

HUDSON UNITED BANCORP

Form 425

July 14, 2005

Filed by The Toronto-Dominion Bank  
Pursuant to Rule 425 under the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-12  
under the Securities Exchange Act of 1934

Subject Company: Hudson United Bancorp  
Commission File No.: 001-08660

**TD BANKNORTH ACQUISITION ANNOUNCEMENT OF  
HUDSON BANCORP UNITED  
CONFERENCE CALL  
TUESDAY JULY 12, 2005**

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**ADDITIONAL INFORMATION**

This transcript may be deemed to be solicitation material in respect of the proposed merger of TD Banknorth and Hudson United Bancorp. In connection with the proposed transaction, a registration statement on Form S-4 will be filed with the SEC. **Shareholders of TD Banknorth and shareholders of Hudson United Bancorp are encouraged to read the registration statement and any other relevant documents filed with the SEC, including the joint proxy statement/prospectus that will be part of the registration statement, because they will contain important information about the proposed merger.** The final joint proxy statement/prospectus will be mailed to shareholders of TD Banknorth and shareholders of Hudson United Bancorp. Investors and security holders will be able to obtain the documents free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov), from TD Banknorth, Two Portland Square, P.O. Box 9540, Portland, Maine 04112-9540, Attention: Investor Relations, or from Hudson United Bancorp, 1000 MacArthur Boulevard, Mahwah, New Jersey 07430, Attention: Investor Relations.

TD Banknorth, Hudson United Bancorp and their respective directors and executive officers and other members of management and employees may be deemed to participate in the solicitation of proxies in respect of the proposed transactions. Information regarding TD Banknorth's directors and executive officers is available in TD Banknorth's proxy statement for its 2005 annual meeting of shareholders, which was filed with the SEC on April 20, 2005, and information regarding Hudson United Bancorp's directors and executive officers is available in Hudson United Bancorp's proxy statement for its 2005 annual meeting of shareholders, which was filed with the SEC on March 23, 2005. Additional information regarding the interests of such potential participants will be included in the joint proxy statement/prospectus and the other relevant documents filed with the SEC when they become available.

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## CORPORATE PARTICIPANTS

<b>William Ryan</b>	Chairman, President & CEO, TD Banknorth Inc.
<b>Peter Verrill</b>	Senior EVP & COO, TD Banknorth Inc.
<b>Steve Boyle</b>	EVP & CFO, TD Banknorth Inc.
<b>Jeff Nathanson</b>	Director Investor Relations, TD Banknorth Inc.
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<b>Mark Fitzgibbon</b>	Sandler O'Neill	<b>Michael Spector</b>	Mentor
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## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the TD Banknorth, Inc. to acquire Hudson United Bancorp conference call. My name is Anne Marie, and I will be your coordinator for today. At this time all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of today's conference. I would now like to turn the presentation over to Mr. Jeff Nathanson, Director of Investor Relations. Sir, you may proceed.

### **Jeff Nathanson - TD Banknorth, Inc. Director, IR**

Thank you, Anne Marie, and good morning everyone. The purpose of today's call is to discuss TD Banknorth's announced acquisition of Hudson United Bancorp. I would like to just remind folks that if you're looking for the investor presentation, it is available on the Investor Relations section of our website at [www.TDBanknorth.com](http://www.TDBanknorth.com). And in terms of logistics, we will host the first part of the call from approximately 10 to 11, at which time we will take a 10-minute break. Participants can remain on the line if they would like in a listen-only mode, and at the end of that time TD Bank Financial Group will host their analyst and investor presentation. At this point, I would like to turn the call over to Chairman, President, and CEO, William Ryan.

### **William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Thank you very much, and good morning. Again, it is nice to have you on the call. As we had talked about in the past, we were hoping to continue to expand our franchise and grow it as we head south in markets in the metropolitan New York area. What we are announcing today is a market expansion opportunity that we think is a perfect fit for our company. First off, what happens with our acquisition of Hudson United is we increase our assets in Connecticut by \$1.6 billion. We have no branches in Fairfield County, and now with a combination of Fairfield County and New Haven County, we will have 42 additional branches. This really fulfills our need to complete our acquisitions in Connecticut. We still at a later date may do more smaller acquisitions, but it really completes what is the strategy that would have taken several years to complete. If we did de novo branches and got to Fairfield County that way, it would take quite a while. But here we are overnight being able to add 42 branches.

That gives us really a market presence that increases from number 8 in Connecticut to number 6, and we are very pleased with really being able to complete Connecticut that way. Hudson United in total will add 204 branches and 201 ATMs to the present Banknorth network of 386 branches and 550 ATMs. From Connecticut you go through Westchester County, Rockland County, Dutchess County, over into New Jersey, Northern New Jersey through New Jersey in full, and then into Philadelphia. So from our standpoint, it is a great geographic expansion that we're able to put in place with one acquisition, and it really makes us feel very comfortable with our strategy.

It is not a huge bank in terms of size. It is not 16 or 20 or \$25 billion. It is \$8.8 billion in size. So I think we are showing the discipline of doing a company that has great geography, but isn't going to be so big that it will be difficult for us to convert. By the way, they are on the Metavante system, and we've converted off of Metavante with other acquisitions we've done. So, again, we think a good discipline, a good fit and a good expansion going forth.

In the Hudson River Valley of Westchester, Dutchess and Rockland Counties, it will just supplement what we already have in the northern Hudson River Valley area. As you know, we have Evergreen Bank just converted to TD Banknorth in the Glens Falls and Albany area. So it is a great continued fit down the Hudson River. In Connecticut, I've talked about it. The advantage of now being a statewide bank and being in Fairfield County, one of the richest counties in America, is obvious as we go forth. We will add real value there, particularly in Fairfield County. In Northern New Jersey where Hudson United has a very good franchise, we will create additional product offerings and services to what they already do, particularly in the retail and small-business area, and again create more value for the Company at that point. And in Philadelphia and Southern New Jersey, we will take the same tact.

Hudson United has been a very profitable bank. Nobody is perfect; certainly we're not. Hudson United either. And their issues have been one of growth, and I think with what we've accomplished in the years we can add value to them and hopefully have them grow a little bit quicker than maybe they had anticipated over the past few years, staying as profitable as they've been and doing growth probably at a bit of a higher level. They are a great fit for us, in that they are very similar. Their strategies for growth really in their company are the strategies that we put in place, particularly in Connecticut and Massachusetts, over the last few years. The modeling that we will do with them is exactly the modeling that has made us number 4 in Connecticut, number 4 in Massachusetts and now number 6 in Connecticut. We will come in with an array of retail products and services and expertise in small-business lending, the ability as a bigger bank to do expanded lending on the commercial side, and we will be a very good company over the next couple years as we move forth.

There have been some issues at Hudson United in terms of regulatory orders with their cease and desist order. We think they're well on the way of putting together the processes. The regulators need to solve that on their own, and with our expertise in dealing with the regulators and the issues that we can work with them on, we think we can help them in making sure that those issues go away in a reasonable time frame.

Again, looking at the markets we will be in, Connecticut, Northern New Jersey, the Hudson River Valley, and Philadelphia are all great banking markets. They are markets that people tell us they are very competitive, but there's a lot of business for everybody, and a community banking model works well in those geographies. In fact, if you look at some numbers, for our company the median household income of our banking market is \$55,000. In Hudson United it's \$63,000. In Fairfield County it is \$73,000. In New Jersey it's \$62,000. So you can see we are taking our model, no changes, putting it into markets that are more lucrative than the markets we're in. So we think we will have fairly good success in increasing the size of the average branch at Hudson United, the loan and deposit portfolios of the company, given a reasonable period of time.

Hudson United has been a profitable franchise with a solid base to grow from. They've got a 128 ROA, a 21.5 ROE, and a 378 margin. I'd characterize their performance as being strong on a profitable side, and they've been growing at a bit lower rate than they would like to grow at. Asset quality, 36 basis points; nonperforming loans to total loans are

right in place. We've said we don't fix problems, and we don't see

this as a problem. They don't have any loan problems. They are very profitable. What they could benefit from is the growth model that we've operated under, and maybe we can help them with that.

We think we are buying them for a reasonable valuation. It is 15.8 times 2005 earnings, and the First Call estimates on comparable transactions today is at 17.9. We found that the smaller franchises at Hudson are more expensive and don't offer the profitability that Hudson United does. So the timing of this is perfect. They'd like to grow and continue to expand, and we have some things that we can offer to them to do that. Again, getting specific, 42 branches in Connecticut. Really we'll complete Connecticut to a great degree in what we want to accomplish there. It will give us a number 6 ranking, a \$4.1 billion deposit position up from number 8, and it gives us 757 million in 19 branches in Fairfield County. So of the 42 branches, 19 of them are in Fairfield County, the remainder in New Haven and the Hartford area.

I guess the key would really be to say that we've had a pretty good 16-year track record of growing market share and being a retail banking company. And we think the Hudson United transaction fits in completely with that. Yes, it is new geography, but we did that in Massachusetts and Connecticut, and we think we've done it well. Yes, it is a little bit bigger than other transactions we've done. But on a relative size to our company, we have done bigger transactions than this in the past. So we are feeling very comfortable with it. It is an excellent strategic and operating fit from the standpoint of their business is our business. We can just hopefully move a little bit quicker in growing those businesses as we work together. The execution risk is really minimal as we see it, having converted off the Metavante system, and us having a strong compliance record with the regulatory agencies.

Toronto Dominion has been helpful in this transaction with us, being able to buy our shares at a premium to the present market prices to give us the cash that was needed for the transaction. Peter Verrill will get into that in a second, but I do want to tell you that as I look at this transaction for us, it is absolutely perfect geographic growth in terms of where Hudson United is. It is done at a process that will allow us to convert with very little execution risk, and we see this as very accretive in our first full year 2007. The timing that we will get into with you is this transaction probably will close in early 2006, and mid first-quarter 2006, and then the conversions are scheduled probably in mid 2006. So for the first full calendar year 2007, it will be accretive to us. But let me ask Peter Verrill to get into more of the specific details of the transaction with you. Peter.

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

Thank you, Bill. In terms of some of the significant terms and assumptions of the deal, based on the closing price of TD Banknorth last night of \$29.96, that would represent a value over Hudson United's share of \$42.78. That would be an aggregate transaction value of approximately \$1.9 billion. The deal is structured to be a combination of stock and cash to the shareholders of Hudson United. There will be approximately 32.4 million shares of TD Banknorth shares that will be issued to Hudson United shareholders, and approximately \$942 million of cash. The cash will be funded by selling approximately 29.6 million shares of our stock to TD at a price of \$31.79. The price of \$31.79 represents about a 6% premium over the closing price of our stock last night, and I think represents TD's continued investment and their continued strategy of helping ourselves with acquisitions.

The \$31.79 also represents the average price at which Banknorth recently repurchased its stock in the open market in March of this year. Again, I think it illustrates the rationale for the TD Banknorth transaction in the beginning, which would not have been able to structure a 49% cash transaction without TD as a partner to provide this type of capital. The consideration mix is approximately 51% stock and 49% cash to their shareholders. But from our perspective, it is 100% stock transaction. The structure is intended to be tax-free for the stock component to the shareholders of Hudson United. There will be a cash and a stock value equalization election mechanism in place so that shareholders will have the ability to elect either cash or stock, but no matter what they do elect, they will receive the same value. There will



also be a proration method to provide the equalization that I just talked about.

Cost saves are estimated at 25% of Hudson's core operating expense base. That is slightly less than the peer median of comparable transactions. We believe that they will be fully phased in by 2007. Our historical experience has been closer to 30% of cost saves, but we believe that the 25% is a realistic and

a good estimate. In addition to the cost saves, we have also factored into our modeling some additional retail franchise investments of about \$7.5 million in 2006, and another \$10 million in 2007. This is designed to provide, I think, some needed additional investments to grow the retail franchise. Those investments will take place in increased marketing expenses, increased expenditures on facilities, and increased resources and people. And we believe that those investments will spurn significant revenue enhancements in later years. In our model for 2007, we have some very modest revenue enhancements, but we do believe that the greater bulk of those revenue enhancements will begin in 2008.

Total restructuring charges are estimated to be about \$86 million after-tax, which is about 4.5% of the deal's value. That is broken down into transaction costs. The largest piece of that, however, is termination of various contracts including the Metavante contract. And it also includes severance for people whose jobs are replaced. Required approvals will be for both Hudson and TD Banknorth. We will need shareholder approval, and there will be the customary regulatory approvals. And as Bill mentioned, the expected closing would be sometime in the first quarter of 2006. Because of the cease and desist order that Hudson United currently operates under, this will not be able to be done on an expedited basis.

In terms of spending a little bit more time on the pricing and comparables, as Bill mentioned, this is priced at about 15.8 times current-year earnings. That compares to peer transactions of 17.9. The price-to-tangible book is 4.5 times. The average of peer transactions is 3.77. The reason for the higher pricing tangible book here is because Hudson's capital, tangible capital, is quite low. And if you equalize that, then the price-to-tangible book would actually be slightly below the peer average. Premium-to-core deposits at 28% is in line with the average of 30%, and the one day of premium to market of 14% is slightly less than the peer average of 18 times. The target profitability ratio, as Bill mentioned, 128 ROA in the first quarter of this year compared to 115 for the peer transactions. Return on equity of 21.5 compares to a 14.3 for the average, and the net interest margin of 378 compares to a 348 for peer transactions.

Taking a quick look at the summary of the financial overview, on a pro forma basis assuming at close at March 31 of 2006, and taking into account pro forma adjustments and an approximate \$2 billion deleveraging strategy, total assets will be about \$41 billion, total loans about 26 billion, and deposits almost \$28 billion. The tangible equities and tangible asset ratio will increase from the current level of 4.92 to 5.10. Q1 leverage ratio will increase from 6.29% to 6.61%, and the total risk-based capital ratio will improve from 10.13 to 11.39%.

On a pro forma impact in net income, it will be slightly dilutive on both a GAAP and a cash basis in 2006. On a GAAP basis, it would be about \$0.01 per share, on a cash basis about \$0.02 per share. And that is because here in 2006, we don't have the fully phased-in cost saves. And we also have the additional retail franchise investment of about \$7.5 million, which I mentioned before. In 2007, in the first full year of operations post-close, it will be accretive by \$0.06 per share on both a GAAP and a cash basis. On the GAAP basis it's about 2.25% accretive; on the cash basis it's about 1.9% accretive. And although we don't model beyond the 2007 year, we anticipate that the accretion should grow as the investments in the retail franchise that I talked about begin to spur in the type of resonant enhancements that we believe we can manage.

So from a summary perspective, we believe this is a great market expansion opportunity. It creates a statewide franchise in Connecticut. It builds upon our franchise in Eastern New York State. I think it establishes a strong commercial presence in New Jersey and Philadelphia areas. We believe that we can grow and improve this franchise as we have done in other acquisitions when we entered Massachusetts and Connecticut, and with the advantage of bringing some of our products and the strength of our balance sheet to Hudson's franchise, we believe that we can see some significant growth. We believe it is a low risk transaction, although they have some compliance issues. We've spent a great deal of time during our due diligence understanding the compliance issues, and feel very comfortable that they are well along in correcting those deficiencies. And we believe we can bring some expertise and resources to help them do that.

We have significant integration experience. On a relative basis, we have done a lot more transactions that have been larger relative to asset size and relative to market value size than Hudson United. So we're not nervous about that. And the model that they use, the community banking model, is the same model that we do. So we feel very comfortable about bringing these two companies together. And lastly, we do

believe it is a sound investment being accretive to our earnings per share in both cash and GAAP basis by 2007, the first full year of combined operations. And we believe it provides a solid base from which to grow in attractive markets either through de novo or through possible tuck-in acquisitions in the years to come. At this point in time, I would like to turn it back to Bill.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Thank you, Peter. The last comment I will make is at the completion of the transaction, which we again have planned to be in the first quarter of 2006, Ken Neilson who is the CEO will retire from the company, and our top retail person, Wendy Suehrstedt, will go down to New York and take over as CEO. And that is the other change that will occur at the time of the closing of the transaction. I appreciate Ken's support in this transaction. He has done a very good job at his company, and now hopefully with the help of all of his staff that he has there who we value very much, we will be working. Wendy will be working with the staff and moving the Company forth in the next level of growth that we think we could put in place.

So with that, let me stop and see if there are any questions on this transaction that we can answer for everyone.

## **QUESTION AND ANSWER**

**Operator**

Mark Fitzgibbons with Sandler O'Neill.

**Mark Fitzgibbon - Sandler O'Neill Analyst**

The first question I had for you, given that Hudson City has had some issues in the past, could you share with us the due diligence process that you went through on this deal?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Yes, we did a full due diligence with having 30 to 40 people on the ground. We certainly had talked to their regulators about their regulatory issues. We talked to the company. We reviewed what the company has been doing to solve those regulatory issues. We felt very comfortable with the recent hires the Company has made to work on these issues. They've hired a very good compliance person who recently was doing a very good job on that basis. We also know that our experience working with the regulators and what we think we can accomplish.

So that was a very important part of the due diligence to make sure that Hudson United was moving forth the right way, and that the regulators that we had a chance to talk to the regulators about what the real issues were. In this age of compliance, it has not been easy for many banks. Hudson United is not unique. And we feel comfortable knowing what is going on that we can solve those issues working with them.

**Mark Fitzgibbon - Sandler O'Neill Analyst**

And then secondly, Bill, some might suggest that Hudson United has radically underinvested in their branch franchise and infrastructure in recent years. I am wondering if you perceive there to be a meaningful difference in the quality of their franchise from the quality of your franchise.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

We really don't see a meaningful difference, Mark, but I think you're right; people have made that statement. As you heard, Peter had told you. We are investing \$7.5 million in that infrastructure, including people and facilities. So I think there are some things we could do to probably create a better marketing environment there. But we don't see any big issues or big problems. They have very dedicated people. It has been difficult of late to compete at certain size levels, and now being part of a \$40 billion company, I think will allow them to compete better than they were able to do as an \$8 billion company. So I think that is part of it.

Mark, if you remember, I have shared with people over the years that the cost of regulation, the cost of computerization and the cost of marketing would drive medium-sized banks to probably bigger companies, and I think this is a great example of that; that the cost of marketing and the cost of regulation is not easy for all banks to comply with. And being part of our company I think is a smart decision for Hudson United in being able to move forward and doing things quicker than maybe they've been able to do them before.

**Mark Fitzgibbon - Sandler O'Neill Analyst**

Bill, the last question I have for you, in your slide deck you reference the fact that there is, quote, numerous follow-on acquisition opportunities. How long would you be willing to wait before you contemplated another deal?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I don't see us, Mark, doing anything else this year. I think we will be focused on making sure that the Hudson deal works very well for us. So you won't see us doing anything for the rest of this year, but this is a great building stone for things that we can do in future years. So we will be very quiet and just focused on Hudson United for the rest of the year.

**Mark Fitzgibbon - Sandler O'Neill Analyst**

Thank you.

**Operator**

Heather Wolf of Merrill Lynch.

**Heather Wolf - Merrill Lynch Analyst**

Good morning. Clearly given HU's balance sheet and the interest rate environment, there, I'm guessing, was a lot of uncertainty regarding their future earnings. Can you talk about either qualitatively or quantitatively how that IVIS estimate may differ from either your expectations or HU management expectations?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Let me ask Peter to comment on it, but let me make the statement, Heather, that it would be inappropriate for us to reassess in a public way what Hudson United's estimates are. But I do want to say, and Peter maybe can get into the

details of this, we obviously took a more conservative approach on what they

estimated their earnings would be, as we've done on ourselves and other companies along the way. So we agree with you that the leverage in the balance sheet with the rate scenarios and the ten and five-year being where they are not going to add to earnings in the future. They are probably going to diminish them to some degree.

So we did pay a lesser premium on a PE basis on that basis of having Hudson understand that we had to value their assets going forth and earnings a little bit lower than maybe they would. Peter, could you comment a little bit more on that for Heather?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

I will make two comments, then I'll ask Steve Boyle, our Chief Financial Officer, so see if he's got anything to add to that. But the first is that in the earnings model that we have, we have excluded or deducted from the IVIS estimate about \$0.15 per share based on the landfill gas business. That is a business that we don't, and Hudson also agrees, is not a core business. So we have deducted that from the earnings. And relative to the interest rate risk, I would mention or reemphasize that our model does anticipate a \$2 billion de-leveraging strategy that would significantly reduce duration GAAP and interest rate sensitivity and would provide only a very modest impact to earnings of less than \$3 million, which we believe would be more than made up from the purchase accounting adjustments.

Steve, do you have anything else to add?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

I guess the only thing I would add is that we did do a very significant amount of due diligence on their interest rate risk. Both we and TD, which you know is very conservative in this area, went in and looked at it. And while I think with the benefit of purchase accounting, we will vary significantly change their interest rate profile, we felt comfortable with what we're buying.

**Heather Wolf - Merrill Lynch Analyst**

Okay, so just to confirm the number—the IVIS number, obviously does include the landfill gas project?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Yes, it does, Heather.

**Heather Wolf - Merrill Lynch Analyst**

And you intend to maintain that business going forward?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

It's not a core business, so we will have to review it and look at it. We know Hudson United is looking at it at the same time. So I'm not so sure what happens to that business in the future. It certainly isn't a core business. So at some point, I



think that business would go away.

**Heather Wolf - Merrill Lynch Analyst**

Okay. And also can you detail the cost savings, what percent you're getting from branch elimination, headcount elimination, and back-office consolidation?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I can't give you the specifics, but let me give you what we do know already. There is a six to eight branch overlap in the Connecticut area. So we have the potential to either move into their branch or them move into ours in six to eight locations in Connecticut. So we will be looking at that as now we move forward. We haven't decided which branch that we'll move into, but those are the overlaps that exist in Connecticut. There are no other branch overlaps in other areas, because we are not in those other locations. What we will do, though, is obviously the branch people, the commercial lenders, anybody who deals directly with the customers, has nothing to worry about. But the administrative functions and the operations areas are areas in the past that we've always consolidated, and we certainly will again to do just that.

So there will be some consolidation of the administrative and operations areas, and that consolidation should be in a higher market area of New Jersey, moving to areas in Lewiston, Maine or in Massachusetts where the cost savings would be fairly substantial. So it is the same model, Heather, we use in the past of administrative expenses. We usually get more than 25%, but because there is only six to eight branch overlaps, we estimated the 25% as the number. But I don't have specifics yet as to which areas, but I can tell you that in operations and administration, a lot of those areas will be moved.

**Heather Wolf - Merrill Lynch Analyst**

Okay, great. Thanks very much.

**Operator**

Jim Ackor, RBC Capital Markets.

**Jim Ackor - RBC Capital Markets Analyst**

Thank you. A couple of, I guess, maybe broad-based questions. You mentioned that Wendy is going to be going down to New Jersey to head up the operation down there. Obviously, when you look at the market that you're acquiring into, aside from New York and Connecticut but more focused on New Jersey which is the lion's share of Hudson's franchise, it occurs to me that it is a different market down there. A little bit more competitive is my viewpoint. I don't know if you view it the same way.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think you're probably right, Jim, yes.

**Jim Ackor - RBC Capital Markets Analyst**

When you look at the opportunity to kind of build upon what Hudson United has in place, I would think that in order to make this deal a home run you would want to significantly improve your penetration from a deposit market share in some of these markets down in New Jersey, and ultimately get some revenue enhancements over the long run. And I'm just kind of curious as to what sort of strategies you might put in

place to compete against the likes of the commerce s of the world, which I think most people would agree are sort of top-notch from a retail banking perspective.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I agree fully with everything you said. What we ve focused on already are a couple of things that are niches that we think we do very well. One is small-business lending that really we have had great success with. So we will incorporate small-business lending into the branch network that exists throughout Hudson United. We also will do a lot more advertising from a dollar standpoint than Hudson United has done in the past. So we ll have a lot more marketing dollars to support the branches and grow the branch network, particularly in New Jersey.

In addition, we also will add a number of products and services that Hudson United isn t offering right now, and we will create incentives with those products. So I think it is very competitive. But I think there is plenty for the banks that want to compete. I think we will be one of those banks. And again, their average branch size is \$30 million. Our average branch size is \$52 million. So we can t imagine that with the normal model of competitive product, small-business lending, a little more aggressive in advertising, that we can t increase those \$30 million branches to a higher level. So that s really going to be our plan in the next two years.

**Jim Ackor - RBC Capital Markets Analyst**

Is there any need for material overhaul from a personnel perspective?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

No, we think the personnel at the company really are very good, but they ve been having to operate with less marketing dollars than probably could make them effective and maybe some product. So we like the people we met in due diligence. We think they are very capable, and what we want to do is just add the size of a bigger company that will allow them to do even more, and we think we will have some success if we do that.

**Jim Ackor - RBC Capital Markets Analyst**

Okay. Then just two more quick ones. On the C&D, do you have any kind of idea as to when you might expect that to be lifted?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

No, I have no idea when it will be lifted, but I do know that Hudson United through their compliance people are doing a good job of meeting the requirements that the regulators have put on them. But it would be unfair to me to speculate when that would occur. But we feel comfortable with the processes they are moving forward on, and of course the regulators will continue to review it. But there is no date been set for that, and I wouldn t be able to tell you.

**Jim Ackor - RBC Capital Markets Analyst**

And last one, I don't know, maybe Peter or Steve. With regard to purchase accounting adjustments, is there any way you might be able to quantify what sort of contribution you're expecting from that?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

Yes, Jim. If we modeled it today, I think there would be some benefit from that. But we don't want to speculate on what interest rates are going to be at close, so we haven't modeled anything yet.

**Jim Ackor - RBC Capital Markets Analyst**

Okay, fair enough. Thanks a lot.

**Operator**

Ryan Kelley with FBR.

**Ryan Kelley - FBR Analyst**

Congratulations. Just a couple quick questions, in the beginning more specifics. The restructuring the 86 million, do you expect to get to see that all in the first quarter of '06?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I don't think so, but let me ask Steve to respond to that.

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

Ryan, we haven't modeled it out throughout 2006 yet, but the way the accounting rules at least work currently, they're under review, we would expect that that's going to probably drag out throughout 2006.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think it will drag out throughout 2006 and probably be more towards the second half of the year than the first half, from what we see so far.

**Ryan Kelley - FBR Analyst**

Okay. And the potential \$2 billion de-leveraging, is that included in those type of charges, or are you expecting to have that done before the transaction closes?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

No, that would be in the balance sheet mark, which we haven't assumed. The numbers as of today are not that significant, but obviously interest rates could change.

**Ryan Kelley - FBR Analyst**

And then maybe just a little bit more. I don't cover Hudson United personally, but on the private-label credit cards just what your plans are for that portfolio.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

We think they have excellent management in that business. They are number 6 in the private label credit card business, and we think that is a keeper, and we hope to continue to develop and grow that business.

**Ryan Kelley - FBR Analyst**

And how about the brokered CDs that Hudson United has?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

We're going to look at that, Ryan. We haven't made a decision on that, but we've had a history of really looking hard at brokered CDs. But again, we'll have to put that together with our total deposit strategy as we go forth. But that is one that we need to think through a little bit more before we make decisions on.

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

I think, Ryan our intent would be if we're successful in growing the retail franchise like we think we will, those when they mature they will just roll over and we will use the internal deposits.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Yes, that would be the perfect plan. The problem I don't know is, does that happen in 2006 or 2007. But if we do this perfectly, we will grow the deposits through the retail business and be able to, as these mature, just run them off.

**Ryan Kelley - FBR Analyst**

Great. And then one sort of bigger picture question. So you've said that this will satisfy your appetite for acquisitions throughout the rest of this year. Are you talking about all size acquisitions, or would smaller ones, fill-in acquisitions, still would you be looking at those if they came along?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think there is the possibility, but right now I'm thinking no probably, Ryan. I think we have to make sure that the shareholders feel comfortable that we're really focused on Hudson United. It is a new market to us. It is a little bit bigger in size. So I think it would be the best thing we can do is just focus on that. If something very small showed up, maybe we'd take a look at it. But right now if something smaller showed up today, I wouldn't look at it. I would rather just focus on Hudson United and get that done correctly.



**Ryan Kelley - *FBR Analyst***

Okay, great. Thank you.

**Operator**

Tony Davis with Ryan Beck.

**Tony Davis - Ryan Beck Analyst**

Just a few things that haven't been touched on. As I recall, roughly 17, 18% of the deposit base at Hudson United is public funds, municipality state funds. I guess the question is, what assumption did you make about attrition?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

We thought we'd keep those state funds. I think it is about 1.6 billion or maybe a little over 1 billion, Tony, because we have a great banking unit that handles all the communities up in New England. So we think some of the expertise we have there will be helpful as we move forward. And we've always found that community banks like Hudson United can have great success with doing municipal finance and also municipal deposits, because they give the customer service that the bigger banks don't give. So in talking to the people at Hudson United, we think there is a good fit there, and we think working together with them that that is a keeper. And I don't see that money rolling off.

But let me ask Steve Boyle who is even closer to it if he would want to make a comment on it.

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

The only thing I would add, Bill, is that's essentially priced at alternate cost of funds. So if there were any runoff there, which we don't think there will be, it wouldn't have any impact on the model.

**Tony Davis - Ryan Beck Analyst**

Okay. Bill, any more color beyond what you said already on the new hires, the branch rehabilitation? You're spending 17 million or so after tax here. I guess is it fair to say, as suggested earlier, the investment in facilities and people just has not been what you would have thought it would have been?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I don't want to. I think Ken has run a very good bank. I think when you run companies, you run them in a number of different ways. I think they've run their companies very profitably and very effectively. I think now going forth, Ken had put a plan in place to really grow this business substantially. And he could do that with a finite number of dollars because of the size of his company. One of the reasons I think he wanted to join us is we would put more money and make more money available to do it. I think he would have been very successful. He's a very bright guy, knows what he is doing. It would've taken him several years probably to get there. But I think part of a bigger company and us adding money to what he would already spend, we will get there quicker. I am hoping within two years that we will be able to complete really the growth in their branch average size to a level that probably would have taken him four or

five years.

So I think in talking to Ken, we're both on track, but we can just add more monies to it. If he could have added these monies in his size company, he certainly would've done it already. We are able to come in and do that. So I don't see this as a major chore. It is not a new plan. This is really Ken Neilson's plan that he has put in place. We are just going to take it to the next level a little bit quicker and a little bit sooner than he had anticipated. I think he saw that. We talked about it, and it made good sense for us to get together on that basis. So this isn't a big cleanup; this isn't a big change from plan. This is really just adding to it a little bit quicker than we normally could've done it.

**Tony Davis - Ryan Beck Analyst**

Finally, aside from C&D, they are in some businesses, project finance and other things like that. You're comfortable with the due diligence on the loan portfolio as well?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Yes, we think their lenders are very good. We think their lenders are very strong. They do a very good job. We are looking forward to working with their lending team. We see no issues there. In the specialty businesses they're in, we feel very comfortable with the exception as Peter said with that landfill land/gas business. But they seem to have hired very excellent people to run those businesses, and they look like they're ongoing businesses that will add fee income revenue to us over the next couple of years. So we did a lot of due diligence because we're always nervous about getting into different kinds of businesses that we are not used to seeing. But after the due diligence, we felt very comfortable with their people.

**Unidentified Company Representative**

I'll also add if I may that we had the ability to bring in some of TD's people to help us in those specialty areas. We've had a lot of expertise there. So we feel very comfortable with the level of due diligence that we did.

**Tony Davis - Ryan Beck Analyst**

Peter, could you follow that up with just you mentioned revenue opportunities, synergies in those seven perhaps, and new product introductions. Could you just talk a little bit about what those opportunities might be from the portfolio perspective?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

I think that the majority of the opportunities that we see are from the retail side, the retail franchise side. As Bill mentioned before, they have an average branch size of about \$30 million compared to our \$50 million. We believe that in this fast-growing, highly dense population market that together we can grow this franchise a lot faster, which is going to develop a lot more opportunities for fee income on the retail side, a lower cost of funds, bring in some of our cash management products that perhaps might help supplement some of the products that they have. So we believe it is going to be really the growth on the retail side—excuse me—home equity loan side. And those are the opportunities that we are really going to focus in on.



**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think, Tony, your point is a good one. We should be able to show you over the next two years that the average branch deposit size has grown from 30 million to a higher number. Wouldn't it be great if we can get it to 52 million, who knows? We also have specific things, niches that we do, small-business lending. Indirect auto is a good portfolio for us. Asset-based lending is something we do very well that John Fridlington feel strongly about that we could really increase in this new market area.

We also know in talking to Hudson United that they've been frustrated at having to participate out a number of their commercial loans, and probably not looking at larger loans to do because of their size. Now, obviously, we can step in there, and we will not have to have them participate loans out to other parties. We could take those loans on ourselves. So there's a number of those things that are classic, middle-market community banks doing things very well, wanting to do more, having to take risks to do it so you don't do it. And now we show up as a bigger bank being able to do that, and it isn't more risky. It is being part of a bigger company.

So those are just a few of the things that we are looking at that probably should increase the revenues not so much in 2006, because we won't convert their company till midyear. We won't have the full-year effect in 2006, but we are looking for a very good 2007 on that revenue side. And again, it is not us having to reinvent what we've done. This is just taking what we do well and moving it into new geography. And that is really the key for us, is to not have to do new things but do existing things that work well for us and just expand the geography.

Jim Ackor makes a good point. It is a very competitive market, but in the niches we are at, we have had great success in very competitive markets of Massachusetts and Connecticut. So we think we can take this to the next step in this new geography, too.

**Tony Davis - Ryan Beck Analyst**

Good deal. Thanks, Bill.

**Operator**

Kevin Timmons of C.L. King.

**Kevin Timmons - C.L. King Analyst**

This has already been touched on, but maybe I can be a little more explicit in my question and maybe get elicit some more response from you. Obviously, Metro New York is an area that you've expressed some interest in the past. This deal doesn't get you there. Does this deal, which will now basically give you a surround of New York City itself, make getting into New York ultimately more or less compelling for you? Would you assume that at some point you can just bypass it entirely, or do you feel you need to be there?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think, Kevin, you've noticed for a while this is exactly the strategy we did in Boston, if you remember. What we do is we hate to take big risks, and we've kind of gone around Boston, and now having gone around Boston, will fill in Boston when we can. I think our strategy is working perfectly; go around New York, which is exactly what you said we are doing, which we are. And then at a later date, I think it is even

more compelling probably to be in New York at some later date. But instead of having the first acquisition be a big major one with a big major New York City presence, now what we did is we've hedged our bet. We've gone around New York in a community bank that is similar to us. We will get this running right, and in future years I think we will you will see us then have the confidence to go into New York proper.

**Kevin Timmons - C.L. King Analyst**

Here's the trickier part of the question then. If one of the significant franchises in New York puts itself up for sale three months from now, five months from now, and you possibly lose that possibility forever, what do you guys do?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Well, it is certainly a possibility. I think there are a number of opportunities in the Metropolitan New York area. Probably what you've said is probably going to happen, Kevin. One of the people that would be a good fit for us will come available, and we won't be able to do anything. As I said, we would not be able to do anything for the rest of this year because we want to concentrate on getting HUBCO done. So, yes, we would probably miss that opportunity, and that is life and we don't get them all. But we certainly want to position ourselves so that we don't take big risks initially, get into the marketplace, understand it fully, and then feel confident to go into the greater New York area at a later date.

So yes, this strategy is conservative. It may force us to miss something that would be a good fit, but that is life. I would rather be conservative and miss something than take a risk and wind up doing the wrong thing.

**Kevin Timmons - C.L. King Analyst**

Two easier questions. The tax rate that was used in the when you show the number for the onetime charge, was that a 34, 35% number?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Let me ask Steve Boyle to give you that number.

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

Essentially, Kevin, I don't have the blended rate here, but it is our marginal rate on the tax deductible items. Most of the transaction costs are only partially deductible to us.

**Kevin Timmons - C.L. King Analyst**

Can you just give me the gross number then instead of the net number?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**



I ve got it right here. The gross number is 126.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Gross number is 126, Kevin.

**Kevin Timmons - C.L. King Analyst**

And finally, you mentioned a couple times that TDU was involved in at least aspects of the due diligence here. How deeply were they involved and how smoothly did that process go?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

They really weren't involved at all in the acquisition of the company. We did the negotiation. We took care of all of it. When we got to the due diligence part, we certainly wanted to use the expertise that was available to us. And that expertise, as we've always said, is in TD, particularly in the credit card piece where we don't know that business very well, and certainly in the risk management part, it was important to do that. But this was a TD Banknorth transaction all the way. We are the ones who orchestrated it. We are the ones who negotiated it. But we always will use TD's help where they have that expertise available to us. It has worked very smoothly with them. I think it has been a good transition working with them. But I have to tell you our interests are TD Banknorth, and that is what we're about. So we've even had some interesting discussions with TD along the way on things we've done, because we have to represent the TD Banknorth shareholder.

**Kevin Timmons - C.L. King Analyst**

Thanks, Bill.

**Operator**

Matthew Kelley with Moors & Cabot.

**Matthew Kelley - Moors & Cabot Analyst**

Just kind of looking at Hudson United, the types of rates that they've been paying have been some of the one of the higher rate payers in some of their markets, the bonus savings and some of the higher rate checking accounts. And just looking at some of their New Jersey players, that high-value checking account with at least 3% type handle on it, and some of these money market accounts have been very competitive. And just curious as to where you think you will have to be positioned during the transition stage over the next couple of quarters here to maintain the franchise that you're buying, and kind of where you think you are going to fall in that spectrum on the rate payer side?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think, and it is to my earlier point, Ken and his staff have done a good job now of a strategy that they have just implemented, and those high-rate products that they are offering now have been successful, I think. In talking to Ken,

he feels very good about them. So I think that strategy is a good one. I think what we will do is that strategy sounds very good to us. We will continue to look at it, but I think Ken is right in line with how we would look at it. What we will do is we will also offer specials. And if you follow our

company, and I know you do, Matt, we have this 7 to 7 open, on Thursday 7 to 7, and we have weekly specials on different accounts, and periodically have incentives on accounts.

So I think what we will do is we will supplement what good work has been done by Hudson United of late on the deposit side with some of these specials and some of the other incentive things that we will offer. So I think we are in tune with what they are doing. I think they are having success, and that is our plan to grow the marketshare that way, too.

**Matthew Kelley - Moors & Cabot Analyst**

Okay, and then what is the total deposit runoff that is assumed in the model?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

We don't have any significant runoff assumed in the model, Matt. If you look, just to amplify on Bill's point earlier, if you look at what historically has been paid, they are only paying about 1.10 on deposits right now, and that includes the public deposits that are at relatively high rate. So we think that they have a very kind of loyal following in their deposit base, that there is not going to be any significant runoff from what they have now, and that in fact with the new rates that they are just recently offering, they will probably be growing deposits at a higher rate than they have historically.

**Matthew Kelley - Moors & Cabot Analyst**

Okay, and then last question. In Peter's remarks earlier, did you comment on revenue enhancements that were baked in kind of in the out-years, or did I hear that wrong?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

Yes, we do anticipate some highly significant revenue enhancements in the out-years beginning in 2007, but really accelerating in 2008, as we are able to be successful with some of these retail investments that we're going to be making in 2006 and 2007. But it is not significant in the model numbers that we shared with you, because we think they are more in the out-years.

**Matthew Kelley - Moors & Cabot Analyst**

Okay. Then just to clarify on Kevin's question, should we use your marginal rate from a tax perspective, tax-rate perspective going forward, as we put these two companies together in the model?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

I think on the one times, you should be using a marginal rate. On the combined operations, if you assume that the landfill gas is non-core, you'd need to adjust for that. They are getting some very significant tax benefits. But we would probably carry over some of their benefits. They have a relatively low tax rate, lower than ours. So I would

probably adjust out the landfill and then use a blended rate between the two companies.

**Matthew Kelley - Moors & Cabot Analyst**

Are they going to be taking a charge to get out of the landfill gas business?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

We have no idea, and really, Matt, that is their call. It is their company, and we don't know what is going to happen there.

**Matthew Kelley - Moors & Cabot Analyst**

Have you written their recommendation?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

No, we don't. Again, it is not an expertise we have. So they will probably handle that on their earnings calls over the next couple of quarters on what's going to happen there.

**Matthew Kelley - Moors & Cabot Analyst**

Okay. All right, thank you.

**Operator**

Lana Chan with Harris Nesbitt.

**Lana Chan - Harris Nesbitt Analyst**

I had a question regards to the press release with TD's majority stake being diluted a little bit by this transaction; diluted to potential share repurchases by TD Banknorth to get the level back up to where it was before. So with the tangible common equity ratio of 5.1% pro forma, how much flexibility do you think you have with that?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I'll ask Peter to get into it, but you're right, I think TD's ownership goes from 55 to about 53% as a result of this transaction. And Peter, do you want to comment a little bit more on that too, on the capital ratios?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

Yes. What we have assumed, Lana, is that there would be approximately 8.5 million shares of stock repurchased by TD Banknorth near the closing date. That would bring TD's ownership back up to the 55%. As TD has indicated, and I'm sure they will talk about it in their call in a few moments, their desire is to at least maintain their current ownership of 55% and perhaps even increase that over time.

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

Just to clarify, the 5.1% is after our buyback, our assumed buybacks.

**Lana Chan - Harris Nesbitt Analyst**

Okay.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think the number before the buyback, Steve, was about 5.6?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

Yes.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

And the 5.1, as we said, Lana, is after the buyback.

**Lana Chan - Harris Nesbitt Analyst**

Okay, great. Thank you.

**Operator**

Chris Chouinard of Morgan Stanley.

**Chris Chouinard - Morgan Stanley Analyst**

Just one actually two quick questions. The first is on the deleveraging. I just wanted to make sure that the cost of the deleveraging is in this. How much of a drag do you expect from the smaller balance sheet in '06?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

Essentially we are planning on doing something similar to what we have done, where we would sell them the security portfolio and the related borrowings and then put on an interest rate swap. If we did it on an interest rate risk neutral basis, there would be no cost to that. If we did it to reduce their risk a little bit, which we think we'll do, it should only cost us about 3 million a year, and we think that that will probably be offset in purchase accounting.



**Chris Chouinard - *Morgan Stanley* Analyst**

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I see. So you're going to essentially just sort of engage in a swap, but something to sort of true-up their rate sensitivity. So something less than the notional amount of the position you're shrinking?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

It would be a shorter duration; probably similar notional amount, shorter duration.

**Chris Chouinard - Morgan Stanley Analyst**

Okay, and separately, just wanted to understand the Hudson United earnings in the '06 and '07 pro formas. And if 2006, and I'm probably missing something very obvious, but if 2006 earnings are 93 million and if that excludes the impact of the landfill gas projects, why does it go up so significantly in 2007 to 135 million?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

One is three-quarters of a year, and the other one is a full year.

**Chris Chouinard - Morgan Stanley Analyst**

Got it. Okay, fair enough. That's it for me. Thank you very much.

**Operator**

Bruce Harting with Lehman Brothers.

**Tom for Bruce Harting, Lehman Brothers**

Good morning, it's Tom. Bruce had actually stepped out for a second. Most of our questions have actually been answered, but we were interested to know, given that this is going to create significant branch expansion and footprint expansion for you, if you had any ideas now for new ways to leverage the broader retail structure, given that TD recently sold the Waterhouse division; if there were any other types of either investments or other fee-generating products and services you were looking to sell through the branch network?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

No, not at all, Tom, to be honest. I think this is just basic banking. It is competitive deposit products, spending a reasonable competitive amount in advertising them, creating incentives to the branch people to sell those products, and then making sure the facilities are clean and spruce and looking good, and making sure the hours are competitive. So as Jim had said earlier, Commerce Bank is probably a great example of what we're all to some degree following, and I think that is what we're going to do here. So I don't think there is any specialty new products that we can offer. I think it is just focusing on the people in the branches, supporting them in every way you can, and offering competitive products and very competitive advertising.

So I don't think it is doing anything different than we've done before, but let me ask Peter if he's got any other thoughts on it.

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

No, the only thing I might add, Bill, is that although they do have a small wealth management department and they do a little bit of investments in annuities and so forth, I think we can leverage our capacity to build that up through commercial and retail referrals through their branch systems.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

The referral piece is, obviously, a good potential for us as we've got very strong incentive referral programs. So time will tell how successful we will be with it, but it certainly looks like it has great potential.

**Tom for Bruce Harting, Lehman Brothers**

Okay, great. Thanks a lot, guys.

**Operator**

Jared Shaw with KBW.

**Jared Shaw - KBW Analyst**

Just a quick follow-up question to Lana's. So the buybacks, you're assuming that that doesn't happen until the first quarter of '06; is that right, right before closing?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Yes, right before closing first quarter '06.

**Jared Shaw - KBW Analyst**

And is there any preclusion that you cannot buy before then? Is that you have to wait for the shareholder vote?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

Well, there is a blackout period between the mailing of the proxy and the shareholder vote, as well as a period around the 10 days when they calculate the exchange ratio. So there is a blackout then. So whenever we mail out the proxies to the shareholder vote, we will be out of the market - have to be out of the market.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

There may be a week or two in there, but we don't want to cut it that close, Jared. So I think we'll just wait until right before the closing.

**Jared Shaw - KBW Analyst**

And in terms of TD falls under those same restrictions?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I don't know. I assume they do. We haven't asked TD. That's their scenario, and when they want to buy back shares is their decision. So I'm not really sure.

**Jared Shaw - KBW Analyst**

Okay. Thank you.

**Operator**

Jim Ackor with RBC Capital Markets.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Jim, we're giving you two questions today.

**Jim Ackor - RBC Capital Markets Analyst**

Sorry to take up so much time, but a quick follow-up housekeeping item. Maybe Steve can answer this one. In terms of the pro forma share count for you guys as well as for TD, once this deal is closed.

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

What's our pro forma share count after we close this deal?

**Jim Ackor - RBC Capital Markets Analyst**

Yes, and what is TD's ownership on a pro forma basis as well?

**Steve Boyle - TD Banknorth, Inc. EVP & CFO**

TD at close would be 53.5%, and then if you add in the buyback, they would be right back at 55%, or just a little bit over 55%.

**Peter Verrill - *TD Banknorth, Inc. Senior EVP & COO***

We're going to be issuing about correct me if I'm wrong, Steve about 62 million shares in this transaction; about 32.4 million shares to Hudson United shareholders, and another \$29.6 million to TD. So there's going to be an additional 62 million shares outstanding.

**Jim Ackor - RBC Capital Markets Analyst**

Then how much is the buyback, I'm sorry?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

About 8.5.

**Jim Ackor - RBC Capital Markets Analyst**

8.5 million?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

Yes.

**Jim Ackor - RBC Capital Markets Analyst**

And that's going to be conducted by Banknorth, not by TD?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

That is correct.

**Jim Ackor - RBC Capital Markets Analyst**

Okey-doke. That's all I need, thanks.

**Operator**

Heather Wolf of Merrill Lynch.

**Heather Wolf - Merrill Lynch Analyst**

Just a couple of follow-up questions. First, I'm assuming there is no change to the Banknorth dividend policy?



**William Ryan - *TD Banknorth, Inc. Chairman, President & CEO***

No, there isn't.

**Heather Wolf - Merrill Lynch Analyst**

Second question. Do you have any lockups or retention pools in place for Hudson United management?

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

Hudson United has a severance plan, and we have enhanced the severance plan somewhat to provide an opportunity to keep and retain their very qualified and good personnel. So we do have some overall retention plans in place.

**Heather Wolf - Merrill Lynch Analyst**

And just the last question, the retail investments that you're talking about, 7.5 and 10 million, I don't know if I am off base here, but it doesn't seem like that is going to take you very far across the breadth of this franchise.

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

That's after-tax, so it's about \$25 million pretax, and if needed we will continue to make those investments in subsequent years.

**Heather Wolf - Merrill Lynch Analyst**

And have you guys really looked at sort of the details of how you're going to spend that money, or is that just a rough idea right now?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think it's a rough idea, but we've looked at almost every one of their branches. So we have a pretty good idea of what is going on. Now there is additional costs that we will be putting in there, but they will be part of the normal Banknorth costs. There will be other things we will be doing that will incorporate normally in our company. Our advertising dollars will get re-looked at as to where we advertise. So I would say that those are new monies going in. But there is probably additional monies that I probably couldn't identify the dollar amount with you that will be gone their way that will be helpful, too.

But again, if we are underestimating this and it's stronger than that, we will add the additional dollars. But at this point with what Ken and his staff have done recently and the dollars they are putting in, these additional dollars at least today to us look pretty competitive.

**Peter Verrill - TD Banknorth, Inc. Senior EVP & COO**

I should also mention, too, that this \$25 million is the impact on the P&L. So that, for instance, if you make investments in the facilities, in the branches, that gets amortized, the cost of that gets amortized over a



long period of time, and it's only the amortization of that that we are talking about in that 7.5 to 10 million. So the actual dollars invested .

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

could be substantially higher.

**Heather Wolf - Merrill Lynch Analyst**

Got it. That's very helpful. Thank you.

**Operator**

Theodore Kovaleff with Sky Capital.

**Theodore Kovaleff - Sky Capital Analyst**

Bill, a very good move. I am pleased to see the footprint extending. I've got just a couple of follow-up questions, if I may. Are you expecting the gas project to be sold before or after consummation?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I really don't know. My sense in talking with Hudson United is they would like to sell it before we complete the transaction, but I have to tell you that is really their call. It is still their company. But my sense in talking with them is, like us, they have identified this as not a core business, and they would like to sell it. Whether they can do that or not before we complete the transaction, I don't really know. It is really up to them.

**Theodore Kovaleff - Sky Capital Analyst**

Okay. Then with regard to future acquisition strategy, clearly you had highlighted your interest in the New York metro area for a good 18 months or so, and this certainly is a major step in that direction. You have also now gotten quite an exposure in the Philadelphia metropolitan, Philadelphia area. Do you see further expansion down there, or is that sort of for the moment as far south and as far southwest, I guess we could describe it, as you are considering venturing?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

I think Philadelphia is probably as far south as we would like to venture. I think there are opportunities in that greater Philadelphia area in the future for us, and certainly many opportunities in the Metropolitan New York area in the future. So, Theodore, I agree with you; what you've just said is absolutely the way we are thinking about our company as we move in the future. What we will do now because of this transaction is take a lull in time and complete this transaction, and look at 2006 and 2007 as more productive years in terms of acquisition potentials.



**Theodore Kovaleff - Sky Capital Analyst**

Okay. Thanks very much.

**Operator**

Michael Spector of Mentor.

**Michael Spector - Mentor Analyst**

Congratulations. Just real quick, the estimates used (technical difficulty) exclude the gas profits?

**William Ryan - TD Banknorth, Inc. Chairman, President & CEO**

Yes, it does.

**Michael Spector - Mentor Analyst**

And what is the gas?