TD AMERITRADE HOLDING CORP
Form 10-Q
August 08, 2011

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

**FORM 10-Q**

(Mark One)

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2011**

**OR**

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** | 8**2-0543156** |
| (State or other jurisdiction of incorporation or organization) | (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)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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. Yes þ No o

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

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

As of July 29, 2011, there were 565,393,641 outstanding shares of the registrant s common stock.

TD AMERITRADE HOLDING CORPORATION

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## Part I FINANCIAL INFORMATION

### Item 1. Financial Statements

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
TD Ameritrade Holding Corporation

We have reviewed the condensed consolidated balance sheet of TD Ameritrade Holding Corporation (the Company) as of June 30, 2011, and the related condensed consolidated statements of income for the three-month and nine-month periods ended June 30, 2011 and 2010, and the condensed consolidated statements of cash flows for the nine-month periods ended June 30, 2011 and 2010. These financial statements are the responsibility of the Company s management.

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

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of TD Ameritrade Holding Corporation as of September 30, 2010, and the related consolidated statements of income, stockholders equity, and cash flows for the year then ended (not presented herein) and in our report dated November 19, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2010, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP
Minneapolis, Minnesota
August 8, 2011

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
(In thousands, except share amounts)

| | June 30, 2011 (Unaudited) | September 30, 2010 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,323,646 | $ 741,492 |
| Short-term investments | 3,540 | 3,592 |
| Cash and investments segregated in compliance with federal regulations | 377,260 | 994,026 |
| Receivable from brokers, dealers and clearing organizations | 1,033,020 | 1,207,723 |
| Receivable from clients net of allowance for doubtful accounts | 8,714,661 | 7,393,855 |
| Receivable from affiliates | 101,479 | 90,523 |
| Other receivables net of allowance for doubtful accounts | 94,789 | 68,928 |
| Securities owned, at fair value | 65,334 | 217,234 |
| Property and equipment net of accumulated depreciation and amortization | 315,008 | 272,211 |
| Goodwill | 2,466,979 | 2,467,013 |
| Acquired intangible assets net of accumulated amortization | 1,048,731 | 1,124,259 |
| Deferred income taxes | 4,659 | 9,915 |
| Other assets | 141,498 | 136,147 |
| Total assets | $ 15,690,604 | $ 14,726,918 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Liabilities: | | |
| Payable to brokers, dealers and clearing organizations | $ 2,083,014 | $ 1,934,315 |
| Payable to clients | 7,269,012 | 6,810,391 |
| Accounts payable and accrued liabilities | 463,651 | 476,306 |
| Payable to affiliates | 3,564 | 3,244 |
| Deferred revenue | 46,288 | 63,512 |
| Long-term debt | 1,290,467 | 1,302,269 |
| Capitalized lease obligations | 12,699 | 20,799 |
| Deferred income taxes | 346,837 | 344,203 |
| Total liabilities | 11,515,532 | 10,955,039 |
| 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; June 30, 2011 567,455,934 outstanding; September 30, 2010 576,134,924 outstanding | 6,314 | 6,314 |
| Additional paid-in capital | 1,574,641 | 1,390,283 |
| Retained earnings | 3,510,471 | 3,122,305 |

| | | |
|---|---|---|
| Treasury stock, common, at cost June 30, 2011 63,925,926 shares; September 30, 2010 55,246,936 shares | (916,838) | (747,271) |
| Deferred compensation | 272 | 196 |
| Accumulated other comprehensive income | 212 | 52 |
| Total stockholders equity | 4,175,072 | 3,771,879 |
| Total liabilities and stockholders equity | $ 15,690,604 | $ 14,726,918 |

See notes to condensed consolidated financial statements.

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**
(In thousands, except per share amounts)

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Revenues: | | | | |
| Transaction-based revenues: | | | | |
| Commissions and transaction fees | $ 281,591 | $ 333,081 | $ 912,607 | $ 943,740 |
| Asset-based revenues: | | | | |
| Interest revenue | 132,334 | 112,804 | 371,959 | 315,457 |
| Brokerage interest expense | (1,052) | (1,422) | (3,581) | (4,694) |
| Net interest revenue | 131,282 | 111,382 | 368,378 | 310,763 |
| Insured deposit account fees | 196,817 | 180,075 | 562,759 | 505,370 |
| Investment product fees | 43,938 | 33,194 | 125,075 | 92,964 |
| Total asset-based revenues | 372,037 | 324,651 | 1,056,212 | 909,097 |
| Other revenues | 31,154 | 34,072 | 90,382 | 99,019 |
| Net revenues | 684,782 | 691,804 | 2,059,201 | 1,951,856 |
| Operating expenses: | | | | |
| Employee compensation and benefits | 168,564 | 156,251 | 500,632 | 467,767 |
| Clearing and execution costs | 22,648 | 22,387 | 71,566 | 68,422 |
| Communications | 27,057 | 27,030 | 81,782 | 76,329 |
| Occupancy and equipment costs | 36,318 | 35,452 | 104,663 | 104,184 |
| Depreciation and amortization | 16,914 | 14,499 | 49,629 | 41,573 |
| Amortization of acquired intangible assets | 24,083 | 25,119 | 72,747 | 75,722 |
| Professional services | 42,882 | 31,998 | 123,257 | 97,170 |
| Advertising | 48,109 | 51,596 | 204,092 | 188,359 |
| Gains on money market funds and client guarantees | | (9,209) | | (11,145) |
| Other | 35,668 | 36,420 | 71,291 | 75,347 |
| Total operating expenses | 422,243 | 391,543 | 1,279,659 | 1,183,728 |
| Operating income | 262,539 | 300,261 | 779,542 | 768,128 |
| Other expense: | | | | |
| Interest on borrowings | 6,916 | 11,197 | 25,227 | 33,764 |
| Loss on debt refinancing | 1,435 | | 1,435 | 8,392 |

| | | | | |
|---|---|---|---|---|
| Total other expense | 8,351 | 11,197 | 26,662 | 42,156 |
| Pre-tax income | 254,188 | 289,064 | 752,880 | 725,972 |
| Provision for income taxes | 96,793 | 109,625 | 278,778 | 247,743 |
| Net income | $ 157,395 | $ 179,439 | $ 474,102 | $ 478,229 |
| Earnings per share basic | $ 0.28 | $ 0.31 | $ 0.83 | $ 0.81 |
| Earnings per share diluted | $ 0.27 | $ 0.30 | $ 0.82 | $ 0.80 |
| Weighted average shares outstanding basic | 570,287 | 587,086 | 573,034 | 588,176 |
| Weighted average shares outstanding diluted | 576,784 | 593,647 | 579,168 | 595,221 |
| Dividends declared per share | $ 0.05 | $ | $ 0.15 | $ |

See notes to condensed consolidated financial statements.

**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
(In thousands, except share amounts)

| | Nine Months Ended June 30, 2011 | Nine Months Ended June 30, 2010 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 474,102 | $ 478,229 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 49,629 | 41,573 |
| Amortization of acquired intangible assets | 72,747 | 75,722 |
| Deferred income taxes | 7,394 | 159,856 |
| Loss on disposal of property | 16,720 | 2,533 |
| Gains on money market funds and client guarantees | | (11,145) |
| Loss on debt refinancing | 1,435 | 8,392 |
| Stock-based compensation | 25,995 | 25,090 |
| Excess tax benefits on stock-based compensation | (9,370) | (13,095) |
| Other, net | 185 | 154 |
| Changes in operating assets and liabilities: | | |
| Cash and investments segregated in compliance with federal regulations | 616,766 | 5,323,932 |
| Receivable from brokers, dealers and clearing organizations | 174,703 | 995,686 |
| Receivable from clients, net | (1,323,229) | (1,819,054) |
| Receivable from/payable to affiliates, net | (7,879) | 14,825 |
| Other receivables, net | (23,685) | 9,857 |
| Securities owned | 151,900 | (225,361) |
| Other assets | (7,945) | (11,982) |
| Payable to brokers, dealers and clearing organizations | 148,699 | (517,795) |
| Payable to clients | 458,621 | (4,018,506) |
| Accounts payable and accrued liabilities | (2,125) | (175,866) |
| Deferred revenue | (17,224) | (304) |
| Net cash provided by operating activities | 807,439 | 342,741 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (109,904) | (61,180) |
| Cash received in sale of business | 5,228 | |
| Cash transferred in disposal of subsidiary | (3,453) | |
| Purchase of short-term investments | (1,045) | (3,296) |
| Proceeds from sale and maturity of short-term investments | 1,100 | 3,300 |
| Proceeds from redemption of money market funds | | 51,478 |
| Purchase of investments | (5,006) | |
| Other, net | 550 | (2) |
| Net cash used in investing activities | (112,530) | (9,700) |

See notes to condensed consolidated financial statements.

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**
**(Unaudited)**
(In thousands, except share amounts)

| | Nine Months Ended June 30, 2011 | 2010 |
|---|---|---|
| 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) |
| Principal payments on capital lease obligations | (8,100) | (11,853) |
| Proceeds from exercise of stock options; Nine months ended June 30, 2011 628,293 shares; 2010 3,362,788 shares | 3,204 | 11,842 |
| Purchase of treasury stock; Nine months ended June 30, 2011 7,068,892 shares; 2010 14,228,369 shares | (144,245) | (248,188) |
| Return of prepayment on structured stock repurchase | 118,834 | |
| Payment of cash dividends | (85,936) | |
| Excess tax benefits on stock-based compensation | 9,370 | 13,095 |
| Net cash used in financing activities | (112,918) | (407,780) |
| Effect of exchange rate changes on cash and cash equivalents | 163 | (9) |
| Net increase (decrease) in cash and cash equivalents | 582,154 | (74,748) |
| Cash and cash equivalents at beginning of period | 741,492 | 791,211 |
| Cash and cash equivalents at end of period | $ 1,323,646 | $ 716,463 |
| Supplemental cash flow information: | | |
| Interest paid | $ 35,687 | $ 33,847 |
| Income taxes paid | $ 233,713 | $ 233,009 |
| Tax benefit on exercises and distributions of stock-based compensation | $ 9,404 | $ 17,396 |
| Noncash financing activities: | | |
| Issuance of capital lease obligations | $ | $ 6,003 |
| Settlement of structured stock repurchase; 3,159,360 shares | $ 50,366 | $ |

See notes to condensed consolidated financial statements.

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**TD AMERITRADE HOLDING CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**For the Three-Month and Nine-Month Periods Ended June 30, 2011 and 2010**
**(Unaudited)**

## 1. BASIS OF PRESENTATION

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

These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) and, in the opinion of management, reflect all adjustments, which are all of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s annual report filed on Form 10-K for the fiscal year ended September 30, 2010.

***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.

## 2. ACQUIRED INTANGIBLE ASSETS

The Company s acquired intangible assets consist of the following as of June 30, 2011 (dollars in thousands):

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| Client relationships | $ 1,229,431 | $ (397,315) | $ 832,116 |
| Technology and content | 99,161 | (29,949) | 69,212 |
| Trade names | 10,100 | (10,100) | |
| Non-competition agreement | 5,486 | (3,757) | 1,729 |
| Trademark license | 145,674 | | 145,674 |
| | $ 1,489,852 | $ (441,121) | $ 1,048,731 |

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Estimated future amortization expense for acquired intangible assets outstanding as of June 30, 2011 is as follows (dollars in thousands):

| Fiscal Year | Estimated Amortization Expense |
|---|---|
| 2011 Remaining | $ 23,424 |
| 2012 | 92,370 |
| 2013 | 91,102 |
| 2014 | 90,641 |
| 2015 | 89,839 |
| Thereafter (to 2025) | 515,681 |
| Total | $ 903,057 |

**3. CASH AND CASH EQUIVALENTS**

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

| | June 30, 2011 | September 30, 2010 |
|---|---|---|
| Corporate | $ 260,807 | $ 234,993 |
| Broker-dealer subsidiaries | 982,768 | 426,618 |
| Trust company subsidiary | 38,887 | 50,937 |
| Investment advisory subsidiaries | 41,184 | 28,944 |
| Total | $ 1,323,646 | $ 741,492 |

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.

**4. INCOME TAXES**

The Company s effective income tax rate for the nine months ended June 30, 2011 was 37.0%, compared to 34.1% for the nine months ended June 30, 2010. The provision for income taxes for the nine months ended June 30, 2011 was lower than normal due to $5.5 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 the nine months ended June 30, 2011 by approximately $0.01 per share. The provision for income taxes for the nine months ended June 30, 2010 was unusually low due to $28.8 million of favorable resolutions of certain federal and state income tax matters. These items favorably impacted the Company s earnings for the nine months ended June 30, 2010 by approximately $0.05 per share.

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**5. LONG-TERM DEBT**

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

| June 30, 2011 | Face Value | Unamortized Discount | Fair Value Adjustment (1) | Net Carrying Value |
|---|---|---|---|---|
| Senior Notes: | | | | |
| 2.950% Senior Notes due 2012 | $ 250,000 | $ (121) | $ 5,547 | $ 255,426 |
| 4.150% Senior Notes due 2014 | 500,000 | (338) | 27,385 | 527,047 |
| 5.600% Senior Notes due 2019 | 500,000 | (580) | 8,574 | 507,994 |
| Total long-term debt | $ 1,250,000 | $ (1,039) | $ 41,506 | $ 1,290,467 |

| September 30, 2010 | Face Value | Unamortized Discount | Fair Value Adjustment (1) | Net Carrying Value |
|---|---|---|---|---|
| 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 |
| 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.

*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 2.950% Senior Notes due December 1, 2012 (the 2012 Notes ) and the 4.150% Senior Notes due December 1, 2014 (the 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 5.600% Senior Notes due December 1, 2019 (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 June 30, 2011, the weighted-average effective interest rate on the Senior Notes was 1.90%.

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 as an offset to interest on borrowings on the Condensed 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 (dollars in thousands):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Gain (loss) on fair value of interest rate swaps | $ 11,294 | $ 13,107 | $ (7,729) | $ 27,963 |
| Gain (loss) on fair value of hedged fixed-rate debt | (11,294) | (13,107) | 7,729 | (27,963) |
| Net gain (loss) recorded in interest on borrowings | $ | $ | $ | $ |

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

| | June 30, 2011 | September 30, 2010 |
|---|---|---|
| Derivatives recorded under the caption Other assets: | | |
| Interest rate swap assets | $41,506 | $ 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 June 30, 2011 and September 30, 2010, the interest rate swap counterparty for the 2012 Notes and 2014 Notes had pledged $36.4 million and $52.9 million of collateral, respectively, to the Company in the form of U.S. Treasury securities. As of June 30, 2011, the interest rate swap counterparty for the 2019 Notes had pledged $10.2 million of collateral to the Company in the form of cash.

*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 June 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 June 30, 2011.

The obligations under the Parent Revolving Facility are guaranteed by TD Ameritrade Online Holdings Corp. ( TDAOH ), a wholly-owned subsidiary of the Parent, 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 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 June 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 June 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 June 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 June 30, 2011.

**6. CAPITAL REQUIREMENTS**

The Company s broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934), 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.

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

| | June 30, 2011 | | | September 30, 2010 | | |
|---|---|---|---|---|---|---|
| | Net Capital | Minimum Net Capital Required | Excess Net Capital | Net Capital | Minimum Net Capital Required | Excess Net Capital |
| TD Ameritrade Clearing, Inc. | $ 1,281,958 | $ 196,797 | $ 1,085,161 | $ 1,092,692 | $ 177,644 | $ 915,048 |
| TD Ameritrade, Inc. | 292,747 | 1,000 | 291,747 | 142,859 | 1,000 | 141,859 |
| Bellevue Chicago, LLC | N/A | N/A | N/A | 39,039 | 250 | 38,789 |
| Totals | $ 1,574,705 | $ 197,797 | $ 1,376,908 | $ 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, Bellevue Chicago, LLC (formerly thinkorswim, Inc.) was registered as an introducing broker-dealer. On May 25, 2010, Bellevue Chicago, LLC transferred its introducing broker-dealer business to TD Ameritrade, Inc. On October 12, 2010, the Company withdrew Bellevue Chicago, 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 $18.4 million and $22.3 million as of June 30, 2011 and September 30, 2010, respectively, which exceeded the required Tier 1 capital by $8.4 million and $12.3 million, respectively.

**7. COMMITMENTS AND CONTINGENCIES**

*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 alleges 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 requests 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 are 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 December 20, 2010, TD Ameritrade, Inc. received preliminary Court approval of a proposed class settlement agreement between TD Ameritrade, Inc. and plaintiffs Richard Holober and Brad Zigler. Under the proposed 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. The proposed settlement is subject to final approval by the Court. A hearing on final approval of the proposed settlement was held on April 19, 2011. The Court has not yet ruled on the matter.

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*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 21 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.

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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 condensed consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities. The Toronto-Dominion Bank ( 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 condensed consolidated financial statements. These include the Company s broker-dealer subsidiaries client activities involving the execution, settlement and financing of various client securities transactions. These activities may expose the Company to credit risk in the event the clients are unable to fulfill their contractual obligations.

Client securities activities are transacted on either a cash or margin basis. 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. In the event the client fails to satisfy its obligations, the Company has the authority to purchase or sell financial instruments in the client s account at prevailing market prices in order to fulfill the client s obligations. The Company seeks to mitigate the risks associated with its client securities 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 June 30, 2011, client excess margin securities of approximately $12.1 billion and stock borrowings of approximately $0.8 billion were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company had loaned approximately $2.0 billion and repledged approximately $1.2 billion of that collateral as of June 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

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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 Condensed Consolidated Balance Sheets for these guarantees.

See Insured Deposit Account Agreement in Note 12 for a description of a guarantee included in that agreement.

*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.

**8. FAIR VALUE DISCLOSURES**

Accounting Standards Codification ( 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.

In determining fair value, the Company uses various valuation approaches, including market, income and/or cost approaches. 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 share and the funds are being liquidated. This category also includes auction rate securities for which the periodic auctions have failed.

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

| | As of June 30, 2011 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Fair Value** |
| **Assets:** | | | | |
| Short-term investments: | | | | |
| U.S. government securities | $ | $ 2,500 | $ | $ 2,500 |
| U.S. government agency debt securities | | 1,040 | | 1,040 |
| Subtotal Short-term investments | | 3,540 | | 3,540 |
| Securities owned: | | | | |
| Auction rate securities | | | 61,951 | 61,951 |
| Money market and other mutual funds | | | 1,067 | 1,067 |
| Equity securities | 678 | 437 | | 1,115 |
| U.S. government debt securities | | 24 | | 24 |
| Municipal debt securities | | 462 | | 462 |
| Corporate debt securities | | 459 | | 459 |
| Other debt securities | | 256 | | 256 |
| Subtotal Securities owned | 678 | 1,638 | 63,018 | 65,334 |
| Other assets: | | | | |
| Interest rate swaps[(1)] | | 41,506 | | 41,506 |
| Total assets at fair value | $ 678 | $ 46,684 | $ 63,018 | $ 110,380 |
| **Liabilities:** | | | | |
| Accounts payable and accrued liabilities: | | | | |
| Securities sold, not yet purchased: | | | | |
| Equity securities | $ 6,927 | $ 1 | $ | $ 6,928 |
| U.S. government debt securities | | 16 | | 16 |
| Municipal debt securities | | 172 | | 172 |
| Corporate debt securities | | 9 | | 9 |
| Total liabilities at fair value | $ 6,927 | $ 198 | $ | $ 7,125 |

(1) See Interest Rate Swaps in Note 5 for details.

| | As of September 30, 2010 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Fair Value |
| **Assets:** | | | | |
| Short-term investments: | | | | |
| U.S. government securities | $ | $ 2,494 | $ | $ 2,494 |
| U.S. government agency debt securities | | 1,098 | | 1,098 |
| Subtotal Short-term investments | | 3,592 | | 3,592 |
| 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: | | | | |
| Interest rate swaps (1) | | 49,235 | | 49,235 |
| Total assets at fair value | $ 453 | $ 54,916 | $ 214,692 | $ 270,061 |
| **Liabilities:** | | | | |
| 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 5 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 three months and nine months ended June 30, 2011 and 2010 (dollars in thousands):

**Three Months Ended June 30, 2011**

**Purchases,**

| | March 31, 2011 | Net Gains Included in Earnings (1) | Sales, Issuances and Settlements, Net | June 30, 2011 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Securities owned: | | | | |
| Auction rate securities | $ 109,385 | $ 714 | $ (48,148) | $ 61,951 |
| Money market and other mutual funds | 1,026 | | 41 | 1,067 |
| Total Securities owned | $ 110,411 | $ 714 | $ (48,107) | $ 63,018 |

(1) Net gains on auction rate securities are recorded in other revenues on the Condensed Consolidated Statements of Income and do not relate to assets held as of June 30, 2011.

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| | September 30, 2010 | Net Gains Included in Earnings (1) | Purchases, Sales, Issuances and Settlements, Net | June 30, 2011 |
|---|---|---|---|---|
| | **Nine Months Ended June 30, 2011** | | | |
| **Assets:** | | | | |
| Securities owned: | | | | |
| Auction rate securities | $ 209,288 | $ 3,685 | $ (151,022) | $ 61,951 |
| Money market and other mutual funds | 5,404 | | (4,337) | 1,067 |
| Total Securities owned | $ 214,692 | $ 3,685 | $ (155,359) | $ 63,018 |

(1) Net gains on auction rate securities are recorded in other revenues on the Condensed Consolidated Statements of Income and $0.4 million of the net gains relate to assets held as of June 30, 2011.

| | March 31, 2010 | Net Gains Included in Earnings | Purchases, Sales, Issuances and Settlements, Net | June 30, 2010 |
|---|---|---|---|---|
| | **Three Months Ended June 30, 2010** | | | |
| **Assets:** | | | | |
| Short-term investments: | | | | |
| Money market mutual funds | $ | $ 757 (1) | $ | $ 757 |
| Securities owned: | | | | |
| Auction rate securities | 288,489 | 1,843 (2) | (47,045) | 243,287 |
| Money market and other mutual funds | 3,873 | 8,452 (1) | (468) | 11,857 |
| Subtotal Securities owned | 292,362 | 10,295 | (47,513) | 255,144 |
| Total assets at fair value | $ 292,362 | $ 11,052 | $ (47,513) | $ 255,901 |

(1) Gains on money market mutual funds relate to shares of The Reserve Primary Fund that the Company continued to hold as of June 30, 2010. These gains were included in gains on money market funds and client guarantees on the Condensed Consolidated Statements of Income.

(2) Net gains on auction rate securities were recorded in other revenues on the Condensed Consolidated Statements of Income and did not relate to assets held as of June 30, 2010.

| | | | | |
|---|---|---|---|---|
| | **Nine Months Ended June 30, 2010** | | | |
| | | **Net Gains** | **Purchases, Sales,** | |

| | September 30, 2009 | Included in Earnings | Issuances and Settlements, Net | June 30, 2010 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Short-term investments: | | | | |
| Money market mutual funds | $ 50,971 | $ 1,264 (1) | $ (51,478) | $ 757 |
| Securities owned: | | | | |
| Auction rate securities | 14,579 | 2,752 (2) | 225,956 | 243,287 |
| Money market and other mutual funds | 5,049 | 8,452 (1) | (1,644) | 11,857 |
| Subtotal Securities owned | 19,628 | 11,204 | 224,312 | 255,144 |
| Total assets at fair value | $ 70,599 | $ 12,468 | $ 172,834 | $ 255,901 |

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(1) Gains on money market and other mutual funds relate to shares of The Reserve Primary Fund that the Company continued to hold as of June 30, 2010. These gains were included in gains on money market funds and client guarantees on the Condensed Consolidated Statements of Income.

(2) Net gains on auction rate securities were recorded in other revenues on the Condensed Consolidated Statements of Income and did not relate to assets held as of June 30, 2010.

There were no nonfinancial assets or liabilities measured at fair value during the three months and nine months ended June 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 )* 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 June 30, 2011, the Company s Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately $1.32 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.29 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 Condensed Consolidated Balance Sheet of $1.30 billion.

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**9. EARNINGS PER SHARE**

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | $ 157,395 | $ 179,439 | $ 474,102 | $ 478,229 |
| Weighted average shares outstanding basic | 570,287 | 587,086 | 573,034 | 588,176 |
| Effect of dilutive securities: | | | | |
| Common stock equivalent shares related to stock-based compensation | 6,497 | 6,561 | 6,134 | 7,045 |
| Weighted average shares outstanding diluted | 576,784 | 593,647 | 579,168 | 595,221 |
| Earnings per share basic | $ 0.28 | $ 0.31 | $ 0.83 | $ 0.81 |
| Earnings per share diluted | $ 0.27 | $ 0.30 | $ 0.82 | $ 0.80 |

**10. COMPREHENSIVE INCOME**

Comprehensive income is as follows (dollars in thousands):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | $ 157,395 | $ 179,439 | $ 474,102 | $ 478,229 |
| Other comprehensive income (loss): | | | | |
| Net unrealized gains (losses) on investment securities available-for-sale | (2) | 5 | (1) | |
| Foreign currency translation adjustment | 21 | (42) | 161 | (6) |
| Total other comprehensive income (loss) | 19 | (37) | 160 | (6) |
| Comprehensive income | $ 157,414 | $ 179,402 | $ 474,262 | $ 478,223 |

**11. 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 Condensed 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.

**12. RELATED PARTY TRANSACTIONS**

**Transactions with TD and Affiliates**

As a result of the acquisition of TD Waterhouse during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 43.6% of the Company s common stock as of June 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

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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 insured deposit account ( IDA ) agreement with TD Bank USA, N.A. ( TD Bank USA ), TD Bank, N.A. and 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 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 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 June 30, 2011, the IDA portfolio was comprised of approximately 2% component (a) investments, 91% component (b) investments and 7% 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 Condensed 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.

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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 (dollars in thousands):

| | | Revenues from TD and Affiliates | | | |
|---|---|---|---|---|---|
| | | Three months ended | | Nine months ended | |
| | Statement of Income | June 30, | | June 30, | |
| Description | Classification | 2011 | 2010 | 2011 | 2010 |
| Insured Deposit Account Agreement | Insured deposit account fees | $ 196,817 | $ 180,075 | $ 562,759 | $ 505,370 |
| Mutual Fund Agreements | Investment product fees | 1,418 | 2,290 | 7,290 | 6,252 |
| Referral and Strategic Alliance Agreement | Various | 1,223 | 593 | 2,909 | 780 |
| Securities borrowing and lending, net | Net interest revenue | 895 | 403 | 3,167 | 1,143 |
| TD Waterhouse Canada Order Routing Agreement | Other revenues | 574 | | 1,989 | |
| TD Waterhouse UK Servicing Agreement | Commissions and transaction fees | 116 | | 365 | |
| Payment for order flow | Commissions and transaction fees | | | | 527 |
| Total revenues | | $ 201,043 | $ 183,361 | $ 578,479 | $ 514,072 |

| | | Expenses to TD and Affiliates | | | |
|---|---|---|---|---|---|
| | | Three months ended | | Nine months ended | |
| | Statement of Income | June 30, | | June 30, | |
| Description | Classification | 2011 | 2010 | 2011 | 2010 |
| Canadian Call Center Services Agreement | Professional services | $ 4,525 | $ 4,415 | $ 13,521 | $ 13,134 |
| Certificates of Deposit Brokerage Agreement | Advertising | | | 1,845 | 2,276 |
| Cash Management Services Agreement | Clearing and execution costs | 216 | 194 | 644 | 600 |
| Referral and Strategic Alliance Agreement | Various | 449 | 311 | 1,508 | 532 |
| Total expenses | | $ 5,190 | $ 4,920 | $ 17,518 | $ 16,542 |

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

| | June 30, 2011 | September 30, 2010 |
|---|---|---|
| **Assets:** | | |
| Receivable from brokers, dealers and clearing organizations | $ 1,129 | $ 1,201 |

| | | |
|---|---|---|
| Receivable from affiliates | 101,479 | 90,523 |
| **Liabilities:** | | |
| Payable to brokers, dealers and clearing organizations | $ 89,756 | $ 40,849 |
| Payable to affiliates | 3,564 | 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.

**13. 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.

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING BALANCE SHEET**
**AS OF JUNE 30, 2011**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 116,114 | $ 24,484 | $ 1,183,048 | $ | $ 1,323,646 |
| Cash and investments segregated in compliance with federal regulations | | | 377,260 | | 377,260 |
| Receivable from brokers, dealers and clearing organizations | | | 1,033,020 | | 1,033,020 |
| Receivable from clients, net of allowance for doubtful accounts | | | 8,714,661 | | 8,714,661 |
| Investments in subsidiaries | 5,550,537 | 5,135,663 | 562,923 | (11,249,123) | |
| Receivable from affiliates | 5,340 | 203,100 | 108,993 | (215,954) | 101,479 |
| Goodwill | | | 2,466,979 | | 2,466,979 |
| Acquired intangible assets | | 145,674 | 903,057 | | 1,048,731 |
| Other | 86,308 | 5,296 | 562,083 | (28,859) | 624,828 |
| Total assets | $ 5,758,299 | $ 5,514,217 | $ 15,912,024 | $ (11,493,936) | $ 15,690,604 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | | | |
| Liabilities: | | | | | |
| Payable to brokers, dealers and clearing organizations | $ | $ | $ 2,083,014 | $ | $ 2,083,014 |
| Payable to clients | | | 7,269,012 | | 7,269,012 |
| Accounts payable and accrued liabilities | 138,647 | 7 | 330,258 | (5,261) | 463,651 |
| Payable to affiliates | 154,113 | 1,708 | 63,697 | (215,954) | 3,564 |
| Long-term debt | 1,290,467 | | | | 1,290,467 |
| Other | | 48,980 | 380,442 | (23,598) | 405,824 |
| Total liabilities | 1,583,227 | 50,695 | 10,126,423 | (244,813) | 11,515,532 |
| Stockholders equity | 4,175,072 | 5,463,522 | 5,785,601 | (11,249,123) | 4,175,072 |
| Total liabilities and stockholders equity | $ 5,758,299 | $ 5,514,217 | $ 15,912,024 | $ (11,493,936) | $ 15,690,604 |

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING BALANCE SHEET**
**AS OF SEPTEMBER 30, 2010**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| 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 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | | | |
| 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 |

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**TD AMEITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**
**THREE MONTHS ENDED JUNE 30, 2011**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| Net revenues | $ 5,720 | $ 60 | $ 684,781 | $ (5,779) | $ 684,782 |
| Operating expenses | 6,178 | 47 | 421,797 | (5,779) | 422,243 |
| Operating income (loss) | (458) | 13 | 262,984 | | 262,539 |
| Other expense | 8,426 | | (75) | | 8,351 |
| Income (loss) before income taxes and equity in income of subsidiaries | (8,884) | 13 | 263,059 | | 254,188 |
| Provision for (benefit from) income taxes | (2,746) | 5 | 99,534 | | 96,793 |
| Income (loss) before equity in income of subsidiaries | (6,138) | 8 | 163,525 | | 157,395 |
| Equity in income of subsidiaries | 163,533 | 169,238 | 9,580 | (342,351) | |
| Net income | $ 157,395 | $ 169,246 | $ 173,105 | $ (342,351) | $ 157,395 |

**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**
**THREE MONTHS ENDED JUNE 30, 2010**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| Net revenues | $ 4,727 | $ 41 | $ 691,780 | $ (4,744) | $ 691,804 |
| Operating expenses | 4,133 | (733) | 392,887 | (4,744) | 391,543 |
| Operating income | 594 | 774 | 298,893 | | 300,261 |
| Other expense | 10,953 | | 244 | | 11,197 |
| Income (loss) before income taxes and equity in income of subsidiaries | (10,359) | 774 | 298,649 | | 289,064 |
| Provision for (benefit from) income taxes | (3,348) | 281 | 112,692 | | 109,625 |
| Income (loss) before equity in income of subsidiaries | (7,011) | 493 | 185,957 | | 179,439 |
| Equity in income of subsidiaries | 186,450 | 183,438 | 2,718 | (372,606) | |

| | | | | | |
|---|---|---|---|---|---|
| Net income | $ 179,439 | $ 183,931 | $ 188,675 | $ (372,606) | $ 179,439 |

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**
**NINE MONTHS ENDED JUNE 30, 2011**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| Net revenues | $ 11,014 | $ 181 | $ 2,059,175 | $ (11,169) | $ 2,059,201 |
| Operating expenses | 10,617 | 172 | 1,280,039 | (11,169) | 1,279,659 |
| Operating income | 397 | 9 | 779,136 | | 779,542 |
| Other expense | 26,590 | | 72 | | 26,662 |
| Income (loss) before income taxes and equity in income of subsidiaries | (26,193) | 9 | 779,064 | | 752,880 |
| Provision for (benefit from) income taxes | (11,779) | (344) | 290,901 | | 278,778 |
| Income (loss) before equity in income of subsidiaries | (14,414) | 353 | 488,163 | | 474,102 |
| Equity in income of subsidiaries | 488,516 | 501,805 | 28,424 | (1,018,745) | |
| Net income | $ 474,102 | $ 502,158 | $ 516,587 | $ (1,018,745) | $ 474,102 |

**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**
**NINE MONTHS ENDED JUNE 30, 2010**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| Net revenues | $ 12,077 | $ 122 | $ 1,951,806 | $ (12,149) | $ 1,951,856 |
| Operating expenses | 8,642 | (1,164) | 1,188,399 | (12,149) | 1,183,728 |
| Operating income | 3,435 | 1,286 | 763,407 | | 768,128 |
| Other expense | 41,234 | | 922 | | 42,156 |
| Income (loss) before income taxes and equity in income of subsidiaries | (37,799) | 1,286 | 762,485 | | 725,972 |
| Provision for (benefit from) income taxes | (33,969) | (4,047) | 285,759 | | 247,743 |
| Income (loss) before equity in income of subsidiaries | (3,830) | 5,333 | 476,726 | | 478,229 |
| Equity in income of subsidiaries | 482,059 | 465,968 | 2,718 | (950,745) | |

| | | | | | |
|---|---|---|---|---|---|
| Net income | $ 478,229 | $ 471,301 | $ 479,444 | $ (950,745) | $ 478,229 |

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**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**
**NINE MONTHS ENDED JUNE 30, 2011**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Total |
|---|---|---|---|---|
| Net cash provided by operating activities | $ 32,904 | $ 4,426 | $ 770,109 | $ 807,439 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | | | (109,904) | (109,904) |
| Other | | | (2,626) | (2,626) |
| Net cash used in investing activities | | | (112,530) | (112,530) |
| Cash flows from financing activities: | | | | |
| Purchase of treasury stock | (144,245) | | | (144,245) |
| Return of prepayment on structured stock repurchase | 118,834 | | | 118,834 |
| Payment of cash dividends | (85,936) | | | (85,936) |
| Other | 11,580 | | (13,151) | (1,571) |
| Net cash used in financing activities | (99,767) | | (13,151) | (112,918) |
| Intercompany investing and financing activities, net | 115,944 | (5,000) | (110,944) | |
| Effect of exchange rate changes on cash and cash equivalents | | | 163 | 163 |
| Net increase (decrease) in cash and cash equivalents | 49,081 | (574) | 533,647 | 582,154 |
| Cash and cash equivalents at beginning of period | 67,033 | 25,058 | 649,401 | 741,492 |
| Cash and cash equivalents at end of period | $ 116,114 | $ 24,484 | $ 1,183,048 | $ 1,323,646 |

**TD AMERITRADE HOLDING CORPORATION**
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**
**NINE MONTHS ENDED JUNE 30, 2010**
**(Unaudited)**
**(In thousands)**

| | Parent | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Total |
|---|---|---|---|---|
| Net cash provided by (used in) operating activities | $ (125,867) | $ (67) | $ 468,675 | $ 342,741 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | | | (61,180) | (61,180) |
| Proceeds from redemption of money market funds | 108 | 49,390 | 1,980 | 51,478 |
| Other | | | 2 | 2 |
| Net cash provided by (used in) investing activities | 108 | 49,390 | (59,198) | (9,700) |
| 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 | (248,188) | | | (248,188) |
| Other | 24,937 | | (11,853) | 13,084 |
| Net cash used in financing activities | (391,789) | | (15,991) | (407,780) |
| Intercompany investing and financing activities, net | 486,010 | (135,000) | (351,010) | |
| Effect of exchange rate changes on cash and cash equivalents | | | (9) | (9) |
| Net increase (decrease) in cash and cash equivalents | (31,538) | (85,677) | 42,467 | (74,748) |
| Cash and cash equivalents at beginning of period | 45,291 | 109,079 | 636,841 | 791,211 |
| Cash and cash equivalents at end of period | $ 13,753 | $ 23,402 | $ 679,308 | $ 716,463 |

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

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in

the Company s annual report on Form 10-K for the fiscal year ended September 30, 2010, and the Condensed Consolidated Financial Statements and Notes thereto contained in this quarterly report on Form 10-Q.
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, followed by or that include the words may, could, would, should, believe, expect, anticipate, plan, estimate, target, similar 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; our effective income tax rate; the effect of our migration of client cash balances into the insured deposit account offering; 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; fluctuations in interest rates; stock market fluctuations and changes in client trading activity; credit risk with clients and counterparties; increased competition; systems failures and capacity constraints; network security risks; our ability to service debt obligations; our ability to achieve the benefits of the thinkorswim Group Inc. ( thinkorswim ) acquisition; 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 the Company s annual report on Form 10-K for the fiscal year ended September 30, 2010. 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.

The preparation of our financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1 of our Notes to Consolidated Financial Statements for the fiscal year ended September 30, 2010, 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; valuation of stock-based compensation; estimates of effective income tax rates, deferred income taxes and related valuation allowances; and valuation of guarantees. These areas are discussed in further detail under the heading Critical Accounting Policies and Estimates in Item 7 of our annual report on Form 10-K for the fiscal year ended September 30, 2010.

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

**GLOSSARY OF TERMS**

In discussing and analyzing our business, we utilize several metrics and other terms that are defined in a Glossary of Terms that is available on our website at www.amtd.com (in the Investors section under the heading Financial Reports ) and is included in Item 7 of our annual report on Form 10-K for the fiscal year ended September 30, 2010. Since the issuance of our Form 10-K, the definition of Liquid assets has been renamed Liquid assets regulatory threshold and Liquid assets management target was added as a new metric. We consider our liquid assets metrics to be important measures of our liquidity. Liquid assets management target reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances, while liquid assets regulatory threshold reflects our liquidity that would be available under unusual operating circumstances. In addition to the updated liquid assets metrics, we added Average client trades per funded account (annualized) as a new metric. The updated definitions are as follows (*italics* within a definition indicate other defined terms that appear elsewhere in the Glossary):

*Average client trades per funded account (annualized)* *Total trades* divided by the average number of *funded accounts* during the period, annualized based on the number of *trading days* in the fiscal year.

*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 8 1/3% 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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## 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 (earnings before interest, taxes, depreciation and amortization) are key metrics we use in evaluating our financial performance. EBITDA is a non-GAAP financial measure.

We consider EBITDA an important measure of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA 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.

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):

| | Three months ended June 30, | | | | Nine months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2011 | | 2010 | |
| | $ | % of Net Revenue | $ | % of Net Revenue | $ | % of Net Revenue | $ | % of Net Revenue |
| **EBITDA** | | | | | | | | |
| EBITDA | $ 302,101 | 44.1% | $ 339,879 | 49.1% | $ 900,483 | 43.7% | $ 877,031 | 44.9% |
| Less: | | | | | | | | |
| Depreciation and amortization | (16,914) | (2.5%) | (14,499) | (2.1%) | (49,629) | (2.4%) | (41,573) | (2.1%) |
| Amortization of acquired intangible assets | (24,083) | (3.5%) | (25,119) | (3.6%) | (72,747) | (3.5%) | (75,722) | (3.9%) |
| Interest on borrowings | (6,916) | (1.0%) | (11,197) | (1.6%) | (25,227) | (1.2%) | (33,764) | (1.7%) |
| Provision for income taxes | (96,793) | (14.1%) | (109,625) | (15.8%) | (278,778) | (13.5%) | (247,743) | (12.7%) |
| Net income | $ 157,395 | 23.0% | $ 179,439 | 25.9% | $ 474,102 | 23.0% | $ 478,229 | 24.5% |

Our EBITDA increased for the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010 primarily due to a 5% increase in net revenues and the effect of an $8.4 million loss on debt refinancing during the first nine months of fiscal 2010, partially offset by an 8% 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 a 2%

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, professional services and advertising expenses during the first nine months of fiscal 2011 and the effect of an $11.1 million gain on money market funds and client guarantees during the first nine months of 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 the nine months ended June 30, 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

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

| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Increase/ (Decrease) | Nine months ended June 30, 2011 | Nine months ended June 30, 2010 | Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| Avg. interest-earning assets (excluding conduit business) | $ 14,034 | $ 12,565 | $ 1,469 | $ 13,547 | $ 13,692 | $ (145) |
| Avg. insured deposit account balances | 48,590 | 41,811 | 6,779 | 46,705 | 37,873 | 8,832 |
| Avg. spread-based balances | $ 62,624 | $ 54,376 | $ 8,248 | $ 60,252 | $ 51,565 | $ 8,687 |
| Net interest revenue (excluding conduit business) | $ 131.2 | $ 111.2 | $ 20.0 | $ 368.1 | $ 310.2 | $ 57.9 |
| Insured deposit account fee revenue | 196.8 | 180.1 | 16.7 | 562.8 | 505.4 | 57.4 |
| Spread-based revenue | $ 328.0 | $ 291.3 | $ 36.7 | $ 930.9 | $ 815.6 | $ 115.3 |
| Avg. annualized yield interest-earning assets (excluding conduit business) | 3.70% | 3.50% | 0.20% | 3.58% | 2.99% | 0.59% |
| Avg. annualized yield insured deposit account fees | 1.60% | 1.70% | (0.10%) | 1.59% | 1.76% | (0.17%) |
| Net interest margin (NIM) | 2.07% | 2.12% | (0.05%) | 2.04% | 2.09% | (0.05%) |

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):

| | Interest Revenue (Expense) Three months ended June 30, 2011 | Interest Revenue (Expense) Three months ended June 30, 2010 | Increase/ (Decrease) | Interest Revenue (Expense) Nine months ended June 30, 2011 | Interest Revenue (Expense) Nine months ended June 30, 2010 | Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| Segregated cash | $ 0.4 | $ 1.1 | $ (0.7) | $ 2.2 | $ 5.2 | $ (3.0) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Client margin balances | 103.4 | 89.1 | 14.3 | 295.2 | 242.1 | 53.1 |
| Securities borrowing (excluding conduit business) | 28.1 | 21.7 | 6.4 | 73.0 | 65.6 | 7.4 |
| Other cash and interest-earning investments | 0.1 | 0.5 | (0.4) | 0.8 | 1.2 | (0.4) |
| Client credit balances | (0.4) | (0.6) | 0.2 | (1.3) | (2.4) | 1.1 |
| Securities lending (excluding conduit business) | (0.4) | (0.6) | 0.2 | (1.8) | (1.5) | (0.3) |
| Net interest revenue (excluding conduit business) | 131.2 | 111.2 | 20.0 | 368.1 | 310.2 | 57.9 |
| Securities borrowing conduit business | 0.3 | 0.4 | (0.1) | 0.7 | 1.4 | (0.7) |
| Securities lending conduit business | (0.2) | (0.2) | | (0.4) | (0.8) | 0.4 |
| Net interest revenue | $ 131.3 | $ 111.4 | $ 19.9 | $ 368.4 | $ 310.8 | $ 57.6 |

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| | Average Balance Three months ended June 30, 2011 | Average Balance Three months ended June 30, 2010 | % Change | Average Balance Nine months ended June 30, 2011 | Average Balance Nine months ended June 30, 2010 | % Change |
|---|---|---|---|---|---|---|
| Segregated cash | $ 2,871 | $ 3,416 | (16%) | $ 3,046 | $ 5,266 | (42%) |
| Client margin balances | 9,469 | 7,531 | 26% | 8,849 | 6,783 | 30% |
| Securities borrowing (excluding conduit business) | 485 | 446 | 9% | 500 | 560 | (11%) |
| Other cash and interest-earning investments | 1,209 | 1,172 | 3% | 1,152 | 1,083 | 6% |
| Interest-earning assets (excluding conduit business) | 14,034 | 12,565 | 12% | 13,547 | 13,692 | (1%) |
| Securities borrowing conduit business | 329 | 472 | (30%) | 323 | 526 | (39%) |
| Interest-earning assets | $ 14,363 | $ 13,037 | 10% | $ 13,870 | $ 14,218 | (2%) |
| Client credit balances | $ 8,656 | $ 7,692 | 13% | $ 8,366 | $ 8,898 | (6%) |
| Securities lending (excluding conduit business) | 1,757 | 1,752 | 0% | 1,654 | 1,694 | (2%) |
| Interest-bearing liabilities (excluding conduit business) | 10,413 | 9,444 | 10% | 10,020 | 10,592 | (5%) |
| Securities lending conduit business | 329 | 472 | (30%) | 323 | 526 | (39%) |
| Interest-bearing liabilities | $ 10,742 | $ 9,916 | 8% | $ 10,343 | $ 11,118 | (7%) |

| | Avg. Annualized Yield (Cost) Three months ended June 30, 2011 | Avg. Annualized Yield (Cost) Three months ended June 30, 2010 | Net Yield Increase/ (Decrease) | Avg. Annualized Yield (Cost) Nine months ended June 30, 2011 | Avg. Annualized Yield (Cost) Nine months ended June 30, 2010 | Net Yield Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| Segregated cash | 0.05% | 0.13% | (0.08%) | 0.09% | 0.13% | (0.04%) |
| Client margin balances | 4.32% | 4.68% | (0.36%) | 4.40% | 4.71% | (0.31%) |
| Other cash and interest-earning investments | 0.06% | 0.17% | (0.11%) | 0.10% | 0.15% | (0.05%) |
| Client credit balances | (0.02%) | (0.03%) | 0.01% | (0.02%) | (0.04%) | 0.02% |
| Net interest revenue (excluding conduit business) | 3.70% | 3.50% | 0.20% | 3.58% | 2.99% | 0.59% |
| Securities borrowing conduit business | 0.31% | 0.35% | (0.04%) | 0.28% | 0.34% | (0.06%) |
| Securities lending conduit business | (0.25%) | (0.20%) | (0.05%) | (0.18%) | (0.20%) | 0.02% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net interest revenue | 3.62% | 3.38% | 0.24% | 3.50% | 2.88% | 0.62% |

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

| | **Fee Revenue Three months ended June 30,** | | **Increase/ (Decrease)** | **Fee Revenue Nine months ended June 30,** | | **Increase/ (Decrease)** |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | | **2011** | **2010** | |
| Money market mutual fund | $ 1.4 | $ 2.3 | $ (0.9) | $ 7.3 | $ 6.3 | $ 1.0 |
| Other investment product fees | 42.5 | 30.9 | 11.6 | 117.8 | 86.7 | 31.1 |
| Total investment product fees | $ 43.9 | $ 33.2 | $ 10.7 | $ 125.1 | $ 93.0 | $ 32.1 |

| | **Average Balance Three months ended June 30,** | | **% Change** | **Average Balance Nine months ended June 30,** | | **% Change** |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | | **2011** | **2010** | |
| Money market mutual fund | $ 8,761 | $ 9,076 | (3%) | $ 8,799 | $ 10,181 | (14%) |
| Other fee-based investment balances | 73,247 | 53,298 | 37% | 68,820 | 49,929 | 38% |
| Total fee-based investment balances | $ 82,008 | $ 62,374 | 31% | $ 77,619 | $ 60,110 | 29% |

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| | Average Annualized Yield Three months ended June 30, | | Increase/ | Average Annualized Yield Nine months ended June 30, | | Increase/ |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | (Decrease) | 2011 | 2010 | (Decrease) |
| Money market mutual fund | 0.06% | 0.10% | (0.04%) | 0.11% | 0.08% | 0.03% |
| Other investment product fees | 0.23% | 0.23% | 0.00% | 0.23% | 0.23% | 0.00% |
| Total investment product fees | 0.21% | 0.21% | 0.00% | 0.21% | 0.20% | 0.01% |

***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:

| | Three months ended June 30, | | % | Nine months ended June 30, | | % |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Total trades (in millions) | 23.29 | 26.05 | (11%) | 74.14 | 73.00 | 2% |
| Average commissions and transaction fees per trade (1) | $ 12.08 | $ 12.79 | (6%) | $ 12.30 | $ 12.93 | (5%) |
| Average client trades per day | 369,716 | 413,461 | (11%) | 393,297 | 390,369 | 1% |
| Average client trades per total account (annualized) | 11.4 | 13.2 | (14%) | 12.3 | 12.7 | (3%) |
| Average client trades per funded account (annualized) | 16.7 | 19.2 | (13%) | 18.0 | 18.3 | (2%) |
| Activity rate total accounts | 4.5% | 5.3% | (15%) | 4.9% | 5.0% | (2%) |
| Activity rate funded accounts | 6.6% | 7.6% | (13%) | 7.1% | 7.3% | (3%) |
| Trading days | 63.0 | 63.0 | 0% | 188.5 | 187.0 | 1% |

(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:

| | Three months ended June 30, | | % | Nine months ended June 30, | | % |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Total accounts (beginning of period) | 8,138,000 | 7,788,000 | 4% | 7,946,000 | 7,563,000 | 5% |
| New accounts opened | 154,000 | 175,000 | (12%) | 495,000 | 542,000 | (9%) |
| Accounts closed | (76,000) | (73,000) | 4% | (225,000) | (215,000) | 5% |
| Total accounts (end of period) | 8,216,000 | 7,890,000 | 4% | 8,216,000 | 7,890,000 | 4% |
| Percentage change during period | 1% | 1% | | 3% | 4% | |
| | 5,547,000 | 5,379,000 | 3% | 5,455,000 | 5,279,000 | 3% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Funded accounts (beginning of period) | | | | | | | | | | |
| Funded accounts (end of period) | | 5,592,000 | | 5,440,000 | 3% | | 5,592,000 | | 5,440,000 | 3% |
| Percentage change during period | | 1% | | 1% | | | 3% | | 3% | |
| Client assets (beginning of period, in billions) | $ | 412.3 | $ | 341.5 | 21% | $ | 354.8 | $ | 302.0 | 17% |
| Client assets (end of period, in billions) | $ | 413.7 | $ | 323.8 | 28% | $ | 413.7 | $ | 323.8 | 28% |
| Percentage change during period | | 0% | | (5%) | | | 17% | | 7% | |
| Net new assets (in billions) | $ | 7.9 | $ | 8.9 | (11%) | $ | 29.1 | $ | 27.9 | 4% |
| Net new assets annualized growth rate[1] | | 8% | | 10% | (20%) | | 11% | | 12% | (8%) |

(1) Annualized net new assets as a percentage of client assets as of the beginning of the period.

**Condensed Consolidated Statements of Income Data**

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

| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | % Change | Nine months ended June 30, 2011 | Nine months ended June 30, 2010 | % Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Transaction-based revenues: | | | | | | |
| Commissions and transaction fees | $ 281.6 | $ 333.1 | (15%) | $ 912.6 | $ 943.7 | (3%) |
| Asset-based revenues: | | | | | | |
| Interest revenue | 132.3 | 112.8 | 17% | 372.0 | 315.5 | 18% |
| Brokerage interest expense | (1.1) | (1.4) | (26%) | (3.6) | (4.7) | (24%) |
| Net interest revenue | 131.3 | 111.4 | 18% | 368.4 | 310.8 | 19% |
| Insured deposit account fees | 196.8 | 180.1 | 9% | 562.8 | 505.4 | 11% |
| Investment product fees | 43.9 | 33.2 | 32% | 125.1 | 93.0 | 35% |
| Total asset-based revenues | 372.0 | 324.7 | 15% | 1,056.2 | 909.1 | 16% |
| Other revenues | 31.2 | 34.1 | (9%) | 90.4 | 99.0 | (9%) |
| Net revenues | 684.8 | 691.8 | (1%) | 2,059.2 | 1,951.9 | 5% |
| Operating expenses: | | | | | | |
| Employee compensation and benefits | 168.6 | 156.3 | 8% | 500.6 | 467.8 | 7% |
| Clearing and execution costs | 22.6 | 22.4 | 1% | 71.6 | 68.4 | 5% |
| Communications | 27.1 | 27.0 | 0% | 81.8 | 76.3 | 7% |
| Occupancy and equipment costs | 36.3 | 35.5 | 2% | 104.7 | 104.2 | 0% |
| Depreciation and amortization | 16.9 | 14.5 | 17% | 49.6 | 41.6 | 19% |
| Amortization of acquired intangible assets | 24.1 | 25.1 | (4%) | 72.7 | 75.7 | (4%) |
| Professional services | 42.9 | 32.0 | 34% | 123.3 | 97.2 | 27% |
| Advertising | 48.1 | 51.6 | (7%) | 204.1 | 188.4 | 8% |
| Gains on money market funds and client guarantees | | (9.2) | (100%) | | (11.1) | (100%) |
| Other | 35.7 | 36.4 | (2%) | 71.3 | 75.3 | (5%) |
| Total operating expenses | 422.2 | 391.5 | 8% | 1,279.7 | 1,183.7 | 8% |
| Operating income | 262.5 | 300.3 | (13%) | 779.5 | 768.1 | 1% |
| Other expense: | | | | | | |
| Interest on borrowings | 6.9 | 11.2 | (38%) | 25.2 | 33.8 | (25%) |
| Loss on debt refinancing | 1.4 | | N/A | 1.4 | 8.4 | (83%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total other expense | 8.4 | 11.2 | (25%) | 26.7 | 42.2 | (37%) |
| Pre-tax income | 254.2 | 289.1 | (12%) | 752.9 | 726.0 | 4% |
| Provision for income taxes | 96.8 | 109.6 | (12%) | 278.8 | 247.7 | 13% |
| Net income | $ 157.4 | $ 179.4 | (12%) | $ 474.1 | $ 478.2 | (1%) |
| Other information: | | | | | | |
| Effective income tax rate | 38.1% | 37.9% | | 37.0% | 34.1% | |
| Average debt outstanding | $ 1,264.1 | $ 1,277.9 | (1%) | $ 1,268.8 | $ 1,312.5 | (3%) |
| Average interest rate incurred on borrowings | 1.97% | 3.19% | | 2.40% | 3.08% | |

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

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**Three-Month Periods Ended June 30, 2011 and 2010**
**Net Revenues**

Commissions and transaction fees decreased 15% to $281.6 million, primarily due to decreased client trading activity and lower average commissions and transaction fees per trade. Total trades decreased 11%, as average client trades per day decreased 11% to 369,716 for the third quarter of fiscal 2011 compared to 413,461 for the third quarter of fiscal 2010. Average client trades per funded account (annualized) were 16.7 for the third quarter of fiscal 2011 compared to 19.2 for the third quarter of fiscal 2010. Average commissions and transaction fees per trade decreased to $12.08 per trade for the third quarter of fiscal 2011 from $12.79 for the third quarter of 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 and (3) higher futures and foreign exchange trading activity, which earn somewhat lower average commissions and transaction fees per trade and do not generate payment for order flow revenue.

Net interest revenue increased 18% to $131.3 million, due primarily to a 26% increase in average client margin balances and a $6.5 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 36 basis points in the average yield earned on client margin balances for the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010.

Insured deposit account fees increased 9% to $196.8 million, due primarily to a 16% increase in average client insured deposit account balances, partially offset by a decrease of 10 basis points in the average yield earned on the insured deposit account assets during the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010. The increased insured deposit account balances are primarily due to our success in attracting net new client assets over the past year.

Investment product fees increased 32% to $43.9 million, primarily due to a 37% increase in average other fee-based investment balances, partially offset by a decrease of 4 basis points in the average yield earned on client money market mutual fund balances in the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010.

Other revenues decreased 9% to $31.2 million, due primarily to lower client education revenue for the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010.

**Operating Expenses**

Employee compensation and benefits expense increased 8% to $168.6 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 in the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010.

Depreciation and amortization increased 17% to $16.9 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements.

Professional services increased 34% to $42.9 million, primarily due to higher usage of consulting and contract services during the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010 in connection with new product development, technology infrastructure upgrades and the integration of thinkorswim.

Advertising expense decreased 7% to $48.1 million, primarily due to decreased advertising initiatives during the third quarter of fiscal 2011. The decrease in advertising initiatives was primarily due to the timing of more marketing campaigns during the first half of fiscal 2011 compared to first half of fiscal 2010. 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 the third quarter of fiscal 2010 consisted of a $9.2 million favorable fair market value adjustment to our Reserve Primary Fund holdings, based on updated portfolio holdings data published by The Reserve. During July 2010, we received distributions of $8.9 million from the Primary Fund.

Other operating expenses decreased 2% to $35.7 million, primarily due to decreased litigation, arbitration and regulatory expenses in the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010. This decrease was mostly offset by $14.8 million of losses on disposal of property during the third quarter of 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.

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**Other Expenses and Income Taxes**

Interest on borrowings decreased 38% to $6.9 million, due primarily to lower average interest rates incurred on our debt during the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010. The average interest rate incurred on our debt was 1.97% for the third quarter of fiscal 2011, compared to 3.19% for the third quarter of fiscal 2010. On January 7, 2011, we entered into a fixed-for-variable interest rate swap on our $500 million 5.600% Senior Notes due 2019. We incur variable interest under this interest rate swap at a rate equal to three-month LIBOR plus 2.3745%, or approximately 2.63% as of June 30, 2011. The entire $1.25 billion of our Senior Notes is now subject to interest rate swaps based on three-month LIBOR.

Loss on debt refinancing of $1.4 million during the third quarter of 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 under our November 25, 2009 amended and restated credit agreement. On June 28, 2011, our holding company replaced its prior revolving credit facility with a new senior unsecured revolving credit facility.

Our effective income tax rate was 38.1% for the third quarter of fiscal 2011, compared to 37.9% for the third quarter of fiscal 2010. We expect our effective income tax rate to range from 38% to 39% for the remainder of fiscal 2011. 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.

**Nine-Month Periods Ended June 30, 2011 and 2010**

**Net Revenues**

Commissions and transaction fees decreased 3% to $912.6 million, primarily due to lower average commissions and transaction fees per trade, partially offset by slightly increased client trading activity. Average commissions and transaction fees per trade decreased to $12.30 per trade for the first nine months of fiscal 2011 from $12.93 for the first nine months of 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 and (3) higher futures and foreign exchange trading activity, which earn somewhat lower average commissions and transaction fees per trade and do not generate payment for order flow revenue. Total trades increased 2%, as average client trades per day increased 1% to 393,297 for the first nine months of fiscal 2011 compared to 390,369 for the first nine months of fiscal 2010, and there were 1.5 more trading days during the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010. Average client trades per funded account (annualized) were 18.0 for the first nine months of fiscal 2011 compared to 18.3 for the first nine months of fiscal 2010.

Net interest revenue increased 19% to $368.4 million, due primarily to a 30% increase in average client margin balances and a $6.8 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 the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010.

Insured deposit account fees increased 11% to $562.8 million, due primarily to a 23% increase in average client insured deposit account balances during the first nine months of fiscal 2011 compared to the first nine months of 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 client 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 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 the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010.

Investment product fees increased 35% to $125.1 million, primarily due to a 38% increase in average other fee-based investment balances.

Other revenues decreased 9% to $90.4 million, due primarily to lower client education revenues for the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010.

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**Operating Expenses**

Employee compensation and benefits expense increased 7% to $500.6 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 the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010.

Clearing and execution costs increased 5% to $71.6 million, due primarily to an increase in outsourced clearing fees for our thinkorswim business in the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010.

Communications expense increased 7% to $81.8 million, due primarily to increased costs for quotes and market information during the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010.

Depreciation and amortization increased 19% to $49.6 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements.

Professional services increased 27% to $123.3 million, primarily due to higher usage of consulting and contract services during the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010 in connection with new product development, technology infrastructure upgrades and the integration of thinkorswim.

Advertising expense increased 8% to $204.1 million, primarily due to the timing of more marketing campaigns earlier in the year during fiscal 2011 compared to fiscal 2010.

Gains on money market funds and client guarantees during the first nine months of fiscal 2010 consisted of $9.7 million of favorable fair market value adjustments to our Reserve Primary Fund holdings, based on updated portfolio holdings data published by The Reserve and $1.4 million of gains related to the final fulfillment of our auction rate securities and Primary Fund client guarantees.

Other operating expenses decreased 5% to $71.3 million, primarily due to decreased litigation, arbitration and regulatory expenses during the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010. This decrease was partially offset by $16.7 million of losses on disposal of property during the first nine months of 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**

Interest on borrowings decreased 25% to $25.2 million, due primarily to lower average interest rates incurred on our debt and a decrease of approximately $44 million in average debt outstanding during the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010. The average interest rate incurred on our debt was 2.40% for the first nine months of fiscal 2011, compared to 3.08% for the first nine months of fiscal 2010. The lower average interest rate incurred on our debt during the first nine months of 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 the first nine months of 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 under our November 25, 2009 amended and restated credit agreement. 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 the first nine months of 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 37.0% for the first nine months of fiscal 2011, compared to 34.1% for the first nine months of fiscal 2010. The effective tax rate for the first nine months of fiscal 2011 was lower than normal due to $5.5 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 the first nine months of fiscal 2011 by approximately $0.01 per share. The effective tax rate for the first nine months of fiscal 2010 was unusually low due to $28.8 million of favorable resolutions of certain federal and state income tax matters during the first nine months of

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fiscal 2010. These items favorably impacted our earnings for the first nine months of fiscal 2010 by approximately $0.05 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 the first nine months of fiscal 2011 were financed primarily from our earnings and cash on hand. We plan to finance our operational capital and liquidity needs during the remainder of fiscal 2011 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 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 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 8 1/3% 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 a measure that reflects our liquidity that would be available for corporate investing or financing activities under unusual operating circumstances.

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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):

| | Liquid Assets - Management Target | | | Liquid Assets - Regulatory Threshold | | |
|---|---|---|---|---|---|---|
| | Jun. 30, 2011 | Sept. 30, 2010 | Change | Jun. 30, 2011 | Sept. 30, 2010 | Change |
| Cash and cash equivalents | $ 1,323,646 | $ 741,492 | $ 582,154 | $ 1,323,646 | $ 741,492 | $ 582,154 |
| Less: Broker-dealer cash and cash equivalents | (982,768) | (426,618) | (556,150) | (982,768) | (426,618) | (556,150) |
| Trust company cash and cash equivalents | (38,887) | (50,937) | 12,050 | (38,887) | (50,937) | 12,050 |
| Investment advisory cash and cash equivalents | (41,184) | (28,944) | (12,240) | (41,184) | (28,944) | (12,240) |
| Corporate cash and cash equivalents | 260,807 | 234,993 | 25,814 | 260,807 | 234,993 | 25,814 |
| Plus: Excess trust company Tier 1 capital | | | | 8,410 | 12,284 | (3,874) |
| Excess broker-dealer regulatory net capital | 540,721 | 326,368 | 214,353 | 1,081,513 | 828,979 | 252,534 |
| Liquid assets | $ 801,528 | $ 561,361 | $ 240,167 | $ 1,350,730 | $ 1,076,256 | $ 274,474 |

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

| | Liquid Assets | |
|---|---|---|
| | Management Target | Regulatory Threshold |
| Liquid assets as of September 30, 2010 | $ 561,361 | $ 1,076,256 |
| Plus: Pre-tax income | 752,880 | 752,880 |
| Proceeds from exercise of stock options | 3,204 | 3,204 |
| Cash received in sale of business | 5,228 | 5,228 |
| Return of prepayment on structured stock repurchase | 118,834 | 118,834 |
| Other changes in working capital and regulatory net capital | 52,186 | 38,611 |
| Less: Income taxes paid | (233,713) | (233,713) |
| Purchase of property and equipment | (109,904) | (109,904) |
| Cash transferred in disposal of subsidiary | (3,453) | (3,453) |
| Purchase of investments | (5,006) | (5,006) |
| Purchase of treasury stock | (144,245) | (144,245) |
| 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 | (8,100) | (8,100) |
| Payment of cash dividends | (85,936) | (85,936) |
| Additional net capital requirement due to increase in aggregate debits | (95,763) | (47,881) |
| Liquid assets as of June 30, 2011 | $ 801,528 | $ 1,350,730 |

**Revolving Credit Facilities**

*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 June 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 June 30, 2011.

The obligations under the Parent Revolving Facility are guaranteed by TD Ameritrade Online Holdings Corp. ( TDAOH ), a wholly-owned subsidiary of the Parent, 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 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 June 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 June 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 June 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 June 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.

During the third quarter of fiscal 2011, we made open market repurchases of approximately 4.8 million shares at a weighted average purchase price of $20.24 per share. From the inception of the stock repurchase authorization through June 30, 2011, we have repurchased an aggregate of approximately 10.0 million shares at a weighted average purchase price of $19.05 per share. As of June 30, 2011, we had approximately 20.0 million shares remaining on the stock repurchase authorization.

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**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 $85.9 million to fund the dividends for the first three quarters of fiscal 2011. We expect to pay approximately $28 million on August 16, 2011 to fund the fourth quarter dividend.

## CONTRACTUAL OBLIGATIONS

The following item constitutes a material change in our contractual obligations outside the ordinary course of business since September 30, 2010:

Effective June 1, 2011, TD Ameritrade Services Company, Inc., one of our wholly-owned subsidiaries, entered into a Guaranteed Maximum Price Amendment to its construction agreement with Kiewit Building Group, Inc., dated December 1, 2009, to construct our Omaha Campus. The amendment establishes a guaranteed maximum price for the core and shell building work of approximately $142 million. Completion of the work to be performed under the agreement is expected by June 2013.

## 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 manage our asset-based revenues. For information on these arrangements, see the following sections under Item 1, Financial Statements Notes to Condensed Consolidated Financial Statements: Guarantees under Note 7 COMMITMENTS AND CONTINGENCIES and Insured Deposit Account Agreement under Note 12 RELATED PARTY TRANSACTIONS. The IDA agreement accounts for a significant percentage of our revenues (27% of our net revenues for the nine months ended June 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.

## NEW ACCOUNTING PRONOUNCEMENTS

### 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.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

**Market-related Credit Risk**

Two primary sources of credit risk inherent in our business are client margin lending and securities lending and borrowing. We manage risk on client margin lending by requiring clients to maintain margin collateral in compliance with regulatory and internal guidelines. We monitor required margin levels daily and, pursuant to such guidelines, require our clients to deposit additional collateral, or to reduce positions, when necessary. We 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 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 Condensed 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 June 30, 2011 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in approximately $100 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 $27 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 June 30, 2011, we held ARS with a fair value of $62 million. A hypothetical 10% decrease in the fair value of our ARS would reduce our pre-tax income by approximately $6 million.

**Other Market Risks**

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

**Item 4. Controls and Procedures**

**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 June 30, 2011. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2011.

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### Changes in Internal Control over Financial Reporting

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

## Part II OTHER INFORMATION

### Item 1. Legal Proceedings

*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 alleges 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 requests 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 are 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 December 20, 2010, TD Ameritrade, Inc. received preliminary Court approval of a proposed class settlement agreement between TD Ameritrade, Inc. and plaintiffs Richard Holober and Brad Zigler. Under the proposed 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. The proposed settlement is subject to final approval by the Court. A hearing on final approval of the proposed settlement was held on April 19, 2011. The Court has not yet ruled on the matter.

*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 21 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,

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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 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.

**Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Item 1A Risk Factors in our annual report on Form 10-K for the year ended September 30, 2010, which could materially affect our business, financial condition or future results of operations. The risks described in our Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

There have been no material changes from the risk factors disclosed in the Company s Form 10-K for the fiscal year ended September 30, 2010.

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

**ISSUER PURCHASES OF EQUITY SECURITIES**

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Number of Shares that May Yet Be Purchased Under the Program |
|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| April 1, 2011 | April 30, 2011 | 954,868 | $ | 21.66 | 941,600 | 23,859,140 |
| May 1, 2011 | May 31, 2011 | 1,512,487 | $ | 21.05 | 1,510,461 | 22,348,679 |
| June 1, 2011 | June 30, 2011 | 2,359,650 | $ | 19.16 | 2,359,650 | 19,989,029 |
| Total | Three months ended June 30, 2011 | 4,827,005 | $ | 20.25 | 4,811,711 | 19,989,029 |

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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 third quarter of fiscal 2011.

During the quarter ended June 30, 2011, 15,294 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

**Item 6. Exhibits**

| | |
|---|---|
| 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 | 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) |
| 4.2 | Form of 2.950% Senior Note due 2012 (included in Exhibit 4.1) |
| 4.3 | Form of 4.150% Senior Note due 2014 (included in Exhibit 4.1) |
| 4.4 | Form of 5.600% Senior Note due 2019 (included in Exhibit 4.1) |
| 10.1 | 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) |
| 10.2 | 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) |
| 10.3 | 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) |
| 10.4 | 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) |
| 15.1 | Awareness Letter of Independent Registered Public Accounting Firm |
| 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 | |

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| | 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 |

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## Signatures

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

Dated: August 8, 2011

TD Ameritrade Holding Corporation
(Registrant)

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

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