BANK OF MONTREAL /CAN/
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Subject to Completion, dated December 12, 2018

Pricing Supplement to the Prospectus dated April 27, 2017,

the Prospectus Supplement dated September 23, 2018 and the Product Supplement dated May 1, 2017

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Senior Medium-Term Notes, Series E

Buffered Bullish Enhanced Return Notes due December 28, 2020

Linked to the iShares® MSCI EAFE ETF

- The notes are designed for investors who seek a 200.00% leveraged positive return based on any appreciation in the share price of the iShares® MSCI EAFE ETF (the "Underlying Asset"). Investors should be willing to accept a payment at maturity that does not exceed the Maximum Redemption Amount (as defined below), be willing to forgo periodic interest, and be willing to lose 1% of their principal amount for each 1% that the closing price of the Underlying Asset decreases by more than 15% from its closing price on the Pricing Date.
- Investors in the notes may lose up to 85% of their principal amount at maturity.
- The Maximum Redemption Amount will be $1,163.00 for each $1,000 in principal amount (a 16.30% return).
- Any payment at maturity is subject to the credit risk of Bank of Montreal.
- The notes will not be listed on any securities exchange.
- The notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000.
- The offering is expected to price on or about December 20, 2018, and the notes are expected to settle through the facilities of The Depository Trust Company on or about December 26, 2018.
- The notes are scheduled to mature on or about December 28, 2020.

- The CUSIP number of the notes is 06367WFQ1.
- Our subsidiary, BMO Capital Markets Corp. (“BMOCM”), is the agent for this offering. See “Supplemental Plan of Distribution (Conflicts of Interest)” below.
- The notes will not be subject to conversion into our common shares or the common shares of any of our affiliates under subsection 39.2(2.3) of the Canada Deposit Insurance Corporation Act (the “CDIC Act”).

Investing in the notes involves risks, including those described in the “Selected Risk Considerations” section beginning on page P-5 of this pricing supplement, the “Additional Risk Factors Relating to the Notes” section beginning on page PS-5 of the product supplement, and the “Risk Factors” section beginning on page S-1 of the prospectus supplement and on page 8 of the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the accuracy of this pricing supplement, the product supplement, the prospectus supplement or the prospectus. Any representation to the contrary is a criminal offense.

The notes will be our unsecured obligations and will not be savings accounts or deposits that are insured by the United States Federal Deposit Insurance Corporation, the Deposit Insurance Fund, the Canada Deposit Insurance Corporation or any other governmental agency or instrumentality or other entity.

On the date of this preliminary pricing supplement, the estimated initial value of the notes is $965.10 per $1,000 in principal amount. The estimated initial value of the notes on the Pricing Date may differ from this value but will not be less than $945.00 per $1,000 in principal amount. However, as discussed in more detail in this pricing supplement, the actual value of the notes at any time will reflect many factors and cannot be predicted with accuracy.

	Price to Public[1]	Agent’s Commission[1]	Proceeds to Bank of Montreal
Per Note	US$1,000	US$8.00	US$992.00
Total	US$	US$	US$

[1]Certain dealers who purchase the notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the notes in these accounts may be between $992.00 and $1,000 per $1,000 in principal amount.

BMO CAPITAL MARKETS

Key Terms of the Notes:

Underlying Asset:	iShares® MSCI EAFE ETF (Bloomberg symbol: EFA). See the section below entitled "The Underlying Asset" for additional information about the Underlying Asset.
Payment at Maturity:	(i) If the Percentage Change multiplied by the Upside Leverage Factor is greater than or equal to the Maximum Return, the payment at maturity for each $1,000 in principal amount of the notes will equal the Maximum Redemption Amount. (ii) If the Percentage Change multiplied by the Upside Leverage Factor is positive but is less than the Maximum Return, then the payment at maturity for each $1,000 in principal amount of the notes will be calculated as follows: Principal Amount + [Principal Amount × (Percentage Change x Upside Leverage Factor)] (iii) If the Percentage Change is between 0% and -15%, then the payment at maturity will equal the principal amount of the notes. (iv) If the Percentage Change is less than -15%, then the payment at maturity will be calculated as follows: Principal Amount + [Principal Amount × (Percentage Change + Buffer Percentage)] *If the Percentage Change is less than -15%, investors will lose up to 85% of the principal amount of the notes.*
Upside Leverage Factor:	200.00%
Maximum Return:	16.30%
Maximum Redemption Amount:	The payment at maturity will not exceed the Maximum Redemption Amount of $1,163.00 per $1,000 in principal amount of the notes.
Initial Level:	The closing price of the Underlying Asset on the Pricing Date.

Final Level:	The closing price of one share of the Underlying Asset on the Valuation Date.
Buffer Level:	85% of the Initial Level.
Buffer Percentage:	15%. Accordingly, you will receive the principal amount of your notes at maturity only if the price of the Underlying Asset does not decrease by more than 15% from the Pricing Date to the Valuation Date. If the Final Level is less than the Buffer Level, you will receive less than the principal amount of your notes at maturity, and you could lose up to 85% of the principal amount of your notes.

Percentage Change: $\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$, expressed as a percentage

Pricing Date:	On or about December 20, 2018.
Settlement Date:	On or about December 26, 2018, as determined on the Pricing Date.
Valuation Date:	On or about December 22, 2020, as determined on the Pricing Date.
Maturity Date:	On or about December 28, 2020, as determined on the Pricing Date.
Automatic Redemption:	Not applicable.
Calculation Agent:	BMOCM
Selling Agent:	BMOCM

The Pricing Date and the Settlement Date are subject to change. The actual Pricing Date, Settlement Date, Valuation Date and Maturity Date will be set forth in the final pricing supplement.

Payoff Example

The following table shows the hypothetical payout profile of an investment in the notes reflecting the 150% Upside Leverage Factor, the Buffer Level of 85.00%, and the Maximum Return of 16.30%. Please see the hypothetical examples below for more detailed examples.

Additional Terms of the Notes

You should read this pricing supplement together with the product supplement dated May 1, 2017, the prospectus supplement dated September 23, 2018 and the prospectus dated April 27, 2017. **This pricing supplement, together with the documents listed below, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours or the agent.** You should carefully consider, among other things, the matters set forth in “Additional Risk Factors Relating to the Notes” in the product supplement, as the notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the notes.

You may access these documents on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Product supplement dated May 1, 2017:
https://www.sec.gov/Archives/edgar/data/927971/000121465917002864/d427171424b5.htm

- Prospectus supplement dated September 23, 2018:
https://www.sec.gov/Archives/edgar/data/927971/000119312518280416/d624491d424b5.htm

- Prospectus dated April 27, 2017:
https://www.sec.gov/Archives/edgar/data/927971/000119312517142728/d254784d424b2.htm

References in the above product supplement to the prospectus supplement will be deemed to be references to the prospectus supplement dated September 23, 2018.

Our Central Index Key, or CIK, on the SEC website is 927971. As used in this pricing supplement, “we,” “us” or “our” refers to Bank of Montreal.

We have filed a registration statement (including a prospectus) with the SEC for the offering to which this document relates. Before you invest, you should read the prospectus in that registration statement and the other documents that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents free of charge by visiting the SEC’s website at http://www.sec.gov. Alternatively, we will arrange to send to you the prospectus (as supplemented by the prospectus supplement and product supplement) if you request it by

calling our agent toll-free at 1-877-369-5412.

Selected Risk Considerations

An investment in the notes involves significant risks. Investing in the notes is not equivalent to investing directly in the Underlying Asset. These risks are explained in more detail in the "Additional Risk Factors Relating to the Notes" section of the product supplement.

- **Your investment in the notes may result in a loss.** — You may lose some or substantially all of your investment in the notes. The minimum percentage of your principal that you are entitled to receive under the terms of the notes is only 15%. The payment at maturity will be based on the Final Level, and whether the Final Level of the Underlying Asset on the Valuation Date has declined from the Initial Level to a price that is less than the Buffer Level. You will lose 1.00% of the principal amount of your notes for each 1.00% that the Final Level is less than the Buffer Level. **Accordingly, you could lose up to 85% of the principal amount of the notes.**

- **Your return on the notes is limited to the Maximum Redemption Amount, regardless of any appreciation in the share price of the Underlying Asset.** — You will not receive a payment at maturity with a value greater than the Maximum Redemption Amount per $1,000 in principal amount of the notes. This will be the case even if the Percentage Change multiplied by the Upside Leverage Factor exceeds the Maximum Return.

- **Your investment is subject to the credit risk of Bank of Montreal.** — Our credit ratings and credit spreads may adversely affect the market value of the notes. Investors are dependent on our ability to pay the amount due at maturity, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the notes.

- **Potential conflicts.** — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the notes. We or one or more of our affiliates may also engage in trading of shares of the Underlying Asset or securities held by the Underlying Asset on a regular basis as part of our general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for our customers. Any of these activities could adversely affect the price of the Underlying Asset and, therefore, the market value of the notes. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of the Underlying Asset. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the market value of the notes.

- **Our initial estimated value of the notes will be lower than the price to public. —** Our initial estimated value of the notes is only an estimate, and is based on a number of factors. The price to public of the notes will exceed our initial estimated value, because costs associated with offering, structuring and hedging the notes are included in the price to public, but are not included in the estimated value. These costs include the

underwriting discount and selling concessions, the profits that we and our affiliates expect to realize for assuming the risks in hedging our obligations under the notes, and the estimated cost of hedging these obligations. The initial estimated value may be as low as the amount indicated on the cover page of this pricing supplement.

- **Our initial estimated value does not represent any future value of the notes, and may also differ from the estimated value of any other party.** — Our initial estimated value of the notes as of the date of this preliminary pricing supplement is, and our estimated value as determined on the Pricing Date will be, derived using our internal pricing models. This value is based on market conditions and other relevant factors, which include volatility of the Underlying Asset, dividend rates and interest rates. Different pricing models and assumptions could provide values for the notes that are greater than or less than our initial estimated value. In addition, market conditions and other relevant factors after the Pricing Date are expected to change, possibly rapidly, and our assumptions may prove to be incorrect. After the Pricing Date, the value of the notes could change dramatically due to changes in market conditions, our creditworthiness, and the other factors set forth in this pricing supplement and the product supplement. These changes are likely to impact the price, if any, at which we or BMOCM would be willing to purchase the notes from you in any secondary market transactions. Our initial estimated value does not represent a minimum price at which we or our affiliates would be willing to buy your notes in any secondary market at any time.

- **The terms of the notes are not determined by reference to the credit spreads for our conventional fixed-rate debt. —** To determine the terms of the notes, we will use an internal funding rate that represents a discount from the credit spreads for our conventional fixed-rate debt. As a result, the terms of the notes are less favorable to you than if we had used a higher funding rate.

- **Certain costs are likely to adversely affect the value of the notes.** — Absent any changes in market conditions, any secondary market prices of the notes will likely be lower than the price to public. This is because any secondary market prices will likely take into account our then-current market credit spreads, and because any secondary market prices are likely to exclude all or a portion of the agent's commission and the hedging profits and estimated hedging costs that are included in the price to public of the notes and that may be reflected on your account statements. In addition, any such price is also likely to reflect a discount to account for costs associated with establishing or unwinding any related hedge transaction, such as dealer discounts, mark-ups and other transaction costs. As a result, the price, if any, at which BMOCM or any other party may be willing to purchase the notes from you in secondary market transactions, if at all, will likely be lower than the price to public. Any sale that you make prior to the maturity date could result in a substantial loss to you.

- **Owning the notes is not the same as owning shares of the Underlying Asset or a security directly linked to the Underlying Asset.** — The return on your notes will not reflect the return you would realize if you actually owned shares of the Underlying Asset or a security directly linked to the performance of the Underlying Asset and held that investment for a similar period. Your notes may trade quite differently from the Underlying Asset. Changes in the price of the Underlying Asset may not result in comparable changes in the market value of your notes. Even if the price of the Underlying Asset increases during the term of the notes, the market value of the notes prior to maturity may not increase to the same extent. It is also possible for the market value of the notes to decrease while the price of the Underlying Asset increases. In addition, any dividends or other distributions paid on the Underlying Asset will not be reflected in the amount payable on the notes.

- **You will not have any shareholder rights and will have no right to receive any shares of the Underlying Asset at maturity.** — Investing in your notes will not make you a holder of the Underlying Asset or any securities held by the Underlying Asset. Neither you nor any other holder or owner of the notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the Underlying Asset or such other securities.

- **Changes that affect the Underlying Index may adversely affect the market value of the notes and the amount you will receive at maturity.** —.The policies of MSCI Inc. (the "Index Sponsor"), the sponsor of the MSCI Emerging Markets Index (the "Underlying Index"), concerning the calculation of the Underlying Index, additions, deletions or substitutions of the components of the Underlying Index and the manner in which changes affecting those components, such as stock dividends, reorganizations or mergers, may be reflected in the Underlying Index and, therefore, could affect the share price of the Underlying Asset, the amount payable on the notes at maturity and the market value of the notes prior to maturity. The amount payable on the notes and their market value could also be affected if the Index Sponsor changes these policies, for example, by changing the manner in which it calculates the Underlying Index, or if the Index Sponsor discontinues or suspends the calculation or publication of the Underlying Index.

- **We have no affiliation with the Index Sponsor and will not be responsible for any actions taken by the Index Sponsor.** — The Index Sponsor is not our affiliate and will not be involved in the offering of the notes in any way. Consequently, we have no control over the actions of the Index Sponsor, including any actions of the type that would require the calculation agent to adjust the payment to you at maturity. The Index Sponsor has no obligation of any sort with respect to the notes. Thus, the Index Sponsor has no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the notes. None of our proceeds from the

issuance of the notes will be delivered to the Index Sponsor.

- **Adjustments to the Underlying Asset could adversely affect the notes.** —BlackRock, Inc. (collectively with its affiliates, "BlackRock"), as the sponsor and advisor of the Underlying Asset, is responsible for calculating and maintaining the Underlying Asset. BlackRock can add, delete or substitute the stocks comprising the Underlying Asset or may make other methodological changes that could change the share price of the Underlying Asset at any time. If one or more of these events occurs, the calculation of the amount payable at maturity may be adjusted to reflect such event or events. Consequently, any of these actions could adversely affect the amount payable at maturity and/or the market value of the notes.

- **We and our affiliates do not have any affiliation with the investment advisor of the Underlying Asset and are not responsible for its public disclosure of information**. —The investment advisor of the Underlying Asset advises the Underlying Asset on various matters including matters relating to the policies, maintenance and calculation of the Underlying Asset. We and our affiliates are not affiliated with the investment advisor in any way and have no ability to control or predict its actions, including any errors in or discontinuance of disclosure regarding its methods or policies relating to the Underlying Asset. The investment advisor is not involved in the offering of the notes in any way and has no obligation to consider your interests as an owner of the notes in taking any actions relating to the Underlying Asset that might affect the value of the notes. Neither we nor any of our affiliates has independently verified the adequacy or accuracy of the information about the investment advisor or the Underlying Asset contained in any public disclosure of information. You, as an investor in the notes, should make your own investigation into the Underlying Asset.

- **The correlation between the performance of the Underlying Asset and the performance of the Underlying Index may be imperfect**. — The performance of the Underlying Asset is linked principally to the performance of the Underlying Index. However, because of the potential discrepancies identified in more detail in the product supplement, the return on the Underlying Asset may correlate imperfectly with the return on the Underlying Index.

- **The Underlying Asset is subject to management risks**. — The Underlying Asset is subject to management risk, which is the risk that the investment advisor's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the investment advisor may invest a portion of the Underlying Asset's assets in securities not included in the relevant industry or sector but which the investment advisor believes will help the Underlying Asset track the relevant industry or sector.

- **Lack of liquidity.** — The notes will not be listed on any securities exchange. BMOCM may offer to purchase the notes in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the notes easily. Because other dealers are not likely to make a secondary market for the notes, the price at which you may be able to trade the notes is likely to depend on the price, if any, at which BMOCM is willing to buy the notes.

- **Hedging and trading activities.** — We or any of our affiliates may carry out hedging activities related to the notes, including purchasing or selling shares of the Underlying Asset or securities held by the Underlying Asset, or futures or options relating to the Underlying Asset, or other derivative instruments with returns linked or related to changes in the performance of the Underlying Asset. We or our affiliates may also engage in trading of shares of the Underlying Asset or securities included in the Underlying Index from time to time. Any of these hedging or trading activities on or prior to the Pricing Date and during the term of the notes could adversely affect our payment to you at maturity.

- **Many economic and market factors will influence the value of the notes.** — In addition to the price of the Underlying Asset and interest rates on any trading day, the value of the notes will be affected by a number of economic and market factors that may either offset or magnify each other, and which are described in more detail in the product supplement.

- **You must rely on your own evaluation of the merits of an investment linked to the Underlying Asset.** — In the ordinary course of their businesses, our affiliates from time to time may express views on expected movements in the price of the Underlying Asset or the prices of the securities held by the Underlying Asset. One or more of our affiliates have published, and in the future may publish, research reports that express views on the Underlying Asset or these securities. However, these views are subject to change from time to time. Moreover, other professionals who deal in the markets relating to the Underlying Asset at any time may have significantly different views from those of our affiliates. You are encouraged to derive information concerning the Underlying Asset from multiple sources, and you should not rely on the views expressed by our affiliates.

Neither the offering of the notes nor any views which our affiliates from time to time may express in the ordinary course of their businesses constitutes a recommendation as to the merits of an investment in the notes.

- **An investment in the notes is subject to risks associated with foreign securities markets.** — The Underlying Index tracks the value of certain foreign equity securities. You should be aware that investments in securities linked to the value of foreign equity securities involve particular risks. The foreign securities markets comprising the Underlying Index may have less liquidity and may be more volatile than U.S. or other securities markets and market

developments may affect foreign markets differently from U.S. or other securities markets. Direct or indirect government intervention to stabilize these foreign securities markets, as well as cross-shareholdings in foreign companies, may affect trading prices and volumes in these markets. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the U.S. Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

Prices of securities in foreign countries are subject to political, economic, financial and social factors that apply in those geographical regions. These factors, which could negatively affect those securities markets, include the possibility of recent or future changes in a foreign government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities and the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility and political instability and the possibility of natural disaster or adverse public health developments in the region. Moreover, foreign economies may differ favorably or unfavorably from the U.S. economy in important respects such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

- **An investment in the notes is subject to foreign currency exchange rate risk.** — The share price of the Underlying Asset will fluctuate based upon its net asset value, which will in turn depend in part upon changes in the value of the currencies in which the stocks held by the Underlying Asset are traded. Accordingly, investors in the notes will be exposed to currency exchange rate risk with respect to each of the currencies in which the stocks held by the Underlying Asset are traded. An investor's net exposure will depend on the extent to which these currencies strengthen or weaken against the U.S. dollar. If the dollar strengthens against these currencies, the net asset value of the Underlying Asset will be adversely affected and the price of the Underlying Asset may decrease.

- **Significant aspects of the tax treatment of the notes are uncertain.** — The tax treatment of the notes is uncertain. We do not plan to request a ruling from the Internal Revenue Service or from any Canadian authorities regarding the tax treatment of the notes, and the Internal Revenue Service or a court may not agree with the tax treatment described in this pricing supplement.

The Internal Revenue Service has issued a notice indicating that it and the Treasury Department are actively considering whether, among other issues, a holder should be required to accrue interest over the term of an instrument such as the notes even though that holder will not receive any payments with respect to the notes until maturity and whether all or part of the gain a holder may recognize upon sale or maturity of an instrument such as the notes could be treated as ordinary income. The outcome of this process is uncertain and could apply on a retroactive basis.

Please read carefully the section entitled “U.S. Federal Tax Information” in this pricing supplement, the section entitled “Supplemental Tax Considerations—Supplemental U.S. Federal Income Tax Considerations” in the accompanying product supplement, the section entitled “United States Federal Income Taxation” in the accompanying prospectus and the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement. You should consult your tax advisor about your own tax situation.

Hypothetical Return on the Notes at Maturity

The following table and examples illustrate the hypothetical return at maturity on a $1,000 investment in the notes. The "return," as used in this section is the number, expressed as a percentage, which results from comparing the payment at maturity per $1,000 in principal amount of the notes to $1,000. The hypothetical total returns set forth below are based on a hypothetical Initial Level of $40.00, the Buffer Percentage of 15.00%, the Upside Leverage Factor of 200.00%, the Maximum Return of 16.30% and the Maximum Redemption Amount of $1,163.00. The hypothetical returns set forth below are for illustrative purposes only and may not be the actual returns applicable to investors in the notes. The numbers appearing in the following table and in the examples below have been rounded for ease of analysis.

Hypothetical Final Level	Hypothetical Percentage Change	Hypothetical Return on the Notes
$80.00	100.00%	16.30%
$60.00	50.00%	16.30%
$50.00	25.00%	16.30%
$44.00	10.00%	16.30%
$43.26	8.15%	16.30%
$42.00	5.00%	10.00%
$40.80	2.00%	4.00%
$40.00	0.00%	0.00%
$39.20	-2.00%	0.00%
$36.00	-10.00%	0.00%
$34.00	-15.00%	0.00%
$32.00	-20.00%	-5.00%
$30.00	-25.00%	-10.00%
$28.00	-30.00%	-15.00%
$24.00	-40.00%	-25.00%
$16.00	-60.00%	-45.00%
$8.00	-80.00%	-65.00%
$0.00	-100.00%	-85.00%

Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the returns set forth in the table above are calculated.

Example 1: The price of the Underlying Asset decreases from the hypothetical Initial Level of $40.00 to a hypothetical Final Level of $16.00, representing a Percentage Change of -60%. Because the Percentage Change is negative and the hypothetical Final Level of $16.00 is less than the Initial Level by more than the Buffer Percentage of

15.00%, the investor receives a payment at maturity of $450.00 per $1,000 in principal amount of the notes, calculated as follows:

$1,000 + [$1,000 x (-60% + 15.00%)] = $450.00

Example 2: The price of the Underlying Asset decreases from the hypothetical Initial Level of $40.00 to a hypothetical Final Level of $39.20, representing a Percentage Change of -2.00%. Although the Percentage Change is negative, because the hypothetical Final Level of $39.20 is less than the Initial Level by not more than the Buffer Percentage of 15.00%, the investor receives a payment at maturity of $1,000.00 per $1,000 in principal amount of the notes.

Example 3: The price of the Underlying Asset increases from the hypothetical Initial Level of $40.00 to a hypothetical Final Level of $40.80, representing a Percentage Change of 2.00%. Because the hypothetical Final Level of $40.80 is greater than the Initial Level, and the Percentage Change of 2.00% multiplied by the Upside Leverage Factor of 200.00% does not exceed the Maximum Return of 16.30%, the investor receives a payment at maturity of $1,040.00 per $1,000 in principal amount of the notes, calculated as follows:

$1,000 + [$1,000 x (2.00% x 200.00%)] = $1,040.00

Example 4: The price of the Underlying Asset increases from the hypothetical Initial Level of $40.00 to a hypothetical Final Level of $60.00, representing a Percentage Change of 50%. Because the hypothetical Final Level of $60.00 is greater than the Initial Level, and the Percentage Change of 50% multiplied by the Upside Leverage Factor of 200.00% exceeds the Maximum Return of 16.30%, the investor receives a payment at maturity of $1,163.00 per $1,000 in principal amount of the notes, the Maximum Redemption Amount.

U.S. Federal Tax Information

By purchasing the notes, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat each note as a pre-paid cash-settled derivative contract for U.S. federal income tax purposes. However, the U.S. federal income tax consequences of your investment in the notes are uncertain and the Internal Revenue Service could assert that the notes should be taxed in a manner that is different from that described in the preceding sentence. Please see the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product supplement under “Supplemental Tax Considerations—Supplemental U.S. Federal Income Tax Considerations,” which applies to the notes, except that the following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product supplement. The discussions below and in the accompanying product supplement do not address the tax consequences applicable to holders subject to Section 451(b) of the Code.

Under current Internal Revenue Service guidance, withholding on “dividend equivalent” payments (as discussed in the product supplement), if any, will not apply to notes that are issued as of the date of this pricing supplement unless such notes are “delta-one” instruments. Based on our determination that the notes are not delta-one instruments, non-U.S. holders should not generally be subject to withholding on dividend equivalent payments, if any, under the notes.

Supplemental Plan of Distribution (Conflicts of Interest)

BMOCM will purchase the notes from us at a purchase price reflecting the commission set forth on the cover page of this pricing supplement. BMOCM has informed us that, as part of its distribution of the notes, it will reoffer the notes to other dealers who will sell them. Each such dealer, or each additional dealer engaged by a dealer to whom BMOCM reoffers the notes, will receive a commission from BMOCM, which will not exceed the commission set forth on the cover page. This commission includes a selling concession of up to 1.60% of the principal amount that we or one of our affiliates will pay to one or more dealers in connection with the distribution of the notes.

Certain dealers who purchase the notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the notes in these accounts may be less than 100% of the principal amount, as set forth on the cover page of this document. Investors that hold their notes in these accounts may be charged fees by the investment advisor or manager of that account based on the amount of assets held in those accounts, including the notes.

We will deliver the notes on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to

trade the notes more than two business days prior to the issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

We own, directly or indirectly, all of the outstanding equity securities of BMOCM, the agent for this offering. In accordance with FINRA Rule 5121, BMOCM may not make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

We reserve the right to withdraw, cancel or modify the offering of the notes and to reject orders in whole or in part. You may cancel any order for the notes prior to its acceptance.

You should not construe the offering of the notes as a recommendation of the merits of acquiring an investment linked to the Underlying Asset or as to the suitability of an investment in the notes.

BMOCM may, but is not obligated to, make a market in the notes. BMOCM will determine any secondary market prices that it is prepared to offer in its sole discretion.

We may use the final pricing supplement relating to the notes in the initial sale of the notes. In addition, BMOCM or another of our affiliates may use the final pricing supplement in market-making transactions in any notes after their initial sale. Unless BMOCM or we inform you otherwise in the confirmation of sale, the final pricing supplement is being used by BMOCM in a market-making transaction.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive")) will be prepared in connection with the notes. Accordingly, the notes may not be offered to the public in any member state of the European Economic Area (the "EEA"), and any purchaser of the notes who subsequently sells any of the notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, and a "retail investor" means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or

selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

For a period of approximately three months following issuance of the notes, the price, if any, at which we or our affiliates would be willing to buy the notes from investors, and the value that BMOCM may also publish for the notes through one or more financial information vendors and which could be indicated for the notes on any brokerage account statements, will reflect a temporary upward adjustment from our estimated value of the notes that would otherwise be determined at that time. This temporary upward adjustment represents a portion of (a) the hedging profit that we or our affiliates expect to realize over the term of the notes and (b) the underwriting discount and selling concessions paid in connection with this offering. The amount of this temporary upward adjustment will decline to zero on a straight-line basis over the three-month period.

Additional Information Relating to the Estimated Initial Value of the Notes

Our estimated initial value of the notes on the date of this preliminary pricing supplement, and that will be set forth on the cover page of the final pricing supplement relating to the notes, equals the sum of the values of the following hypothetical components:

- a fixed-income debt component with the same tenor as the notes, valued using our internal funding rate for structured notes; and

- one or more derivative transactions relating to the economic terms of the notes.

The internal funding rate used in the determination of the initial estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The value of these derivative transactions are derived from our internal pricing models. These models are based on factors such as the traded market prices of comparable derivative instruments and on other inputs, which include volatility, dividend rates, interest rates and other factors. As a result, the estimated initial value of the notes on the Pricing Date will be determined based on market conditions at that time.

The Underlying Asset

We have derived the following information regarding the iShares® MSCI EAFE ETF from publicly available documents. We have not independently verified the accuracy or completeness of the following information. We are not affiliated with the Underlying Asset and the Underlying Asset will have no obligations with respect to the notes. This pricing supplement relates only to the notes and does not relate to the shares of the Underlying Asset or any securities included in the Underlying Index. Neither we nor our affiliates participate in the preparation of the publicly available documents described below. Neither we nor our affiliates have made any due diligence inquiry with respect to the Underlying Asset in connection with the offering of the notes. There can be no assurance that all events occurring prior to the date of this pricing supplement, including events that would affect the accuracy or completeness

of the publicly available documents described below, that would affect the trading price of the shares of the Underlying Asset have been or will be publicly disclosed. Subsequent disclosure of any events or the disclosure of or failure to disclose material future events concerning the Underlying Asset could affect the price of the shares of the Underlying Asset after the Pricing Date, and therefore could affect the payment at maturity.

Investors in the notes are encouraged to review recent levels of the Underlying Asset prior to making an investment decision.

The selection of the Underlying Asset is not a recommendation to buy or sell the shares of the Underlying Asset. Neither we nor any of our affiliates make any representation to you as to the performance of the shares of the Underlying Asset. Information provided to or filed with the SEC under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 relating to the Underlying Asset may be obtained through the SEC's website at http://www.sec.gov. None of that information is included or incorporated by reference in this pricing supplement.

iShares consists of numerous separate investment portfolios (the "iShares Funds"), including the Underlying Asset. The Underlying Asset seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Underlying Index. The Underlying Asset typically earns income from dividends from securities held by the Underlying Asset. These amounts, net of expenses and taxes (if applicable), are passed along to the Underlying Asset's shareholders as "ordinary income." In addition, the Underlying Asset realizes capital gains or losses whenever it sells securities. Net long-term capital gains are distributed to its shareholders as "capital gain distributions." However, because the notes are linked only to the share price of the Underlying Asset, you will not be entitled to receive income, dividend, or capital gain distributions from the Underlying Asset or any equivalent payments.

"iShares®" and "BlackRock®" are registered trademarks of BlackRock®. The notes are not sponsored, endorsed, sold, or promoted by BlackRock®, or by any of the iShares® Funds. Neither BlackRock® nor the iShares® Funds make any representations or warranties to the owners of the notes or any member of the public regarding the advisability of investing in the notes. Neither BlackRock® nor the iShares® Funds shall have any obligation or liability in connection with the registration, operation, marketing, trading, or sale of the notes or in connection with our use of information about the Underlying Asset or any of the iShares® Funds.

The Underlying Asset is intended to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Emerging Markets Index. The Underlying Asset trades on NYSE Arca under the ticker symbol "EFA."

iShares® MSCI EAFE ETF

The iShares® MSCI EAFE ETF is intended to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI EAFE Index. This Underlying Asset trades on NYSE Arca under the ticker symbol "EFA."

The MSCI EAFE Index

We have derived all information contained in this pricing supplement regarding the MSCI EAFE Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. The information reflects the policies of, and is subject to change by MSCI. MSCI has no obligation to continue to publish, and may discontinue publication of, the MSCI EAFE Index.

The MSCI EAFE Index is intended to measure equity market performance in developed market countries, excluding the U.S. and Canada. The MSCI EAFE Index is a free float-adjusted market capitalization equity index with a base date of December 31, 1969 and an initial value of 100. The MSCI EAFE Index is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The MSCI EAFE Index currently consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, The Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI EAFE Index is part of the MSCI Regional Equity Indices series and is an MSCI Global Investable Market Index, which is a family within the MSCI International Equity Indices.

General – MSCI Global Investable Market Indices

MSCI provides global equity indices intended to measure equity performance in international markets and the MSCI International Equity Indices are designed to serve as global equity performance benchmarks. In constructing these

indices, MSCI applies its index construction and maintenance methodology across developed, emerging, and frontier markets.

MSCI enhanced the methodology used in its MSCI International Equity Indices. The MSCI Standard and MSCI Small Cap Indices, along with the other MSCI equity indices based on them, transitioned to the global investable market indices methodology described below. The transition was completed at the end of May 2008. The Enhanced MSCI Standard Indices are composed of the MSCI Large Cap and Mid Cap Indices. The MSCI Global Small Cap Index transitioned to the MSCI Small Cap Index resulting from the Global Investable Market Indices methodology and contains no overlap with constituents of the transitioned MSCI Standard Indices. Together, the relevant MSCI Large Cap, Mid Cap, and Small Cap Indices will make up the MSCI investable market index for each country, composite, sector, and style index that MSCI offers.

Constructing the MSCI Global Investable Market Indices. MSCI undertakes an index construction process, which involves:

- defining the equity universe;
- determining the market investable equity universe for each market;
- determining market capitalization size segments for each market;
- applying index continuity rules for the MSCI Standard Index;
- creating style segments within each size segment within each market; and
- classifying securities under the Global Industry Classification Standard (the “GICS”).

Defining the Equity Universe. The equity universe is defined by:

- Identifying Eligible Equity Securities: the equity universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets (“DM”) or Emerging Markets (“EM”). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, exchange traded funds, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the equity universe. Real Estate Investment Trusts (“REITs”) in some countries and certain income trusts in Canada are also eligible for inclusion.

- Classifying Eligible Securities into the Appropriate Country: each company and its securities (i.e., share classes) are classified in only one country.

Determining the Market Investable Equity Universes. A market investable equity universe for a market is derived by applying investability screens to individual companies and securities in the equity universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the global investable market indices methodology.

The investability screens used to determine the investable equity universe in each market are as follows:

- *Equity Universe Minimum Size Requirement*: this investability screen is applied at the company level. In order to be included in a market investable equity universe, a company must have the required minimum full market capitalization.

- *Equity Universe Minimum Free Float-Adjusted Market Capitalization Requirement*: this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the equity universe minimum size requirement.

- *DM and EM Minimum Liquidity Requirement:* this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have adequate liquidity. The twelve-month and three-month Annual Traded Value Ratio ("ATVR"), a measure that screens out extreme daily trading volumes and takes into account the free float-adjusted market capitalization size of securities, together with the three-month frequency of trading are used to measure liquidity. In the calculation of the ATVR, the trading volumes in depository receipts associated with that security, such as ADRs or GDRs, are also considered. A minimum liquidity level of 20% of three- and twelve-month ATVR and 90% of three-month frequency of trading over the last four consecutive quarters are required for inclusion of a security in a market investable equity universe of a DM, and a minimum liquidity level of 15% of three- and twelve-month ATVR and 80% of three-month frequency of trading over the last four consecutive quarters are required for inclusion of a security in a market investable equity universe of an EM.

- *Global Minimum Foreign Inclusion Factor Requirement:* this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security's Foreign Inclusion Factor ("FIF") must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe.

- *Minimum Length of Trading Requirement:* this investability screen is applied at the individual security level. For an initial public offering ("IPO") to be eligible for inclusion in a market investable equity universe, the new issue must

have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a semi−annual index review (as described below). This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the minimum length of trading requirement and may be included in a market investable equity universe and the Standard Index outside of a Quarterly or Semi−Annual Index Review.

Defining Market Capitalization Size Segments for Each Market. Once a market investable equity universe is defined, it is segmented into the following size−based indices:

· Investable Market Index (Large + Mid + Small);

· Standard Index (Large + Mid);

· Large Cap Index;

· Mid Cap Index; or

· Small Cap Index.

Creating the size segment indices in each market involves the following steps:

· defining the market coverage target range for each size segment;

· determining the global minimum size range for each size segment;

· determining the market size−segment cutoffs and associated segment number of companies;

· assigning companies to the size segments; and

· applying final size−segment investability requirements.

Index Continuity Rules for the Standard Indices. In order to achieve index continuity, as well as to provide some basic level of diversification within a market index, and notwithstanding the effect of other index construction rules described in this section, a minimum number of five constituents will be maintained for a DM Standard Index and a minimum number of three constituents will be maintained for an EM Standard Index.

Creating Style Indices within Each Size Segment. All securities in the investable equity universe are classified into value or growth segments using the MSCI Global Value and Growth methodology.

Classifying Securities under the Global Industry Classification Standard. All securities in the global investable equity universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor's, the GICS. Under the GICS, each company is assigned to one sub–industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

Index Maintenance

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, and index stability and low index turnover. In particular, index maintenance involves:

(i) Semi–Annual Index Reviews ("SAIRs") in May and November of the Size Segment and Global Value and Growth Indices which include:

· updating the indices on the basis of a fully refreshed equity universe;

· taking buffer rules into consideration for migration of securities across size and style segments; and

· updating FIFs and Number of Shares ("NOS").

(ii) Quarterly Index Reviews in February and August of the Size Segment Indices aimed at:

· including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index;

- allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and

- reflecting the impact of significant market events on FIFs and updating NOS.

(iii) Ongoing Event–Related Changes: changes of this type are generally implemented in the indices as they occur. Significantly large IPOs are included in the indices after the close of the company's tenth day of trading.

Through this maintenance process, MSCI may make structural changes to the indices by adding or deleting component country indices. Consequently, the composition of the Underlying Index may change over the term of the notes.

Neither we nor any of our affiliates, including BMOCM, accepts any responsibility for the calculation, maintenance, or publication of, or for any error, omission, or disruption in the Underlying Index, or any successor to the index. MSCI does not guarantee the accuracy or the completeness of the Underlying Index, or any data included in the index. MSCI assumes no liability for any errors, omissions, or disruption in the calculation and dissemination of the Underlying Index. MSCI disclaims all responsibility for any errors or omissions in the calculation and dissemination of the Underlying Index, or the manner in which the index is applied in determining the amount payable on the notes at maturity.

bsp;

Balance at October 31, 2005								
$	352,944,959	$3,530	$	$1,878,932	$1,172,498	$(1,550,731)	$200	$1,504,429

The accompanying notes are an integral part of these consolidated financial statements.

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TD Waterhouse Group, Inc.
Consolidated Statements of Cash Flows
For the year ended October 31,
(in US$ thousands, except share data)

	2005	2004	2003
Cash flows from operating activities			
Net income	$ 290,247	$ 158,072	$ 44,758
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation and amortization	55,267	56,231	55,743
Deferred tax assets	(19,908)	(16,392)	10,955
Deferred tax liabilities	3,724	12,589	1,321
Minority interest in earnings of consolidated subsidiary	12,022	9,150	5,828
Provision for loan losses	99	(346)	1,141
Allowance for doubtful customer accounts	985	1,915	1,969
Foreign exchange gain on disposal of foreign subsidiaries	(127,385)		
Write down of investments	278		83,096
Net accretion of discount on investment securities held to maturity	(59,740)	(18,350)	(16,549)
Net amortization of discount on investment securities available for sale	2,543	275	166
Net increase in interest payable on swaps	(10,714)	2,397	2,787
Deemed (dividend) / contribution re: stock compensation	(165)	1,022	750
Goodwill impairment			11,104
(Increases) decreases in operating assets			
Cash segregated under federal regulations			200,000
Trading investment securities	(348,465)	(164,978)	(888,401)
Securities purchased under agreements to resell	974,249	92,212	623,673
Receivables from customers	(617,322)	(509,824)	(1,322,870)
Receivables from brokers and dealers	13,865	(7,517)	70,702
Deposits paid for securities borrowed	67,682	(9,673)	53,802
Deposits with clearing organizations	5,945	12,501	(26,134)
Receivables from affiliates	(16,081)	(7,904)	
Current tax receivable			11,573
Other assets	(9,700)	1,174	1,927
Increases (decreases) in operating liabilities			
Deposits received for securities loaned	155,361	172,101	836,486
Securities sold, not yet purchased	3,030	1,296	(5,346)
Payables to brokers and dealers	(2,297)	(17,508)	(20,690)
Payables to customers	354,060	(227,526)	547,178
Payable to affiliates	(483,637)	438,252	(101,405)
Taxes payable	66,288	6,621	(5,196)
Accrued compensation and other liabilities	107,473	18,417	29,696
Cash provided by operating activities	417,704	4,207	208,064

Cash flows from investing activities			
Purchase of investment securities held to maturity	(154,901,433)	(159,254,047)	(125,872,530)
Proceeds from maturities of investment securities held to maturity	155,266,249	157,690,654	126,259,378
Purchase of investment securities available for sale	(3,443,259)	(4,450,315)	(3,298,193)
Proceeds from maturities of investment securities available for sale	1,818,674	3,035,793	2,336,712
Proceeds from sale of investment securities available for sale	848,928	16,935	15,165
Purchase of restricted securities	(14,062)	(10,085)	(7,070)
Net decrease in loans	(3,863)	17,672	6,174
Purchase of furniture, equipment and leasehold improvements	(44,033)	(38,066)	(31,213)
Capitalized software	(22,148)	(15,723)	(1,520)
Purchase of intangible assets		(1,491)	(5,350)
Proceeds from disposals of businesses, net	947,477		18,397
Cash used in investing activities	452,530	(3,008,673)	(580,050)
Cash flows from financing activities			
Bank loans and overdrafts	66,979	(6,453)	(9,524)
Net increase in interest bearing deposits	345,038	2,823,743	466,008
Net increase in non interest bearing deposits	1,142	145	(372)
Dividend paid on subsidiary preferred stock	(408)	(426)	(369)
Capital Contribution from Parent for subsidiary Class D Preference Shares	266,921		
Notes receivable from affiliate	(1,550,731)		
Redemption of Class B common stock	(158,600)		
Cash provided by financing activities	(1,029,659)	2,817,009	455,743
Effect of exchange rate differences on cash and cash equivalents	(526)	(10,652)	5,554
(Decrease) increase in cash and cash equivalents	(159,951)	(198,109)	89,311
Cash and cash equivalents, beginning of year	222,716	420,825	331,514
Cash and cash equivalents, end of year	$ 62,765	$ 222,716	$ 420,825
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 211,642	$ 66,247	$ 95,326
Cash paid for income taxes	$ 133,494	$ 81,870	$ 44,394
Non cash financing activity			
Forfeit of stock option	$ 4,877	$	$

The accompanying notes are an integral part of these consolidated financial statements.

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TD Waterhouse Group, Inc.
Notes to Consolidated Financial Statements
(in US$ thousands, except share data)

1. **Organization and description of business**

Through January 24, 2006, TD Waterhouse Group, Inc. (the Company or TDW Group), a Delaware holding company, was a wholly owned subsidiary of The Toronto-Dominion Bank (TD Bank). Through its operating subsidiaries, it was a leading provider of online financial services to investors in the U.S.

The Company was formerly a public company which was 89.3% owned by TD Bank through its wholly owned subsidiary, TD Waterhouse Holdings, Inc. (TDW Holdings). On November 26, 2001, TD Bank completed the merger of the Company with its former parent, TDW Holdings, and the Company is the surviving entity of the merger. The merger was the second step in a two-step acquisition. The first step, a cash tender offer for all outstanding shares of the Company at $9.50 per share, was completed on November 14, 2001, and a subsequent offering period was completed on November 21, 2001.

On June 22, 2005, TD Bank entered into an agreement of Sale and Purchase (the Purchase Agreement) with Ameritrade Holding Corporation (Ameritrade). Pursuant to the Purchase Agreement, as amended, Ameritrade agreed to purchase from TD Bank (the Share Purchase) all of the capital stock of the Company, in exchange for 196,300,000 shares of Ameritrade common stock and $20,000 in cash. The sale of the Company to Ameritrade was completed on January 24, 2006.

During October 2005, TDW Group conducted a reorganization (Reorganization) in anticipation of the Ameritrade Share Purchase, in which it sold its foreign retail securities brokerage businesses and U.S. banking business to TD Bank. The Company retained its United States retail securities brokerage business.

The Company s operating subsidiaries at October 31, 2005 are detailed below:

TD Waterhouse Investor Services, Inc. (TDW US), formerly Waterhouse Securities, Inc., a wholly owned U.S. registered broker-dealer which provides discount brokerage services to retail customers in the U.S.

National Investor Services Corp. (NISC), a wholly owned U.S. registered broker-dealer which provides execution and clearance services for affiliates, including TDW US, and third party broker-dealers.

TD Waterhouse Capital Markets, Inc. (TDW CM), a market maker in over-the-counter equity securities, primarily those traded on the NASDAQ Stock Market and the OTC Bulletin Board. TDW CM is a wholly owned securities brokerage firm registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). Through March 31, 2005, TDW CM operated as a Boston Stock Exchange, Inc. specialist in listed securities.

During May 2005, the Company sold TD Waterhouse Asset Management (TDWAM), formerly Waterhouse Asset Management, to a TD Bank subsidiary. TDWAM was a wholly owned U.S. registered investment advisor which provided investment advice to a series of affiliated mutual funds.

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TD Waterhouse Group, Inc.
Notes to Consolidated Financial Statements
(in US$ thousands, except share data)

During October 2005, as part of the Reorganization described above, the Company disposed of the following subsidiaries:

TD Waterhouse Investor Services (Canada) Inc. (TDW Canada), an approximately 90% owned registered broker-dealer which provides discount brokerage services to customers in Canada.

TD Waterhouse Investor Services (Hong Kong) Inc. (TDW HK), a non operating subsidiary.

TD Waterhouse Bank, NA (TDW Bank), formerly Waterhouse National Bank, is a wholly owned federally chartered banking institution and a member of the Federal Deposit Insurance Corporation (FDIC). TDW Bank provides banking services to the customers of its affiliate, TDW US. TDW Bank offers checking accounts, checking accounts with overdraft protection and certificates of deposit. TDW Bank also offers credit cards and mortgages through unaffiliated third parties. In addition, TDW Bank provides brokerage customers the ability to keep un-invested funds in an FDIC insured money market account with check writing and debit card options.

CTUSA, Inc. (CTUSA), is a wholly owned holding company of TD Bank USA, F.S.B. (TDB USA), which is a Federal Savings Bank chartered under Section 5 of the Home Owners Loan Act and regulated by the Office of Thrift Supervision.

During the year ended October 31, 2004, R.J. Thompson Holdings, Inc., TD Waterhouse Advertising, Inc., and TD Waterhouse Technology Services ceased to be operating entities and were dissolved.

2. Summary of significant accounting policies

Basis of consolidation and form of presentation

The accompanying consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All significant inter-company transactions have been eliminated in consolidation. Through October 27, 2005, the approximately 10% non-controlling interest in TDW Canada held by an affiliate was reflected net of tax in the consolidated balance sheets as minority interest and separately in the consolidated statements of income. As discussed in Note 3, on October 27, 2005, the Company transferred its approximately 90% interest in TDW Canada to TD Bank.

Use of estimates

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

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less (except for amounts designated as investment securities) to be cash equivalents, including cash due from banks and money market investments.

Statements of cash flows

Cash flows from discontinued operations were combined with cash flows from continuing operations in the operating, investing and financing categories on the statements of cash flows.

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TD Waterhouse Group, Inc.
Notes to Consolidated Financial Statements
(in US$ thousands, except share data)

Preferred Stock

Through October 26, 2005, TDW Canada had 17,100 shares of Class B preferred stock issued and outstanding. Holders of the Class B preferred shares were entitled to receive floating rate preferential cumulative cash dividends payable quarterly. The Company could at any time following May 20, 2005, the fifth anniversary of the issuance of the Class B preferred shares, redeem the shares for CDN$1,000 per share. Additionally, upon liquidation, dissolution or wind-up, holders were entitled to CDN$1,000 per share plus accrued cumulative dividends before any amount could be paid or any assets of TDW Canada distributed to the holders of the common shares. In anticipation of the Reorganization, TD Bank contributed to TDW Canada CDN$323,000 in consideration for 323,000 Class D preferred shares. Subsequent to the Reorganization, the Class B preferred shares were exchanged into Class C preferred shares issued by TDW Canada to TD Bank.

Investment securities

Investment securities classified as *held to maturity* and *available for sale* are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115). Pursuant to SFAS 115, in instances where the Company has the positive intent and ability to hold to maturity, debt investment securities are carried at cost, adjusted for amortization of premiums and accretion of discounts using the interest method over the period of maturity. Debt and equity investment securities classified as *available for sale* are carried at fair value with unrealized gains and losses, net of income tax effects, reported as a net amount within accumulated other comprehensive income, until realized. These securities are predominantly fixed rate mortgage-backed securities denominated in Canadian Dollars and strategic equity investments. Gains or losses on sales of securities are recognized by the specific identification method and are recorded in non-interest income. The fixed interest rates and currency risks inherent in the mortgage-backed securities have been hedged by cross currency interest rate swap contracts.

The cross currency interest rate swap contracts are accounted for in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), which establishes accounting and reporting standards for all derivative instruments and hedging activities, and SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.* SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value, as either assets or liabilities. The Company has designated the cross currency interest rate swap contracts as hedges of the fair value of the underlying Canadian Dollar mortgage-backed securities. Changes in fair value of a derivative that is highly effective, and that is designated and qualifies as a fair value hedge, along with changes in fair value of the hedged asset and liability that are attributable to the hedged risk, are recorded in current period earnings. The cross currency interest rate swap contracts are structured such that the terms of the contracts mirror those of the underlying mortgage-backed securities. Market value gains and losses on the swaps are expected to offset market value gains and losses on those securities with no net impact on earnings.

Trading securities at October 31, 2004 are comprised of Canadian Dollar fixed rate mortgage-backed securities held by TDW Canada, which are managed by interest rate swap contracts; corporate stocks; bonds; and U.S. government securities owned by the broker-dealer subsidiaries. Trading securities at October 31, 2005 are comprised of corporate stocks, bonds and U.S. government securities. Trading securities are carried at fair value with unrealized gains and losses reported in income.

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TD Waterhouse Group, Inc.
Notes to Consolidated Financial Statements
(in US$ thousands, except share data)

Financing transactions

Deposits paid for securities borrowed and deposits received for securities loaned are recorded at the amount of cash collateral advanced or received. Deposits paid for securities borrowed transactions require the Company to deposit cash with the lender. With respect to deposits received for securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the market value of the securities loaned. The Company monitors the market value of the securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded, as necessary.

Securities purchased under resale agreements consist of the purchase of a security with the commitment by the Company to resell the security to the original seller at a specified price. Securities purchased under resale agreements are carried at cost. The difference between the cost of the purchase and the predetermined proceeds the Company receives on a resale agreement is recorded as interest income.

Customers securities transactions

Customers securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Fees consist primarily of commissions for directing order executions and clearing fees. Proprietary securities transactions are recorded on a trade date basis.

Restricted investment securities

Federal Reserve Bank Stock and Federal Home Loan Bank Stock are classified as restricted securities and recorded at cost (par value). The carrying value of these two securities at October 31, 2004 is $25,440 and $7,255, respectively. These securities are not readily marketable, but can be sold back to the issuer or to another member institution at par value. There were no restricted investment securities held at October 31, 2005.

Loans and allowances for losses

Loans are carried at their principal amount outstanding. Unearned income on loans is accreted to interest income using a method that approximates a level yield over the life of the loan. Loan origination fees and certain direct loan origination costs are deferred and amortized over the appropriate lending period as a component of interest income.

Loans are placed on non-accrual status when there is doubt as to collectibility of principal or interest or if payment of principal or interest is contractually 90 days past due. However, at the judgment of senior credit management, loans that are 90 days past due, but which are well collateralized and in the process of collection, may continue to be recorded on an accrual basis. Interest accrued, but not collected at the date a loan is placed on non-accrual status, is reversed against interest income. Interest income on non-accrual loans is recognized only as cash is received. However, where there is doubt regarding the ultimate collectibility of the loan principal, cash receipts are applied to reduce the carrying value of the loan. Loans are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

TDW Bank establishes an allowance for loan losses to reflect management s best judgment of the net realizable value of the loans. The allowance for loan losses is increased by charges to income and recoveries of loan previously charged off, and is decreased by charge-offs. TDW Bank s periodic evaluation of the adequacy of the allowance is based on TDW Bank s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, and

current economic conditions.

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Receivables from customers

Interest revenue on customer margin loans is recognized and collected in the month earned. Amounts earned are based on average daily settlement balances in a customer account and days in the period. A 100% allowance is recorded for unsecured or partially secured receivables that are over 30 days old. The allowance at October 31, 2005 and 2004 was $8,468 and $9,102, respectively, and represents all unsecured and partially secured receivables.

The Company s broker-dealer subsidiaries establish an allowance for losses on receivables from customers to reflect management s best judgment of the level of non-collectible receivables that will be experienced.

Furniture and equipment and lease accounting

Leasehold improvements are amortized on a straight-line basis over the lesser of the lease terms or their estimated useful lives. Depreciation of capitalized furniture and equipment is provided on a straight-line basis generally using estimated useful lives of three to five years. Leases with escalating rents are expensed on a straight-line basis over the life of the lease.

Capitalized software

In accordance with Accounting Standards Executive Committee (AcSEC) Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use,* the Company capitalizes all direct costs associated with the application development of this software including software acquisition costs, consulting costs, and internal payroll costs. The Statement requires these costs to be amortized once the application development stage is complete. Amortization is provided on a straight-line basis generally using estimated useful lives of two to seven years. At October 31, 2005 and 2004, these capitalized costs had a book value of $26,369 and $30,637, respectively, net of $45,736 and $67,263 of accumulated amortization, respectively. The total expense related to these costs was $11,123, $15,055 and $12,987 for the years ended October 31, 2005, 2004 and 2003, respectively. The expense related to these costs from continuing operations was $10,169, $12,198 and $8,825 for the years ended October 31, 2005, 2004, and 2003, respectively.

Business combinations, goodwill and intangible assets

For business combinations that have been accounted for under the purchase method, the excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the consolidated statements of financial condition. Pursuant to the purchase method, the results of operations, changes in equity and cash flows of acquired companies and businesses are included in operations from the date of acquisition. There were no significant acquisitions during the years ended October 31, 2005, 2004 and 2003.

The Company applies SFAS No. 142, *Goodwill and Intangible Assets* (SFAS 142). Under the standard, goodwill, including goodwill acquired before initial application of the standard, is not amortized but should be tested for impairment at least annually. During the year ended October 31, 2005, the Company wrote off goodwill of $58,525 related to its subsidiaries sold as part of the Reorganization and such amount was included in the determination of the gain on sale of subsidiaries, as discussed in Note 3. No impairment charges resulted from the annual impairment test for the year ended October 31, 2004. In fiscal year 2003, the Company determined that goodwill related to certain international subsidiaries sold had become impaired. Accordingly, the Company recorded an $11,104 impairment charge that is included in other expenses in the consolidated statements of income for the year ended October 31, 2003.

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Refer to Note 3 for additional information regarding goodwill impairment.

The changes in the carrying amounts of goodwill are as follows:

October 31, 2003 Balance	$ 852,978
Foreign Currency Translation	7,311
Other	(1,000)
October 31, 2004 Balance	$ 859,289
Foreign Currency Translation	3,902
Goodwill written off related to sale of TDW Canada	(58,408)
Goodwill written off related to sale of CTUSA	(117)
Goodwill on books of TDW Canada	(99,737)
October 31, 2005 Balance	$ 704,929

Intangible assets other than goodwill are amortized over their useful lives. At October 31, 2005 and 2004, the net book value of intangible assets was $6,189 and $12,409, net of accumulated amortization of $8,638 and $4,040, respectively, the majority of which relates to purchased technology from the November 2001 R.J. Thompson Holdings, Inc. acquisition, which is being amortized over a three year useful life that began in February 2004. The technology purchased was used as the framework for the development of the next generation trading platform, which was available for customer use in February 2004. Amortization expense for the years ended October 31, 2005, 2004 and 2003 was $5,339, $4,040 and $0, respectively.

Estimated future amortization expense for existing identifiable intangible assets is set forth below:

2006	$ 4,942
2007	$ 1,247

Mutual fund and related revenue

Mutual fund and related revenue consists of fees earned for providing investment advisory services to a series of related mutual funds, and trailer fees for services provided to third-party mutual funds and affiliated mutual funds. Such revenue is recorded when earned. During the years ended October 31, 2005, 2004 and 2003, the Company earned $194,043, $202,735 and $144,713, respectively, in such fees, net of fees waived which approximated $5,717, $11,227 and $17,488, respectively. Fees earned from mutual funds managed by an affiliated investment advisor for the years ended October 31, 2005, 2004 and 2003 were $39,813, $50,928 and $55,587, respectively.

Advertising and promotion

Advertising production costs are expensed when the advertising campaign commences. Costs of communicating advertising are expensed as the services are received. Other promotion costs are expensed as incurred.

Recent accounting pronouncements

On July 13, 2006, the FASB released FIN 48 *Accounting for Uncertainty in Income Taxes*, which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to

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take on a tax return. The Company is currently evaluating the impact of FIN 48, which is effective as of the beginning of a company s fiscal year beginning after December 15, 2006.

Stock based compensation

The Company s employees are eligible for participation in the stock-based compensation plan of TD Bank, which is described more fully in Note 13. Effective November 1, 2002, the Company adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), prospectively for all employee awards granted, modified, or settled after November 1, 2002, concurrently with the adoption of SFAS 123 by its parent, TD Bank. Therefore, the cost related to stock-based employee compensation included in the determination of net income for 2005, 2004 and 2003 is less than that which would have been recognized if the fair value method had been applied to all awards since the effective date of SFAS 123. SFAS 123R, the revision of SFAS 123, was issued in December 2004 and is effective for the Company for the annual reporting period beginning after December 15, 2005. The Company does not expect the new rules to have a material impact on the Company s results of operations or financial condition.

The following table illustrates the effect on net income if the Company had applied the fair value recognition provisions of SFAS 123, to all outstanding and unvested stock option-based employee compensation awards.

The underlying assumptions to these fair value calculations are discussed in Note 13.

	For the Year Ended October 31		
	2005	**2004**	**2003**
Net income, as reported	$ 290,247	$ 158,072	$ 44,758
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1,140	1,885	1,317
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,593)	(2,296)	(2,626)
Pro forma net income	$ 289,794	$ 157,661	$ 43,449

Income taxes

In the United States, the Company files a consolidated federal income tax return and combined state and local income tax returns. The Company also files separate income tax returns in other countries, as required.

The Company records deferred tax assets and liabilities for the difference between the tax basis of assets and liabilities and the amounts recorded for financial reporting purposes, using current tax rates. Deferred tax expenses and benefits are recognized in the consolidated statements of income for changes in deferred tax assets and liabilities.

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The Company reviews its deferred tax assets for realizability. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in valuation allowance are included in the Company s income tax provision in the period of change.

Foreign currency translation

Assets and liabilities of international subsidiaries are translated based on the end-of-period exchange rates from local functional currency to U.S. dollars. Results of operations are translated at the average exchange rates in effect during the period. The resulting translation losses or gains are reported as a component of accumulated other comprehensive income in the consolidated statements of financial condition.

3. Goodwill impairment, business dispositions and discontinued operations

TD Bank s strategy for TDW Group was to be an integrated global discount brokerage, which included US, Canada, and other internationally critical markets. TD bank s senior management team formally decided that the integrated global discount brokerage strategy was not successful. As a result, TD Bank changed its strategy towards its international brokerage operations with a view toward exiting loss generating businesses.

The separate geographic reporting units were assessed for goodwill impairment based on the criteria set forth in SFAS 142. The fair value of the reporting units was determined based on discounted cash flows and/or public market comparables. As a result of these reviews, during fiscal 2003, the Company recorded goodwill impairment charges of $11,104 that consisted of $3,701 for its Australian subsidiary and $7,403 for its other international subsidiaries.

As part of the October 2005 Reorganization, the Company wrote down to zero the goodwill related to the subsidiaries it sold, TDW Canada and CTUSA, in the amounts of $58,408 and $117, respectively. These amounts were included in the determination of the gain on sale of subsidiaries which was recorded as additional paid in capital in the October 31, 2005 consolidated statement of financial condition.

In addition to the goodwill impairment, the related investment and intercompany receivable accounts were determined to be impaired and accordingly, charges of $79,872 were recorded in fiscal 2003. The charges were determined based on the estimated realizable value of the reporting units upon sale or liquidation.

In fiscal 2005 and 2003, the Company wrote-down its carrying value of investments in several privately owned technology based business service organizations classified as available for sale securities. These minority owned investments were previously carried at cost and were written down by $95 and $3,750, respectively, to reflect deterioration in the financial condition of the investees based on available financial data.

These impairments and write-downs are reflected in the consolidated statements of income as follows:

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	2005	2004	2003
Other non-interest income			$ 15,211
Discontinued Operations			$ 64,661
Subtotal			$ 79,872
Other			(526)
Loss on available for sale securities	$ 95		$ 3,750
Write-down of Investments	$ 95		$ 83,096

The above charges in other non-interest income primarily represent write downs of the Company s equity investments in joint ventures to reflect deterioration in the financial condition of the investees, based on available financial data.

Discontinued operations for 2003 represents losses from TD Waterhouse Australia, its discount brokerage operations in Australia, in the amount of $19,602, TDW Holdings Europe BV in the amount of $42,028 and the write-down of assets related to other international subsidiaries in the amount $3,031 that were recognized in connection with the sale of these entities.

In May 2003, the Company completed the sale of TD Waterhouse Australia, to the Commonwealth Bank of Australia Group for $16,915. The sale generated a loss on disposal of $19,602.

In June 2003, the Company completed the sale of TDW Holdings Europe BV to TD Bank for $293,000, which approximated net book value. In July 2003, the Company sold 23% of its 50% ownership interest in DBS TD Waterhouse Holdings PTE LTD (DBS TDW) to DBS Vickers Securities Holdings PTE LTD, reducing its ownership to 27%. The Company recognized a $2,300 pre-tax loss on the sale which is included in other non-interest income. In October 2003, the Company sold the remaining investment in DBS to TD Bank at net book value of $2,300.

In May 2005, the Company sold TDWAM to a TD Bank subsidiary for $23,175 cash, which was $2,263 below book value. As such, $2,263 was recorded as a distribution to TD Bank.

The October 2005 Reorganization entailed the receipt of dividends from and the sale of all foreign brokerage business entities and the U.S. banking entities to TD Bank.

On October 27, 2005, TDW Canada paid the Company a dividend of $532,315, which represented the Company s 90% interest in TDW Canada s retained earnings of $427,011, a foreign currency translation gain of $78,569, and additional paid in capital of $26,735. The Company then sold its approximately 90% owned interest in TDW Canada to TD Bank for $376,251 cash, based on an independent valuation of TDW Canada, which was $132,710 in excess of book value (including a goodwill write-off of $58,408). $48,725 of this excess amount was recorded as a foreign currency translation gain previously recorded in other comprehensive income and $83,985 was recorded as additional paid in capital.

On October 28, 2005, the Company sold TDW Bank to TD Bank for $659,000 cash, representing TDW Bank s book value.

On October 20, 2005, CTUSA paid the Company a dividend of $8,768. The Company then sold CTUSA to TD Bank for $115 cash, representing CTUSA s book value, and wrote off goodwill of $117 which was recorded as a distribution to TD Bank.

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On October 20, 2005, TDW Hong Kong (TDW HK), a subsidiary of the Company, paid the Company a dividend of $47, and returned capital of $64 to TD Bank. The Company then sold TDW HK to TD Bank for $851 cash, which was $163 in excess of book value. $91 of this excess amount was recorded as a foreign currency translation gain previously recorded in other comprehensive income and $74 was recorded as additional paid in capital.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* , the results of operations of TDW Canada, TDW Bank, CTUSA and TDW HK for the current and prior periods have been reported as discontinued operations in the consolidated statements of income.

On October 28, 2005, subsequent to the Company s sale of TDW Canada and TDW Bank, a TD Bank subsidiary issued promissory notes of $1,550,731 to the Company in exchange for cash. The notes accrue interest at the reverse repo rate set by an affiliate, less two basis points, and are payable on demand but not later than October 31, 2006. The notes receivable from affiliate are reflected as a deduction from stockholders equity in the October 31, 2005 statement of financial condition. The notes were repaid on January 24, 2006 prior to the consummation of the Ameritrade Share Purchase. As contemplated in the Purchase Agreement, on January 24, 2006, the Company distributed to TD Bank excess capital of the Company of $1,769,831, prior to the consummation of the Share Purchase.

4. Investment securities

Investment securities have been classified in the consolidated statements of financial condition according to management s intent and ability to hold to maturity. After the Reorganization, the Company did not own any held to maturity investment securities at October 31, 2005. The following table presents information related to the Company s portfolio of investment securities held to maturity as at October 31, 2004.

	October 31, 2004			
		Gross		
	Amortized	Unrealized		Fair
	Cost	Gains	(Losses)	Value
U.S. government agency securities	$ 1,880,052	$ 46	$ (772)	$ 1,879,326
Mortgage-backed securities	951,543	41	(96)	951,488
Total investment securities held to maturity	$ 2,831,595	$ 87	$ (868)	$ 2,830,814

At October 31, 2004, securities carried at approximately $135,000 were pledged for purposes required or permitted by law. This was in consideration of TDW Bank being able to request advances from and incur indebtedness to the Federal Reserve Bank of New York.

The following table summarizes the held-to-maturity securities with unrealized losses as of October 31, 2004. The unrealized losses are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

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	October 31, 2004					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury obligations	$	$	$	$	$	$
U.S. agency obligations	648,944	(720)			648,944	(720)
State or local housing agency obligations						
Other	52,207	(8)	88,152	(44)	140,359	(52)
Mortgage-backed securities	406,051	(96)			406,051	(96)
Total temporarily impaired	$ 1,107,202	$ (824)	$ 88,152	$ (44)	$ 1,195,354	$ (868)

TDW Bank and TDB USA had both the intent and the financial ability to hold the temporarily impaired securities to recover their fair value. In addition, they have concluded that, based on the creditworthiness of the issuers and any underlying collateral, the unrealized losses on each security in the above table represents a temporary impairment and does not require an adjustment to the carrying amount of any of the securities.

After the Reorganization, the Company did not hold any investment securities available for sale at October 31, 2005. The following table presents information related to the Company s portfolio of investment securities available for sale at October 31, 2004:

	October 31, 2004			
		Gross Unrealized		
	Amortized Cost	Gains	(Losses)	Fair Value
Canadian government guaranteed mortgage backed securities	$ 5,671,709	$ 713,490	$	$ 6,385,199
U.S. equity securities	3,500	9,118		12,618
U.S. government agency securities	447,587	172	(547)	447,212
U.S. state and municipal securities	95,448	932	(443)	95,937
Total investment securities available for sale	$ 6,218,244	$ 723,712	$ (990)	$ 6,940,966

The following table summarizes the available for sale securities with unrealized losses as of October 31, 2004. The unrealized losses are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

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	Less than 12 Months		12 Months or More		Total	
October 31, 2004	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. government agency securities	$ 306,545	$ (547)	$	$	$ 306,545	$ (547)
U.S. state and municipal securities	19,382	(142)	11,423	(301)	30,805	(443)
Total temporarily impaired	$ 325,927	$ (689)	$ 11,423	$ (301)	$ 337,350	$ (990)

The Company had both the intent and the financial ability to hold the temporarily impaired securities to recover their fair value. In addition, the Company reviewed the investments and determined, based on creditworthiness of the issuers and any underlying collateral, the unrealized losses on each security in the above table represents a temporary impairment that does not require adjustments to the carrying amount of any of the securities as of October 31, 2004.

The scheduled maturities of held-to-maturity securities and available-for-sale securities (other than equity securities) are as follows at October 31, 2004:

	October 31, 2004			
	Held to Maturity		Available for Sale	
	Amortized Cost	**Market Value**	**Amortized Cost**	**Market Value**
Due in one year or less	$ 2,742,744	$ 2,741,966	$ 266,549	$ 314,628
Due from one year through five years	28,196	28,182	5,934,720	6,600,046
Due after five years through ten years			12,721	12,898
Due after ten years	60,655	60,666	754	776
Total	$ 2,831,595	$ 2,830,814	$ 6,214,744	$ 6,928,348

For purposes of this table, mortgage-backed securities are classified at their stated maturity. Mortgage backed securities may mature earlier than their stated maturities because of principal repayments. Actual cash flows can be expected to differ from scheduled maturities due to prepayment or earlier call provisions of the issuer.

Proceeds from sale of available-for-sale securities and gross realized losses have been included in earnings. Gross losses of $231 and $244 were realized on sales of available-for-sale securities for the years ended October 31, 2004 and 2003, respectively .

5. Receivable from and payable to brokers and dealers

Receivable from and payable to brokers and dealers, which are recorded at contract value, comprise the following:

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	October 31,	
	2005	**2004**
Receivable		
Securities failed to deliver	$ 23,553	$ 17,376
Correspondent broker and clearing organization balances		45,660
Clearing and other fees	620	3,558
Other	10,812	12,546
	$ 34,985	$ 79,140
Payable		
Securities failed to receive	$ 22,173	$ 31,619
Correspondent broker and clearing organization balances	25,844	41,722
Other	164	102,778
	$ 48,181	$ 176,119

6. Receivable from and payable to customers

Receivables from customers are generally collateralized by marketable securities. Receivables from customers are reported net of an allowance for unsecured or partially secured amounts over 30 days. The allowance at October 31, 2005 and 2004 was $8,468 and $9,102, respectively. At October 31, 2005 and 2004 receivables from customers includes $0 and $6,129, respectively, representing accounts of executive officers and directors.

Payables to customers primarily represent free credit balances in customers accounts. The Company pays customers interest on certain free credit balances at a rate based on prevailing short-term money market rates. Interest expense for the years ended October 31, 2005, 2004 and 2003 was $91,332, $42,174 and $52,993, respectively. As of October 31, 2005 and 2004, payables to customers includes $0 and $5,594, respectively, representing accounts of executive officers and directors.

7. Collateral pledged

At October 31, 2005 and 2004, the Company received collateral primarily in connection with securities borrowed and customer margin loans with a market value of $5,048,000 and $10,005,000, respectively, which it can sell or re-pledge. Of these amounts, $1,821,000 and $1,485,000 has been re-pledged or sold as of October 31, 2005 and 2004, respectively, in connection with securities loans, bank borrowings and deposits with clearing organizations.

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8. Loans

A summary of outstanding loans made by TDW Bank and TDB USA is as follows as at October 31, 2004. No balances are reflected at October 31, 2005 for loans outstanding or for allowance for loan losses, as a result of the Reorganization:

	October 31, 2004
Home equity	$ 6,526
Consumer loans	975
Commercial loans	15,006
Mortgages	2,572
	25,079
Less allowance for loan losses	(600)
Total loans	$ 24,479

At October 31, 2004, TDW Bank and TDB USA had no recorded investment in impaired loans. Loans are charged off when they are deemed uncollectible. Loans that are past due at least 90 days are recommended for charge off and are charged off no later than 120 days past due.

9. Financing activities

Bank loans and overdrafts primarily represent short-term borrowings in the United States, which bear interest at rates based primarily on the U.S. Federal funds rate. The loans are generally collateralized by customers margin securities. The following is a summary of comparative bank loan data:

As at October 31	2005	2004
Average amount outstanding during period	$ 17,011	$ 18,899
Maximum amount outstanding during period	255,000	225,000
Weighted average interest rate at end of period	4.10%	0.00%
Weighted average interest rate during period	3.30%	1.47%

NISC maintained available bank credit lines totaling $1,605,000 as of October 31, 2005 and 2004, of which $1,000,000 is with TD Bank. All the lines with the exception of one require collateralization when drawn upon and bear interest at a rate based on the U.S. Federal funds rate. At October 31, 2005 and 2004, the Company had drawn down $46,000 and $0, respectively, of uncollateralized loans under these credit lines.

TDW Canada had an irrevocable letter of credit of $75,000 from a bank deposited with Options Clearing Corporation at October 31, 2004.

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Deposits received for securities loaned primarily represent short-term collateralized financing transactions, which bear interest based on prevailing market rates (average rates of 2.13%, 0.90% and 0.50% for the years ended October 31, 2005, 2004 and 2003, respectively).

Interest bearing deposits primarily represent money market accounts without a stated maturity date which bear interest based on prevailing market rates (average rates of 1.02%, 0.18% and 0.20% for the years ended October 31, 2005, 2004 and 2003, respectively).

During the year ended October 31, 2005, the Company redeemed its Class B Common Stock shares outstanding, which were owned by a TD Bank affiliate, for $158,600. As a result of this redemption, Class B common stock and additional paid in capital were reduced by their historical carrying values of $177 and $18,888, respectively, and retained earnings was reduced by $139,535.

10. Subordinated debt

On October 31, 1997, TDW Holdings entered into an agreement with an affiliate, pursuant to which TDW Holdings would issue Subordinated Debt Series B Notes (the Notes) in the aggregate amount of $100,000. On November 7, 1997, the affiliate purchased the Notes in the aggregate amount of $30,000. The Notes are redeemable after 15 years from the issuance date. For the first ten years, the Notes bear a fixed rate of interest based on 10 year Treasury Notes (determined on the Notes issuance date) plus 75 basis points. For the final five years, the Notes bear a variable rate of interest based on U.S. Dollar LIBOR plus 100 basis points.

As a result of the merger of TDW Holdings into TDW Group, the Notes became an obligation of the Company. The Notes are unsecured and subordinated with an original weighted-average maturity of more than five years and therefore qualify as risk-based capital for regulatory capital purposes.

11. Fair value of financial instruments

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The following summary presents the methodologies and assumptions used to estimate fair value of the Company s financial instruments. Some of the information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. The subjective factors include estimates of, among other things, cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. Changes in assumptions could significantly affect the estimates. The fair value is estimated as of the balance sheet date, therefore, the amounts which will actually be realized or paid upon settlement or maturity of the various instruments could be significantly different.

Financial assets

The fair value of investment securities are based on quoted market prices or dealer quotes.

The fair values of cash and cash equivalents, loans and accrued interest receivable and other investment security positions approximate their respective carrying amounts due to their short-term nature.

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Deposits at TDW Bank without a stated maturity include money market interest checking accounts and demand deposit accounts and other customer balances. These checking and deposit accounts and customer balances amounted to $8,624,381 at October 31, 2004 and are reported at their carrying values, which approximate their fair values at the reporting dates. The carrying values of certificates of deposit of $7,540 at October 31, 2004 approximate their fair values. As a result of the Reorganization, the Company had no customer checking and deposit account balances at October 31, 2005.

Other liabilities have fair values which approximate their carrying amounts due to their short-term nature.

12. Financial instruments with off-balance sheet risk

In the normal course of business the Company is exposed to off balance sheet risk. The Company executes, as agent, securities transactions on behalf of its customers. If either the customer or the counter-party fails to perform, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction.

The Company may deliver securities as collateral in support of various collateralized financing sources such as bank loans and deposits received for securities loaned. In addition, the Company delivers customer securities as collateral to satisfy margin deposits of various clearing organizations. In the event the counter-party is unable to meet its contracted obligation to return customer securities delivered as collateral, the Company may be obligated to purchase the securities in order to return them to the owner. In such circumstances, the Company may incur a loss up to the amount by which the market value of the securities exceeds the value of the loan or other collateral received by, or in the possession or control of, the Company.

For transactions in which the Company extends credit to customers and counter-parties, the Company seeks to control the risks associated with these activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requests customers to deposit additional collateral or reduce securities positions when necessary.

The Company conducts business with brokers and dealers, clearing organizations and depositories that are primarily located in the United States and, before the Reorganization, Canada. The majority of the Company s transactions and, consequently, the concentration of its credit exposures are with customers, broker-dealers and other financial institutions in the United States and Canada. This results in credit exposure in the event that the counter-party fails to fulfill its contractual obligations. The Company s exposure to credit risk can be directly affected by volatile securities markets, which may impair the ability of counter-parties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counter-party s financial condition and credit rating. The Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines, and requests changes in collateral levels as appropriate.

The Company, through TDW Bank, was a party to financial instruments with off-balance sheet risk to reduce its own exposure to fluctuations in foreign currency rates, interest rates and movements in equity indices. These financial instruments include forward foreign exchange contracts, cross

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currency interest rate swaps and equity derivative contracts. These instruments involve elements of credit risk, counterparty risk and market risk in excess of the amounts recognized on the consolidated statement of financial condition. The contract or notional amounts of these instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

Creditworthiness is evaluated on a case-by-case basis in accordance with credit policies.

At October 31, 2005, the derivative instruments employed to manage price movement on TD Bank stock for stock compensation are as follows:

Financial Instrument	Hedge Type	Hedged Items	Notional Amount	Fair Value Asset/(Liability)
Equity Derivative Contracts	Cash Flow	Stock based compensation	$ 22,897	$ 316

At October 31, 2004, the derivative instruments employed to manage foreign currency and interest rate risk are as follows:

Financial Instrument	Hedge Type	Hedged Items	Notional Amount	Fair Value Asset/(Liability)
Cross Currency Interest Rate Swap	Fair Value	Canadian dollar MBS in AFS Securities	$ 5,671,709	$ (713,501)
Net interest payable on pay / receive leg				$ (11,496)
Interest Rate Swaps	Non 133 Hedge	Canadian dollar MBS in Trading Securities	$ 1,720,037	$ 6,296
Net interest payable on pay / receive leg				$ (1,840)
Equity Derivative Contracts	Non 133 Hedge	Bifurcated embedded derivative	$ 1,102	$ (90)
Equity Derivative Contracts	Cash Flow	Stock based compensation	$ 11,329	$ 857

Included in swap contracts with affiliate on the consolidated statements of financial condition is the fair value on the cross currency swaps and the net interest payable on the pay / receive leg of the cross currency and interest rate swaps, totaling $726,837 at October 31, 2004.

Included in receivable from affiliates on the consolidated statements of financial condition is the fair value of the interest rate swaps and equity derivative contracts totaling $7,063 at October 31, 2004.

As a result of the Reorganization, the Company has no interest rate swaps at October 31, 2005.

Forward foreign exchange contracts and cross currency interest rate swaps

The Company, through TDW Bank, entered into forward foreign exchange contracts and cross currency interest rate swap agreements which have been designated and are effective as fair value hedges that mitigate the impact of

changes in foreign exchange and interest rates on Canadian Dollar fixed rate mortgage-backed securities. Hedge effectiveness has been assessed based on the critical terms match method prescribed by SFAS 133 on a prospective and retrospective basis. Effective August 2005, TDW Bank adopted the long haul method prescribed by SFAS 133 to assess the effectiveness of all hedging relationships on a prospective and retrospective basis and to measure the ineffectiveness. Market value gains and losses on these contracts and agreements were recognized in

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Other Revenue and are now included in discontinued operations. The portion of the change in the hedged securities fair value attributable to changes in interest rate and foreign exchange rates are reflected as a basis adjustment of the amortized cost of the securities and also were reported in current earnings, effectively offsetting gains and losses on the contracts and agreements, and are now included in discontinued operations. Other changes in the fair value of the hedged securities are reported through Other Comprehensive Income net of the related tax effects in accordance with the requirements for available for sale securities. These agreements and contracts effectively convert the returns on the fixed rate Canadian dollar mortgage-backed securities to U.S. dollar floating rates of return.

At October 31, 2004, the Company, through TDW Bank, had 104 cross currency interest rate swap agreements outstanding, having a total notional principal amount of $5,671,709. There were no outstanding forward foreign exchange contracts at October 31, 2004. These agreements were used to hedge foreign currency risk exposure as well as to provide floating rates of return on its Canadian Dollar mortgage-backed securities. As a result of the Reorganization, there are no cross currency interest rate swap agreements or forward foreign exchange contracts outstanding at October 31, 2005.

Interest rate swaps

The Company, through TDW Canada, entered into Canadian Dollar interest rate swap agreements to mitigate the impact of changes in interest rates on Canadian Dollar mortgage-backed securities held by TDW Canada and recorded on the consolidated statements of financial condition as trading securities. These arrangements are not designated as hedges under SFAS 133 and accordingly market value gains and losses are recognized in the income statement, and offset market value gains and losses on those securities, and are now included in discontinued operations. At October 31, 2004, the Company, through its Canadian subsidiary, had 23 interest rate swap agreements outstanding, having a total notional principal amount of $1,720,037. These agreements are used to manage the change in market value and prepayment risk exposure as well as provide floating rates of return on Canadian Dollar mortgage-backed securities. As a result of the Reorganization, there are no cross currency interest rate swap agreements outstanding at October 31, 2005.

Equity derivative contracts

The Company, through TDW Bank, entered into equity derivative agreements that were designed to provide equity returns on its equity-linked certificates of deposit. These arrangements were not designated as hedges under SFAS 133 and accordingly market value gains and losses were recognized currently and the resulting credits and debits offset market value gains and losses on the bifurcated embedded derivatives in those certificates of deposit. At October 31, 2004, four equity derivative agreements were outstanding, having total notional principal amounts of $1,102. The equity derivative agreements mirror the lives of the underlying equity-linked certificates of deposit. As a result of the Reorganization, there are no equity derivative agreements outstanding at October 31, 2005.

In conjunction with share based compensation awards, the Company has entered into swap agreements with its Parent, TD Bank, designed to mitigate the risk of market price fluctuations. The swaps are designated as cash flow hedges and have been determined to be highly effective. Hedge effectiveness has been assessed based on the critical terms match method of SFAS 133 on a prospective and retrospective basis. Market fluctuations in TD Bank common shares are reflected in Compensation Expense with the offsetting gain or loss on the swap reported in Other Revenue, for the pro-rata portion of the awards that have vested. Gain or loss on unvested units is recorded in

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Other Comprehensive Income. At October 31, 2005 and 2004, the notional amount of all equity compensation swaps was $22,897 and $11,329, respectively.

13. Stock options

TD Bank operates a stock option plan for eligible employees of TD Bank and its subsidiaries, including the Company. These options provide holders the right to purchase common shares of TD Bank at a fixed price equal to the closing market price of the TD Bank shares on the day prior to the date the options were issued. TD Bank s first plan, the 1993 stock option plan, expired in 2000 and there will be no further issuance of stock options from this plan. The successor plan, the 2000 stock incentive plan, was in effect as of December 2000. Under both plans, options with a term of 10 years to purchase TD Bank common shares are periodically granted to eligible employees and non-employee directors of the Company. The options vest over a 4-year period and are exercisable at the closing market price of the shares on the day prior to the date the options were issued and provide for a cashless exercise feature. During the fiscal year ended October 31, 2000, all option holders signed legally binding waivers to forfeit their right to the cashless exercise resulting in a new measurement date under APB 25. Compensation expense was recorded for the intrinsic value of the stock options. Effective December 2003, new stock options are granted with 7-year term and vesting over a four-year period. At October 31, 2005, outstanding options had exercise prices ranging from $21.52 to $41.83, had a weighted average remaining contractual life of 6.32 years, and expire on dates ranging from April 2008 to December 2012. At October 31, 2004, outstanding options had exercise prices ranging from $14.33 to $34.24, had a weighted average remaining contractual life of 6.26 years, and expire on dates ranging from March 2005 to December 2012. At October 31, 2003, outstanding options had exercise prices ranging from $8.96 to $31.62, had a weighted average remaining contractual life of 7.04 years, and expire on dates ranging from March 2004 to December 2012.

A summary of the Company s portion of stock options activity is as follows:

	October 31, 2005	Weighted Average Exercise Price	October 31, 2004	Weighted Average Exercise Price	October 31, 2003	Weighted Average Exercise Price
Number outstanding, beginning of year	2,410,617	$ 29.39	2,377,723	$ 25.92	1,305,200	$ 18.55
Granted	215,704	41.83	242,324	33.60	622,100	25.35
Transferred In	17,387	32.98	457,048	30.93	1,161,473	26.61
Transferred Out	(1,000,193)	32.40	(34,799)	30.20	(336,450)	24.26
Exercised	(486,713)	24.72	(449,004)	25.45	(44,850)	13.01
Forfeited	(34,488)	32.01	(182,675)	30.93	(329,750)	23.25
Number outstanding, end of year	1,122,314	$ 32.12	2,410,617	$ 29.39	2,377,723	$ 25.92
Exercisable, end of year	616,317	$ 31.03	1,302,740	$ 27.88	1,119,122	$ 23.25

Under SFAS 123, TD Bank has elected to adopt on a prospective basis the fair value method of accounting for all stock option awards. Under this method TD Bank recognizes compensation expense based on the fair value of the options on the date of grant, which is determined using an

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option-pricing model. The fair value of the options is recognized over the vesting period of the options granted.

The Company has estimated the fair value of each option grant issued by TD Bank on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for options granted during the year: 2005: a dividend yield of 2.76%; expected volatility of 23.72%; risk-free interest rate of 4.14%; and an expected life of 6.32 years for all grants; 2004: a dividend yield of 2.93%; expected volatility of 27.60%; risk-free interest rate of 4.58%; and an expected life of 6.26 years for all grants; 2003: a dividend yield of 3.50%; expected volatility of 33.79%; risk-free interest rate of 4.54%; and an expected life of 7.04 years for all grants.

For the fiscal year ended October 31, 2005, 2004 and 2003, TD Bank calculated its consolidated stock option expense and allocated $2,105, $1,370 and $900, respectively, of this expense to TDW Group. TDW Group independently calculated its stock option expense as $1,940, $2,392 and $1,650, respectively, for the fair value of the options granted to its employees in the fiscal years ended October 31, 2005, 2004 and 2003, respectively, which differed from TD Bank s allocation by ($165), $1,022 and $750, respectively. Differences are attributable to estimates utilized in TD Bank s allocation process, whereas TDW Group s calculation utilized actual employee data. Although it is not TD Bank s policy to fund TDW Group s stock compensation expense, the differences were recorded as a deemed dividend or as capital contributions, as settlement for these differences to or by TD Bank will not be made. For the fiscal years ended October 31, 2005, 2004 and 2003, the Company adjusted its liability for stock options that were exercised, forfeited or transferred by $1,395, $577, and $12,537, respectively. These amounts were recorded as additional paid in capital as TD Bank did not charge the Company for the related option expense.

14. Commitments and contingent liabilities

The Company leases office space and equipment under non-cancelable operating leases with third parties and affiliates (Note 18) extending for periods in excess of one year. The Company also sublets office space under non-cancellable subleases. Future minimum rental commitments under such leases at October 31, 2005 are as follows:

Year Ending October 31,	Leases	Subleases
2006	$ 31,166	$ 3,446
2007	30,061	3,525
2008	28,570	3,423
2009	24,768	2,961
2010	22,273	2,763
Thereafter and through 2021	94,405	46
	$ 231,243	$ 16,164

For the years ended October 31, 2005, 2004 and 2003 rental expense amounted to approximately $52,332, $42,345 and $51,088, net of sublease income of $2,819, $2,320 and $1,337, respectively.

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At October 31, 2005 the Company had no commitments to extend credit. At October 31, 2004, the Company s commitments to extend credit, which included credit cards as well as other consumer and commercial loans, amounted to $57,924.

Securities sold, not yet purchased represents obligations of the Company to purchase securities at a future date. The Company may incur a loss if the market value of the securities subsequently increases.

In the normal course of conducting its securities business, the Company has been named as a defendant in certain lawsuits, claims and legal actions. In the opinion of management, after consultation with outside legal counsel, the ultimate outcome of pending litigation and inquiries will not have a material adverse effect on the financial condition or results of operations of the Company.

15. Capital adequacy

The Company is subject to various regulatory capital requirements.

As registered broker-dealers and members of the New York Stock Exchange, TDW US and NISC are subject to the SEC s Uniform Net Capital rule (the Rule), which requires the maintenance of minimum net capital. At October 31, 2005, TDW US and NISC were both in compliance with their respective capital requirements. TDW US had net capital of $54,571 at October 31, 2005, which was $47,328 in excess of its required net capital. NISC had net capital of $518,706 at October 31, 2005, which was $439,526 in excess of its required net capital.

As a registered broker-dealer and a NASD member, TDW CM is also subject to the Rule. TDW CM has elected to use the basic method, permitted by the Rule, which requires that minimum net capital equal to the greater of $1,000 or 6 2/3% of aggregate indebtedness be maintained. At October 31, 2005, TDW CM had net capital of $9,333, which was $8,333 in excess of required capital.

16. Profit sharing, 401(k) plans and other stock-based compensation

Prior to July 1, 2004, the Company maintained separate profit sharing and 401 (k) plans. The Company s Profit Sharing Plan (the Profit Sharing Plan), which became effective October 16, 1996, was a defined contribution retirement plan sponsored by the Company and was generally available to all U.S. employees of the Company, and any affiliated company thereof, which adopted the Profit Sharing Plan. The Profit Sharing Plan was an amendment, restatement and continuation of The Waterhouse Investor Services, Inc. Employee Stock Ownership Plan which was in effect immediately prior to October 16, 1996. Effective July 1, 2004, the Company merged its Profit Sharing Plan into its 401 (k) plan, and the resulting plan was amended, restated and continued as the TD Waterhouse Group, Inc. 401 (k) and Profit Sharing Plan (the Plan).

The amount of the Company s annual contribution to the Plan is determined at the discretion of the Company s Board of Directors. The Company s contributions may be in the form of cash or shares of TD Bank. Funds in a participant s profit sharing account in the Plan may be invested in TD Bank stock and various mutual fund investments. The total expense recognized by the Company with respect to Plan discretionary contributions for the years ended October 31, 2005, 2004 and 2003 was $5,069, $5,097 and $4,862, respectively.

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Historically, employees in the U.S. contributed to the Company s 401 (k) plan, and since July 1, 2004, have contributed to the 401 (k) portion of the Plan. In Canada, TD Bank has an Employee Savings Plan (ESP) in which employees of the Company in that country may participate. The Company makes matching contributions to the 401(k) plan of one-half of the employee contribution up to 6% per pay period. Under the ESP, employees may contribute up to 6% of their annual base earnings to a maximum of Cdn$5 (approximately US $4) per calendar year toward the purchase of TD Bank common shares and the Company matches 50% of the employee contribution amount. The total expense recognized by the Company for matching contributions with respect to the 401 (k) portion of the Plan and ESP plan for the years ended October 31, 2005, 2004 and 2003 was approximately $6,319, $5,265 and $4,848, respectively.

The Company also has restricted share unit plans offered to certain employees. Restricted share units are phantom share units with a value equivalent to the Toronto Stock Exchange closing price of TD Bank common shares on the day before the award issuance. These awards vest and mature on the third or fourth anniversary of the award date at the average of the high and low prices for the 20 trading days preceding the redemption date. The redemption value, after withholdings, is paid in cash. Compensation expense on all grants is recognized ratably over the vesting period based on the closing market price of TD Bank common shares. Under these plans participants are granted phantom share units equivalent to TD Bank s common stock that are cliff vested over three or four years. TD Bank administers the plans for the grants that were awarded for year 2000 and 2001 and invoices the company on a quarterly basis. The Company administers its own plans for grants that were awarded subsequent to 2001 and entered into swap contracts with TD Bank to mitigate the impact of changes in share price. The total expenses related to these plans recognized by the Company are $10,525, $8,725 and $9,489 for the years ended October 31, 2005, 2004 and 2003, respectively. The approximate number of units outstanding under all the plans including unvested units at October 31, 2005, 2004 and 2003 is 999,515, 850,802 and 713,991, respectively, with an approximate value of $23,379, $33,403 and $23,067, respectively.

The Company also has share unit plans that are offered to certain employees. Under these plans, participants are granted units of stock appreciation rights (SAR s) equivalent to TD Bank s common stock that generally vest over four years. At the maturity date, the participant receives cash representing the appreciated value of the units between the grant date and the redemption date. A liability is established by the Company related to the share units awarded and an incentive compensation expense is recognized in the consolidated statements of income over the vesting period. The number of phantom shares outstanding under this plan at October 31, 2005 and 2004 is 603,920 and 1,040,610, respectively, with an approximate value of $10,486 and $9,104, respectively. The total expense recognized by the Company for these share units for the years ended October 31, 2005, 2004 and 2003 was $5,305, $6,196 and $4,497, respectively.

A Senior Executive Deferred Share Unit Plan is offered to eligible executives of the Company. This is a deferred compensation plan which is administered mainly through a deferred share unit plan for the most senior executives of the Company. Under this plan, a percentage of earned annual cash incentive award is deferred into phantom deferred share units. The deferred share units will only be redeemed for cash in a period of time that follows the executive s departure from TD Bank, either through retirement or termination. As of October 31, 2005 and 2004, a total of 34,889 and 43,966, respectively, deferred share units were outstanding. The annual cash incentive award is recorded as compensation expense in the consolidated statements of income in the period it is earned and the deferred portion is paid to TD Bank quarterly, as they are the plan administrator. The Company paid $86, $45 and $17 to TD Bank for the years ended October 31, 2005, 2004 and 2003, respectively, for

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the administration of the plan. The Company paid to TD Bank and recorded compensation expense of $0, $90 and $150 for the financial deferred share unit plan for the year ended October 31, 2005, 2004 and 2003, respectively.

Substantially all of the Company s Canadian employees are eligible to participate in TD Bank s pension plan, which is a defined benefit plan funded by contributions from TD Bank and its members. Each year, actuarial valuations are made of the pension plans maintained by TD Bank to determine the present value of the accrued pension benefits. Pension plan assets are valued at market values. Pension costs are determined based upon separate actuarial valuations using the projected benefit method prorated on service and TD Bank management s estimates rather than on valuation for funding purposes. There is no separate actuarial valuation for the Company, but the Company is charged its portion of pension expense by TD Bank. Pension expense/(income) includes the cost of pension benefits for the current year s service, interest expense on pension liabilities, income on plan assets, and the amortization of pension adjustments on a straight-line basis over the expected average remaining service life of TD Bank s employee group. The Company s pro-rata share of TD Bank s pension expense was $3,511, $2,900 and $2,939 for the years ended October 31, 2005, 2004 and 2003, respectively.

17. Income Taxes

Through the date of the Reorganization, the Company and its U.S. subsidiaries filed consolidated Federal income tax returns on a fiscal year basis. The Company recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements. The Company records a valuation allowance when it is not more likely than not that all of the future tax assets recognized will be realized. At October 31, 2005, the Company has utilized all of its remaining capital loss carryforwards for the recognized gain on sale of available for sale securities and the taxable gain on disposal of certain subsidiaries.

The Company has determined that no valuation allowance against deferred tax assets at October 31, 2005 and 2004 was necessary.

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The income tax provision consists of the following:

	For the year ended October 31,		
	2005	**2004**	**2003**
Current:			
U.S. Federal	$ 111,998	$ 34,261	$ 5,421
State and local	12,217	1,772	1,551
Foreign	99,416	55,182	32,431
Total current	$ 223,631	$ 91,215	$ 39,403
Deferred:			
U.S. Federal	$ 2,103	$ (3,762)	$ 6,189
State and local	180	(215)	373
Foreign	(212)	(1,445)	(1,835)
Total deferred	$ 2,071	$ (5,422)	$ 4,727
Total income tax expense	$ 225,702	$ 85,793	$ 44,130

The Company s tax filings are subject to audit by tax authorities. The Company has released provisions in each of the three years ended October 31, 2005 due to reassessments of reserves as a result of ongoing and closed tax audits.

The temporary differences, which have created deferred tax assets and liabilities, are detailed as follows:

	October 31, 2005	**October 31, 2004**
Deferred tax asset		
Accruals and allowances	$ 40,241	$ 27,062
Foreign operations		7,507
Deferred tax asset	40,241	34,569
Deferred tax liability		
Goodwill and other	(38,415)	(34,814)
Other comprehensive income	(123)	(40,769)
Deferred tax liability	(38,538)	(75,583)
Total net deferred tax asset / (liability)	$ 1,703	$ (41,014)

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The following is a reconciliation of the provision for income taxes on continuing operations and the amount computed by applying the Federal statutory rate to income before income taxes.

	For the year ended October 31,		
	2005	**2004**	**2003**
Federal statutory income tax rate	35.0%	35.0%	35.0%
Reduction of previously established reserve	(7.6)	(7.0)	(22.1)
Utilization of capital loss carryforwards	(14.5)	0.0	0.0
Taxable gain on disposal of certain subsidiaries	4.5	0.0	0.0
State and local income taxes, net of Federal income tax benefit & other	3.1	2.0	2.0
Foreign losses not deductible	0.0	0.0	16.5
Non-taxable foreign exchange gain	0.0	(2.0)	0.0
Other	0.3	0.4	1.4
	20.8%	28.4%	32.8%

The following is a reconciliation of the provision for income taxes on discontinued operations and the amount computed by applying the Federal statutory rate to income before income taxes.

	For the year ended October 31,		
	2005	**2004**	**2003**
Federal statutory income tax rate	35.0%	35.0%	35.0%
Tax benefit on loss limited by carryback available	0.0	0.0	31.9
State and local income taxes, net of Federal income tax benefit & other	0.8	0.2	0.7
Foreign and provincial taxes	0.9	1.3	(2.5)
Gain on Reorganization	81.1	0.0	0.0
Foreign tax credit utilized	(70.4)	0.0	0.0
Other	0.0	0.2	0.0
	47.4%	36.7%	65.1%

As a result of the Reorganization described in Note 3, the Company generated gross taxable income of $1,018,867, consisting of dividends of $859,886 and net capital gains of $158,981. The related income tax of $397,452 was offset by foreign tax credits related to TDW Canada of $306,564 utilized during 2005. The remaining taxes totaled $90,888 and are included in the discontinued operations income tax provision of $206,449 for the year ended October 31, 2005.

18. Related Party Transactions

The Company transacts business and has extensive relationships with TD Bank. The Company believes these transactions were conducted at terms similar to those generally available to third parties. A description of these transactions and relationships is set forth below.

General

Directors, officers and employees of the Company maintain cash and margin accounts with the Company s broker-dealer subsidiaries and execute securities transactions through these firms in the ordinary course of business.

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As more fully discussed in Note 17, the Company s U.S. operations are included in the consolidated federal income tax returns and combined state and local income tax returns of the Company filed in the United States and its Canadian operations have been included in income tax returns filed by TD Bank or TD Securities Inc. in Canada. The provisions recorded by the Company for income taxes in the United States and Canada do not differ materially from the provisions that would have resulted had the Company filed separate income tax returns.

NISC provides clearing services to a U.S. affiliate of TD Bank. The income from this relationship was $2,068, $1,114 and $688 for the years ended October 31, 2005, 2004 and 2003, respectively. These fees have been included in commissions and fees.

TDW US reimburses TD Bank for expenses that are paid on its behalf. Such expenses amounted to $11,051, $7,506 and $6,063 for the years ended October 31 2005, 2004 and 2003, respectively.

TDW Bank entered into cross currency interest rate swap contracts with TD Bank related to mortgage-backed securities purchased by TDW Bank from TD Bank. At October 31, 2004, the Company, through TDW Bank had 104 cross currency interest rate swap agreements outstanding with TD Bank, having a notional principal amount of $5,671,709.

International operations

TDW Canada has securities, securities borrowing and lending, banking and underwriting activities with TD Bank and its affiliates. TDW Canada acts as the carrying broker for TDSI, under an introducing broker relationship. Due to brokers and dealers at October 31, 2004 includes $161,901 due to TDSI. During the years ended October 31, 2005, 2004 and 2003, the company received fees of $9,603, $7,227 and $5,112, respectively, from TDSI.

TDW Canada also pays TD Bank a referral fee for customers introduced by TD Bank s retail bank branches, and provides clearing services to TD Bank.

At October 31, 2005 and 2004, Company cash held by affiliates was $1,795 and $46,773, respectively. For the years ended October 31, 2005, 2004 and 2003, cash deposits held with TD Bank earned total interest of $1,284, $805 and $262, respectively.

TDW Canada has a Master Services Agreement with TD Bank, whereby TD Bank provides certain services to TDW Canada, and TDW Canada provides certain services to TD Bank. At October 31, 2004, amounts payable to TD Bank related to the aforementioned services was $158,034. Charges for these services are calculated on a cost recovery basis.

TDW Canada also entered into interest rate swap agreements with TD Bank related to mortgage-backed securities purchased by the Company from TD Bank. The notional amount of the interest rate swap is Cdn$2,095,005 (US$1,720,037) at October 31, 2004.

At October 31, 2004, securities purchased under resale agreements of $1,515,855 consisted of securities purchased from TD Bank with the commitment to resell the security to TD Bank at a specified price. As a result of the October 2005 sale of TDW Canada, the Company had no balances for securities purchased under resale agreements at October 31, 2005.

TDW Canada entered into a cross-guarantee between TDW Canada, TDSI and the Investment Dealers Association of Canada, whereby TDW Canada and TDSI guarantee the payment and discharge of all indebtedness, obligations and liabilities of their customers in connection with their

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respective securities business. This guarantee is limited to the amount of regulatory capital of TDW Canada and TDSI.

TD Bank guarantees the liabilities of TDW Canada with respect to the client security accounts and TDW Canada indemnifies TD Bank for any losses associated with this guarantee.

For the years ended October 31, 2005, 2004 and 2003, TD Bank charged TDW US, through its subsidiary call center in Canada, a fee of $11,051, $7,506 and $6,063, respectively, for services provided to TDW US.

TDW Canada entered into certain transactions with officers and directors of TDW Canada and their related corporations. Included in the receivable from customers is Cdn$6,958 (US$5,713) at October 31, 2004, and in payable to customers is Cdn$6,813 (US$5,594) at October 31, 2004 for such transactions.

Payables to customers excludes cash deposits of Cdn$2,706,555 (US$2,222,131) at October 31, 2004 held in trust by affiliated companies.

19. Subsequent Events

On January 24, 2006, pursuant to the Purchase Agreement, Ameritrade purchased the Company from TD Bank. The shares of common stock issued to TD Bank in the Share Purchase represented approximately 32.5% of the outstanding shares of Ameritrade after giving effect to the transaction. Upon the completion of the transaction, Ameritrade changed its name to TD Ameritrade Holding Corporation (TD Ameritrade). The purchase price for the acquisition of the Company is subject to cash adjustments based on the closing date balance sheets of the Company.

In connection with the Purchase Agreement, TD Bank was given rights to have its shares of common stock of TD Ameritrade registered for resale and TD Bank licensed Ameritrade to use the TD name in connection with the operation of Ameritrade s business. Ameritrade and TD Bank also entered into agreements regarding bank sweep accounts and mutual funds.

In connection with the Purchase Agreement, Ameritrade, TD Bank and J. Joe Ricketts, Ameritrade s Chairman and Founder, and certain of his affiliates also entered into a Stockholders Agreement (the Stockholders Agreement). The Stockholders Agreement sets forth certain governance arrangements and contains various provisions relating to stock ownership, voting, election of directors and other matters.

On April 21 2006, the Company was merged into Ameritrade Online Holdings Corp., a subsidiary of TD Ameritrade. Simultaneously Ameritrade Online Holdings Corp s name was changed to TD Ameritrade Online Holdings Corp. TD Ameritrade Online Holdings Corp. became the new Parent Company for the three broker-dealer subsidiaries of the Company.

On April 21, 2006, TDWISI withdrew its membership from the NYSE, maintaining its membership in the NASD. At the same time it changed its name to TD Ameritrade, Inc. It remains a subsidiary of TD Ameritrade Online Holdings Corp.

On June 30, 2006, the Company prepaid the $30,000 Subordinated Debt Series B Notes referenced in Note 10.

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(b) Pro Forma Financial Information

TD AMERITRADE HOLDING CORPORATION

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

On January 24, 2006, Ameritrade Holding Corporation ((Ameritrade) completed the acquisition of TD Waterhouse Group, Inc. (TD Waterhouse), a Delaware corporation, pursuant to an Agreement of Sale and Purchase, dated June 22, 2005, as amended (the Purchase Agreement), with The Toronto-Dominion Bank (TD). Ameritrade purchased from TD all of the capital stock of TD Waterhouse in exchange for 196,300,000 shares of Ameritrade common stock and $20,000 in cash. The shares of common stock issued to TD represented approximately 32.5 percent of the outstanding shares of Ameritrade after giving effect to the transaction. Upon the completion of the transaction, Ameritrade changed its name to TD AMERITRADE Holding Corporation (TD AMERITRADE). In addition, on January 24, 2006, Ameritrade completed the sale of Ameritrade Canada, Inc. to TD for $60 million in cash. The purchase price for the acquisition of TD Waterhouse and the sale price for the sale of Ameritrade Canada were subject to cash adjustments based on the closing date balance sheets of Ameritrade, TD Waterhouse and Ameritrade Canada. On May 5, 2006, TD AMERITRADE received approximately $45.9 million from TD for the settlement of cash adjustments related to the purchase of TD Waterhouse and the sale of Ameritrade Canada.

Prior to the completion of the transactions described above, TD Waterhouse completed a reorganization whereby all of its non-U.S. and non-brokerage businesses were transferred to TD (the Reorganization). At the time of completion of the acquisition of TD Waterhouse, TD Waterhouse retained only its U.S. retail securities brokerage business. As contemplated in the Purchase Agreement, on January 24, 2006, TD AMERITRADE commenced payment of a special cash dividend of $6.00 per share in respect of the shares Ameritrade common stock outstanding prior to the consummation of the acquisition of TD Waterhouse. The total amount of the dividend was approximately $2.4 billion.

The following unaudited pro forma combined condensed statement of income has been prepared to assist you in your analysis of the financial effects of the acquisition of TD Waterhouse by Ameritrade. This information should be read in conjunction with, and is qualified in its entirety by, (1) the audited consolidated financial statements and accompanying notes of Ameritrade for the fiscal year ended September 30, 2005 included in Ameritrade s Form 10-K for the fiscal year then ended and (2) the audited consolidated financial statements and accompanying notes of TD Waterhouse for the fiscal year ended October 31, 2005 included in this Form 8-K/A. A pro forma combined condensed balance sheet is not presented here because the acquisition of TD Waterhouse has already been reflected in the most recent interim balance sheet filed by TD AMERITRADE on Form 10-Q.

The pro forma statement of income is based on the estimates and assumptions set forth in the accompanying notes. The pro forma statement of income is being furnished solely for information purposes and is not necessarily indicative of the combined results of operations that might have been achieved for the period indicated, nor is it necessarily indicative of the results of operations that may occur in the future.

The accompanying unaudited pro forma combined condensed statement of income gives effect to the acquisition of TD Waterhouse using the purchase method of accounting. The pro forma adjustments related to the acquisition of TD Waterhouse are preliminary and are based on management s estimates of the value of the tangible and intangible assets acquired. The final adjustments may differ materially from those presented in these pro forma financial statements. The final purchase price allocation will be completed after asset and liability valuations are final. The preliminary allocations are based on assumptions that Ameritrade s management believes are reasonable. Final adjustments may result in a materially different allocation of the purchase price, which would affect the value assigned to the tangible and intangible assets. The effect of these changes on the statement of income will depend on the nature and amount of adjustments to the assets and liabilities.

The unaudited pro forma combined condensed statement of income for the year ended September 30, 2005 assumes the acquisition of TD Waterhouse took place as of September 24, 2004, the last day of Ameritrade s fiscal year 2004. The unaudited pro forma combined condensed statement of income for the year ended September 30, 2005 combines

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Ameritrade s consolidated statement of income for the year ended September 30, 2005 with TD Waterhouse s consolidated statement of income for the year ended October 31, 2005.
Reclassifications have been made to TD Waterhouse s historical financial information to conform it to Ameritrade s financial statement classifications.
The pro forma results of operations do not reflect revenue opportunities and cost savings that we expect to realize resulting from the integration of TD Waterhouse. No assurance can be given with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the integration of TD Waterhouse.
TD AMERITRADE expects to incur approximately $55 million to $65 million of nonrecurring pre-tax charges (approximately $34 million to $39 million net of income taxes) resulting directly from the acquisition, which will be included in income within 12 months following the closing of the acquisition. These charges include re-branding costs, client communications, Ameritrade contract termination costs and Ameritrade employee involuntary termination costs. These charges are not reflected in the pro forma results of operations.

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TD AMERITRADE HOLDING CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2005
In thousands, except per share amounts

	Ameritrade Historical	Ameritrade Canada Note 2(a)	Ameritrade Adjusted	TD Waterhouse Historical	Pro Forma Adjustments	Note Reference	Ameritrade and TD Waterhouse Combined
Revenues:							
Transaction-based revenues:							
Commissions and transaction fees	$ 523,985	$ (9,751)	$ 514,234	$ 289,742	$		$ 803,976
Asset-based revenues:							
Interest revenue	540,348	(1,400)	538,948	215,492			754,440
Brokerage interest expense	(141,399)		(141,399)	(39,607)	(6,802)	2 (b)	(187,808)
Net interest revenue	398,949	(1,400)	397,549	175,885	(6,802)		566,632
Money market deposit account fees				73,889	80,793	2 (c)	154,682
Money market and other mutual fund fees	25,051		25,051	85,269			110,320
Total asset-based revenues	424,000	(1,400)	422,600	335,043	73,991		831,634
Other revenues	55,168	(286)	54,882	137,592			192,474
Net revenues	1,003,153	(11,437)	991,716	762,377	73,991		1,828,084
Expenses:							
Employee compensation and benefits	180,579	(1,901)	178,678	272,713			451,391
Clearing and execution costs	26,317	(2,356)	23,961	41,272			65,233
Communications	35,663	(187)	35,476	48,243			83,719
Occupancy and equipment costs	43,411	(430)	42,981	75,726			118,707
Depreciation and amortization	10,521	(58)	10,463	34,569	(23,635)	2 (d)	21,397

Amortization of acquired intangible assets	13,887		13,887	4,942	35,867	2	(e)	54,696
Professional services	30,630	(187)	30,443	28,509				58,952
Interest on borrowings	1,967	(2)	1,965	1,992	125,738	2	(f)	137,930
					8,235	2	(b)	
Other	22,689	(2,195)	20,494	76,642				97,136
Advertising	92,312	(1,339)	90,973	85,290				176,263
Fair value adjustments of investment-related derivative instruments	(8,315)		(8,315)					(8,315)
Total expenses	449,661	(8,655)	441,006	669,898	146,205			1,257,109
Pre-tax income	553,492	(2,782)	550,710	92,479	(72,214)			570,975
Provision for income taxes	213,739	(303)	213,436	19,253	(27,802)	2	(g)	204,887
Income from continuing operations	$ 339,753	$ (2,479)	$ 337,274	$ 73,226	$ (44,412)			$ 366,088
Earnings per share from continuing operations basic	$ 0.84		$ 0.83					$ 0.61
Earnings per share from continuing operations diluted	$ 0.82		$ 0.82					$ 0.60
Weighted average shares outstanding basic	404,215		404,215		196,300	2	(h)	600,515
Weighted average shares outstanding diluted	413,167		413,167		196,300	2	(h)	613,167
					3,700	2	(i)	

See notes to unaudited pro forma combined condensed statement of income.

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TD AMERITRADE HOLDING CORPORATION
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
Columnar amounts in thousands, except percentages and time periods

1. Basis of Presentation

The unaudited pro forma combined condensed statement of income reflects the effect of entries recorded under the purchase method of accounting. The total purchase price has been allocated to the tangible and intangible assets and liabilities of TD Waterhouse based on their estimated fair values. The amounts and components of the preliminary purchase price, along with the preliminary allocation of the purchase price, are presented below.

Preliminary Purchase Price

TD AMERITRADE common stock issued	$ 2,123,181
Cash acquired, net of cash paid	(580,056)
Closing date capital adjustments	(45,915)
Acquisition costs	20,706
Exit and involuntary termination costs	124,647
Total preliminary purchase price	$ 1,642,563

Preliminary Purchase Price Allocation

Cash and investments segregated in compliance with federal regulations	$ 76,000
Receivable from broker, dealers and clearing organizations	148,637
Receivable from clients and correspondents, net	3,871,184
Receivable from affiliate	5,712
Other receivables	8,521
Property and equipment	18,983
Goodwill	918,341
Acquired intangible assets	839,426
Investments in equity securities	9,353
Other assets	68,066
Total assets acquired	5,964,223
Payable to brokers, dealers and clearing organizations	(2,046,812)
Payable to clients and correspondents	(1,631,740)
Accounts payable and accrued liabilities	(184,911)
Payable to affiliate	(2,166)
Securities sold, not yet purchased	(2,417)
Note payable to affiliate	(300,000)
Deferred income taxes	(154,127)
Total liabilities assumed	(4,322,173)
Other comprehensive income	513
Total purchase price allocated	$ 1,642,563

The purchase price is preliminary, primarily due to estimates included for exit and involuntary termination costs. Differences between these estimates and actual results may result in adjustments to the purchase price. Ameritrade began formulating plans to consolidate certain facilities and functions prior to the closing of the acquisition of TD Waterhouse. Although TD AMERITRADE believes its plans are reasonable, minor changes may still be made to

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the scope or timing of such plans, which may result in changes to estimated exit and involuntary termination costs. Exit and involuntary termination costs consist primarily of severance and other involuntary termination costs for approximately 900 TD Waterhouse employees, costs associated with unfavorable leases and other contract termination costs.

The value of the 196,300,000 shares of TD AMERITRADE common stock issued is calculated using the $16.816 average closing market price of Ameritrade common stock for the period beginning two business days before and ending two business days after June 22, 2005, the date the proposed acquisition of TD Waterhouse was agreed to and announced, less the $6.00 per share special cash dividend. The special dividend is deducted from the average market price because the shares issued to TD did not include the right to receive the special dividend.

2. Pro Forma Adjustments

The following adjustments have been reflected in the unaudited pro forma combined condensed statement of income:

(a) Reflects the deletion of Ameritrade Canada s results of operations.

(b) Reflects additional interest expense on borrowings by TD Waterhouse to fund the closing date capital adjustment. The closing date capital adjustment provided for the distribution to TD of excess capital of TD Waterhouse above the sum of six percent of aggregate debit items (calculated for each registered broker-dealer as of any given date on the same basis as the amount set forth in Box 4470 of the Form X-17A-5 that is completed by such entity) plus $1.00 per share of Ameritrade common stock. The calculation of the pro forma borrowings is as follows:

TD Waterhouse pro forma borrowings for closing date capital adjustment		
TD Waterhouse total stockholders equity, October 31, 2005	$ 1,504,429	
Plus: TD Waterhouse affiliate notes receivable	1,550,731	
Less: Goodwill and intangible assets	(711,118)	
TD Waterhouse pro forma closing date net tangible book value		$ 2,344,042
Aggregate debit items (per Box 4470 of Form X-17A-5 for registered broker-dealer entities)	3,959,021	
Times: Six percent requirement per share purchase agreement	6%	
	237,541	
Plus: $1.00 per Ameritrade common share	407,132	
TD Waterhouse pro forma targeted closing date net tangible book value		644,673
Pro forma excess over targeted closing net tangible book value (Total pro forma excess capital to be distributed to TD)		1,699,369
Less: TD Waterhouse cash and cash equivalents		(62,765)
Less: TD Waterhouse affiliate notes receivable		(1,550,731)
Pro forma amount borrowed to fund closing date capital adjustment		85,873
Plus: Amount borrowed to maintain $1.00 per Ameritrade share of cash		407,132
Total pro forma amounts borrowed		493,005
Less: Borrowings from TD (Notes payable to affiliates)		(270,000)
Pro forma borrowings on stock lending (Payable to brokers, dealers)		$ 223,005

Interest expense is calculated based on the average 30-day LIBOR interest rate for the period, which was TD Waterhouse s typical cost for these types of borrowings. Interest expense associated with stock lending activities is classified as brokerage interest expense in the statement of income because it relates to broker-dealer activities. Interest expense on borrowings from affiliates is classified as interest on borrowings in the statement of income. The calculations of the related pro forma interest expense adjustments are as follows:

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	Stock Lending	Borrowings from Affiliate	Total Borrowings
Principal balance	$ 223,005	$ 270,000	$ 493,005
Times: Average interest rate assumption	3.05%	3.05%	3.05%
Pro forma adjustment	$ 6,802	$ 8,235	$ 15,037

(c) Reflects additional marketing fees that would have been earned by TD Waterhouse s broker-dealer subsidiaries from TD Bank USA, N.A. (TD Bank USA) (formerly known as TD Waterhouse Bank, N.A.), had the Money Market Deposit Account (MMDA) agreement among TD, Ameritrade and certain broker-dealer subsidiaries of TD Waterhouse been in effect during the period presented. The MMDA agreement became effective upon the closing of the acquisition of TD Waterhouse. Under the previous MMDA arrangement, the TD Waterhouse broker-dealer subsidiaries earned a flat fee of 90 basis points on client MMDA balances, reduced by a management fee, while TD Bank USA retained any additional yield in excess of 90 basis points. Under the new MMDA agreement, the TD Waterhouse broker-dealer subsidiaries earnings are not limited to 90 basis points, but instead are based on the actual net yield earned by TD Bank USA on the client MMDA assets, less the actual interest cost paid to clients, a flat fee to TD Bank USA of 20 basis points and certain direct expenses. The pro forma adjustment is summarized as follows:

MMDA Agreement Marketing Fees:

Pro forma, as if new MMDA agreement were in effect	$ 154,682
Less: Actual, as originally reported	(73,889)
Pro forma adjustment	$ 80,793

(d) Reflects the difference in depreciation and amortization expense resulting from the portion of the TD Waterhouse purchase price allocated to the fair value of the TD Waterhouse depreciable assets. The amounts allocated to these assets were based on TD AMERITRADE management and third-party valuations, taking into consideration redundancies resulting from the acquisition. The calculation of the pro forma adjustment is as follows:

Pro forma annualized depreciation and amortization based on preliminary purchase price allocation	$ 10,934
Less: Actual TD Waterhouse depreciation and amortization, as originally reported	(34,569)
Pro forma adjustment	$ (23,635)

(e) Reflects amortization resulting from the portion of the TD Waterhouse purchase price allocated to the fair value of the TD Waterhouse client base. The following table summarizes the major classes of TD Waterhouse acquired intangible assets and the respective amortization periods:

	Amount	Amortization Period (Years)
Client relationships	$ 693,752	17
Trademark license TD	145,674	None
	$ 839,426	

The amounts allocated to acquired intangible assets were based on preliminary results of an independent valuation. The initial term of the trademark license agreement with TD is ten years and the agreement is automatically

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renewable for additional ten-year periods. The acquired intangible asset associated with the trademark license agreement is not subject to amortization because the term of the agreement is considered to be indefinite. The calculation of the pro forma adjustment is as follows:

Pro forma acquired client relationship intangible asset	$ 693,752
Divided by estimated life (years)	17
Estimated annual amortization of acquired intangible assets	40,809
Less: TD Waterhouse amortization of acquired intangible assets	(4,942)
Pro forma adjustment	$ 35,867

(f) Reflects estimated interest expense and amortization of debt issuance costs associated with $1.6 billion of long-term debt issued to fund a portion of the $6.00 per share special cash dividend paid in connection with the acquisition of TD Waterhouse and $300 million of long-term debt issued for working capital purposes. Pro forma interest expense is based on an interest rate assumption of 6.45 percent. The interest rate is based on the weighted average actual variable interest rate incurred from the inception of the borrowings through August 30, 2006. The average principal amount outstanding is based on scheduled principal payments for the first year, assuming no prepayments. Debt issuance costs are amortized based on the effective interest method over the terms of each respective note, which range from approximately five to seven years. The calculation of the pro forma adjustment is as follows:

Pro forma average principal amount outstanding	$ 1,890,193
Times: Assumed interest rate	6.45%
Annual interest expense	121,917
First year amortization of $21.0 million of debt issuance costs, using effective interest method	3,821
Pro forma adjustment	$ 125,738

(g) Reflects the net income tax effect of pro forma adjustments (b), (c), (d), (e) and (f), computed at Ameritrade s marginal tax rate for the period as follows:

Adjustment to brokerage interest expense	$ (6,802)
Adjustment to money market deposit account fees	80,793
Adjustment to depreciation and amortization	23,635
Adjustment to amortization of acquired intangible assets	(35,867)
Adjustments to interest on borrowings	(133,973)
Net effect of adjustments on pre-tax income	(72,214)
Ameritrade marginal income tax rate	38.5%
Pro forma adjustment	$ (27,802)

(h) Reflects the impact of shares of TD AMERITRADE common stock issued as consideration in the acquisition of TD Waterhouse as if outstanding from the beginning of the period.

(i) Reflects additional common stock equivalents resulting from the adjustment of Ameritrade stock options for the special cash dividend in accordance with the terms of the Ameritrade stock plans. The pro forma adjustment was calculated using the treasury stock method based on 20.3 million pre-adjustment stock options outstanding as of January 24, 2006, with a pre-adjustment weighted average exercise price of $6.24 per share. The option adjustment ratios were calculated using the volume-weighted average market price of $26.1983 per share for the Ameritrade stock on January 24, 2006, the last trading day before the ex-dividend date for the special dividend. This resulted in a shares covered adjustment ratio of 1.2971 to 1.00 and an exercise price adjustment ratio of 0.7710 to 1.00.

(d) Exhibits

23.1 Consent of Independent Auditors

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SIGNATURE

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 hereunto duly authorized.

TD AMERITRADE HOLDING CORPORATION

Date: September 19, 2006

By: /s/ JOHN R. MACDONALD

Name: John R. MacDonald
Title: Executive Vice President, Chief Financial Officer and Chief Administrative Officer