,771,879
Total liabilities and stockholders' equity	\$ 17,125,762	\$ 14,726,918

See notes to consolidated financial statements.

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**TD AMERITRADE HOLDING CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Years Ended September 30, 2011, 2010 and 2009**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(In thousands, except per share amounts)</b>		
Revenues:			
Transaction-based revenues:			
Commissions and transaction fees	\$ 1,228,064	\$ 1,193,761	\$ 1,253,154
Asset-based revenues:			
Interest revenue	496,661	427,723	362,076
Brokerage interest expense	(4,826)	(6,065)	(15,165)
Net interest revenue	491,835	421,658	346,911
Insured deposit account fees	762,527	682,206	568,084
Investment product fees	166,394	129,308	184,341
Total asset-based revenues	1,420,756	1,233,172	1,099,336
Other revenues	113,839	133,758	55,436
Net revenues	2,762,659	2,560,691	2,407,926
Operating expenses:			
Employee compensation and benefits	674,866	622,449	511,170
Clearing and execution costs	100,060	90,367	70,877
Communications	106,547	106,933	83,121
Occupancy and equipment costs	142,412	142,902	124,296
Depreciation and amortization	66,759	57,032	45,891
Amortization of acquired intangible assets	97,126	100,463	73,870
Professional services	169,764	132,218	127,572
Advertising	253,206	250,007	197,121
(Gains) losses on money market funds and client guarantees		(12,732)	13,829
Other	104,077	105,679	58,701
Total operating expenses	1,714,817	1,595,318	1,306,448
Operating income	1,047,842	965,373	1,101,478
Other expense (income):			
Interest on borrowings	32,017	44,858	40,070
Loss on debt refinancing	1,435	8,392	
(Gain) loss on sale of investments	(2,081)	38	2,003

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Total other expense (income)	31,371	53,288	42,073
Pre-tax income	1,016,471	912,085	1,059,405
Provision for income taxes	378,718	319,897	415,700
Net income	\$ 637,753	\$ 592,188	\$ 643,705
Earnings per share basic	\$ 1.12	\$ 1.01	\$ 1.11
Earnings per share diluted	\$ 1.11	\$ 1.00	\$ 1.10
Weighted average shares outstanding basic	570,314	585,128	578,972
Weighted average shares outstanding diluted	576,462	591,922	587,252
Dividends declared per share	\$ 0.20	\$ 0.00	\$ 0.00

See notes to consolidated financial statements.



**Table of Contents****TD AMERITRADE HOLDING CORPORATION****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****For the Years Ended September 30, 2011, 2010 and 2009**

	<b>Total Common Shares Outstanding</b>	<b>Total Stockholders' Equity</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital (In thousands)</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Deferred Compensation</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance, September 30, 2008	593,131	\$ 2,925,038	\$ 6,314	\$ 1,613,700	\$ 1,886,412	\$ (580,664)	\$ 146	\$ (870)
Net income		643,705			643,705			
Net unrealized investment loss, net of \$0.2 million tax Reclassification adjustment for realized loss on investment securities included in net income, net of \$0.8 million tax		(302)						(302)
Foreign currency translation		1,330						1,330
		(232)						(232)
Total comprehensive income		644,501						
Acquisition of Thinkorswim Group Inc.	27,083	385,639		(24,209)		409,848		
Repurchases of common stock	(39,030)	(466,144)				(466,144)		
Issuances of common stock	1,557			(18,412)		18,412		
Options exercised, including tax benefit	4,366	37,227		(21,411)		58,638		
Deferred compensation	2	2		(49)		27	24	
Stock-based compensation expense		25,020		25,019				1
Balance, September 30, 2009	587,109	3,551,283	6,314	1,574,638	2,530,117	(559,883)	171	(74)
Net income		592,188			592,188			
Net unrealized investment gain		1						1

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Foreign currency translation		125							125
Total comprehensive income		592,314							
Repurchases of common stock	(15,376)	(265,599)				(265,599)			
Prepayment of structured stock repurchase		(169,200)		(169,200)					
Issuances of common stock	842			(14,677)		14,677			
Options exercised, including tax benefit	3,531	28,189		(34,846)		63,035			
Deferred compensation	29	544		20		499		25	
Stock-based compensation expense		34,348		34,348					
Balance, September 30, 2010	576,135	3,771,879	6,314	1,390,283	3,122,305	(747,271)	196		52
Net income		637,753			637,753				
Net unrealized investment loss		(3)							(3)
Foreign currency translation		104							104
Total comprehensive income		637,854							
Payment of cash dividends		(114,212)			(114,212)				
Repurchases of common stock	(20,340)	(348,534)				(348,534)			
Settlement of structured stock repurchase	(3,159)			50,366		(50,366)			
Return of prepayment on structured stock repurchase		118,834		118,834					
Issuances of common stock	980			(16,794)		16,794			
Options exercised, including tax benefit	654	13,240		4,069		9,171			
Deferred compensation	16	170		(17)		237		(50)	
Stock-based compensation expense		35,039		35,039					
Other		1,547		1,547					
Balance, September 30, 2011	554,286	\$ 4,115,817	\$ 6,314	\$ 1,583,327	\$ 3,645,846	\$ (1,119,969)	\$ 146		\$ 153

See notes to consolidated financial statements.

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2011, 2010 and 2009**

	2011	2010 (In thousands)	2009
Cash flows from operating activities:			
Net income	\$ 637,753	\$ 592,188	\$ 643,705
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	66,759	57,032	45,891
Amortization of acquired intangible assets	97,126	100,463	73,870
Deferred income taxes	2,185	154,380	(70,674)
(Gain) loss on sale of investments	(2,081)	38	2,003
Loss on disposal of property	16,893	5,854	6,285
(Gains) losses on money market funds and client guarantees		(12,732)	13,829
Loss on debt refinancing	1,435	8,392	
Stock-based compensation	35,039	34,348	25,020
Excess tax benefits on stock-based compensation	(9,898)	(15,653)	(8,743)
Other, net	261	214	874
Changes in operating assets and liabilities:			
Cash and investments segregated in compliance with federal regulations	(1,525,223)	4,819,836	(5,553,862)
Receivable from brokers, dealers and clearing organizations	373,254	570,018	2,415,389
Receivable from clients, net	(667,978)	(1,681,557)	1,222,434
Receivable from/payable to affiliates, net	916	1,423	97,886
Other receivables, net	(44,212)	4,910	32,852
Securities owned	(229,375)	(183,762)	36,717
Other assets	(6,254)	(2,873)	(4,077)
Payable to brokers, dealers and clearing organizations	(224,743)	(557,302)	(3,278,059)
Payable to clients	2,168,936	(3,104,432)	4,844,153
Accounts payable and accrued liabilities	120,550	(197,487)	45,425
Deferred revenue	(21,282)	(8,622)	9,738
Net cash provided by operating activities	790,061	584,676	600,656
Cash flows from investing activities:			
Purchase of property and equipment	(152,889)	(91,198)	(86,698)
Cash and cash equivalents acquired in business combinations			86,423
Cash paid in business combinations			(266,713)
Cash received in sale of businesses, net	5,228		599
Cash transferred in disposal of subsidiary	(3,453)		
Purchase of short-term investments	(3,576)	(5,790)	(1,100)
Proceeds from sale and maturity of short-term investments	3,600	3,300	1,100
Proceeds from redemption of money market funds		52,208	317,015

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Proceeds from sale of investments	2,581	16	11,688
Purchase of investments	(5,006)		
Other, net	550	(2)	(146)
Net cash provided by (used in) investing activities	(152,965)	(41,466)	62,168
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		1,248,557	
Payment of debt issuance costs	(1,783)	(10,595)	
Principal payments on long-term debt	(4,262)	(1,410,638)	(111,500)
Principal payments on capital lease obligations	(10,015)	(13,769)	(5,002)
Proceeds from exercise of stock options	3,351	12,536	28,486
Purchase of treasury stock	(348,534)	(265,599)	(466,144)
Prepayment of structured stock repurchase		(169,200)	
Return of prepayment on structured stock repurchase	118,834		
Payment of cash dividends	(114,212)		
Excess tax benefits on stock-based compensation	9,898	15,653	8,743
Net cash used in financing activities	(346,723)	(593,055)	(545,417)
Effect of exchange rate changes on cash and cash equivalents	98	126	(331)
Net increase (decrease) in cash and cash equivalents	290,471	(49,719)	117,076
Cash and cash equivalents at beginning of year	741,492	791,211	674,135
Cash and cash equivalents at end of year	\$ 1,031,963	\$ 741,492	\$ 791,211
Supplemental cash flow information:			
Interest paid	\$ 43,409	\$ 39,028	\$ 60,680
Income taxes paid	\$ 321,100	\$ 352,504	\$ 359,666
Tax benefit on exercises and distributions of stock-based compensation	\$ 9,933	\$ 19,956	\$ 9,711
Noncash investing and financing activities:			
Settlement of structured stock repurchase	\$ 50,366	\$	\$
Issuance of capital lease obligations	\$	\$ 6,003	\$ 32,780
Issuance of long-term debt in exchange for assets acquired	\$	\$	\$ 8,400
Issuance of common stock in business combinations	\$	\$	\$ 362,967

See notes to consolidated financial statements.

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2011, 2010 and 2009**

**1. Nature of Operations and Summary of Significant Accounting Policies**

*Basis of Presentation* The consolidated financial statements include the accounts of TD Ameritrade Holding Corporation, a Delaware corporation, and its wholly-owned subsidiaries (collectively, the Company). Intercompany balances and transactions have been eliminated.

*Nature of Operations* The Company provides securities brokerage services, including trade execution, clearing services and margin lending, through its broker-dealer subsidiaries. The Company provides trustee, custodial and other trust-related services to retirement plans and other custodial accounts through its state-chartered trust company subsidiary. The Company's education subsidiary provides a comprehensive suite of investor education products and services. The Company also provides cash sweep and deposit account products through third-party relationships.

The Company's broker-dealer subsidiaries are subject to regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (CFTC), the National Futures Association (NFA) and the various exchanges in which they maintain membership. Dividends from the Company's broker-dealer and trust company subsidiaries are a source of liquidity for the holding company. Requirements of the SEC, FINRA and CFTC relating to liquidity, net capital standards and the use of client funds and securities may limit funds available for the payment of dividends from the broker-dealer subsidiaries to the holding company. State regulatory requirements may limit funds available for the payment of dividends from the trust company subsidiary to the holding company.

*Use of Estimates* The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents* The Company considers temporary, highly-liquid investments with an original maturity of three months or less to be cash equivalents, except for amounts required to be segregated in compliance with federal regulations. Cash equivalents are recorded on the Consolidated Balance Sheets at fair value based on quoted prices.

*Cash and Investments Segregated in Compliance with Federal Regulations* Cash and investments segregated in compliance with federal regulations consist primarily of qualified deposits in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 of the Securities Exchange Act of 1934 (the Exchange Act) and other regulations. Funds can be held in cash, reverse repurchase agreements, fixed rate U.S. Treasury securities and other qualified securities. Reverse repurchase agreements (securities purchased under agreements to resell) are treated as collateralized financing transactions and are carried at amounts at which the securities will subsequently be resold, plus accrued interest. The Company's reverse repurchase agreements are collateralized by U.S. Treasury securities and generally have a maturity of seven days.

*Securities Borrowed and Securities Loaned* Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash. The Company receives collateral in the form of cash for securities

loaned transactions. For these transactions, the fees earned or incurred by the Company are recorded as interest revenue and brokerage interest expense, respectively, on the Consolidated Statements of Income. The related interest receivable from and the brokerage interest payable to broker-dealers are included in other receivables and in accounts payable and accrued liabilities, respectively, on the Consolidated Balance Sheets.

*Receivable from/Payable to Clients* Receivable from clients primarily consists of margin loans to brokerage clients, which are collateralized by client securities, and is carried at the amount receivable, net of an allowance for

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

doubtful accounts that is primarily based on the amount of unsecured margin balances. Payable to clients primarily consists of client cash held in brokerage accounts and is carried at the amount of client cash on deposit. The Company earns interest revenue and pays interest expense on its receivable from client and payable to client balances, respectively. The interest revenue and expense are included in net interest revenue on the Consolidated Statements of Income.

*Securities Owned* Securities owned are carried at fair value and the related changes in fair value are generally included in other revenues on the Consolidated Statements of Income. Proprietary securities held by our broker-dealer subsidiaries for trading or investment purposes are included in securities owned on the Consolidated Balance Sheets.

*Depreciation and Amortization* Depreciation is provided on a straight-line basis using estimated useful service lives of three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

*Software Development* From the date technological feasibility has been established until beta testing is complete, software development costs are capitalized and included in property and equipment. Once the product is fully functional, such costs are amortized in accordance with the Company's normal accounting policies. Software development costs that do not meet capitalization criteria are expensed as incurred.

*Goodwill* The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable assets of the acquired company. The Company tests goodwill for impairment on at least an annual basis. In performing the impairment tests, the Company utilizes quoted market prices of the Company's common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to the Company's reporting units, if applicable, based on operating revenues, and is compared with the carrying value of the reporting units. No impairment charges have resulted from the annual impairment tests.

*Amortization of Acquired Intangible Assets* Acquired intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to 23 years. The acquired intangible asset associated with a trademark license agreement is not subject to amortization because the term of the agreement is considered to be indefinite.

*Long-Lived Assets and Acquired Intangible Assets* The Company reviews its long-lived assets and acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company evaluates recoverability by comparing the undiscounted cash flows associated with the asset to the asset's carrying amount. Long-lived assets classified as held for sale, if any, are reported at the lesser of carrying amount or fair value less cost to sell.

*Income Taxes* The Company files a consolidated U.S. income tax return with its subsidiaries on a calendar year basis, combined returns for state tax purposes where required and certain of its subsidiaries file separate state income tax returns where required. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. Uncertain tax positions are recognized if they are more likely than not to be sustained upon examination, based on the technical merits of the position. The amount of tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The Company recognizes interest and penalties, if any, related to income tax



matters as part of the provision for income taxes on the Consolidated Statements of Income.

*Capital Stock* The authorized capital stock of the Company consists of a single class of common stock and one or more series of preferred stock as may be authorized for issuance by the Company's board of directors. Voting,

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

dividend, conversion and liquidation rights of the preferred stock would be established by the board of directors upon issuance of such preferred stock.

*Stock-Based Compensation* The Company measures and recognizes compensation expense based on estimated grant date fair values for all stock-based payment arrangements. Stock-based compensation expense is based on awards expected to vest and therefore is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant based on the Company's historical forfeiture experience and revised in subsequent periods if actual forfeitures differ from those estimates.

*Deferred Compensation* Company common stock held in a rabbi trust pursuant to a Company deferred compensation plan is recorded at the fair value of the stock at the time it is transferred to the rabbi trust and is classified as treasury stock. The corresponding deferred compensation liability is recorded as a component of stockholders' equity.

*Foreign Currency Translation* Assets and liabilities of the Company's foreign subsidiaries that are denominated in a foreign currency are translated into U.S. dollars using the exchange rate in effect at each period end. Results of operations are translated at the average exchange rate during the period. The effects of foreign currency translation adjustments arising from differences in exchange rates from period to period are included in accumulated other comprehensive income (loss) on the Consolidated Balance Sheets.

*Comprehensive Income (Loss)* Comprehensive income (loss) consists of net income; unrealized gains (losses) on securities available-for-sale, net of related income taxes; and foreign currency translation adjustments. These results are incorporated into the Consolidated Statements of Stockholders' Equity.

*Securities Transactions* Client securities transactions are recorded on a settlement-date basis with such transactions generally settling within three business days after the trade date. Revenues and expenses related to securities transactions, including revenues from execution agents (also referred to as payment for order flow) and revenues from markups on riskless principal transactions in fixed-income securities, are recorded on a trade-date basis. Revenues related to securities transactions are recorded net of promotional allowances. Securities owned by clients, including those that collateralize margin or similar transactions, are not reflected in the accompanying consolidated financial statements.

*Insured Deposit Account Fees* Insured deposit account fees are recognized in the period earned and consist of revenues resulting from the Insured Deposit Account ( IDA ) agreement with TD Bank USA, N.A. ( TD Bank USA ), TD Bank, N.A. and The Toronto-Dominion Bank ( TD ). Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the Depository Institutions ) make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company a fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a flat fee to the Depository Institutions of 25 basis points and the cost of FDIC insurance premiums. The IDA agreement is described further in Note 18.

*Investment Product Fees* Investment product fee revenue is recognized in the period earned and consists of revenues earned on client assets invested in money market mutual funds, other mutual funds and certain Company-sponsored investment programs.

*Education Revenue Recognition* The Company recognizes education revenue in accordance with Accounting Standards Codification ( ASC ) 605, *Revenue Recognition*. Revenue is not recognized until it is realized or realizable and earned. The criteria to meet this guideline are: (a) persuasive evidence of an arrangement exists; (b) delivery has occurred or services have been rendered; (c) the price to the buyer is fixed or determinable; and (d) collectibility is reasonably assured. Education revenue is included in other revenues on the Consolidated Statements of Income.

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company sells investor education products separately and in various bundles that contain multiple deliverables including on-demand coaching services, Web site subscriptions, educational workshops, online courses and other products and services. In accordance with ASC 605-25, *Multiple-Element Arrangements*, sales arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (a) the product has value to the client on a standalone basis; (b) there is objective and reliable evidence of the fair value of undelivered items; and (c) delivery or performance of any undelivered item is probable and substantially in the Company's control. The fair value of each separate element is generally determined by prices charged when sold separately. In certain arrangements, the Company offers these products bundled together at a discount. The discount is allocated pro rata to each element based on the relative fair value of each element when fair value support exists for each element in the arrangement. Deferred revenue arises because the payments are received before the services have been rendered. Deferred revenue is generally recognized into revenue for each element over the period that the services are performed or the time that the contract period expires.

The Company provides some limited rights of return in connection with investor education products and services. The Company estimates its returns based on historical experience and maintains an allowance for estimated returns, which is included in deferred revenue on the Consolidated Balance Sheets.

*Advertising* The Company expenses advertising costs the first time the advertising takes place.

*Derivatives and Hedging Activities* The Company occasionally utilizes derivative instruments to manage risks, which may include market price, interest rate and foreign currency risks. The Company does not use derivative instruments for speculative or trading purposes. Derivatives are recorded on the Consolidated Balance Sheets as assets or liabilities at fair value. Derivative instruments properly designated to hedge exposure to changes in the fair value of assets or liabilities are accounted for as fair value hedges. Derivative instruments properly designated to hedge exposure to the variability of expected future cash flows or other forecasted transactions are accounted for as cash flow hedges. The Company formally documents the risk management objective and strategy for each hedge transaction. Derivative instruments that do not qualify for hedge accounting are carried at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded currently on the Consolidated Statements of Income. Cash flows from derivative instruments accounted for as fair value hedges or cash flow hedges are classified in the same category on the Consolidated Statements of Cash Flows as the cash flows from the items being hedged.

*Earnings Per Share* Basic earnings per share (EPS) is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, except when such assumed exercise or conversion would have an antidilutive effect on EPS.

***Recently Issued Accounting Pronouncements***

*ASU 2011-04* In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U.S. Generally Accepted Accounting Principles (U.S. GAAP) for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify FASB's intent about the application of existing fair value measurement and disclosure requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU

2011-04 is effective during interim and annual periods beginning after December 15, 2011. Therefore, ASU 2011-04 will be effective for the Company's fiscal quarter beginning January 1, 2012 (the Company's second quarter of fiscal 2012). Adoption of ASU 2011-04 is not expected to have a material impact on the Company's financial statements.

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*ASU 2011-05* In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and allows two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive statements, consisting of a statement of net income followed by a separate statement of other comprehensive income. ASU 2011-05 requires retrospective application and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Therefore, ASU 2011-05 will be effective for the Company's fiscal year beginning October 1, 2012. The adoption of ASU 2011-05 will change the manner in which the components of other comprehensive income are presented in the financial statements, but is not expected to have any other material impact on the Company's financial statements.

*ASU 2011-08* In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*. The amendments under ASU 2011-08 will allow entities to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for entities to consider in conducting the qualitative assessment. Entities will have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step quantitative goodwill impairment test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. Adoption of ASU 2011-08 is not expected to have a material impact on the Company's financial statements.

**2. Business Combinations**

On June 11, 2009, the Company acquired thinkorswim Group Inc. ( thinkorswim ) for 27.1 million shares of Company common stock and \$225.4 million in cash. thinkorswim offers online brokerage, investor education and related financial products and services for self-directed investors and active traders. The Company's consolidated financial statements include the results of operations for thinkorswim beginning June 12, 2009.

On February 4, 2008, the Company acquired Fiserv Trust Company, an investment support services business and wholly-owned subsidiary of Fiserv, Inc. The Company paid \$274.5 million in cash during fiscal 2008 for this acquisition. Pursuant to the stock purchase agreement, an additional earn-out payment of up to \$100 million in cash was payable following the first anniversary of the acquisition based on the achievement of revenue targets. In May 2009, based on revenues through the February 4, 2009 anniversary date, the Company paid approximately \$41.3 million for the earn-out obligation.

**3. Goodwill and Acquired Intangible Assets**

The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable tangible and intangible assets of each acquired company. The following table summarizes changes in the carrying amount of goodwill (dollars in thousands):

Balance as of September 30, 2009	\$ 2,472,098
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Purchase accounting adjustments, net of income taxes(1)	(782)
Tax benefit on stock-based compensation awards(2)	(4,303)
Balance as of September 30, 2010	2,467,013
Tax benefit on stock-based compensation awards(2)	(35)
Balance as of September 30, 2011	\$ 2,466,978

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (1) Purchase accounting adjustments for fiscal 2010 primarily consist of adjustments to assumed liabilities relating to the acquisition of thinkorswim.
- (2) Represents the tax benefit realized on replacement stock awards that were issued in connection with the Datek Online Holdings Corp. ( Datek ) merger in fiscal 2002 and the thinkorswim acquisition. The tax benefit realized on a stock award is recorded as a reduction of goodwill to the extent the Company recorded fair value of the replacement award in the purchase accounting. To the extent any gain realized on a stock award exceeds the fair value of the replacement award recorded in the purchase accounting, the tax benefit on the excess is recorded as additional paid-in capital.

Acquired intangible assets consist of the following (dollars in thousands):

	2011			September 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	\$ 1,227,592	\$ (415,767)	\$ 811,825	\$ 1,230,469	\$ (339,937)	\$ 890,532
Technology and content	99,161	(33,576)	65,585	100,904	(19,203)	81,701
Trade names	10,100	(10,100)		10,100	(6,844)	3,256
Non-competition agreement	5,486	(4,218)	1,268	5,486	(2,390)	3,096
Trademark license	145,674		145,674	145,674		145,674
	\$ 1,488,013	\$ (463,661)	\$ 1,024,352	\$ 1,492,633	\$ (368,374)	\$ 1,124,259

Amortization expense on acquired intangible assets was \$97.1 million, \$100.5 million and \$73.9 million for fiscal years 2011, 2010 and 2009, respectively. Estimated future amortization expense for acquired intangible assets outstanding as of September 30, 2011 is as follows (dollars in thousands):

Fiscal Year	Estimated Amortization Expense
2012	\$ 92,113
2013	90,845
2014	90,384
2015	89,654
2016	85,544
Thereafter (to 2025)	430,138



Total

\$ 878,678

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Cash and Cash Equivalents**

The Company's cash and cash equivalents is summarized in the following table (dollars in thousands):

	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
Corporate	\$ 259,986	\$ 234,993
Broker-dealer subsidiaries	656,206	426,618
Trust company subsidiary	108,587	50,937
Investment advisory subsidiaries	7,184	28,944
<b>Total</b>	<b>\$ 1,031,963</b>	<b>\$ 741,492</b>

Capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Cash and cash equivalents of the investment advisory subsidiaries is generally not available for corporate purposes.

**5. Receivable from and Payable to Brokers, Dealers and Clearing Organizations**

Amounts receivable from and payable to brokers, dealers and clearing organizations consist of the following (dollars in thousands):

	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
Receivable:		
Deposits paid for securities borrowed	\$ 495,680	\$ 1,000,607
Broker-dealers	3,802	11,927
Deposits with clearing organizations	325,966	191,237
Securities failed to deliver	9,021	3,952
<b>Total</b>	<b>\$ 834,469</b>	<b>\$ 1,207,723</b>
Payable:		
Deposits received for securities loaned	\$ 1,658,192	\$ 1,868,724
Broker-dealers	1,099	1,519
Clearing organizations	12,904	26,319
Securities failed to receive	37,377	37,753
<b>Total</b>	<b>\$ 1,709,572</b>	<b>\$ 1,934,315</b>

**6. Allowance for Doubtful Accounts on Receivables**

The following table summarizes activity in the Company's allowance for doubtful accounts on client and other receivables for the fiscal years indicated (dollars in thousands):

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Beginning balance	\$ 11,112	\$ 13,536	\$ 22,482
Provision for doubtful accounts	8,533	2,720	1,171
Acquired in business combinations			272
Write-off of doubtful accounts	(2,060)	(5,144)	(10,389)
Ending balance	\$ 17,585	\$ 11,112	\$ 13,536

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Property and equipment consists of the following (dollars in thousands):

	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
Leasehold improvements	\$ 122,930	\$ 102,852
Software	91,772	72,185
Computer equipment	184,207	174,492
Building construction in process	65,025	5,063
Other property and equipment	55,697	50,552
	519,631	405,144
Less: Accumulated depreciation and amortization	(178,941)	(132,933)
Property and equipment, net	\$ 340,690	\$ 272,211

**8. Long-term Debt**

Long-term debt consists of the following (dollars in thousands):

<b>September 30, 2011</b>	<b>Face Value</b>	<b>Unamortized Discount</b>	<b>Fair Value Adjustment(1)</b>	<b>Net Carrying Value</b>
Senior Notes:				
2.950% Senior Notes due 2012	\$ 250,000	\$ (100)	\$ 4,170	\$ 254,070
4.150% Senior Notes due 2014	500,000	(313)	33,223	532,910
5.600% Senior Notes due 2019	500,000	(562)	50,371	549,809
Total long-term debt	\$ 1,250,000	\$ (975)	\$ 87,764	\$ 1,336,789

<b>September 30, 2010</b>	<b>Face Value</b>	<b>Unamortized Discount</b>	<b>Fair Value Adjustment(1)</b>	<b>Net Carrying Value</b>
Senior Notes:				
2.950% Senior Notes due 2012	\$ 250,000	\$ (185)	\$ 9,299	\$ 259,114
4.150% Senior Notes due 2014	500,000	(411)	39,936	539,525
5.600% Senior Notes due 2019	500,000	(632)	N/A	499,368

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Total Senior Notes	1,250,000	(1,228)	49,235	1,298,007
Other	4,262	N/A	N/A	4,262
Total long-term debt	\$ 1,254,262	\$ (1,228)	\$ 49,235	\$ 1,302,269

(1) Fair value adjustments relate to changes in the fair value of the debt while in a fair value hedging relationship.  
See Interest Rate Swaps below.

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Fiscal year maturities on long-term debt outstanding at September 30, 2011 are as follows (dollars in thousands):

2012	\$	
2013		250,000
2014		
2015		500,000
2016		
Thereafter		500,000
Total	\$	1,250,000

*Senior Notes* On November 25, 2009 the Company sold, through a public offering, \$1.25 billion aggregate principal amount of unsecured senior notes, consisting of \$250 million aggregate principal amount of 2.950% Senior Notes due December 1, 2012 (the 2012 Notes ), \$500 million aggregate principal amount of 4.150% Senior Notes due December 1, 2014 (the 2014 Notes ) and \$500 million aggregate principal amount of 5.600% Senior Notes due December 1, 2019 (the 2019 Notes and, collectively with the 2012 Notes and the 2014 Notes, the Senior Notes ). The Senior Notes were issued at an aggregate discount of \$1.4 million, which is being amortized to interest expense over the terms of the respective Senior Notes. Interest on the Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year. On November 25, 2009, the Company used the net proceeds from the issuance of the Senior Notes, together with approximately \$158 million of cash on hand, to repay in full the outstanding principal under the Company's January 23, 2006 credit agreement.

The Senior Notes are jointly and severally and fully and unconditionally guaranteed by each of the Company's current and future subsidiaries that is or becomes a borrower or a guarantor under the TD Ameritrade Holding Corporation Credit Agreement, dated as of June 28, 2011, as described below. Currently, the only subsidiary guarantor of the obligations under the Senior Notes is TD Ameritrade Online Holdings Corp. ( TDAOH ). The Senior Notes and the guarantee by TDAOH are the general senior unsecured obligations of the Company and TDAOH.

The Company may redeem each series of the Senior Notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of (a) 100% of the principal amount of the notes being redeemed, and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed, discounted to the date of redemption on a semi-annual basis at the comparable U.S. Treasury rate, plus: 25 basis points in the case of the 2012 Notes, 30 basis points in the case of the 2014 Notes and 35 basis points in the case of the 2019 Notes, plus, in each case, accrued and unpaid interest to the date of redemption.

*Interest Rate Swaps* The Company is exposed to changes in the fair value of its fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge this exposure, on December 30, 2009, the Company entered into fixed-for-variable interest rate swaps on the 2012 Notes and 2014 Notes for notional amounts of \$250 million and \$500 million, respectively, with maturity dates matching the respective maturity dates of the 2012 Notes and 2014 Notes. In addition, on January 7, 2011, the Company entered into a fixed-for-variable interest rate swap on the 2019 Notes for a notional amount of \$500 million, with a maturity date matching the maturity date of the 2019 Notes. The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the

interest rate swap agreements, the Company receives semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and makes quarterly variable-rate interest payments based on three-month LIBOR plus (a) 0.9693% for the swap on the 2012 Notes, (b) 1.245% for the swap on the 2014 Notes and (c) 2.3745% for the swap on the 2019 Notes. As of September 30, 2011, the weighted-average effective interest rate on the Senior Notes was 1.97%.

The interest rate swaps are accounted for as fair value hedges and qualify for the shortcut method of accounting. Changes in the payment of interest resulting from the interest rate swaps are recorded in interest on

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

borrowings on the Consolidated Statements of Income. Changes in fair value of the interest rate swaps are completely offset by changes in fair value of the related notes, resulting in no effect on net income. The following table summarizes gains and losses resulting from changes in the fair value of the interest rate swaps and the hedged fixed-rate debt for the fiscal years indicated (dollars in thousands):

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Gain (loss) on fair value of interest rate swaps	\$ 38,529	\$ 49,235	N/A
Gain (loss) on fair value of hedged fixed-rate debt	(38,529)	(49,235)	N/A
Net gain (loss) recorded in interest on borrowings	\$	\$	N/A

The following table summarizes the fair value of outstanding derivatives designated as hedging instruments on the Consolidated Balance Sheets (dollars in thousands):

	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
Derivatives recorded under the caption Other assets:		
Interest rate swap assets	\$ 87,764	\$ 49,235

The interest rate swaps are subject to counterparty credit risk. Credit risk is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold and by entering into credit support agreements. The bilateral credit support agreements related to the interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps. As of September 30, 2011 and 2010, the interest rate swap counterparty for the 2012 Notes and 2014 Notes had pledged \$50.1 million and \$52.9 million of collateral, respectively, to the Company in the form of U.S. Treasury securities. As of September 30, 2011, the interest rate swap counterparty for the 2019 Notes had pledged \$57.5 million of collateral to the Company in the form of cash, which is included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

*TD Ameritrade Holding Corporation Credit Agreement* On June 28, 2011, TD Ameritrade Holding Corporation (the Parent) entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of \$300 million (the Parent Revolving Facility). The Parent Revolving Facility replaced the Parent's prior \$300 million unsecured revolving credit facility, which was scheduled to expire on December 31, 2012. The maturity date of the Parent Revolving Facility is June 28, 2014.

The applicable interest rate under the Parent Revolving Facility is calculated as a per annum rate equal to, at the option of the Parent, (a) LIBOR plus an interest rate margin (Parent LIBOR loans) or (b) (i) the highest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) one-month LIBOR plus 1.00%, plus (ii) an interest rate margin (Base Rate loans). The interest rate margin ranges from 1.25% to 2.25% for Parent LIBOR loans and from 0.25% to 1.25% for Base Rate loans, determined by reference to the Company's public debt ratings. The Parent is obligated to pay a commitment fee ranging from 0.15% to 0.375% on any unused amount of the Parent Revolving



Facility, determined by reference to the Parent's public debt ratings. As of September 30, 2011, the interest rate margin would have been 1.50% for Parent LIBOR loans and 0.50% for Base Rate loans, and the commitment fee was 0.20%, each determined by reference to the Parent's Standard & Poor's public debt rating of A-. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2011.

The obligations under the Parent Revolving Facility are guaranteed by TDAOH and each significant subsidiary (as defined in SEC Rule 1-02(w) of Regulation S-X) of the Parent, other than broker-dealer subsidiaries, futures commission merchant subsidiaries and controlled foreign corporations. Currently, the only subsidiary guarantor of the obligations under the Parent Revolving Facility is TDAOH.

The Parent Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, mergers, consolidations, transactions with affiliates, change in

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nature of business and the sale of all or substantially all of the assets of the Company. The Parent is also required to maintain compliance with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant, and the Parent's broker-dealer subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. The Company was in compliance with all covenants under the Parent Revolving Facility as of September 30, 2011.

*TD Ameritrade Clearing, Inc. Credit Agreement* On June 28, 2011, TD Ameritrade Clearing, Inc. ( TDAC ), the Company's clearing broker-dealer subsidiary, entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of \$300 million (the TDAC Revolving Facility ). The maturity date of the TDAC Revolving Facility is June 28, 2014.

The applicable interest rate under the TDAC Revolving Facility is calculated as a per annum rate equal to, at the option of TDAC, (a) LIBOR plus an interest rate margin ( TDAC LIBOR loans ) or (b) the federal funds effective rate plus an interest rate margin ( Fed Funds Rate loans ). The interest rate margin ranges from 1.00% to 2.00% for both TDAC LIBOR loans and Fed Funds Rate loans, determined by reference to the Company's public debt rating. TDAC is obligated to pay a commitment fee ranging from 0.125% to 0.30% on any unused amount of the TDAC Revolving Facility, determined by reference to the Company's public debt rating. As of September 30, 2011, the interest rate margin would have been 1.25% for both TDAC LIBOR loans and Fed Funds Rate loans, and the commitment fee was 0.15%, each determined by reference to the Parent's public debt rating. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2011.

The TDAC Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of TDAC, mergers, consolidations, change in nature of business and the sale of all or substantially all of the assets of TDAC. TDAC is also required to maintain minimum tangible net worth and is required to maintain compliance with minimum regulatory net capital requirements. TDAC was in compliance with all covenants under the TDAC Revolving Facility as of September 30, 2011.

**9. Income Taxes**

Provision for income taxes is comprised of the following for the fiscal years indicated (dollars in thousands):

	2011	2010	2009
Current expense (benefit):			
Federal	\$ 356,384	\$ 168,972	\$ 438,911
State	19,827	(3,770)	47,113
Foreign	322	315	350
	376,533	165,517	486,374
Deferred expense (benefit):			
Federal	(5,196)	145,349	(70,656)
State	7,381	9,031	(18)

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	2,185	154,380	(70,674)
Provision for income taxes	\$ 378,718	\$ 319,897	\$ 415,700

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A reconciliation of the federal statutory tax rate to the effective tax rate applicable to pre-tax income follows for the fiscal years indicated:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal tax effect	2.3	2.4	2.4
Adjustments to estimated state income taxes	(0.1)	0.5	0.5
Interest recorded on unrecognized tax benefits, net	0.5	(0.2)	0.9
Reversal of accruals for unrecognized tax benefits	(0.5)	(2.5)	
Capital loss limitation			0.3
Other	0.1	(0.1)	0.1
	<b>37.3%</b>	<b>35.1%</b>	<b>39.2%</b>

The Company's effective income tax rate for fiscal year 2011 was 37.3%, compared to 35.1% and 39.2% for fiscal years 2010 and 2009, respectively. The provision for income taxes for fiscal year 2011 was lower than normal due to \$6.1 million of favorable resolutions of state income tax matters and \$1.2 million of favorable deferred income tax adjustments resulting from recent state income tax law changes. These items favorably impacted the Company's earnings for fiscal year 2011 by approximately \$0.01 per share. The provision for income taxes for fiscal year 2010 was unusually low due to \$32.0 million of favorable resolutions of certain federal and state income tax matters. These items favorably impacted the Company's earnings for fiscal year 2010 by approximately \$0.05 per share. The provision for income taxes for fiscal year 2009 was slightly higher than normal due to unfavorable deferred income tax adjustments of \$8.9 million resulting from state income tax law changes and capital loss limitations on certain money market mutual fund holdings. These items unfavorably impacted the Company's earnings for fiscal year 2009 by approximately \$0.02 per share.

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Deferred tax assets (liabilities) are comprised of the following (dollars in thousands):

	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
Deferred tax assets:		
Accrued liabilities	\$ 76,838	\$ 83,532
Deferred revenue	6,041	8,960
Intangible assets, state tax benefit	16,224	21,504
Stock-based compensation	26,901	21,516
Allowance for doubtful accounts	6,426	4,037
Unrealized tax gain on IDA agreement	12,017	15,272
Operating loss carryforwards	38,887	34,031
Capital loss carryforwards	2,109	2,109
Gross deferred tax assets	185,443	190,961
Less: Valuation allowance	(37,510)	(32,096)
Net deferred tax assets	147,933	158,865
Deferred tax liabilities:		
Property and intangible assets	(480,913)	(488,814)
Other deferred tax liabilities	(3,989)	(4,339)
Total deferred tax liabilities	(484,902)	(493,153)
Net deferred tax liabilities	\$ (336,969)	\$ (334,288)

Included in deferred tax assets above as of September 30, 2011 and 2010, is approximately \$4.6 million and \$9.9 million, respectively, of deferred tax benefits relating to intangible asset amortization deductions expected to be claimed in various state taxing jurisdictions, which may not be offset by deferred tax liabilities arising from different taxing jurisdictions on the Consolidated Balance Sheets. These amounts are presented separately as assets on the Consolidated Balance Sheets.

The unrealized tax gain on IDA agreement in the table above is attributable to the tax basis in the Company's marketing fee associated with the IDA agreement described in Note 18. The tax basis represents the tax gains recorded based on the increase in the fair market values of the underlying securities held by the Depository Institutions, which are supported by the client insured deposit account balances.

As of September 30, 2011, the Company has recorded a tax benefit for approximately \$4.0 million of federal net operating loss carryover that was acquired as part of the thinkorswim acquisition. The net operating loss expires in 2019, and is subject to substantial annual limitations on the utilization of the net operating loss. The amount of tax benefit recorded in the financial statements represents the amount that is more likely than not to be realized within the

carryforward period. At September 30, 2011, subsidiaries of the Company have approximately \$663 million of separate state operating loss carryforwards. These carryforwards expire between fiscal 2012 and 2030. Because the realization of the tax benefit from state loss carryforwards is dependent on certain subsidiaries generating sufficient state taxable income in future periods, as well as annual limitations on future utilization, the Company has provided a valuation allowance against the computed benefit in order to reflect the tax benefit expected to be realized. The increase in the valuation allowance of approximately \$5.4 million from September 30, 2010 to September 30, 2011 related to additional net operating losses generated at the separate subsidiaries, for which the related tax benefits are not considered more likely than not to be realized within the carryforward period.

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A reconciliation of the activity related to unrecognized tax benefits follows for the fiscal years indicated (dollars in thousands):

	2011	2010	2009
Beginning balance	\$ 148,536	\$ 310,255	\$ 227,025
Additions based on tax positions related to the current year	9,998	15,367	87,894
Additions for tax positions of prior years	7,132	2,911	338
Reductions for tax positions of prior years	(12,602)	(5,986)	(4,494)
Reductions due to settlements with taxing authorities	(866)	(170,739)	
Reductions due to lapsed statute of limitations	(7,671)	(3,272)	(508)
Ending balance	\$ 144,527	\$ 148,536	\$ 310,255

The balance of unrecognized tax benefits as of September 30, 2011 was \$144.5 million (\$94.3 million net of the federal benefit on state matters), of which \$90.1 million (net of the federal benefit on state matters) represents the amount that, if recognized, would favorably affect the effective income tax rate in any future periods. The balance of unrecognized tax benefits as of September 30, 2010 was \$148.5 million (\$96.9 million net of the federal benefit on state matters), of which \$90.8 million (net of the federal benefit on state matters) represents the amount that, if recognized, would favorably affect the effective income tax rate in any future periods. The Company's income tax returns are subject to review and examination by federal, state and local taxing authorities. The federal returns for 2008 through 2010 remain open under the statute of limitations. The years open to examination by state and local government authorities vary by jurisdiction, but the statute of limitations is generally three to four years from the date the tax return is filed. It is reasonably possible that the gross unrecognized tax benefits as of September 30, 2011 could decrease by up to \$40.4 million (\$26.3 million net of the federal benefit on state matters) within the next twelve months as a result of settlements of certain examinations or expiration of the statute of limitations with respect to other tax filings.

Interest and penalties recognized on the Consolidated Statements of Income (net of the federal benefit) totaled \$5.3 million, \$0.4 million and \$12.9 million for fiscal years 2011, 2010 and 2009, respectively. As of September 30, 2011 and 2010, accrued interest and penalties related to unrecognized tax benefits was \$46.5 million and \$38.0 million, respectively.

**10. Capital Requirements**

The Company's broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), which requires the maintenance of minimum net capital, as defined. Net capital is calculated for each broker-dealer subsidiary individually. Excess net capital of one broker-dealer subsidiary may not be used to offset a net capital deficiency of another broker-dealer subsidiary. Net capital and the related net capital requirement may fluctuate on a daily basis.

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Net capital and net capital requirements for the Company's broker-dealer subsidiaries are summarized in the following table (dollars in thousands):

	September 30,					
	2011 Minimum Net Capital Required	2010 Minimum Net Capital Required	Excess Net Capital	Excess Net Capital	Excess Net Capital	Excess Net Capital
TD Ameritrade Clearing, Inc.	\$ 1,263,535	\$ 199,308	\$ 1,064,227	\$ 1,092,692	\$ 177,644	\$ 915,048
TD Ameritrade, Inc.	374,907	1,000	373,907	142,859	1,000	141,859
TD Ameritrade Mobile, LLC	N/A	N/A	N/A	39,039	250	38,789
Totals	\$ 1,638,442	\$ 200,308	\$ 1,438,134	\$ 1,274,590	\$ 178,894	\$ 1,095,696

TDAC is a clearing broker-dealer and TD Ameritrade, Inc. is an introducing broker-dealer. Prior to October 12, 2010, TD Ameritrade Mobile, LLC (formerly thinkorswim, Inc.) was registered as an introducing broker-dealer. On May 25, 2010, TD Ameritrade Mobile, LLC transferred its introducing broker-dealer business to TD Ameritrade, Inc. On October 12, 2010, the Company withdrew TD Ameritrade Mobile, LLC's registration as a broker-dealer.

The Company's non-depository trust company subsidiary, TD Ameritrade Trust Company (TDATC), is subject to capital requirements established by the State of Maine, which requires TDATC to maintain minimum Tier 1 capital, as defined. TDATC's Tier 1 capital was \$18.6 million and \$22.3 million as of September 30, 2011 and 2010, respectively, which exceeded the required Tier 1 capital by \$8.6 million and \$12.3 million, respectively.

**11. Stock-based Compensation**

The Company has four stock incentive plans under which Company stock-based awards may be granted: the TD Ameritrade Holding Corporation Long-Term Incentive Plan (the LTIP), the 2006 Directors Incentive Plan (the Directors Plan), the Ameritrade Holding Corporation 1998 Stock Option Plan (the 1998 Plan) and the Ameritrade Holding Corporation 2001 Stock Incentive Plan (the 2001 Plan). The Company also assumed four stock incentive plans (the thinkorswim Plans) on June 11, 2009, in connection with the thinkorswim acquisition. New stock awards cannot be granted under the thinkorswim Plans.

The LTIP authorizes the award of options to purchase common stock, common stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. Under the LTIP, 42,104,174 shares of the Company's common stock are reserved for issuance to eligible employees, consultants and non-employee directors. The Directors Plan authorizes the award of options to purchase common stock, common stock appreciation rights, restricted stock units and restricted stock. Under the Directors Plan, 1,830,793 shares of the Company's common stock are reserved for issuance to non-employee directors. The 1998 Plan and the 2001 Plan authorize the award of options



to purchase common stock. Under the 1998 Plan, 15,502,818 shares of the Company's common stock are reserved for issuance to employees, consultants or non-employee directors of the Company. Under the 2001 Plan, 18,628,031 shares of the Company's common stock are reserved for issuance to directors or non-voting observers to the board of directors, officers and employees of the Company. The stock awards assumed in the thinkorswim Plans consisted of options to purchase common stock, restricted stock units and restricted stock awards.

Stock options, except for replacement options granted in connection with business combinations, are granted by the Company with an exercise price not less than the fair market value of the Company's common stock on the grant date. Stock options generally vest over a one- to four-year period and expire 10 years after the grant date. Restricted Stock Units ( RSUs ) are awards that entitle the holder to receive shares of Company common stock following a vesting period. RSUs granted to employees generally vest after the completion of a three-year period. RSUs granted to non-employee directors generally vest ratably over a three-year period. Performance Restricted Stock Units ( PRSUs ) are a form of RSUs in which the number of shares ultimately received depends on the

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

performance of the Company against specified performance goals, generally over a three-year period. At the end of the performance period, the number of shares of common stock issued is determined by adjusting upward or downward from the target in a range between 0% and 120%. Shares of common stock are issued following the end of the performance period. Restricted Stock Awards ( RSAs ) are awards of Company stock that may not be sold, assigned, transferred, pledged or otherwise encumbered until the end of a restriction period. RSAs generally vest ratably over a two-year period.

Stock-based compensation expense was \$35.0 million, \$34.3 million and \$25.0 million for fiscal years 2011, 2010 and 2009, respectively. The related income tax benefits were \$13.1 million, \$12.8 million and \$9.2 million for fiscal years 2011, 2010 and 2009, respectively.

The following is a summary of option activity in the Company's stock incentive plans for the fiscal year ended September 30, 2011 (in thousands, except exercise prices and years):

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (Years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at beginning of year	9,214	\$ 8.28		
Exercised	(654)	\$ 5.13		
Forfeited	(2)	\$ 32.69		
Expired	(29)	\$ 18.94		
Outstanding at end of year	8,529	\$ 8.48	3.2	\$ 63,111
Exercisable at end of year	7,464	\$ 7.09	2.6	\$ 63,105

The weighted-average grant-date fair value of options granted during fiscal years 2010 and 2009 was \$10.15 and \$12.16, respectively. No options were granted during fiscal year 2011. The total intrinsic value of options exercised during fiscal years 2011, 2010 and 2009 was \$9.9 million, \$54.0 million and \$44.8 million, respectively. As of September 30, 2011, the total unrecognized compensation cost related to nonvested stock option awards was approximately \$5.5 million and was expected to be recognized over a weighted average period of 0.5 years.

The fair value of stock options granted was estimated using a Black-Scholes valuation model with the following assumptions:

**2010                      2009**

Risk-free interest rate	2.49%	1.80%
Expected dividend yield	0%	0%
Expected volatility	50%	51%
Expected option life (years)	6.2	3.4

The risk-free interest rate assumptions were based on U.S. Treasury note yields with remaining terms comparable to the expected option life assumptions used in the valuation models. The expected volatility was based on historical daily price changes of the Company's stock since September 2002. The expected option life was the average number of years that the Company estimated that the options will be outstanding, based primarily on historical employee option exercise behavior.

The Company measures the fair value of RSUs and PRSUs based upon the volume-weighted average market price of the underlying common stock as of the date of grant. The fair value of the RSAs assumed in the thinkorswim acquisition was based upon the volume-weighted average market price of the Company's common stock for the day prior to the acquisition date. RSUs, PRSUs and RSAs are amortized over their applicable vesting period using the

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straight-line method, reduced by expected forfeitures. There were no nonvested PRSUs at the beginning or end of fiscal year 2011.

The following is a summary of RSU activity in the Company's stock incentive plans for the fiscal year ended September 30, 2011 (in thousands, except per unit amounts):

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested at beginning of year	3,764	\$ 16.19
Granted	2,162	\$ 18.67
Dividend equivalents	17	\$ 18.20
Vested	(974)	\$ 18.23
Forfeited	(319)	\$ 16.47
Nonvested at end of year	4,650	\$ 16.91

As of September 30, 2011, there was \$29.1 million of estimated unrecognized compensation cost related to nonvested RSUs, which was expected to be recognized over a weighted average period of 1.9 years.

The following is a summary of RSA activity in the Company's stock incentive plans for the fiscal year ended September 30, 2011 (in thousands, except per unit amounts):

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested at beginning of year	42	\$ 17.99
Vested	(42)	\$ 17.99
Nonvested at end of year		\$

Although the Company does not have a formal policy for issuing shares upon stock option exercises, such shares are generally issued from treasury stock. The Stockholders Agreement entered into in connection with the acquisition of TD Waterhouse requires the Company to repurchase its common stock from time to time to offset dilution resulting from stock option exercises and other stock awards subsequent to the acquisition. As of September 30, 2011, the Company was not obligated to repurchase additional shares pursuant to the Stockholders Agreement. The Company cannot estimate the amount and timing of repurchases that may be required as a result of future stock option exercises.

## **12. Employee Benefit Plans**

The Company has a 401(k) and profit-sharing plan under which annual profit-sharing contributions are determined at the discretion of the board of directors. The Company also makes matching contributions pursuant to the plan document. Profit-sharing and matching contributions expense was \$31.2 million, \$25.7 million and \$21.1 million for fiscal years 2011, 2010 and 2009, respectively.

Table of Contents**TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. Earnings Per Share**

The following is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per share for the fiscal years indicated (in thousands, except per share amounts):

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net income	\$ 637,753	\$ 592,188	\$ 643,705
Weighted average shares outstanding basic	570,314	585,128	578,972
Effect of dilutive securities:			
Common stock equivalent shares related to stock-based compensation	6,148	6,794	8,280
Weighted average shares outstanding diluted	576,462	591,922	587,252
Earnings per share basic	\$ 1.12	\$ 1.01	\$ 1.11
Earnings per share diluted	\$ 1.11	\$ 1.00	\$ 1.10

**14. Commitments and Contingencies**

*Lease Commitments* The Company has various non-cancelable operating leases on facilities and certain computer and office equipment requiring annual payments as follows (dollars in thousands):

<b>Fiscal Year</b>	<b>Minimum Lease Payments</b>	<b>Sublease Income</b>	<b>Net Lease Commitments</b>
2012	\$ 48,482	\$ (644)	\$ 47,838
2013	46,558	(161)	46,397
2014	44,765		44,765
2015	40,630		40,630
2016	37,508		37,508
Thereafter (to 2022)	142,583		142,583
Total	\$ 360,526	\$ (805)	\$ 359,721

Rental expense, net of sublease income, was approximately \$49.7 million, \$48.4 million and \$40.6 million for fiscal years 2011, 2010 and 2009, respectively.

The Company has capital leases on computer equipment. The amortization of equipment under capital leases is included in depreciation and amortization on the Consolidated Statements of Income. The following is a schedule of future minimum lease payments under capital leases along with the present value of the minimum lease payments

(dollars in thousands):

Fiscal year 2012	\$ 6,397
Fiscal year 2013	4,388
Fiscal year 2014	544
Total minimum lease payments	11,329
Less: Amount representing interest	(545)
Present value of minimum lease payments	\$ 10,784

*Spam Litigation* A purported class action, captioned *Elvey v. TD Ameritrade, Inc.*, was filed on May 31, 2007 in the United States District Court for the Northern District of California. The complaint alleged that there was a breach in TD Ameritrade, Inc.'s systems, which allowed access to e-mail addresses and other personal information

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of account holders, and that as a result account holders received unsolicited e-mail from spammers promoting certain stocks and have been subjected to an increased risk of identity theft. The complaint requested unspecified damages and injunctive and other equitable relief. A second lawsuit, captioned *Zigler v. TD Ameritrade, Inc.*, was filed on September 26, 2007, in the same jurisdiction on behalf of a purported nationwide class of account holders. The factual allegations of the complaint and the relief sought were substantially the same as those in the first lawsuit. The cases were consolidated under the caption *In re TD Ameritrade Accountholders Litigation* and a consolidated complaint was filed. The Company hired an independent consultant to investigate whether identity theft occurred as a result of the breach. The consultant conducted four investigations from August 2007 to June 2008 and reported that it found no evidence of identity theft. On September 12, 2011, TD Ameritrade, Inc. received final Court approval of a class settlement agreement between TD Ameritrade, Inc. and plaintiffs Richard Holober and Brad Zigler. Under the settlement, the Company will pay no less than \$2.5 million in settlement benefits. Total compensation to be paid to all eligible members of the settlement class will not exceed \$6.5 million, inclusive of any award of attorneys' fees and costs. In addition, the settlement agreement provides that the Company will retain an independent information technology security consultant to assess whether the Company has met certain information technology security standards.

*Reserve Fund Matters* During September 2008, The Reserve, an independent mutual fund company, announced that the net asset value of the Reserve Yield Plus Fund declined below \$1.00 per share. The Yield Plus Fund was not a money market mutual fund, but its stated objective was to maintain a net asset value of \$1.00 per share. TD Ameritrade, Inc.'s clients continue to hold shares in the Yield Plus Fund (now known as Yield Plus Fund In Liquidation), which is being liquidated. On July 23, 2010, The Reserve announced that through that date it had distributed approximately 94.8% of the Yield Plus Fund assets as of September 15, 2008 and that the Yield Plus Fund had approximately \$39.7 million in total remaining assets. The Reserve stated that the fund's Board of Trustees has set aside almost the entire amount of the remaining assets to cover potential claims, fees and expenses. The Company estimates that TD Ameritrade, Inc. clients' current positions held in the Reserve Yield Plus Fund amount to approximately 79% of the fund.

TD Ameritrade, Inc. has received subpoenas and other requests for documents and information from the SEC and other regulatory authorities regarding TD Ameritrade, Inc.'s offering of the Yield Plus Fund to clients. TD Ameritrade, Inc. is cooperating with the investigations and requests. On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, agreeing to the entry of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (Order). In the Order, the SEC finds that TD Ameritrade, Inc. failed reasonably to supervise its registered representatives with a view to preventing their violations of Section 17(a)(2) of the Securities Act of 1933 in connection with their offer and sale of the Yield Plus Fund. TD Ameritrade, Inc. did not admit or deny any of the findings in the Order, and no fine was imposed. Under the settlement agreement, TD Ameritrade, Inc. agreed to pay \$0.012 per share to all eligible current or former clients that purchased shares of the Yield Plus Fund and continued to own those shares. Clients who purchased Yield Plus Fund shares through independent registered investment advisors were not eligible for the payment. In February 2011, the Company paid clients approximately \$10 million under the settlement agreement.

The Pennsylvania Securities Commission has filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. An administrative hearing will be held to determine whether there have been violations of certain provisions of the Pennsylvania Securities Act of 1972 and rules thereunder and to determine what, if any, administrative sanctions should be imposed. TD Ameritrade, Inc. is defending the action.



In November 2008, a purported class action lawsuit was filed with respect to the Yield Plus Fund. The lawsuit is captioned *Ross v. Reserve Management Company, Inc. et al.* and is pending in the U.S. District Court for the Southern District of New York. The Ross lawsuit is on behalf of persons who purchased shares of Reserve Yield Plus Fund. On November 20, 2009, the plaintiffs filed a first amended complaint naming as defendants the fund s

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

advisor, certain of its affiliates and the Company and certain of its directors, officers and shareholders as alleged control persons. The complaint alleges claims of violations of the federal securities laws and other claims based on allegations that false and misleading statements and omissions were made in the Reserve Yield Plus Fund prospectuses and in other statements regarding the fund. The complaint seeks an unspecified amount of compensatory damages including interest, attorneys' fees, rescission, exemplary damages and equitable relief. On January 19, 2010, the defendants submitted motions to dismiss the complaint. The motions are pending.

The Company estimates that its clients' current aggregate shortfall, based on the original par value of their holdings in the Yield Plus Fund, less the value of fund distributions to date and the value of payments under the Company's SEC settlement, is approximately \$37 million. This amount does not take into account any assets remaining in the fund that may become available for future distributions.

The Company is unable to predict the outcome or the timing of the ultimate resolution of the Pennsylvania action and the Ross lawsuit, or the potential loss, if any, that may result from these unresolved matters. However, management believes the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

*Other Legal and Regulatory Matters* The Company is subject to other lawsuits, arbitrations, claims and other legal proceedings in connection with its business. Some of these legal actions include claims for substantial or unspecified compensatory and/or punitive damages. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company's financial condition, results of operations and cash flows or could cause the Company significant reputational harm. Management believes the Company has adequate legal defenses with respect to these legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, if any, that may result from these matters.

In the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other sanctions. Management believes the outcome of any resulting actions will not be material to the Company's financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

*Income Taxes* The Company's federal and state income tax returns are subject to examination by taxing authorities. Because the application of tax laws and regulations to many types of transactions is subject to varying interpretations, amounts reported in the consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities. TD has agreed to indemnify the Company for tax obligations, if any, pertaining to activities of TD Waterhouse Group, Inc. (TD Waterhouse) prior to the Company's acquisition of TD Waterhouse in January 2006.

*General Contingencies* In the ordinary course of business, there are various contingencies that are not reflected in the consolidated financial statements. These include the Company's broker-dealer subsidiaries' client activities involving the execution, settlement and financing of various client securities, options, futures and foreign exchange transactions. These activities may expose the Company to credit risk in the event the clients are unable to fulfill their contractual

obligations.

The Company extends margin credit and leverage to its clients. In margin transactions, the Company extends credit to the client, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the client's account. In connection with these activities, the Company also executes and clears client transactions involving the sale of securities not yet purchased ( short sales ). Such margin-related transactions may expose the Company to credit risk in the event a client's assets are not sufficient to fully cover losses that the client may incur. Leverage involves securing a large potential future obligation with a lesser amount of cash and securities.

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The risks associated with margin credit and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. In the event the client fails to satisfy its obligations, the Company has the authority to purchase or sell financial instruments in the client's account at prevailing market prices in order to fulfill the client's obligations. However, during periods of rapid market movements, clients who utilize margin credit or leverage and who have collateralized their obligations with securities may find that the securities have a rapidly depreciating value and may not be sufficient to cover their obligations in the event of liquidation. The Company seeks to mitigate the risks associated with its client margin and leverage activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels throughout each trading day and, pursuant to such guidelines, requires clients to deposit additional collateral, or to reduce positions, when necessary.

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

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

The Company transacts in reverse repurchase agreements in connection with its broker-dealer business. The Company's policy is to take possession or control of securities with a market value in excess of the principal amount loaned, plus accrued interest, in order to collateralize resale agreements. The Company monitors the market value of the underlying securities that collateralize the related receivable on resale agreements on a daily basis and may require additional collateral when deemed appropriate.

As of September 30, 2011, client excess margin securities of approximately \$11.2 billion and stock borrowings of approximately \$0.5 billion were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company had loaned approximately \$1.7 billion and repledged approximately \$1.9 billion of that collateral as of September 30, 2011.

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

carried on the Consolidated Balance Sheets for these guarantees.

The Company clears its clients' futures transactions through an external clearing firm. The Company has agreed to indemnify the external clearing firm for any loss that they may incur for the client accounts introduced to them by the Company.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

See Insured Deposit Account Agreement in Note 18 for a description of a guarantee included in that agreement.

On July 20, 2009, TD Ameritrade, Inc. finalized settlements with the SEC and other regulatory authorities, concluding investigations by the regulators into TD Ameritrade, Inc.'s offer and sale of auction rate securities (ARS). Under these settlement agreements, TD Ameritrade, Inc. commenced a tender offer to purchase, at par, from certain current and former account holders, eligible ARS that were purchased through TD Ameritrade, Inc. The offer commenced on August 10, 2009 and TD Ameritrade, Inc. completed the repurchases on March 30, 2010. Through March 30, 2010, TD Ameritrade, Inc. purchased eligible ARS with an aggregate par value of approximately \$305 million. The Company accounted for the ARS settlement as a financial guarantee. The Company recorded a charge to earnings of \$13.8 million during fiscal 2009 for the estimated fair value of this guarantee and recorded a gain of \$0.5 million during fiscal 2010 based on the final fulfillment of the guarantee. The charge and gain are included in (gains) losses on money market funds and client guarantees on the Consolidated Statements of Income. As of September 30, 2011, TD Ameritrade, Inc. held ARS with a fair value of approximately \$19.6 million.

*Employment Agreements* The Company has entered into employment agreements with several of its key executive officers. These employment agreements generally provide for annual base salary and incentive compensation, stock award acceleration and severance payments in the event of termination of employment under certain defined circumstances or changes in control of the Company. Incentive compensation amounts are based on the Company's financial performance and other factors.

**15. Fair Value Disclosures**

**Fair Value Measurement Definition and Hierarchy**

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This category includes active exchange-traded funds, mutual funds and equity securities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation

or other means. This category includes most debt securities and other interest-sensitive financial instruments.

Level 3 Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability. This category includes assets and liabilities related to money market and other mutual funds managed by The Reserve for which the net asset value has declined below \$1.00 per

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share and the funds are being liquidated. This category also includes auction rate securities for which the periodic auctions have failed.

The following tables present the Company's fair value hierarchy for assets and liabilities measured on a recurring basis as of September 30, 2011 and 2010 (dollars in thousands):

	<b>As of September 30, 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
<b>Assets:</b>				
Securities owned:				
Auction rate securities	\$	\$	\$ 19,609	\$ 19,609
Money market and other mutual funds			1,098	1,098
Equity securities	521	278		799
U.S. government debt securities		423,010		423,010
Municipal debt securities		972		972
Corporate debt securities		653		653
Other debt securities		468		468
Subtotal Securities owned	521	425,381	20,707	446,609
Other assets:				
U.S. government debt securities		2,528		2,528
U.S. government agency debt securities		1,029		1,029
Interest rate swaps(1)		87,764		87,764
Subtotal Other assets		91,321		91,321
Total assets at fair value	\$ 521	\$ 516,702	\$ 20,707	\$ 537,930
<b>Liabilities:</b>				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	\$ 4,600	\$ 55	\$	\$ 4,655
Municipal debt securities		178		178
Corporate debt securities		9		9
Total liabilities at fair value	\$ 4,600	\$ 242	\$	\$ 4,842

(1) See Interest Rate Swaps in Note 8 for details.





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	As of September 30, 2010			
	Level 1	Level 2	Level 3	Fair Value
<b>Assets:</b>				
Securities owned:				
Auction rate securities	\$	\$	\$ 209,288	\$ 209,288
Money market and other mutual funds			5,404	5,404
Equity securities	453	10		463
Municipal debt securities		1,487		1,487
Corporate debt securities		487		487
Other debt securities		105		105
Subtotal Securities owned	453	2,089	214,692	217,234
Other assets:				
U.S. government debt securities		2,494		2,494
U.S. government agency debt securities		1,098		1,098
Interest rate swaps(1)		49,235		49,235
Subtotal Other assets		52,827		52,827
Total assets at fair value	\$ 453	\$ 54,916	\$ 214,692	\$ 270,061
<b>Liabilities:</b>				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	\$ 2,213	\$ 14	\$	\$ 2,227
Municipal debt securities		375		375
Corporate debt securities		378		378
Other debt securities		161		161
Total liabilities at fair value	\$ 2,213	\$ 928	\$	\$ 3,141

(1) See Interest Rate Swaps in Note 8 for details.

There were no transfers between any levels of the fair value hierarchy during the periods presented in the tables below. The following tables present the changes in Level 3 assets and liabilities measured on a recurring basis for the fiscal years ended September 30, 2011, 2010 and 2009 (dollars in thousands):

**Year Ended September 30, 2011**  
**Purchases,**

	September 30, 2010	Net Gains Included in Earnings(1)	Sales, Issuances and Settlements, Net	September 30, 2011
<b>Assets:</b>				
Securities owned:				
Auction rate securities	\$ 209,288	\$ 4,182	\$ (193,861)	\$ 19,609
Money market and other mutual funds	5,404		(4,306)	1,098
Total Securities owned	\$ 214,692	\$ 4,182	\$ (198,167)	\$ 20,707

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## TD AMERITRADE HOLDING CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (1) Net gains on auction rate securities are recorded in other revenues on the Consolidated Statements of Income and \$0.1 million of the net gains relate to assets held as of September 30, 2011.

	September 30, 2009	Year Ended September 30, 2010 Net Gains Included in Earnings	Purchases, Sales, Issuances and Settlements, Net	September 30, 2010
<b>Assets:</b>				
Short-term investments:				
Money market mutual funds	\$ 50,971	\$ 1,237 (1)	\$ (52,208)	\$
Securities owned:				
Auction rate securities	14,579	8,428 (2)	186,281	209,288
Money market and other mutual funds	5,049	10,067 (1)	(9,712)	5,404
Subtotal Securities owned	19,628	18,495	176,569	214,692
Total assets at fair value	\$ 70,599	\$ 19,732	\$ 124,361	\$ 214,692

- (1) Gains on money market and other mutual funds relate to shares of The Reserve Primary and International Liquidity Funds that the Company held as of September 30, 2010. These gains are included in (gains) losses on money market funds and client guarantees on the Consolidated Statements of Income.
- (2) Net gains on auction rate securities are recorded in other revenues on the Consolidated Statements of Income and \$3.9 million of the gains related to assets held as of September 30, 2010.

	October 1, 2008	Year Ended September 30, 2009 Losses Included in Earnings(2)	Purchases, Sales, Issuances and Settlements, Net	September 30, 2009
<b>Assets:</b>				
Cash and cash equivalents(1)	\$ 217,471	\$	\$ (217,471)	\$
Short-term investments:				

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Money market mutual funds	368,066	(80)	(317,015)	50,971
Securities owned:				
Auction rate securities	6,925	(821)	8,475	14,579
Money market and other mutual funds	46,662		(41,613)	5,049
Subtotal Securities owned	53,587	(821)	(33,138)	19,628
Other investments:				
Auction rate securities	10,000		(10,000)	
Total assets at fair value	\$ 649,124	\$ (901)	\$ (577,624)	\$ 70,599

**Liabilities:**

Accounts payable and accrued liabilities:

Securities sold, not yet purchased:

Money market and other mutual funds	\$ 4,636	\$	\$ (4,635)	\$ 1
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(1) Represents positions in The Reserve Primary Fund that were classified as cash and cash equivalents as of October 1, 2008.

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (2) Substantially all of the losses included in earnings are recorded in other revenues on the Consolidated Statements of Income and were related to assets held as of September 30, 2009.

Effective October 1, 2009, the Company adopted ASC 820-10 for nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. There were no nonfinancial assets or liabilities measured at fair value during the fiscal years ended September 30, 2011 and 2010.

**Valuation Techniques**

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to the Company's Level 1 assets and liabilities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then the Company uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. This pricing methodology applies to the Company's Level 2 assets and liabilities.

**Level 2 Measurements:**

*Debt Securities* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

*Interest Rate Swaps* These derivatives are valued using a model that incorporates interest rate yield curves, which are observable for substantially the full term of the contract. The valuation model is widely accepted in the financial services industry and does not involve significant judgment because most of the inputs are observable in the marketplace.

**Level 3 Measurements:**

*Money Market and Other Mutual Funds* The fair value of positions in money market and other mutual funds managed by The Reserve is estimated by management based on the underlying portfolio holdings data published by The Reserve.

*Auction Rate Securities* ARS are long-term variable rate securities tied to short-term interest rates that are reset through a Dutch auction process, which generally occurs every seven to 35 days. Holders of ARS were previously able to liquidate their holdings to prospective buyers by participating in the auctions. During fiscal 2008, the Dutch auction process failed and holders were no longer able to liquidate their holdings through the auction process. The fair value of Company ARS holdings is estimated based on an internal pricing model. The pricing model takes into consideration the characteristics of the underlying securities, as well as multiple inputs, including counterparty credit quality, expected timing of redemptions and an estimated yield premium that a market participant would require over otherwise comparable securities to compensate for the illiquidity of the ARS. These inputs require significant management judgment.

**Fair Value of Senior Notes**

As of September 30, 2011, the Company's Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately \$1.34 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of \$1.34 billion. As of September 30, 2010, the Company's Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately \$1.34 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of \$1.30 billion.

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**TD AMERITRADE HOLDING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**16. Segment and Geographic Area Information**

The Company primarily operates in the securities brokerage industry and has no other reportable segments. Substantially all of the Company's revenues from external clients for the fiscal years ended September 30, 2011, 2010 and 2009 were derived from its operations in the United States.

**17. Structured Stock Repurchase**

On August 20, 2010, the Company entered into an agreement with an investment bank counterparty to effect a structured repurchase of up to 12 million shares of its common stock. The Company entered into this structured stock repurchase agreement in order to lower the average cost of acquiring shares of its common stock. Under the terms of the agreement, the Company prepaid \$169.2 million to the counterparty, which was recorded as a reduction of additional paid-in capital on the Consolidated Balance Sheet. Settlement of the transaction occurred on December 1, 2010 and the Company purchased approximately 3.2 million shares for approximately \$50.4 million (\$15.94 per share). The number of shares the Company purchased from the counterparty and the purchase price were based on the average of the daily volume-weighted average share price of the Company's common stock over the measurement period for the transaction, less a pre-determined discount. Upon settlement of the transaction, the excess prepayment amount of \$118.8 million was returned to the Company in cash and was recorded as additional paid-in capital.

**18. Related Party Transactions**

**Stock Repurchase**

On February 17, 2009, the Company entered into a stock purchase agreement with Marlene M. Ricketts and the Joe and Marlene Ricketts Grandchildren's Trust to purchase approximately 34 million shares of common stock of the Company for approximately \$403 million in cash (\$11.85 per share). J. Joe Ricketts serves on the Company's board of directors. The purchase of the stock occurred on February 20, 2009.

**Transactions with TD and Affiliates**

As a result of the Company's acquisition of TD Waterhouse during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 44.6% of the Company's common stock as of September 30, 2011. Pursuant to the Stockholders Agreement among TD, the Company and certain other stockholders, TD has the right to designate five of twelve members of the Company's board of directors. The Company transacts business and has extensive relationships with TD and certain of its affiliates. A description of significant transactions with TD and its affiliates is set forth below.

***Insured Deposit Account Agreement***

The Company is party to an IDA agreement with TD and certain Depository Institutions affiliated with TD. Under the IDA agreement, the Depository Institutions make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company a fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a flat fee to the Depository



Institutions of 25 basis points and the cost of FDIC insurance premiums.

The IDA agreement has a term of five years beginning July 1, 2008, and is automatically renewable for successive five-year terms, provided that it may be terminated by any party upon two years prior written notice. The agreement provides that the fee earned on the IDA agreement is calculated based on three primary components: (a) the actual yield earned on investments in place as of July 1, 2008, which were primarily fixed-income securities backed by Canadian government guarantees, (b) the yield on other fixed-rate investments, based on prevailing fixed

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

rates for identical balances and maturities in the interest rate swap market (generally LIBOR-based) at the time such investments were added to the IDA portfolio and (c) floating-rate investments, based on the monthly average rate for 30-day LIBOR. The agreement provides that, from time to time, the Company may request amounts and maturity dates for the other fixed-rate investments (component (b) above) in the IDA portfolio, subject to the approval of the Depository Institutions. As of September 30, 2011, the IDA portfolio was comprised of approximately 1% component (a) investments, 87% component (b) investments and 12% component (c) investments.

In the event the fee computation results in a negative amount, the Company must pay the Depository Institutions the negative amount. This effectively results in the Company guaranteeing the Depository Institutions revenue of 25 basis points on the IDA agreement, plus the reimbursement of FDIC insurance premiums. The fee computation under the IDA agreement is affected by many variables, including the type, duration, credit quality, principal balance and yield of the investment portfolio at the Depository Institutions, the prevailing interest rate environment, the amount of client deposits and the yield paid on client deposits. Because a negative IDA fee computation would arise only if there were extraordinary movements in many of these variables, the maximum potential amount of future payments the Company could be required to make under this arrangement cannot be reasonably estimated. Management believes the potential for the fee calculation to result in a negative amount is remote and the fair value of the guarantee is not material. Accordingly, no contingent liability is carried on the Consolidated Balance Sheets for the IDA agreement.

***Mutual Fund Agreements***

The Company and an affiliate of TD are parties to a sweep fund agreement, transfer agency agreement, shareholder services agreement and a dealer agreement pursuant to which certain mutual funds are made available as money market sweep or direct purchase options to Company clients. The Company performs certain distribution and marketing support services with respect to those funds. In consideration for offering the funds and performing the distribution and marketing support services, an affiliate of TD compensates the Company in accordance with the provisions of the sweep fund agreement. The Company also performs certain services for the applicable fund and earns fees for those services. The agreement may be terminated by any party upon one year's prior written notice and may be terminated by the Company upon 30 days' prior written notice under certain circumstances.

In addition, the Company has various other services agreements and transactions with TD and its affiliates. The following tables summarize revenues and expenses resulting from transactions with TD and its affiliates for the fiscal years indicated (dollars in thousands):

Description	Statement of Income Classification	Revenues from TD and Affiliates		
		2011	2010	2009
Insured Deposit Account Agreement	Insured deposit account fees	\$ 762,527	\$ 682,206	\$ 568,084
Mutual Fund Agreements	Investment product fees	8,488	9,807	108,462
Referral and Strategic Alliance Agreement	Various	4,486	1,491	
Securities borrowing and lending, net	Net interest revenue	3,753	1,543	65
TD Waterhouse Canada Order Routing Agreement	Other revenues	2,672	553	
	Commissions and transaction fees	505	84	

TD Waterhouse UK Servicing  
Agreement

Payment for order flow	Commissions and transaction fees	527	5,512
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Total revenues		\$ 782,431	\$ 696,211	\$ 682,123
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**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Description	Statement of Income Classification	Expenses to TD and Affiliates		
		2011	2010	2009
Canadian Call Center Services Agreement	Professional Services	\$ 17,993	\$ 17,534	\$ 16,001
Certificates of Deposit Brokerage Agreement	Advertising	2,045	2,276	3,510
Cash Management Services Agreement	Clearing and execution costs	850	812	825
Referral and Strategic Alliance Agreement	Various	1,609	741	
Total expenses		\$ 22,497	\$ 21,363	\$ 20,336

The following table summarizes the classification and amount of receivables from and payables to TD and affiliates of TD on the Consolidated Balance Sheets resulting from related party transactions (dollars in thousands):

	September 30,	
	2011	2010
<b>Assets:</b>		
Receivable from brokers, dealers and clearing organizations	\$ 206	\$ 1,201
Receivable from affiliates	92,963	90,523
<b>Liabilities:</b>		
Payable to brokers, dealers and clearing organizations	\$ 87,771	\$ 40,849
Payable to affiliates	3,912	3,244

Receivables from and payables to TD affiliates resulting from client cash sweep activity are generally settled in cash the next business day. Receivables from and payables to brokers, dealers and clearing organizations primarily relate to securities borrowing and lending activity and are settled in accordance with the contractual terms. Other receivables from and payables to affiliates of TD are generally settled in cash on a monthly basis.

**19. Condensed Consolidating Financial Information**

The Senior Notes are jointly and severally and fully and unconditionally guaranteed by TDAOH. Presented below is condensed consolidating financial information for the Company, its guarantor subsidiary and its non-guarantor subsidiaries for the periods indicated.

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING BALANCE SHEET****As of September 30, 2011****(In thousands)**

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 93,469	\$ 7,170	\$ 931,324	\$	\$ 1,031,963
Cash and investments segregated in compliance with federal regulations			2,519,249		2,519,249
Receivable from brokers, dealers and clearing organizations			834,469		834,469
Receivable from clients, net of allowance for doubtful accounts			8,059,410		8,059,410
Investments in subsidiaries	5,431,356	5,240,332	555,001	(11,226,689)	
Receivable from affiliates	6,016	3,754	89,352	(6,159)	92,963
Goodwill			2,466,978		2,466,978
Acquired intangible assets		145,674	878,678		1,024,352
Other	148,759	5,773	973,137	(31,291)	1,096,378
Total assets	\$ 5,679,600	\$ 5,402,703	\$ 17,307,598	\$ (11,264,139)	\$ 17,125,762
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Liabilities:					
Payable to brokers, dealers and clearing organizations	\$	\$	\$ 1,709,572	\$	\$ 1,709,572
Payable to clients			8,979,327		8,979,327
Accounts payable and accrued liabilities	226,883		364,574	(5,737)	585,720
Payable to affiliates	111	38	9,922	(6,159)	3,912
Long-term debt	1,336,789				1,336,789
Other		49,118	371,061	(25,554)	394,625
Total liabilities	1,563,783	49,156	11,434,456	(37,450)	13,009,945
Stockholders' equity	4,115,817	5,353,547	5,873,142	(11,226,689)	4,115,817
Total liabilities and stockholders' equity	\$ 5,679,600	\$ 5,402,703	\$ 17,307,598	\$ (11,264,139)	\$ 17,125,762



**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING BALANCE SHEET****As of September 30, 2010****(In thousands)**

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 67,033	\$ 25,058	\$ 649,401	\$	\$ 741,492
Cash and investments segregated in compliance with federal regulations			994,026		994,026
Receivable from brokers, dealers and clearing organizations			1,207,723		1,207,723
Receivable from clients, net of allowance for doubtful accounts			7,393,855		7,393,855
Investments in subsidiaries	5,180,736	4,751,641	543,556	(10,475,933)	
Receivable from affiliates	1,782	218,437	125,724	(255,420)	90,523
Goodwill			2,467,013		2,467,013
Acquired intangible assets		145,674	978,585		1,124,259
Other	91,057	5,902	640,744	(29,676)	708,027
Total assets	\$ 5,340,608	\$ 5,146,712	\$ 15,000,627	\$ (10,761,029)	\$ 14,726,918
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Liabilities:					
Payable to brokers, dealers and clearing organizations	\$	\$	\$ 1,934,315	\$	\$ 1,934,315
Payable to clients			6,810,391		6,810,391
Accounts payable and accrued liabilities	96,578	18,157	366,789	(5,218)	476,306
Payable to affiliates	174,144	1,845	82,675	(255,420)	3,244
Long-term debt	1,298,007		4,262		1,302,269
Other		42,563	410,409	(24,458)	428,514
Total liabilities	1,568,729	62,565	9,608,841	(285,096)	10,955,039
Stockholders equity	3,771,879	5,084,147	5,391,786	(10,475,933)	3,771,879
Total liabilities and stockholders equity	\$ 5,340,608	\$ 5,146,712	\$ 15,000,627	\$ (10,761,029)	\$ 14,726,918





Table of Contents**TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**For the Year Ended September 30, 2011**  
(In thousands)

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
Net revenues	\$ 17,339	\$ 292	\$ 2,762,534	\$ (17,506)	\$ 2,762,659
Operating expenses	16,602	173	1,715,548	(17,506)	1,714,817
Operating income	737	119	1,046,986		1,047,842
Other expense (income)	33,395		(2,024)		31,371
Income (loss) before income taxes and equity in income of subsidiaries	(32,658)	119	1,049,010		1,016,471
Provision for (benefit from) income taxes	(13,643)	(560)	392,921		378,718
Income (loss) before equity in income of subsidiaries	(19,015)	679	656,089		637,753
Equity in income of subsidiaries	656,768	673,503	38,162	(1,368,433)	
Net income	\$ 637,753	\$ 674,182	\$ 694,251	\$ (1,368,433)	\$ 637,753

**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**For the Year Ended September 30, 2010**  
(In thousands)

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
Net revenues	\$ 16,227	\$ 170	\$ 2,560,518	\$ (16,224)	\$ 2,560,691
Operating expenses	12,787	(2,763)	1,601,518	(16,224)	1,595,318
Operating income	3,440	2,933	959,000		965,373
Other expense	52,138	38	1,112		53,288
Income (loss) before income taxes and equity in income of subsidiaries	(48,698)	2,895	957,888		912,085

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Provision for (benefit from) income taxes	(33,382)	(5,663)	358,942		319,897
Income (loss) before equity in income of subsidiaries	(15,316)	8,558	598,946		592,188
Equity in income of subsidiaries	607,504	596,197	10,272	(1,213,973)	
Net income	\$ 592,188	\$ 604,755	\$ 609,218	\$ (1,213,973)	\$ 592,188

Table of Contents**TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**For the Year Ended September 30, 2009**  
(In thousands)

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
Net revenues	\$ 30,614	\$ 1,120	\$ 2,407,032	\$ (30,840)	\$ 2,407,926
Operating expenses	28,372	586	1,308,213	(30,723)	1,306,448
Operating income	2,242	534	1,098,819	(117)	1,101,478
Other expense	39,489	2,118	583	(117)	42,073
Income (loss) before income taxes and equity in income of subsidiaries	(37,247)	(1,584)	1,098,236		1,059,405
Provision for (benefit from) income taxes	(5,796)	558	420,938		415,700
Income (loss) before equity in income of subsidiaries	(31,451)	(2,142)	677,298		643,705
Equity in income of subsidiaries	675,156	676,849		(1,352,005)	
Net income	\$ 643,705	\$ 674,707	\$ 677,298	\$ (1,352,005)	\$ 643,705

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****For the Year Ended September 30, 2011****(In thousands)**

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Total</b>
Net cash provided by (used in) operating activities	\$ (45,223)	\$ 202,112	\$ 633,172	\$ 790,061
Cash flows from investing activities:				
Purchase of property and equipment			(152,889)	(152,889)
Other			(76)	(76)
Net cash used in investing activities			(152,965)	(152,965)
Cash flows from financing activities:				
Purchase of treasury stock	(348,534)			(348,534)
Return of prepayment on structured stock repurchase	118,834			118,834
Payment of cash dividends	(114,212)			(114,212)
Other	12,255		(15,066)	(2,811)
Net cash used in financing activities	(331,657)		(15,066)	(346,723)
Intercompany investing and financing activities, net	403,316	(220,000)	(183,316)	
Effect of exchange rate changes on cash and cash equivalents			98	98
Net increase (decrease) in cash and cash equivalents	26,436	(17,888)	281,923	290,471
Cash and cash equivalents at beginning of year	67,033	25,058	649,401	741,492
Cash and cash equivalents at end of year	\$ 93,469	\$ 7,170	\$ 931,324	\$ 1,031,963

Table of Contents**TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2010**  
(In thousands)

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Total</b>
Net cash provided by (used in) operating activities	\$ (128,996)	\$ (732)	\$ 714,404	\$ 584,676
Cash flows from investing activities:				
Purchase of property and equipment			(91,198)	(91,198)
Proceeds from redemption of money market funds	113	51,695	400	52,208
Other		16	(2,492)	(2,476)
Net cash provided by (used in) investing activities	113	51,711	(93,290)	(41,466)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	1,248,557			1,248,557
Payment of debt issuance costs	(10,595)			(10,595)
Principal payments on long-term debt	(1,406,500)		(4,138)	(1,410,638)
Purchase of treasury stock	(265,599)			(265,599)
Prepayment of structured stock repurchase	(169,200)			(169,200)
Other	28,189		(13,769)	14,420
Net cash used in financing activities	(575,148)		(17,907)	(593,055)
Intercompany investing and financing activities, net	725,773	(135,000)	(590,773)	
Effect of exchange rate changes on cash and cash equivalents			126	126
Net increase (decrease) in cash and cash equivalents	21,742	(84,021)	12,560	(49,719)
Cash and cash equivalents at beginning of year	45,291	109,079	636,841	791,211
Cash and cash equivalents at end of year	\$ 67,033	\$ 25,058	\$ 649,401	\$ 741,492

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2009**  
(In thousands)

	<b>Parent</b>	<b>Guarantor Subsidiary</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Total</b>
Net cash provided by (used in) operating activities	\$ 124,666	\$ (161,364)	\$ 637,354	\$ 600,656
Cash flows from investing activities:				
Purchase of property and equipment			(86,698)	(86,698)
Cash and cash equivalents acquired in business combinations			86,423	86,423
Cash paid in business combinations	(225,447)	(41,266)		(266,713)
Proceeds from redemption of money market funds	667	177,206	139,142	317,015
Other		11,688	453	12,141
Net cash provided by (used in) investing activities	(224,780)	147,628	139,320	62,168
Cash flows from financing activities:				
Principal payments on long-term debt	(37,500)		(74,000)	(111,500)
Purchase of treasury stock	(466,144)			(466,144)
Other	37,229		(5,002)	32,227
Net cash used in financing activities	(466,415)		(79,002)	(545,417)
Intercompany investing and financing activities, net	610,831	(48,195)	(562,636)	
Effect of exchange rate changes on cash and cash equivalents			(331)	(331)
Net increase (decrease) in cash and cash equivalents	44,302	(61,931)	134,705	117,076
Cash and cash equivalents at beginning of year	989	171,010	502,136	674,135
Cash and cash equivalents at end of year	\$ 45,291	\$ 109,079	\$ 636,841	\$ 791,211

**Table of Contents****TD AMERITRADE HOLDING CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Quarterly Data (Unaudited)****(Dollars in thousands, except per share amounts)**

	<b>For the Fiscal Year Ended September 30, 2011</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Net revenues	\$ 656,190	\$ 718,228	\$ 684,782	\$ 703,458
Operating income	\$ 234,087	\$ 282,916	\$ 262,539	\$ 268,300
Net income	\$ 145,039	\$ 171,668	\$ 157,395	\$ 163,651
Basic earnings per share	\$ 0.25	\$ 0.30	\$ 0.28	\$ 0.29
Diluted earnings per share	\$ 0.25	\$ 0.30	\$ 0.27	\$ 0.29

	<b>For the Fiscal Year Ended September 30, 2010</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Net revenues	\$ 624,618	\$ 635,434	\$ 691,804	\$ 608,836
Operating income	\$ 240,400	\$ 227,465	\$ 300,261	\$ 197,245
Net income	\$ 136,237	\$ 162,552	\$ 179,439	\$ 113,959
Basic earnings per share	\$ 0.23	\$ 0.28	\$ 0.31	\$ 0.20
Diluted earnings per share	\$ 0.23	\$ 0.27	\$ 0.30	\$ 0.20

Quarterly amounts may not sum to fiscal year totals due to rounding.

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**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of TD Ameritrade Holding Corporation and its subsidiaries (the Company) is responsible for the preparation, consistency, integrity, and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis and, in management's opinion, are fairly presented. The financial statements include amounts that are based on management's informed judgments and best estimates.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has established and maintains comprehensive systems of internal control that provide reasonable assurance as to the consistency, integrity, and reliability of the preparation and presentation of financial statements; the safeguarding of assets; the effectiveness and efficiency of operations; and compliance with applicable laws and regulations. The concept of reasonable assurance is based upon the recognition that the cost of the controls should not exceed the benefit derived. Management monitors the systems of internal control and maintains an independent internal auditing program that assesses the effectiveness of internal control. Management assessed the Company's disclosure controls and procedures and the Company's systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles; the effectiveness and efficiency of operations; and compliance with applicable laws and regulations. This assessment was based on criteria for effective internal control established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report).

Based on this assessment, management believes that the Company maintained effective systems of internal control that provided reasonable assurance as to adequate design and effective operation of the Company's disclosure controls and procedures and the Company's systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles as of September 30, 2011. In addition, management believes that the Company maintained effective systems of internal control that provided reasonable assurance as to the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2011.

The board of directors exercises its oversight role with respect to the Company's systems of internal control primarily through its Audit Committee, which is comprised solely of independent outside directors. The Committee oversees the Company's systems of internal control and financial reporting to assess whether their quality, integrity, and objectivity are sufficient to protect shareholders' investments.

The Company's consolidated financial statements have been audited by Ernst & Young LLP (Ernst & Young), an independent registered public accounting firm. As part of their audit, Ernst & Young considers the Company's internal control to plan the audit and determine the nature, timing, and extent of audit procedures considered necessary to render their opinion as to the fair presentation, in all material respects, of the consolidated financial statements, which is based on independent audits made in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Ernst & Young has issued an audit opinion on the Company's internal control over financial reporting. That opinion appears on the next page.





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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

TD Ameritrade Holding Corporation

We have audited TD Ameritrade Holding Corporation's internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). TD Ameritrade Holding Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, TD Ameritrade Holding Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TD Ameritrade Holding Corporation as of September 30, 2011 and 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2011 and our report dated November 18, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Minneapolis, Minnesota

November 18, 2011

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**Disclosure Controls and Procedures**

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2011. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2011.

**Changes in Internal Control over Financial Reporting**

During August 2011, the Company completed the conversion of thinkorswim's securities clearing brokerage operations from an outsourced clearing broker-dealer to the TD Ameritrade Clearing, Inc. platform. The discontinued use of the outsourced securities clearing brokerage operations represents a material change in internal control over financial reporting.

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

**Item 9B. *Other Information***

None.

**Part III**

**Item 10. *Directors, Executive Officers and Corporate Governance***

The information required to be furnished pursuant to this item is incorporated by reference from our definitive proxy statement for our 2012 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after September 30, 2011 (the Proxy Statement).

**Item 11. *Executive Compensation***

The information required to be furnished pursuant to this item is incorporated by reference from the Proxy Statement.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required to be furnished pursuant to this item, with the exception of the equity compensation plan information presented below, is incorporated by reference from the Proxy Statement.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table summarizes, as of September 30, 2011, information about compensation plans under which equity securities of the Company are authorized for issuance:

**Number of  
Securities**

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by security holders	8,529,332	\$ 8.48	20,075,251 (1)

(1) The TD Ameritrade Holding Corporation Long-Term Incentive Plan (the "LTIP") and the 2006 Directors Incentive Plan (the "Directors Plan") authorize the issuance of shares of common stock as well as options. As of

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September 30, 2011, there were 14,119,551 shares and 1,175,313 shares remaining available for issuance pursuant to the LTIP and the Directors Plan, respectively.

The table above includes the following options assumed in connection with the Company's acquisition of thinkorswim Group Inc. in fiscal 2009 and the Company's merger with Datek Online Holdings Corp. in fiscal 2002:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)
Equity compensation plans approved by security holders	170,821	\$ 21.99

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required to be furnished pursuant to this item is incorporated by reference from the Proxy Statement.

**Item 14. *Principal Accounting Fees and Services***

The information required to be furnished pursuant to this item is incorporated by reference from the Proxy Statement.

**PART IV****Item 15. *Exhibits, Financial Statement Schedules***

(a) Documents filed as part of this Report

## 1. Financial Statements

See Item 8, Financial Statements and Supplementary Data.

## 2. Financial Statement Schedules

Consolidated Financial Statement Schedules have been omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedules, or because the required information is provided in the Consolidated Financial Statements or Notes.

## 3. Exhibits

See Item 15(b) below.

## (b) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
3.1	Amended and Restated Certificate of Incorporation of TD Ameritrade Holding Corporation, dated January 24, 2006 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on January 27, 2006)
3.2	Amended and Restated By-Laws of TD Ameritrade Holding Corporation, effective March 9, 2006 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on March 15, 2006)
4.1	Form of Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A filed on September 5, 2002)
4.2	First Supplemental Indenture, dated November 25, 2009, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, and The Bank of New York Mellon Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on November 25, 2009)
4.3	Form of 2.950% Senior Note due 2012 (included in Exhibit 4.2)
4.4	Form of 4.150% Senior Note due 2014 (included in Exhibit 4.2)

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<b>Exhibit No.</b>	<b>Description</b>
4.5	Form of 5.600% Senior Note due 2019 (included in Exhibit 4.2)
10.1*	Form of Indemnification Agreement, dated as of May 30, 2006, between TD Ameritrade Holding Corporation and several current and previous members of the Company's board of directors (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 5, 2006)
10.2*	Chairman of the Board of Directors Term Sheet, effective as of June 1, 2011, between Joseph H. Moglia and TD Ameritrade Holding Corporation
10.3*	Non-Qualified Stock Option Agreement, dated as of March 1, 2003, between Joseph H. Moglia and Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K filed on December 9, 2004)
10.4*	Employment Agreement, as amended and restated, effective as of May 16, 2008, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q filed on August 8, 2008)
10.5*	Non-Qualified Stock Option Agreement, dated May 15, 2008, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on August 8, 2008)
10.6*	Employment Agreement, as amended and restated, effective as of October 13, 2008, between Ellen L.S. Koplow and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K filed on November 26, 2008)
10.7*	Employment Agreement, as amended and restated, effective as of September 18, 2008, between John Bunch and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on February 5, 2010)
10.8*	Executive Employment Term Sheet, dated as of January 14, 2009, between TD Ameritrade Holding Corporation and Peter J. Sidebottom (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on May 8, 2009)
10.9*	Executive Employment Term Sheet, effective as of April 11, 2011, between Marvin W. Adams and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on May 6, 2011)
10.10*	Separation and Release of Claims Agreement, dated February 11, 2011, between David M. Kelley and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on May 6, 2011)
10.11*	TD Ameritrade Holding Corporation Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 18, 2011)
10.12*	Form of 1996 Long Term Incentive Plan Non-Qualified Stock Option Agreement for Executives (incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K filed on December 9, 2004)
10.13*	Form of Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on March 9, 2006)
10.14*	Form of Restricted Stock Unit Agreement for Employees (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on February 4, 2011)
10.15*	TD Ameritrade Holding Corporation 2006 Directors Incentive Plan, effective as of November 15, 2006 (incorporated by reference to Appendix A of the Company's Proxy Statement filed on January 24, 2007)
10.16*	Form of Directors Incentive Plan Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K filed on December 9, 2004)
10.17*	Form of Directors Incentive Plan Restricted Stock Agreement (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K filed on December 9, 2004)



- 10.18\* Form of Restricted Stock Unit Agreement for Non-employee Directors (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q filed on February 4, 2011)
- 10.19\* Amended and Restated Ameritrade Holding Corporation Executive Deferred Compensation Program effective December 28, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on December 30, 2005)

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<b>Exhibit No.</b>	<b>Description</b>
10.20*	TD Ameritrade Holding Corporation Management Incentive Plan, as amended effective as of February 24, 2010 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on February 18, 2011)
10.21*	Datek Online Holdings Corp. 1998 Stock Option Plan, as amended and restated effective as of September 9, 2002 (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-8, File No. 333-99481, filed on September 13, 2002)
10.22*	First Amendment of Datek Online Holdings Corp. 1998 Stock Option Plan, effective as of September 25, 2004 (incorporated by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K filed on December 9, 2004)
10.23*	Datek Online Holdings Corp. 2001 Stock Incentive Plan, as amended and restated effective as of September 9, 2002 (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-8, File No. 333-99353, filed on September 10, 2002)
10.24*	First Amendment of Datek Online Holdings Corp. 2001 Stock Incentive Plan, effective as of September 25, 2004 (incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K filed on December 9, 2004)
10.25*	thinkorswim Group Inc. Second Amended and Restated 2001 Stock Option Plan (incorporated by reference to Exhibit (a)(1)(F) to thinkorswim Group Inc.'s Form SC TO-I filed on April 17, 2009)
10.26*	thinkorswim Group Inc. Amended and Restated 2004 Restricted Stock Plan (incorporated by reference to Annex A to the proxy statement filed by thinkorswim Group Inc. on April 24, 2008)
10.27*	Telescan, Inc. Amended and Restated 1995 Stock Option Plan (incorporated by reference to Telescan, Inc.'s registration statement on Form S-8 filed on November 21, 2000)
10.28*	Telescan, Inc. 2000 Stock Option Plan (incorporated by reference to Telescan, Inc.'s registration statement on Form S-8 filed on November 21, 2000)
10.29	Stockholders Agreement among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates dated as of June 22, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 28, 2005)
10.30	Amendment No. 1 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated February 22, 2006 (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on May 8, 2006)
10.31	Amendment No. 2 and Waiver to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated August 3, 2009 (incorporated by reference to Exhibit 10.33 of the Company's Annual Report on Form 10-K filed on November 13, 2009)
10.32	Amendment No. 3 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated August 6, 2010 (incorporated by reference to Exhibit 10.35 of the Company's Annual Report on Form 10-K filed on November 19, 2010)
10.33	Amended and Restated Registration Rights Agreement by and among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates, entities affiliated with Silver Lake Partners, and entities affiliated with TA Associates, dated as of June 22, 2005 (incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed on September 12, 2005)
10.34	Trademark License Agreement among The Toronto-Dominion Bank and Ameritrade Holding Corporation, dated as of June 22, 2005 (incorporated by reference to Exhibit 99.3 of the Company's Form 8-K filed on September 12, 2005)

- 10.35 Credit Agreement, dated June 28, 2011, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, the lenders party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on July 5, 2011)

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<b>Exhibit No.</b>	<b>Description</b>
10.36	Credit Agreement, dated June 28, 2011, among TD Ameritrade Clearing, Inc., the lenders party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on July 5, 2011)
10.37	Letter Agreement to effect a structured stock repurchase, dated as of August 20, 2010, between TD Ameritrade Holding Corporation and Barclays Capital Inc., acting as agent for Barclays Bank PLC (incorporated by reference to Exhibit 10.44 of the Company's Annual Report on Form 10-K filed on November 19, 2010)
10.38	Guaranteed Maximum Price Amendment between TD Ameritrade Services Company, Inc. and Kiewit Building Group, Inc., effective June 1, 2011 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on July 13, 2011)
10.39	Construction agreement between TD Ameritrade Services Company, Inc. and Kiewit Building Group, Inc., dated December 1, 2009 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on July 13, 2011)
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges
14	Code of Ethics (incorporated by reference to Exhibit 14 of the Company's quarterly report on Form 10-Q filed February 4, 2011)
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
31.1	Certification of Fredric J. Tomczyk, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of William J. Gerber, Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

\* Management contracts and compensatory plans and arrangements required to be filed as exhibits under Item 15(b) of this report.

The Company has requested confidential treatment for portions of this exhibit.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 18th day of November, 2011.

TD AMERITRADE HOLDING CORPORATION

By: /s/ FREDRIC J. TOMCZYK  
Fredric J. Tomczyk  
*President, Chief Executive Officer and Director*  
*(Principal Executive Officer)*

By: /s/ WILLIAM J. GERBER  
William J. Gerber  
*Executive Vice President, Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 18th day of November, 2011.

/s/ JOSEPH H. MOGLIA

Joseph H. Moglia  
*Chairman of the Board*

/s/ MARK L. MITCHELL

Mark L. Mitchell  
*Director*

/s/ W. EDMUND CLARK

W. Edmund Clark  
*Vice Chairman of the Board*

/s/ WILBUR J. PREZZANO

Wilbur J. Prezzano  
*Director*

/s/ MARSHALL A. COHEN

Marshall A. Cohen  
*Director*

/s/ J. PETER RICKETTS

J. Peter Ricketts  
*Director*

/s/ DAN W. COOK III

Dan W. Cook III  
*Director*

/s/ TODD M. RICKETTS

Todd M. Ricketts  
*Director*

/s/ WILLIAM H. HATANAKA

William H. Hatanaka  
*Director*

/s/ ALLAN R. TESSLER

Allan R. Tessler  
*Director*

/s/ KAREN E. MAIDMENT

Karen E. Maidment  
*Director*