

CANADA TRUSTCO MORTGAGE COMPANY

A subsidiary of
[LOGO] The Toronto-Dominion Bank

**SPECIAL MEETING
OF
THE HOLDERS OF CAPITAL DEBENTURES**

NOTICE OF SPECIAL MEETING AND MANAGEMENT PROXY CIRCULAR

November 1, 2000

The Dealer-Manager:
[LOGO] TD Securities Inc.

CANADA TRUSTCO MORTGAGE COMPANY
12th Floor, Toronto Dominion Bank Tower,
Toronto-Dominion Centre
Toronto, Ontario
M5K 1A2

NOTICE OF SPECIAL MEETING
OF HOLDERS OF CAPITAL DEBENTURES

NOTICE IS HEREBY GIVEN that a special meeting (the “Special Meeting”) of holders (the “Capital Debentureholders”) of Capital Debentures (the “Capital Debentures”) of Canada Trustco Mortgage Company (the “Corporation”), issued and outstanding under a trust indenture (the “CT Trust Indenture”) between the Corporation and Montreal Trust Company of Canada dated as of March 12, 1993, as amended, will be held at Room A, 19th Floor, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, on December 4, 2000 at 10:00 a.m. (Toronto time), or as soon thereafter as the special meeting of the holders of the Non-Cumulative First Preference Shares, Series 5 of CT Financial Services Inc. is terminated, for the following purposes:

1. to consider and, if thought advisable, to pass, with or without variation, an extraordinary resolution (the “Extraordinary Resolution”) approving (i) the exchange of each \$1,000 principal amount of 10.05% Capital Debentures, Series 2 due August 4, 2014 (the “Series 2 Debentures”) of the Corporation for an identical principal amount of newly issued debentures (the “August 4, 2014 Debentures”) of The Toronto-Dominion Bank (the “Bank”) having substantially the same terms, in all material respects, as the Series 2 Debentures, at the option of the Bank and (ii) the exchange of each \$1,000 principal amount of 9.15% Capital Debentures, Series 3 due May 26, 2025 (the “Series 3 Debentures”) of the Corporation for an identical principal amount of newly issued debentures (the “May 26, 2025 Debentures”) of the Bank having substantially the same terms, in all material respects, as the Series 3 Debentures, at the option of the Bank; and
2. to consider such other matters including, without limitation, such amendments or variations as may properly come before the Special Meeting or any adjournment thereof.

The full text of the Extraordinary Resolution is set out as Schedule A to the accompanying Management Proxy Circular (the “Proxy Circular”). Please read the Proxy Circular for complete details.

If the Extraordinary Resolution is approved and the Bank delivers the transfer notices referred to in the Extraordinary Resolution, then each \$1,000 principal amount of Series 2 Debenture will be transferred and be deemed to be transferred to the Bank in exchange for an equal principal amount of August 4, 2014 Debentures and each \$1,000 principal amount of Series 3 Debenture will be transferred and be deemed to be transferred to the Bank in exchange for an equal principal amount of May 26, 2025 Debentures.

The Board of Directors of the Corporation has fixed the close of business on October 30, 2000 as the record date for the purpose of determining Capital Debentureholders entitled to receive notice of the Special Meeting, but the failure of any Capital Debentureholder to receive notice of the Special Meeting does not deprive such Capital Debentureholder of the right to vote at the Special Meeting. If a person has acquired Capital Debentures after the record date, that person is entitled to vote those debentures at the Special Meeting upon establishing debenture ownership and submitting a written request to the Secretary of the Corporation requesting the inclusion of his or her name on the list of holders of Capital Debentures maintained by the Corporation not later than five days before the date of the Special Meeting. Accidental error or omission in giving notice or accidental failure to deliver or mail notice to any Capital Debentureholder shall not invalidate any action or proceeding

founded thereon. An extraordinary resolution passed at a meeting of the Capital Debentureholders held in accordance with the provisions of the CT Trust Indenture shall, subject to the requirements contained therein, be binding upon all the Capital Debentureholders, whether present or absent from such meeting, and each and every Capital Debentureholder and the trustee under the CT Trust Indenture (subject to the provisions for its indemnity therein contained) shall be bound to give effect thereto accordingly.

By order of the board

(Signed) C. A. Montague
Executive Vice President, General Counsel and Secretary
12th Floor, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1A2

November 1, 2000

Capital Debentureholders who are unable to be present at the Special Meeting are requested to complete and return the enclosed form of proxy (printed on yellow paper) in the envelope provided for that purpose. If your Capital Debentures are held by a nominee, you should communicate with your investment dealer, bank, trust company or other nominee to obtain assistance with regard to completing a proxy for your debentures.

The Board of Directors has specified that proxies must be received by the Secretary of the Corporation or by the Toronto office of Montreal Trust Company of Canada before 5:00 p.m. (Toronto time) on the business day immediately prior to the Special Meeting or, if such meeting is adjourned, such time on the business day immediately prior to the date to which such meeting is adjourned at the following address, or may be deposited with the Chairman of the Special Meeting or with one of the scrutineers prior to the commencement thereof:

**Canada Trustco Mortgage Company
c/o Montreal Trust Company of Canada
Corporate Trust Services
100 University Avenue
12th Floor, South Tower
Toronto, Ontario
M5J 2Y1**

Facsimile: (416) 981-9777

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No person is authorized to give any information or to make any representation not contained in this Proxy Circular and, if given or made, such information or representation should not be relied upon as having been authorized. This Proxy Circular does not constitute an offer to sell, or a solicitation of an offer to acquire any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or proxy solicitation. No securities regulatory authority has passed on the merits of the Bank Debentures and any representation to the contrary is an offence. The Bank Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States of America or to U.S. persons.

GLOSSARY

The following glossary of terms used in this Proxy Circular, including the summary, is provided for ease of reference.

Acquisition means the acquisition by the Bank of 100% of the outstanding common shares of CTFSI pursuant to a take-over bid completed by the Bank in February, 2000.

August 4, 2014 Debentures means the bank subordinated indebtedness of the Bank evidenced by the 10.05% debentures due August 4, 2014 to be issued and certified under a twenty-fifth supplemental indenture to be made between the Bank and Montreal Trust and dated as of December 4, 2000.

Bank means The Toronto-Dominion Bank.

Bank Act means the *Bank Act* (Canada).

Bank Debentures means, collectively, the August 4, 2014 Debentures and the May 26, 2025 Debentures to be issued under the TD Trust Indenture. A reference to a series of Bank Debentures shall mean the August 4, 2014 Debentures or the May 26, 2025 Debentures, as applicable.

Bank Debentures Conversion Option means the right under the terms of the Bank Debentures of a series described under “Description of the August 4, 2014 Debentures - Conversion Option” or “Description of the May 26, 2025 Debentures - Conversion Option” to convert such Bank Debentures into New Bank Debentures.

Bank Debentures Exchange Option means the right under the terms of the Bank Debentures of a series described under “Description of the August 4, 2014 Debentures - Exchange Option” or “Description of the May 26, 2025 Debentures - Exchange Option” to exchange such Bank Debentures for deposit notes of the Bank.

bank subordinated indebtedness means subordinated indebtedness as defined in the *Bank Act*.

Board of Directors means the board of directors of the Corporation.

Business Day means a day which is not a Saturday, Sunday or statutory holiday within the meaning of the *Interpretation Act* (Canada) on which The Toronto Stock Exchange is open for trading.

CBRS means CBRS Inc., a rating agency which is a wholly-owned subsidiary of Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

CTFSI means CT Financial Services Inc.

CT Trust Indenture means the trust indenture dated as of March 12, 1993 and made between the Corporation and Montreal Trust, as trustee, as amended by supplemental indentures dated as of August 4, 1994 and May 25, 1995, pursuant to which the Series 2 Debentures and the Series 3 Debentures, respectively, were issued.

Capital Debentureholders means, collectively, the holders of Series 2 Debentures and Series 3 Debentures.

Capital Debentures means, collectively, the Series 2 Debentures and the Series 3 Debentures, issued and outstanding under the CT Trust Indenture. A reference to a series of Capital Debentures shall mean the Series 2 Debentures or the Series 3 Debentures, as applicable.

Corporation means Canada Trustco Mortgage Company.

DBRS means Dominion Bond Rating Service Limited, a Canadian-based rating agency.

Exchange Agreement means the exchange agreement between the Corporation and the Bank dated as of November 1, 2000, a copy of which is attached as Schedule B.

Exchanges means, collectively, the Series 2 Exchange and the Series 3 Exchange.

Extraordinary Resolution means the Extraordinary Resolution of the Capital Debentureholders in respect of the Exchanges and the Transfer Provisions.

Ineligible Person means any person whose address is in or whom the Bank or the Trustee has reason to believe is a resident of any jurisdiction outside of Canada to the extent that the issuance by the Bank to such person, pursuant to the Transaction, of Bank Debentures would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction.

May 26, 2025 Debentures means the bank subordinated indebtedness of the Bank evidenced by the 9.15% debentures due May 26, 2025 to be issued and certified under a twenty-sixth supplemental indenture to be made between the Bank and Montreal Trust and dated as of December 4, 2000.

Montreal Trust means Montreal Trust Company of Canada.

New Bank Debentures means bank subordinated indebtedness issued by the Bank described under “Description of August 4, 2014 Debentures - Conversion Option” or “Description of May 26, 2025 Debentures - Conversion Option” as applicable.

Proxy Circular means this management proxy circular of the Corporation prepared and sent to the Capital Debentureholders in connection with the Special Meeting, of which this glossary forms a part.

Series 2 Debentures means the 10.05% Capital Debentures, Series 2 of the Corporation.

Series 2 Exchange means the exchange of each \$1,000 principal amount of Series 2 Debentures for an identical principal amount of newly issued August 4, 2014 Debentures.

Series 2 Holders means the holders of Series 2 Debentures.

Series 2 Transfer Notice means the notice to be delivered by the Bank, at its option, pursuant to the Series 2 Transfer Provisions following their approval by the Extraordinary Resolution, thereby triggering the acquisition by the Bank of 100% of the outstanding principal amount of the Series 2 Debentures in exchange for the issuance of the August 4, 2014 Debentures.

Series 2 Transfer Provisions means the procedures to be approved by the Extraordinary Resolution to enable the Bank to acquire 100% of the outstanding principal amount of the Series 2 Debentures upon delivery of the Series 2 Transfer Notice in exchange for the issuance of the August 4, 2014 Debentures.

Series 3 Debentures means the 9.15% Capital Debentures, Series 3 of the Corporation.

Series 3 Exchange means the exchange of each \$1,000 principal amount of Series 3 Debentures for an identical principal amount of newly issued May 26, 2025 Debentures.

Series 3 Holders means the holders of Series 3 Debentures.

Series 3 Transfer Notice means the notice to be delivered by the Bank, at its option, pursuant to the Series 3 Transfer Provisions following their approval by the Extraordinary Resolution, thereby triggering the acquisition by the Bank of 100% of the outstanding principal amount of the Series 3 Debentures in exchange for the issuance of the May 26, 2025 Debentures.

Series 3 Transfer Provisions means the procedures to be approved by the Extraordinary Resolution to enable the Bank to acquire 100% of the outstanding principal amount of the Series 3 Debentures upon delivery of the Series 3 Transfer Notice in exchange for the issuance of the May 26, 2025 Debentures.

Special Meeting means the special meeting of the Capital Debentureholders called to consider the Extraordinary Resolution.

Superintendent means the Superintendent of Financial Institutions (Canada).

TD Trust Indenture means a trust indenture dated as of May 2, 1967 between the Bank and Canada Permanent Trust Company (now Montreal Trust Company of Canada) as trustee, and present and future indentures supplemental thereto, including a twenty-fifth and a twenty-sixth supplemental indenture both to be executed by the Bank and the TD Trustee and both to be dated as of December 4, 2000, pursuant to which the August 4, 2014 Debentures and the May 26, 2025 Debentures, respectively, will be issued.

TD Trustee means Montreal Trust or any successor trustee under the TD Trust Indenture.

Tax Act means the *Income Tax Act* (Canada), as amended.

Termination Time means the time at which the Transfer Provisions cease to be of any force and effect, being 5:00 p.m. (Toronto time) on the 15th Business Day following the approval of the Extraordinary Resolution.

Transaction means the delivery of the Transfer Notices in accordance with the terms of the Exchange Agreement.

Transfer Price means, in respect of each \$1,000 principal amount of Series 2 Debentures, \$1,000 principal amount of August 4, 2014 Debentures and, in respect of each \$1,000 principal amount of Series 3 Debentures, \$1,000 principal amount of May 26, 2025 Debentures, except in the case of Ineligible Persons, in which case, the Transfer Price shall be a pro rata entitlement to the net cash amount, if any, after deducting all applicable withholding taxes and all costs and expenses thereof, realized by the Trustee from secondary market sales of the August 4, 2014 Debentures in the case of Series 2 Debentures, and the May 26, 2025 Debentures in the case of Series 3 Debentures, otherwise issuable to such persons.

Transfer Date means the date on which the Transfer Notices are delivered.

Transfer Notices means, collectively, the Series 2 Transfer Notice and the Series 3 Transfer Notice.

Transfer Provisions means, collectively, the Series 2 Transfer Provisions and the Series 3 Transfer Provisions.

Transfer Time means the time on the Transfer Date at which the Transfer Notices are delivered.

Trustee means Montreal Trust or any successor trustee under the CT Trust Indenture.

Forward Looking Information

This Proxy Circular, or materials incorporated by reference in this Proxy Circular, may contain forward looking statements, including statements regarding the business and anticipated financial performance of the Bank. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Bank operates.

SUMMARY

The following is a summary of, and is qualified in its entirety by, the more detailed information appearing or referred to or incorporated by reference elsewhere in this Proxy Circular including the Schedules hereto. This summary is provided for convenience of reference only and should be read in conjunction with the body of this Proxy Circular, including the Schedules hereto. Certain capitalized words and terms used in this summary are defined in the Glossary.

Date, Time and Place of Special Meeting

The Special Meeting will be held at Room A, 19th Floor, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario on December 4, 2000 at 10:00 a.m. (Toronto time), or as soon thereafter as the special meeting of the holders of the Non-Cumulative First Preference Shares, Series 5 of CT Financial Services Inc. is terminated.

Record Date

The Record Date for the determination of Capital Debentureholders entitled to notice of and to vote at the Special Meeting is the close of business on October 30, 2000.

Purpose of the Special Meeting

The purpose of the Special Meeting is to consider and, if thought advisable, to pass the Extraordinary Resolution approving the Exchanges and the Transfer Provisions.

The Transaction

Implementation of the Series 2 Exchange will permit the Bank, upon timely delivery of the Series 2 Transfer Notice, to acquire all, but not less than all, of the outstanding principal amount of Series 2 Debentures for consideration consisting of \$1,000 principal amount of August 4, 2014 Debentures in respect of each \$1,000 principal amount of Series 2 Debentures. Implementation of the Series 3 Exchange will permit the Bank, upon timely delivery of the Series 3 Transfer Notice, to acquire all, but not less than all, of the outstanding principal amount of Series 3 Debentures for consideration consisting of \$1,000 principal amount of May 26, 2025 Debentures in respect of each \$1,000 principal amount of Series 3 Debentures. The terms of the August 4, 2014 Debentures will be substantially the same, in all material respects, as the terms of the Series 2 Debentures and the terms of the May 26, 2025 Debentures will be substantially the same, in all material respects, as the terms of the Series 3 Debentures.

Background to the Transaction

The Bank has, pursuant to a take-over bid, acquired all of the outstanding common shares of CTFSI for a price of \$67 per share. As part of its ongoing efforts to streamline the governance and capital structure of the CTFSI group of companies, the Bank entered into discussions with the Corporation and has proposed the Transaction.

The Series 2 Debentures and the Series 3 Debentures constitute Tier 2 capital of the Bank for *Bank Act* regulatory purposes. Since the Bank now indirectly owns all of the outstanding equity securities of the Corporation, the Bank believes that it will be more efficient, on a consolidated basis, for holders of Capital Debentures to hold their interest in the consolidated group through Bank Debentures having terms substantially the same, in all material respects, as the Capital Debentures. If the Extraordinary Resolution is approved, the Transfer Notices are delivered in accordance with the Exchange Agreement between the Bank and the Corporation, and the Bank thereby acquires all of the outstanding Capital Debentures, the Bank intends to make an application to the appropriate Canadian securities regulatory authorities for orders deeming the Corporation to have ceased to be a reporting issuer for Canadian securities regulatory purposes.

Recommendation of the Board of Directors

The Board of Directors has unanimously determined, based on the considerations noted in this Proxy Circular, that the terms of the Transaction are in the best interests of the Corporation and are fair to the Capital Debentureholders and unanimously recommends that the Capital Debentureholders vote in favour of the Extraordinary Resolution. All of the Directors of the Corporation have advised that they intend to vote all Capital Debentures held by them in favour of the Extraordinary Resolution.

Key Approvals

In order for the Exchanges to be implemented, the Extraordinary Resolution must receive the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast by the Capital Debentureholders.

An extraordinary resolution passed at a meeting of the Capital Debentureholders held in accordance with the provisions of the CT Trust Indenture shall, subject to the requirements contained therein, be binding upon all the Capital Debentureholders, whether present or absent from such meeting, and each and every Capital Debentureholder and the trustee under the CT Trust Indenture (subject to the provisions for its indemnity therein contained) shall be bound to give effect thereto accordingly.

In addition to obtaining the approval of Capital Debentureholders, it is a condition precedent to the completion of the Transaction that certain regulatory approvals be obtained. See "The Transaction - Key Approvals".

Transaction Steps

The Bank and the Corporation have entered into an Exchange Agreement dated as of November 1, 2000 containing certain representations, warranties and covenants. The Exchange Agreement also provides for certain conditions to implementation of the Transaction. See "The Transaction - Exchange Agreement."

The Transfer Provisions provide that the Bank may deliver the relevant Transfer Notice to the Trustee at any time prior to the Termination Time, being 5:00 p.m. (Toronto Time) on the date that is not later than 15 Business Days following the approval of the Extraordinary Resolution. If the Bank fails to deliver the Transfer Notices prior to the Termination Time, the Transfer Provisions will cease to be of any further force and effect and the Bank will not thereafter be able to acquire the Capital Debentures of the relevant series pursuant to the Transfer Provisions.

Upon the Series 2 Transfer Notice being delivered on a timely basis by the Bank to the Trustee, each \$1,000 principal amount of Series 2 Debentures shall be transferred and be deemed to be transferred to the Bank and each holder of Series 2 Debentures shall have the right to receive \$1,000 principal amount of August 4, 2014 Debentures for each \$1,000 principal amount of Series 2 Debentures so transferred.

Upon the Series 3 Transfer Notice being delivered on a timely basis by the Bank to the Trustee, each \$1,000 principal amount of Series 3 Debentures shall be transferred and be deemed to be transferred to the Bank and each holder of Series 3 Debentures shall have the right to receive \$1,000 principal amount of May 26, 2025 Debentures for each \$1,000 principal amount of Series 3 Debentures so transferred. See "The Transaction-Transaction Steps".

Procedures for Payment

Enclosed with this Proxy Circular are two Letters of Transmittal. The orange Letter of Transmittal is for use by Series 2 Holders and the green Letter of Transmittal is for use by Series 3 Holders. If the Extraordinary Resolution is approved at the Special Meeting and the Transfer Notices are subsequently delivered by the Bank prior to the Termination Time, the appropriate Letter of Transmittal, when duly completed and returned by a Capital Debentureholder to the Trustee together with instruments evidencing the Series 2 Debentures or Series 3 Debentures, as the case may be, held by it will enable such Capital Debentureholder to receive instruments evidencing August 4, 2014 Debentures or May 26, 2025 Debentures, as the case may be.

Ineligible Persons shall not be entitled to receive Bank Debentures in exchange for Capital Debentures pursuant to the Transaction. Instead, the Bank shall deliver all Bank Debentures otherwise issuable to Ineligible Persons to the Trustee who shall, as agent acting through TD Securities Inc. for such Ineligible Persons, attempt to sell such Bank Debentures on the secondary market at such prices and at such times as the Trustee may, in its sole discretion, determine. There is no assurance that such sales, if attempted, will be made or that such sales will be made at any particular price. Neither the Trustee, the Bank, the Corporation, nor any of their respective directors, officers, shareholders, employees or agents shall in any way be liable or responsible for any failure to sell such Bank Debentures on behalf of any Ineligible Person or at any particular price on any particular day. The Trustee will arrange for the net proceeds, if any, of any such sales, after deducting all applicable withholding taxes and all costs and expenses thereof, to be paid to Ineligible Persons, who have signed and submitted a Letter of Transmittal or on whose behalf a Letter of Transmittal has been signed and submitted, pro rata in accordance with their respective entitlements.

Certain Canadian Federal Income Tax Considerations

Generally, on the exchange of Capital Debentures of a series for Bank Debentures of a series, a Capital Debentureholder who is resident in Canada and holds Capital Debentures as capital property will be deemed to have received any accrued and unpaid interest on such Capital Debentures, and will also realize a capital gain (or capital loss) to the extent that the fair market value of the Bank Debentures received in exchange for such Capital Debentures, net of any accrued and unpaid interest on such Capital Debentures, exceeds (or is exceeded by) the aggregate of the adjusted cost base of such Capital Debentures to the Capital Debentureholder immediately before the exchange and any reasonable costs of disposition. A Capital Debentureholder generally will not have to include in computing income any amount that is stipulated to be interest on the Bank Debentures in respect of a period before the Transfer Date. See “Canadian Federal Income Tax Considerations”.

Canada Trustco Mortgage Company

The Corporation is registered and carries on business subject to the provisions and regulations of the *Trust and Loan Companies Act* (Canada). The Corporation’s history dates back to one of Canada’s first mortgage companies, incorporated in 1855. See “The Corporation”.

The Bank

The Bank is a chartered bank subject to the provisions of the *Bank Act*. As of July 31, 2000, the Bank was the second largest chartered bank in Canada in terms of total assets. Certain information regarding the Bank is incorporated by reference herein. See “Information Concerning the Bank”.

MANAGEMENT PROXY CIRCULAR

This Proxy Circular is furnished in connection with the solicitation of proxies from Capital Debentureholders by and on behalf of the management of the Corporation and the Board of Directors. The accompanying form of proxy is for use at the Special Meeting for the purposes set forth in the accompanying Notice of Special Meeting of Capital Debentureholders or any adjournments thereof. It is anticipated that, on or about November 1, 2000, this Proxy Circular and the accompanying form of proxy will be mailed to Capital Debentureholders entitled to receive notice of the Special Meeting. Unless otherwise stated, information contained in this Proxy Circular is given as at November 1, 2000. The registered office of the Corporation is located at 275 Dundas Street, London, Ontario.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Proxy Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation and the Board of Directors for use at the Special Meeting to be held on December 4, 2000 and at any adjournment thereof. The solicitation of proxies will be primarily by mail and may also be by telephone, facsimile and electronic mail. Certain directors of the Corporation may also solicit proxies by telephone or in person, and TD Securities Inc. has been engaged to solicit proxies from Capital Debentureholders by mail, by telephone, by facsimile, by electronic mail or in person, in each case, other than in the United States or in respect of United States persons as defined under applicable United States securities legislation. TD Securities Inc. will receive a set fee payable upon receipt of affirmative votes in favour of the Extraordinary Resolution, plus out of pocket expenses. All costs of solicitation will be borne by the Bank. Accompanying this Proxy Circular is a form of proxy and Letters of Transmittal that have been colour coded for use by Capital Debentureholders entitled to vote at the Special Meeting, as follows:

<u>Class of Security</u>	<u>Colour of Proxy</u>	<u>Colour of Letter of Transmittal</u>
<i>Series 2 Debentures</i>	Yellow	Orange
<i>Series 3 Debentures</i>	Yellow	Green

Appointment of Proxies

Registered Capital Debentureholders: Registered Capital Debentureholders will find a form of proxy prepared by management enclosed with this Proxy Circular. The persons named in the enclosed form of proxy are directors and/or officers and/or authorized signatories of the Corporation. **A registered Capital Debentureholder may appoint some other person as a representative at the Special Meeting by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Corporation.** Proxies must be delivered to the Secretary of the Corporation or to the Toronto office of Montreal Trust no later than 5:00 p.m. (Toronto time) on the Business Day immediately prior to the Special Meeting or, if such meeting is adjourned, such time on the Business Day immediately prior to the date to which such meeting is adjourned. Proxies may also be deposited with the Chairman of the Special Meeting or with one of the scrutineers prior to the commencement thereof.

Non-registered Capital Debentureholders: Only registered Capital Debentureholders of the Corporation or the persons they appoint as their proxies are permitted to attend and vote at the Special Meeting. However, in many cases, Capital Debentures beneficially owned by a holder (a "Non-registered Capital Debentureholder") are registered in the name of an intermediary (an "Intermediary") that the Non-registered Capital Debentureholder deals with in respect of the Capital Debentures, such as a brokerage firm or a trustee. Intermediaries are required to forward meeting materials to Non-registered Capital Debentureholders unless a Non-registered Capital Debentureholder has waived the right to receive them. Generally, Non-registered Capital Debentureholders of the Corporation will receive from their Intermediary a voting instruction form which must be completed, signed and

returned by the Non-registered Capital Debentureholder in accordance with the directions on the voting instruction form. The persons named in the enclosed voting instruction form are directors and/or officers and/or authorized signatories of the Corporation.

Should a Non-registered Capital Debentureholder wish to attend and vote at the Special Meeting in person (or have another person attend and vote on behalf of the Non-registered Capital Debentureholder), the Non-registered Capital Debentureholder should appoint himself or herself (or such other person) as proxy by following the instructions on the voting instruction form. Non-registered Capital Debentureholders should carefully follow the instructions of their Intermediaries.

Revocation of Proxies

A registered Capital Debentureholder who has given a proxy may revoke it by signing a written notice of revocation. To be effective, evidence of revocation must be received by the Secretary of the Corporation or by the Toronto office of Montreal Trust at any time prior to 5:00 p.m. (Toronto time) on the Business Day immediately prior to the Special Meeting or, if such meeting is adjourned, such time on the Business Day immediately prior to the date to which such meeting is adjourned, or by the Chairman of the Special Meeting or by one of the scrutineers prior to the commencement of the meeting. A Non-registered Capital Debentureholder may revoke a voting instruction form given to an Intermediary at any time by written notice to that Intermediary, except that the Intermediary is not required to act on a revocation of a voting instruction that is not received by the Intermediary at least four days prior to the Special Meeting.

Exercise of Discretion of Proxies

The persons named in the enclosed form of proxy will vote, or withhold from voting, the Capital Debentures in respect of which they are appointed in accordance with the direction of the Capital Debentureholders appointing them. **In the absence of any direction to the contrary, the persons named in the enclosed form of proxy will vote IN FAVOUR of the Extraordinary Resolution.** The enclosed form of proxy confers discretionary authority upon the persons named therein, with respect to amendments or variations to matters identified in the Notice of Special Meeting and to other matters that may properly come before the Special Meeting. At the time of printing this Proxy Circular, management knows of no such amendments, variations or other matters to come before the Special Meeting other than those referred to in the Notice of Special Meeting. However, if any other matters which are not now known to management should properly come before the Special Meeting, the persons named in the enclosed form of proxy will vote on such matters using their best judgment.

Capital Debentures and Principal Holders Thereof

A total of \$150 million principal amount of Series 2 Debentures and \$200 million principal amount of Series 3 Debentures are outstanding.

Capital Debentureholders present in person or represented by proxy representing not less than 25% in principal amount of the outstanding Capital Debentures are necessary to provide a quorum at the Special Meeting. The affirmative vote required to pass the Extraordinary Resolution is at least 66 $\frac{2}{3}$ % of the votes cast by the Capital Debentureholders. Capital Debentureholders are entitled to one vote for each \$1,000 principal amount of Capital Debentures held in respect of each matter to be voted on at the Special Meeting.

Record Date

The Board of Directors has fixed October 30, 2000, at the close of business, as the record date (the "Record Date") for the purpose of determining Capital Debentureholders entitled to receive notice of the Special Meeting.

The failure of any Capital Debentureholder to receive notice of the Special Meeting does not deprive such Capital Debentureholder of the right to vote at the Special Meeting. If a person has acquired Capital Debentures

after the Record Date, that person is entitled to vote those Capital Debentures at the Special Meeting if that person produces not later than five days before the date of the Special Meeting proper instruments evidencing the Capital Debentures or otherwise establishes ownership of the Capital Debentures and has submitted a written request to the Secretary of the Corporation requesting the inclusion of his or her name on the list of holders of Capital Debentures maintained by the Corporation not later than five days before the date of the Special Meeting.

CANADA TRUSTCO MORTGAGE COMPANY

The Corporation is a loan company governed by the *Trust and Loan Companies Act* (Canada). The Corporation's history dates back to one of Canada's first mortgage companies, incorporated in 1855. The Corporation's registered office is at 275 Dundas Street, London, Ontario.

The principal business of the Corporation is the provision, either directly or through its subsidiaries, of a broad range of financial intermediary services and certain asset management services. Financial intermediary services involve taking in deposits and other borrowings and investing these funds in various income producing assets, primarily mortgages and loans. As well, financial intermediary services involve providing services to customers for a fee. Asset management services include the administration of personal and pension trust assets and group retirement savings plans. The Corporation is also involved in real estate investment which includes the acquisition and development of real estate. The Corporation, either directly or through its subsidiaries, also offers varied trust services for individuals, including wills, estates and trust planning services.

The Corporation's largest operating subsidiary is The Canada Trust Company.

THE TRANSACTION

Background to and Reasons for the Transaction

The Bank has, pursuant to the Acquisition, acquired 100% of the outstanding common shares of CTFSI, which owns 100% of the outstanding common shares of the Corporation. The only publicly held securities of the Corporation are the Series 2 Debentures, the Series 3 Debentures, and \$150 million Non-Cumulative Redeemable Third Preference Shares, Series 1. As part of its ongoing plan to streamline the governance and capital structure of the CTFSI group of companies, the Bank has proposed the Transaction to have Capital Debentureholders exchange their Capital Debentures for August 4, 2014 Debentures, in the case of the Series 2 Debentures, and May 26, 2025 Debentures, in the case of the Series 3 Debentures.

The Bank believes that the ongoing costs of public company reporting requirements in respect of the Corporation following completion of its take-over bid in respect of CT Financial Services Inc. are unduly burdensome in light of the ability of the Bank to provide Capital Debentureholders with an investment in the Bank that is equivalent in terms of interest rate and credit to their current investment in the Corporation. The Transaction, if approved and implemented, will result in Capital Debentureholders receiving Bank Debentures which have substantially the same terms, in all material respects, as the Capital Debentures. See "Information Concerning the Bank - Description of the August 4, 2014 Debentures" and "Information Concerning the Bank - Description of the May 26, 2025 Debentures".

Following implementation of the Transaction and the redemption of the said Third Preference Shares, Series 1, the Corporation proposes to make an application with the appropriate Canadian securities regulatory authorities for orders deeming the Corporation to have ceased to be a reporting issuer.

Details of the Transaction

If the Extraordinary Resolution is approved and the other conditions referred to in the Exchange Agreement are satisfied, the Transfer Provisions will be implemented. The substance of the Series 2 Transfer Provisions and the Series 3 Transfer Provisions are set forth in Exhibit 1 and Exhibit 2 to Schedule A, respectively. Prior to implementing the Transfer Provisions, each of the Bank and the Corporation will deliver a certificate to the other certifying that the conditions in the Exchange Agreement to be satisfied have been satisfied and that the representation, warranties and covenants of each as set forth therein continue to be accurate and have been complied with.

Following the approval of the Extraordinary Resolution, the Bank will have until the Termination Time, being 5:00 p.m. (Toronto time) on the 15th Business Day following the approval, to deliver to the Trustee the Series 2 Transfer Notice and the Series 3 Transfer Notice. In the event that the Bank fails to deliver the Transfer Notices prior to the Termination Time, the Transfer Provisions shall cease to be of any further force and effect with the result that the Bank may not, following the Termination Time, acquire the outstanding Series 2 Debentures or Series 3 Debentures, as the case may be, pursuant to the Transfer Provisions.

Upon delivery of the Series 2 Transfer Notice by the Bank to the Trustee prior to the Termination Time, each \$1,000 principal amount of Series 2 Debentures (including those held by Ineligible Persons) will be transferred and be deemed to be transferred to the Bank in exchange for \$1,000 principal amount of newly issued August 4, 2014 Debentures (except in the case of Ineligible Persons) having terms substantially the same, in all material respects, as the Series 2 Debentures. Upon delivery of the Series 3 Transfer Notice by the Bank to the Trustee prior to the Termination Time, each \$1,000 principal amount of Series 3 Debentures (including those held by Ineligible Persons) will be transferred and be deemed to be transferred to the Bank in exchange for \$1,000 principal amount of newly issued May 26, 2025 Debentures (except in the case of Ineligible Persons) having terms substantially the same, in all material respects, as the Series 3 Debentures. Ineligible Persons shall receive payment as set forth under “The Transaction – Procedures for Payment of Transfer Price”.

On or prior to the Transfer Date, the Bank shall arrange for the issuance of that principal amount of Bank Debentures agreed to be issued to holders of Capital Debentures. On and after the Transfer Time, any Bank Debentures of the relevant series agreed to be issued shall be held by the Trustee as agent for the holders of the Capital Debentures of the relevant series and receipt of such Bank Debentures by the Trustee shall be deemed to constitute receipt of payment of the Transfer Price by the holders of the Capital Debentures for all of the Capital Debentures transferred to the Bank. If the Termination Time occurs prior to the Transfer Time, no Bank Debentures shall be issued.

The Trustee shall, in the case of Ineligible Persons, attempt to sell all or part of the Bank Debentures otherwise issuable to such persons as set forth under “The Transaction - Procedures for Payment of Transfer Price”.

The holders of the Capital Debentures (other than Ineligible Persons) transferred to the Bank shall be entitled to receive from the Trustee the Transfer Price, without interest, for each \$1,000 principal amount of Capital Debentures so transferred: (i) on presentation and surrender of the instrument or instruments evidencing the Capital Debentures held by such holder (or, in respect of any such instrument or instruments which have been lost, destroyed or wrongfully taken, an indemnity bond together with an affidavit confirming ownership, each in a form satisfactory to the Bank, acting reasonably) or any other evidence of ownership with respect to the Capital Debentures which is satisfactory to the Bank, acting reasonably; and (ii) on presentation of a fully completed and duly executed Letter of Transmittal in a form acceptable to the Bank and the Trustee, acting reasonably. See “The Transaction - Procedures For Payment of Transfer Price”.

Effective as of the Transfer Time, each holder of Capital Debentures shall cease to be a holder of such Capital Debentures and shall not be entitled to exercise any of the rights of a holder of Capital Debentures in respect of such Capital Debentures other than the right to receive the Transfer Price for the Capital Debentures of the relevant series.

Procedures For Payment of Transfer Price

Enclosed with the Proxy Circular are two Letters of Transmittal. If the Extraordinary Resolution is approved at the Special Meeting and the Transaction is subsequently implemented, the appropriate Letter of Transmittal, when duly completed and returned by a Capital Debentureholder of the relevant series (other than Ineligible Persons) together with the instrument or instruments evidencing the Capital Debentures of the relevant series, will enable such Capital Debentureholder to receive the Bank Debentures constituting the Transfer Price. Series 2 Holders must use the orange Letter of Transmittal and Series 3 Holders must use the green Letter of Transmittal.

Registered Capital Debentureholders: Registered Capital Debentureholders are encouraged to deliver the duly completed Letter of Transmittal together with the instrument(s) evidencing the Capital Debentures by registered mail to the Trustee. If the Transaction is implemented, the Transfer Price will be: (i) forwarded to the holder at the address specified in the Letter of Transmittal by insured first class mail; or (ii) made available at the Toronto office of the Trustee for pickup by the holder, if requested by the holder in the Letter of Transmittal. Any use of the mail to transmit instrument(s) evidencing the Capital Debentures and related Letters of Transmittal is at the risk of the Capital Debentureholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

Non-registered Capital Debentureholders: Non-registered Capital Debentureholders are encouraged to contact the broker, investment dealer, trust company or other nominee who is the Intermediary with whom the Non-registered Capital Debentureholder deals in respect of the Capital Debentures to arrange for delivery of a properly completed Letter of Transmittal in respect of the Non-registered Capital Debentureholders' Capital Debentures.

If the Transaction is not completed, all instruments evidencing Capital Debentures transmitted with a related Letter of Transmittal will be returned to Capital Debentureholders as soon as practicable.

Where any instrument for Capital Debentures has been destroyed, lost or mislaid, the registered holder of the Capital Debentures represented by such instrument should immediately contact the Trustee regarding the issuance of a replacement instrument. Upon presentation and surrender of an indemnity bond together with an affidavit confirming ownership, each in a form satisfactory to the Bank, acting reasonably, a replacement instrument evidencing the Capital Debentures shall be issued to the holder.

Ineligible Persons shall not be entitled to receive Bank Debentures in exchange for Capital Debentures pursuant to the Transaction. Instead, the Bank shall deliver all Bank Debentures otherwise issuable to Ineligible Persons to the Trustee who shall, as agent acting through TD Securities Inc. for such Ineligible Persons, attempt to sell such Bank Debentures on the secondary market at such prices and at such times as the Trustee may, in its sole discretion, determine. There is no assurance that such sales, if attempted, will be made or that such sales will be made at any particular price. Neither the Trustee, the Bank, the Corporation, nor any of their respective directors, officers, shareholders, employees or agents shall in any way be liable or responsible for any failure to sell such Bank Debentures on behalf of any Ineligible Person or at any particular price on any particular day. The Trustee will arrange for the net proceeds, if any, of any such sales, after deducting all applicable withholding taxes and all costs and expenses thereof, to be paid to Ineligible Persons, who have signed and submitted a Letter of Transmittal or on whose behalf a Letter of Transmittal has been signed and submitted, pro rata in accordance with their respective entitlements.

The Exchange Agreement

General

The Exchange Agreement sets forth the terms and conditions on which the Corporation and the Bank have agreed that the Transaction will be implemented. Certain terms of the Exchange Agreement are summarized below. The summary set forth below is qualified in its entirety by the text of the Exchange Agreement, which is attached as Schedule B to this Proxy Circular.

Conditions

Completion of the Transaction, as contemplated by the Exchange Agreement, is subject to fulfilment of the following conditions, which may not be waived:

- (a) the Extraordinary Resolution shall be approved at the Special Meeting by the affirmative vote of not less than 66% of the votes cast by the Capital Debentureholders;
- (b) all necessary regulatory approvals and other consents shall be received, all on terms satisfactory to the Bank;
- (c) (A) no action, suit or proceeding shall have been initiated or taken before or by any domestic court, tribunal, government agency, other regulatory authority or administrative agency or commission or by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity) in Canada; and (B) no law, regulation or policy shall exist or have been enacted or promulgated or applied, in either case, to cease trade, enjoin, prohibit or impose material limitations or conditions on: (i) the right of the Bank to acquire, own or exercise full rights of ownership of all of the Capital Debentures; or (ii) any of the transactions contemplated in the Exchange Agreement; provided, however, that in the case of any act, action, suit or proceeding taken by a private person, such act, action, suit or proceeding shall have been resolved in favour of such private person as evidenced by a court order, ruling or decision by any domestic court or tribunal or government agency or other regulatory authority or administrative agency or commission in Canada having jurisdiction in respect of the Bank, the Corporation or the Transaction;
- (d) the Bank Debentures shall have been duly authorized for issuance by the Bank and shall be freely tradeable debentures in the hands of Capital Debentureholders, subject to typical restrictions under the applicable securities legislation of each province and territory of Canada and *Bank Act* restrictions;
- (e) the August 4, 2014 Debentures shall have received ratings no less favourable than AA and A(high), respectively, from CBRS and DBRS, which ratings shall not have been withdrawn or downgraded as of the time that the Series 2 Transfer Notice is filed; and
- (f) the May 26, 2025 Debentures shall have received ratings no less favourable than AA- and A(high), respectively, from CBRS and DBRS, which ratings shall not have been withdrawn or downgraded as of the time that the Series 3 Transfer Notice is filed.

Completion of the Transaction, as contemplated by the Exchange Agreement, is also subject to fulfilment of the following additional condition which may be waived in the sole discretion of the Bank:

- (a) the Bank shall have obtained an advance income tax ruling in form and substance satisfactory to it from the Canada Customs and Revenue Agency in respect of certain technical matters which relate to the ongoing efforts of the Bank to streamline the governance and capital structure of the CTFSI group of companies.

Termination of Transaction

The Exchange Agreement provides that the Transaction may be terminated prior to the Transfer Time, notwithstanding that the Extraordinary Resolution may have been duly approved by the Capital Debentureholders, in the following circumstances:

- (a) at any time by mutual written consent of the Bank and the Corporation;
- (b) by the Bank, if the Board of Directors withdraws, modifies or changes its recommendation of the Transaction in a manner adverse to the Bank;
- (c) at any time by the Bank or the Corporation if the conditions precedent in favour of that party will not, in such party's opinion, acting reasonably, be capable of being satisfied; and
- (d) at any time by the Bank by giving the Corporation notice in writing that it will not deliver the Transfer Notices.

If the Exchange Agreement is terminated as outlined above, there shall be no liability or further obligation on the part of the Corporation, the Bank or the Trustee or any of their respective shareholders, officers or directors, except for liability arising from a wilful and intentional breach of any representations, warranties or then effective covenants in the Exchange Agreement. There is no termination fee payable by either the Bank or the Corporation in the event that the Exchange Agreement is terminated in accordance with its terms.

Approval of The Board of Directors

The Board of Directors considered a number of factors before approving the Transaction, including the following:

- (i) the terms (including interest rate) of the August 4, 2014 Debentures to be issued in exchange for the Series 2 Debentures pursuant to the Transaction are substantially the same, in all material respects, as the terms of the Series 2 Debentures;
- (ii) the credit ratings of the August 4, 2014 Debentures are the same as the credit ratings of the Series 2 Debentures;
- (iii) the terms (including interest rate) of the May 26, 2025 Debentures to be issued in exchange for the Series 3 Debentures pursuant to the Transaction are substantially the same, in all material respects, as the terms of the Series 3 Debentures;
- (iv) the credit ratings of the May 26, 2025 Debentures are the same as the credit ratings of the Series 3 Debentures; and
- (v) the Corporation will realize administrative savings in the event that the Transaction proceeds and orders of applicable Canadian securities regulatory authorities are granted deeming the Corporation to have ceased to be a reporting issuer for purposes of Canadian securities legislation.

The Board of Directors of the Corporation has unanimously concluded that the Transaction is in the best interests of the Corporation and is fair to the Capital Debentureholders. The Board of Directors unanimously recommends that the Capital Debentureholders vote in favour of the Extraordinary Resolution.

Key Approvals

Capital Debentureholder Approval

To be approved, the Extraordinary Resolution must be passed by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast by the Capital Debentureholders. A quorum at the Special Meeting will be constituted by Capital Debentureholders representing in person or by proxy 25% or more in the principal amount of the outstanding Capital Debentures. If a quorum is not present within half an hour after the time fixed for holding the Special Meeting, the meeting will be adjourned without notice to the same day in the next week (if a Business Day, or if not, to the next following Business day thereafter) at the same time and place. If at the adjourned meeting a quorum is not present, the Capital Debentures then present or represented by proxy will constitute a quorum. The Extraordinary Resolution will authorize the Board of Directors to abandon the matter referred to therein at any time prior to the implementation of the Transaction if, in their discretion, they deem it advisable to do so, subject to the terms of the Exchange Agreement. The Extraordinary Resolution is attached hereto as Schedule A.

Accidental error or omission in giving notice or accidental failure to deliver or mail notice to any Capital Debentureholder shall not invalidate any action or proceeding founded thereon. An extraordinary resolution passed at a meeting of the Capital Debentureholders held in accordance with the provisions of the CT Trust Indenture shall, subject to the requirements contained therein, be binding upon all the Capital Debentureholders, whether present or absent from such meeting, and each and every Capital Debentureholder and the trustee under the CT Trust Indenture (subject to the provisions for its indemnity therein contained) shall be bound to give effect thereto accordingly.

All members of the Board of Directors have indicated their intention to vote all Capital Debentures held by them in favour of the Extraordinary Resolution.

Regulatory Approvals

In addition to the approval of Capital Debentureholders, it is a condition precedent to the completion of the Transaction that the following regulatory approvals be obtained:

- (i) rulings or orders from the securities regulators in each province and territory of Canada providing discretionary relief from the registration and prospectus requirements of the securities legislation of such provinces and territories in connection with the issuance of the Bank Debentures to holders of Capital Debentures as part of the Transaction;
- (ii) requisite approvals of the Superintendent; and
- (iii) an advance income tax ruling in form and substance satisfactory to it from the Canada Customs and Revenue Agency in respect of certain technical matters which relate to the ongoing efforts of the Bank to streamline the governance and capital structure of the CTFSI group of companies.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault, counsel to the Corporation, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a Capital Debentureholder who, for purposes of the *Tax Act* and at all relevant times, is resident in Canada, deals at arm's length and is not affiliated with the Corporation and the Bank, holds Capital Debentures of a series and will hold Bank Debentures of a series as capital property, and is not exempt from tax under Part I of the *Tax Act*, upon the exchange of Capital Debentures of a series for Bank Debentures of a series pursuant to the Series 2 Exchange or the Series 3 Exchange, upon a conversion of Bank Debentures of a series into New Bank Debentures pursuant to the Bank Debentures Conversion Option, upon an exchange of Bank Debentures of a series into deposit notes of the Bank pursuant to the Bank Debentures Exchange Option or upon receipt of the Canada Yield Price on a redemption of the Bank Debentures

of a series. This summary does not take into account the “mark-to-market” rules contained in the *Tax Act* which apply to certain financial institutions. Generally, Capital Debentures of a series and Bank Debentures of a series will be considered to constitute capital property to a holder provided that the holder does not hold such Capital Debentures or Bank Debentures in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold Capital Debentures of a series or Bank Debentures of a series as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the election permitted under subsection 39(4) of the *Tax Act*.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, Capital Debentureholders are urged to consult their own advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the *Tax Act* and the regulations issued thereunder, all specific proposals to amend the *Tax Act* and the regulations publicly announced by the Minister of Finance prior to the date hereof (“Proposed Amendments”) and counsel’s understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account any changes in law or administrative and assessing policies, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

Series 2 Exchange and Series 3 Exchange

The exchange of Capital Debentures of a series for Bank Debentures of a series pursuant to the Series 2 Exchange or the Series 3 Exchange will result in a disposition of such Capital Debentures on the Transfer Date by the Capital Debentureholder to the Bank.

On such disposition, a Capital Debentureholder will generally be required to include in income any accrued and unpaid interest on the Capital Debentures from the date of the last interest payment to the Transfer Date to the extent that such amount has not otherwise been included in such Capital Debentureholder’s income for the taxation year in which the Transfer Date occurs or in a previous taxation year.

Such disposition will also give rise to a capital gain (or capital loss) to the extent that the fair market value of the Bank Debentures received in exchange for the Capital Debentures, net of any accrued and unpaid interest, exceeds (or is exceeded by) the aggregate of the adjusted cost base of such Capital Debentures to the Capital Debentureholder immediately before the disposition and any reasonable costs of disposition. A Capital Debentureholder will be considered to have acquired such Bank Debentures at a cost equal to their fair market value at the time of their acquisition.

Under the current provisions of the *Tax Act*, three-quarters of any capital gain (the “taxable capital gain”) realized by a Capital Debentureholder will be included in the Capital Debentureholder’s income for the taxation year in which the disposition occurs. Three-quarters of any capital loss so realized (the “allowable capital loss”) may be deducted from the Capital Debentureholder’s taxable capital gains in accordance with the rules contained in the *Tax Act*. Pursuant to the Proposed Amendments, a Capital Debentureholder’s taxable capital gain (or allowable capital loss) realized after October 17, 2000 will be reduced to one-half of the amount of the Capital Debentureholder’s capital gain (or capital loss), subject to certain transitional rules for capital gains (or capital losses) realized on dispositions occurring in a Capital Debentureholder’s taxation year that includes October 17 and 18, 2000.

Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % on such taxable gains. Capital gains realized by an individual may give rise to minimum tax under the *Tax Act*.

Where a Capital Debentureholder is entitled to an amount that is stipulated to be interest on the Bank Debentures of a series in respect of a period before the Transfer Date, such Capital Debentureholder will be entitled to deduct such amount in computing income for a taxation year to the extent that it has been included in computing income for such year, and the adjusted cost base of such Bank Debentures to such Capital Debentureholder will be reduced by the amount deductible by such Capital Debentureholder.

Conversion, Exchange or Redemption of Bank Debentures

In the event of a conversion or exchange of a Bank Debenture of a series, a Capital Debentureholder's cost of the New Bank Debenture or deposit note so acquired and the sale price of the Bank Debenture so converted or exchanged will be deemed to be equal to the adjusted cost based to the Capital Debentureholder of such Bank Debenture, as determined immediately before the conversion or the exchange.

On a redemption of a Bank Debenture of a series before maturity for the Canada Yield Price, the amount by which the Canada Yield Price exceeds the principal amount of such Bank Debenture will be deemed to be interest received by the Capital Debentureholder.

LEGAL MATTERS

Legal matters in relation to the Transaction will be reviewed and passed upon by McCarthy Tétrault on behalf of the Corporation and the Bank. The partners, counsel to and associates of McCarthy Tétrault beneficially own less than 1% of the outstanding securities of any class of the Corporation or the Bank. A partner and a counsel to McCarthy Tétrault are officers and/or directors of various affiliates of the Bank through which the Bank administers certain of its real estate investments.

INFORMATION CONCERNING THE BANK

The Bank

General

The Bank, a chartered bank subject to the provisions of the *Bank Act*, was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869). The Bank's principal executive offices are located in the Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1A2.

The Bank offers a wide range of financial services to individuals, corporate and commercial enterprises, financial institutions and governments throughout Canada. In the United States, the Bank offers a broad range of credit and non-credit services to corporations, financial institutions and governments as well as discount brokerage services through TD Waterhouse Group, Inc. ("TD Waterhouse"). Outside North America, the Bank conducts treasury and wholesale corporate operations in the world's major financial centres as well as discount brokerage services through TD Waterhouse. As of July 31, 2000, the Bank was the second largest chartered bank in Canada in terms of total assets. Certain information regarding the Bank is incorporated by reference into this Proxy Circular. See "Information Concerning the Bank - Documents Incorporated by Reference".

Acquisition of CT Financial Services Inc.

The Bank, pursuant to the Acquisition, acquired all of the outstanding common shares of CTFSI at a price of \$67 per share. The aggregate purchase price for the Acquisition of approximately \$8.0 billion was funded from the cash resources of the Bank.

The Bank has announced that it expects to incur charges of approximately \$475 million (pre-tax) to provide for costs related to the integration of the Bank and CTFSI. Integration costs will include the consolidation of retail branches and transaction processing and systems technology operations and will be incurred over a number of years. Corporate head office, electronic banking, trust, insurance, non-branch lending and wealth management functions will also be consolidated, but at a faster pace. It is expected that the resulting cost reductions will be substantial, and represent a significant portion of the CTFSI's expense base.

The Bank intends to select the best of both institutions' products, personnel, systems and branch resources. The Bank believes that this approach will help it maintain customer loyalty, while presenting an opportunity to leverage the Bank's existing capabilities in discount brokerage, wealth management and small business and commercial banking, as well as to augment personal loan and deposit growth through the cross-selling of retail products, including insurance. The Bank anticipates that the resulting revenue synergies will take several years to develop.

Changes in Capitalization

On November 1, 1999, the Bank completed a public offering of 16,400,000 units, each consisting of one Non-Cumulative Redeemable Class A First Preferred Share, Series I ("Series I Share") and one Non-Cumulative Redeemable Class A First Preferred Share, Series J Purchase Warrant ("Warrant"), at a price of \$6.25 per unit for net proceeds, after deducting underwriters' fees but before deducting expenses of the offering, of \$90,200,000, which qualifies as Tier 1 Capital of the Bank.

As a result of the Acquisition, the \$150 million Non-Cumulative Redeemable Third Preference Shares, Series 1 of the Corporation and the \$150 million Non-Cumulative First Preference Shares, Series 4 and the U.S. \$50 million Non-Cumulative First Preference Shares, Series 5 of CTFSI qualify as Tier 1 Capital of the Bank on a consolidated basis.

As a result of the Acquisition, the \$150 million of Series 2 Debentures and the \$200 million Series 3 Debentures of the Corporation qualify as Tier 2 Capital of the Bank on a consolidated basis.

On March 21, 2000, TD Capital Trust, a consolidated entity of the Bank, completed an initial public offering of \$900,000,000 of Capital Trust Securities, Series 2009, which qualifies as Tier 1 Capital of the Bank.

On April 14, 2000, the Bank completed an offering of \$750,000,000 6.60% Debentures due April 14, 2010, which qualifies as Tier 2 Capital of the Bank.

On April 28, 2000, the holders of 15,400,393 Series I Shares converted their Series I Shares and exercised Warrants at a price of \$18.75 per Warrant to acquire 15,400,393 Non-Cumulative Redeemable Class A First Preferred Shares, Series J of the Bank. The aggregate proceeds received by the Bank as a result of the conversion and exercise was \$288,757,369, which qualifies as Tier 1 Capital of the Bank.

On July 31, 2000, the holders of 585,156 Series I Shares converted their Series I Shares and exercised Warrants at a price of \$18.75 per Warrant to acquire 585,156 Non-Cumulative Redeemable Class A First Preferred Shares, Series J of the Bank. The aggregate proceeds received by the Bank as a result of the conversion and exercise was \$10,971,675, which qualifies as Tier 1 Capital of the Bank.

On July 31, 2000, the Bank completed an offering of \$500,000,000 6.55% Debentures due July 31, 2012, which qualifies as Tier 2 Capital of the Bank.

On October 31, 2000, the holders of 398,386 Series I Shares converted their Series I Shares and exercised Warrants at a price of \$18.75 per Warrant to acquire 398,386 Non-Cumulative Redeemable Class A First Preferred Shares, Series J of the Bank. The aggregate proceeds received by the Bank as a result of the conversion and exercise was \$7,469,737, which qualifies as Tier 1 Capital of the Bank.

On October 31, 2000, all Warrants which had not been exercised expired in accordance with their terms.

Documents Incorporated by Reference

The following documents, filed with the Superintendent and the various securities commissions or similar authorities in Canada, are incorporated by reference into this Proxy Circular:

- (a) the Bank's Annual Information Form dated February 28, 2000, which incorporates by reference the Bank's:
 - (i) Annual Report to Shareholders for the year ended October 31, 1999, which includes comparative consolidated audited financial statements and the auditors' report thereon and Management's Discussion and Analysis of Operating Performance; and
 - (ii) Management Proxy Circular dated January 25, 2000 (excluding those portions which, pursuant to National Policy Statement No. 47 of the Canadian Securities Administrators, are not required to be incorporated by reference herein);
- (b) the Bank's First Quarter 2000 Report to Shareholders for the three months ended January 31, 2000, which includes comparative consolidated interim financial statements (unaudited);
- (c) the Bank's Second Quarter 2000 Report to Shareholders for the six months ended April 30, 2000, which includes comparative consolidated interim financial statements (unaudited);
- (d) a material change report of the Bank dated July 7, 2000 announcing the appointment of W. Edmund Clark as President and Chief Operating Officer of the Bank; and
- (e) the Bank's Third Quarter 2000 Report to Shareholders for the nine months ended July 31, 2000, which includes comparative consolidated interim financial statements (unaudited).

Material change reports (excluding confidential reports), comparative consolidated interim financial statements (unaudited) and information circulars, all as filed by the Bank with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation, after the date of this Proxy Circular and prior to the Special Meeting, shall be deemed to be incorporated by reference into this Proxy Circular.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Circular.

Description of the August 4, 2014 Debentures

The following summarizes the terms and conditions of the August 4, 2014 Debentures, which terms are substantially the same, in all material respects, as the terms of the Series 2 Debentures. This summary is subject to the definitive terms of the August 4, 2014 Debentures.

General

The August 4, 2014 Debentures will be issued under and pursuant to the provisions of the TD Trust Indenture, including a twenty-fifth supplemental indenture to be executed by the Bank and the TD Trustee and to be dated as of December 4, 2000. The August 4, 2014 Debentures will be limited to \$150,000,000 aggregate principal amount. The August 4, 2014 Debentures will be dated as of December 4, 2000 and will mature August 4, 2014.

Interest on the August 4, 2014 Debentures, other than interest payable on August 4, 2014, will be payable in lawful money of Canada by cheque and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest on debentures. Payment of principal of the August 4, 2014 Debentures together with interest accrued and payable will be made in lawful money of Canada against presentation and surrender thereof by the registered holder of August 4, 2014 Debentures at the principal offices of the TD Trustee in the cities of Halifax, Montreal, Toronto, Winnipeg, Calgary or Vancouver.

Status and Subordination

The August 4, 2014 Debentures will be direct unsecured obligations of the Bank, constituting bank subordinated indebtedness, ranking at least equally and rateably with all debentures and subordinated notes of the Bank from time to time issued and outstanding. In the event of the insolvency or winding-up of the Bank, the August 4, 2014 Debentures will be subordinate in right of payment to the prior payment in full of the deposit liabilities of the Bank and all other liabilities of the Bank except liabilities which by their terms rank in right of payment equally with or subordinate to the August 4, 2014 Debentures. **The August 4, 2014 Debentures will not be deposits insured under the *Canada Deposit Insurance Corporation Act*.**

Form and Denomination

The August 4, 2014 Debentures will be issued in fully registered form in denominations of \$1,000 and authorized multiples thereof.

Covenant

The TD Trust Indenture provides that the Bank will not create, issue or incur any indebtedness subordinate in right of payment to the deposit liabilities of the Bank which, in the event of the insolvency or winding-up of the Bank, would rank in right of payment in priority to the August 4, 2014 Debentures.

Events of Default

The TD Trust Indenture provides that an event of default in respect of the August 4, 2014 Debentures will occur if the Bank defaults in payment of the principal in respect of any Capital Debenture when due or interest thereon for 30 days or the Bank defaults in observing any covenant for 60 days (or such longer period agreed to by the trustee under the TD Trust Indenture) or an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Bank except in the course of carrying out a transaction in respect of which Article IX of the TD Trust Indenture is applicable or the Bank makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency or the Bank is declared bankrupt or makes an authorized assignment or proposal to its creditors under any bankruptcy or insolvency laws or analogous laws or a custodian or a receiver (other than an interim receiver) or manager or other officer with similar powers is appointed of the Bank or of the property of the Bank or any part thereof which in the opinion of the said trustee is material or an

encumbrancer takes possession of, or execution is levied against, the property of the Bank or any part thereof which in the opinion of the said trustee is material and remains unsatisfied for such period as would permit such property to be sold unless disputed in good faith, subject to providing security if so required by such trustee or there occurs acceleration of the maturity as a result of default (which has not been cured or waived) under or default (what has not been cured or waived) of any subordinated indebtedness of the Bank other than bank subordinated indebtedness issued pursuant to the TD Trust Indenture or the Bank becomes insolvent, bankrupt or is ordered wound-up or liquidated. If an event of default has occurred and is continuing, the TD Trustee may, in its discretion and shall upon the request of holders of not less than one-quarter in principal amount of the August 4, 2014 Debentures, declare the principal of and interest on all outstanding August 4, 2014 Debentures to be immediately due and payable. If any provisions of the *Bank Act* or any restrictions imposed on the Bank by the Superintendent limits the right of the Bank to pay the August 4, 2014 Debentures as a consequence of the occurrence of any such event of default, the said event of default and the rights of the trustee under the TD Bank Indenture and holders of August 4, 2014 Debentures will be subject to the same limitations.

Interest

Interest on the August 4, 2014 Debentures at the rate of 10.05% per annum will accrue from August 4, 2000 and will be calculated and will be payable half-yearly on February 4 and August 4 in each year, commencing February 4, 2001.

Redemption

The Bank may, subject to the prior approval of the Superintendent, redeem the August 4, 2014 Debentures, in whole at any time or in part from time to time, but only upon not less than 30 or more than 60 days' notice from the Bank, at the higher of (i) par plus accrued and unpaid interest to the date fixed for redemption and (ii) the Canada Yield Price (as defined below). In cases of partial redemption, the August 4, 2014 Debentures to be redeemed will be selected by the TD Trustee by lot or such other manner as the TD Trustee may deem equitable. Any August 4, 2014 Debentures so redeemed by the Bank will be cancelled and will not be reissued.

"Canada Yield Price" shall mean a price equal to the price of the August 4, 2014 Debentures calculated to provide an annual yield from the date fixed for redemption to August 4, 2014 equal to the Government of Canada Yield plus 0.25% on the Business Day preceding the day on which the redemption is authorized. **"Government of Canada Yield"** on any date shall mean the average of the yields determined by two registered Canadian investment dealers selected by the Bank, and approved by the TD Trustee, as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada Bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a maturity date of August 4, 2014.

Open Market Purchases

The Bank may, subject to the prior approval of the Superintendent, purchase August 4, 2014 Debentures in the market or by tender or by private contract at any price. All August 4, 2014 Debentures purchased by the Bank shall be cancelled and may not be reissued.

Exchange Option

On any interest payment date, a registered holder of the August 4, 2014 Debentures may, but only upon not less than 30 or more than 60 days' notice from the Bank, which may be given by the Bank from time to time, subject to the prior approval of the Superintendent, exchange all, but not less than all, of the August 4, 2014 Debentures held by such registered holder for an equal aggregate principal amount of deposit notes of the Bank. The attributes of the deposit notes will be disclosed in the notice. The deposit notes will rank senior to the August 4, 2014 Debentures and equally with the other deposit liabilities of the Bank.

Conversion Option

On any interest payment date, a registered holder of the August 4, 2014 Debentures may, but only upon not less than 30 or more than 60 days' notice from the Bank, which may be given by the Bank from time to time, subject to the prior approval of the Superintendent, convert all, but not less than all, of the August 4, 2014 Debentures held by such registered holder into an equal aggregate principal amount of a new issue of bank subordinated indebtedness (the "New Debentures") issued by the Bank which qualify as regulatory capital.

Modification

The TD Trust Indenture and the rights of the holders of any debentures issued pursuant to the TD Trust Indenture, including the August 4, 2014 Debentures, may in certain circumstances be modified. For that purpose, among others, the TD Trust Indenture contains provisions making extraordinary resolutions binding upon all holders of such debentures. "Extraordinary Resolution" is defined, in effect, as a resolution passed at a meeting of holders of such debentures by the favourable votes of the holders of not less than 66% of the principal amount of such debentures voted on the resolution at such meeting at which a quorum, as specified in the TD Trust Indenture, is present, or as a resolution contained in one or more instruments in writing signed by the holders of not less than 66% of the principal amount of the then outstanding debentures. Provision has been made in the TD Trust Indenture for additional approval by the same percentage of the holders of a series of such debentures if the rights of the holders of such series are affected in a manner or to an extent substantially different from those of other series.

Governing Law

The August 4, 2014 Debentures shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Description of the May 26, 2025 Debentures

The following summarizes the terms and conditions of the May 26, 2025 Debentures, which terms are substantially the same, in all material respects, as the terms of the Series 3 Debentures. This summary is subject to the definitive terms of the May 26, 2025 Debentures.

General

The May 26, 2025 Debentures will be issued under and pursuant to the provisions of the TD Trust Indenture, including a twenty-sixth supplemental indenture to be executed by the Bank and the TD Trustee and to be dated as of December 4, 2000. The May 26, 2025 Debentures will be limited to \$200,000,000 aggregate principal amount. The May 26, 2025 Debentures will be dated as of December 4, 2000 and will mature May 26, 2025.

Interest on the May 26, 2025 Debentures, other than interest payable on May 26, 2025, will be payable in lawful money of Canada by cheque and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest on debentures. Payment of principal of the May 26, 2025 Debentures together with interest accrued and payable will be made in lawful money of Canada against presentation and surrender thereof by the registered holder of May 26, 2025 Debentures at the principal offices of the TD Trustee in the cities of Halifax, Montreal, Toronto, Winnipeg, Calgary or Vancouver.

Status and Subordination

The May 26, 2025 Debentures will be direct unsecured obligations of the Bank, constituting bank subordinated indebtedness, ranking at least equally and rateably with all debentures and subordinated notes of the Bank from time to time issued and outstanding. In the event of the insolvency or winding-up of the Bank, the May 26, 2025 Debentures will be subordinate in right of payment to the prior payment in full of the deposit liabilities

of the Bank and all other liabilities of the Bank except liabilities which by their terms rank in right of payment equally with or subordinate to the May 26, 2025 Debentures. **The May 26, 2025 Debentures will not be deposits insured under the *Canada Deposit Insurance Corporation Act*.**

Form and Denomination

The May 26, 2025 Debentures will be issued in fully registered form in denominations of \$1,000 and authorized multiples thereof.

Covenant

The TD Trust Indenture provides that the Bank will not create, issue or incur any indebtedness subordinate in right of payment to the deposit liabilities of the Bank which, in the event of the insolvency or winding-up of the Bank, would rank in right of payment in priority to the May 26, 2025 Debentures.

Events of Default

The TD Trust Indenture provides that an event of default in respect of the May 26, 2025 Debentures will occur only if the Bank becomes insolvent or bankrupt or is ordered wound-up or liquidated or an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Bank except in the course of carrying out a transaction in respect of which Article IX of the TD Trust Indenture is applicable or the Bank makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency or the Bank is declared bankrupt or makes an authorized assignment or proposal to its creditors under any bankruptcy or insolvency laws or analogous laws or a custodian or a receiver (other than an interim receiver) or manager or other officer with similar powers is appointed of the Bank or of the property of the Bank or any part thereof which in the opinion of the said trustee is material. If an event of default has occurred and is continuing, the TD Trustee may, in its discretion and shall upon the request of holders of not less than one-quarter in principal amount of the May 26, 2025 Debentures, declare the principal of and interest on all outstanding May 26, 2025 Debentures to be immediately due and payable. There will be no right of acceleration in the case of a default in the payment of interest or a default in the performance of any other covenant of the Bank in the TD Trust Indenture, although a legal action could be brought to enforce such covenant. The *Winding-up and Restructuring Act* (Canada) provides that the Bank is deemed insolvent if, among other things, a creditor has served a written demand on the Bank to pay an amount due and the Bank has neglected to pay the sum for 60 days.

Interest

Interest on the May 26, 2025 Debentures at the rate of 9.15% per annum will accrue from November 26, 2000 and will be calculated and will be payable half-yearly on May 26 and November 26 in each year, commencing May 26, 2001.

Redemption

The Bank may, subject to the prior approval of the Superintendent, redeem the May 26, 2025 Debentures, in whole at any time or in part from time to time, but only upon not less than 30 or more than 60 days' notice from the Bank, at the higher of (i) par plus accrued and unpaid interest to the date fixed for redemption and (ii) the Canada Yield Price (as defined below). In cases of partial redemption, the May 26, 2025 Debentures to be redeemed will be selected by the TD Trustee by lot or such other manner as the TD Trustee may deem equitable. Any May 26, 2025 Debentures so redeemed by the Bank will be cancelled and will not be reissued.

“Canada Yield Price” shall mean a price equal to the price of the May 26, 2025 Debentures calculated to provide an annual yield from the date fixed for redemption to May 26, 2025 equal to the Government of Canada Yield plus 0.25% on the Business Day preceding the day on which the redemption is authorized. **“Government of Canada Yield”** on any date shall mean the average of the yields determined by two registered Canadian investment dealers selected by the Bank, and approved by the TD Trustee, as being the annual yield to maturity on

such date, compounded semi-annually, which a non-callable Government of Canada Bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a maturity date of May 26, 2025.

Open Market Purchases

The Bank may, subject to the prior approval of the Superintendent, purchase May 26, 2025 Debentures in the market or by tender or by private contract at any price. All May 26, 2025 Debentures purchased by the Bank shall be cancelled and may not be reissued.

Exchange Option

On any interest payment date, a registered holder of the May 26, 2025 Debentures may, but only upon not less than 30 or more than 60 days' notice from the Bank, which may be given by the Bank from time to time, subject to the prior approval of the Superintendent, exchange all, but not less than all, of the May 26, 2025 Debentures held by such registered holder for an equal aggregate principal amount of deposit notes of the Bank. The attributes of the deposit notes will be disclosed in the notice. The deposit notes will rank senior to the May 26, 2025 Debentures and equally with the other deposit liabilities of the Bank.

Conversion Option

On any interest payment date, a registered holder of the May 26, 2025 Debentures may, but only upon not less than 30 or more than 60 days' notice from the Bank, which may be given by the Bank from time to time, subject to the prior approval of the Superintendent, convert all, but not less than all, of the May 26, 2025 Debentures held by such registered holder into an equal aggregate principal amount of a new issue of bank subordinated indebtedness (the "New Debentures") issued by the Bank which qualify as regulatory capital.

Modification

The TD Trust Indenture and the rights of the holders of any debentures issued pursuant to the TD Trust Indenture, including the May 26, 2025 Debentures, may in certain circumstances be modified. For that purpose, among others, the TD Trust Indenture contains provisions making extraordinary resolutions binding upon all holders of such debentures. "Extraordinary Resolution" is defined, in effect, as a resolution passed at a meeting of holders of such debentures by the favourable votes of the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of such debentures voted on the resolution at such meeting at which a quorum, as specified in the TD Trust Indenture, is present, or as a resolution contained in one or more instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the then outstanding debentures. Provision has been made in the TD Trust Indenture for additional approval by the same percentage of the holders of a series of such debentures if the rights of the holders of such series are affected in a manner or to an extent substantially different from those of other series.

Governing Law

The May 26, 2025 Debentures shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Eligibility for Investment

In the opinion of McCarthy Tétrault, the August 4, 2014 Debentures and the May 26, 2025 Debentures to be issued by the Bank pursuant to the Transaction would, if issued on the date hereof, be eligible investments without resort to the so-called “basket provisions”, or their purchase would not be prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment standards, general investment provisions and quantitative restrictions of such statutes and regulations and to additional requirements relating to investment or lending policies or goals, under or by the following statutes (and, where applicable, the regulations thereunder):

<i>Insurance Companies Act (Canada)</i>	<i>Pension Benefits Act (Ontario)</i>
<i>Trust and Loan Companies Act (Canada)</i>	<i>Trustee Act (Ontario)</i>
<i>Pension Benefits Standards Act, 1985 (Canada)</i>	<i>Supplemental Pension Plans Act (Quebec)</i>
<i>Financial Institutions Act (British Columbia)</i>	<i>an Act respecting insurance (Quebec)</i>
<i>Employment Pension Plans Act (Alberta)</i>	(other than by a guarantee fund corporation)
<i>Insurance Act (Alberta)</i>	<i>an Act respecting trust companies and savings</i>
<i>Loan and Trust Corporations Act (Alberta)</i>	<i>companies (Quebec) (for a trust company</i>
<i>Loan and Trust Corporations Act (Ontario)</i>	investing its own funds and funds received as
	deposits and for a savings company)

In the opinion of such counsel, the August 4, 2014 Debentures and the May 26, 2025 Debentures to be issued by the Bank pursuant to the Transaction would, if issued on the date hereof, be qualified investments under the *Tax Act* for trusts governed by registered retirement savings plans, registered retirement income plans, registered education savings plans and deferred profit sharing plans, other than a deferred profit sharing plan under which any employer is the Bank or a corporation with which the Bank does not deal at arm’s length within the meaning of the *Tax Act*. The August 4, 2014 Debentures and the May 26, 2025 Debentures would not, if issued on the date hereof, be prohibited investments in respect of registered pension plans.

Ratings

The August 4, 2014 Debentures are provisionally rated AA by CBRS, the second highest of the nine categories of ratings used by CBRS for debentures, and A(high) by DBRS, the third highest of nine categories of ratings used by DBRS for debentures. The rating designation by CBRS indicates that the August 4, 2014 Debentures are considered to be in the middle of the category. The rating designation by DBRS indicates that the August 4, 2014 Debentures are considered to be at the high end of the category.

The May 26, 2025 Debentures are provisionally rated AA- by CBRS, the second highest of the nine categories of ratings used by CBRS for debentures, and A(high) by DBRS, the third highest of nine categories of ratings used by DBRS for debentures. The rating designation by CBRS indicates that the May 26, 2025 Debentures are considered to be at the low end of the category. The rating designation by DBRS indicates that the May 26, 2025 Debentures are considered to be at the high end of the category.

Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold securities. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

On October 31, 2000, Standard & Poor’s, which is a division of The McGraw-Hill Companies, Inc., acquired CBRS. The Corporation understands that over the coming months, credit ratings issued by CBRS will be harmonized with those of Standard & Poor’s on an industry by industry basis. Once harmonization has been completed for an issuer, the CBRS rating(s) for that issuer will be withdrawn from the market place.

Dividend and Interest Coverage

The following sets forth dividend and interest coverage amounts of the Bank assuming, for such purposes only, that the Capital Trust Securities – Series 2009 issued by TD Capital Trust (“TD CaTS”) are securities of the Bank, based on the annual Indicated Yield requirements of the TD CaTS on an after-tax equivalent basis of \$39 million, the annual dividend requirements of the proposed Non-cumulative Redeemable Class A First Preferred Shares, Series K and the proposed Non-cumulative Redeemable Class A First Preferred Shares, Series L of \$11 million and \$4.8 million, respectively, the annual dividend requirements of the Bank's 7,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series G, the 9,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series H, 16,400,000 Non-cumulative Redeemable Class A First Preferred Shares, Series J, and the 350,000 Non-cumulative Preferred Shares, Series A of TD Mortgage Investment Corporation (a subsidiary of the Bank) outstanding at July 31, 2000 as adjusted (collectively, the “Outstanding Preferred Shares”). The annual interest requirement and amortization of discounts and premiums and issue expenses on the Bank's subordinated indebtedness (the “debentures”) outstanding at October 31, 1999 and July 31, 2000 adjusted to reflect debenture redemptions and new issues would amount to \$293 million and \$330 million, respectively (using the applicable exchange rates on such dates for debentures denominated in foreign currency). The annual Indicated Yield and dividend requirements on the Outstanding Preferred Shares would amount to \$208 million at both October 31, 1999 and July 31, 2000 when grossed up to a pre-tax equivalent basis assuming an effective marginal tax rate of 43%. The adjusted income of the Bank before the deduction of interest and amortization of discounts and premiums and issue expenses on the debentures, income taxes and after the deduction of non-controlling interests represented by TD Waterhouse Group, Inc. (“TD Waterhouse”) and the Corporation's 6,000,000 Non-cumulative Redeemable Third Preference Shares, Series 1 (collectively, the “non-controlling interests”) for the 12 months ended October 31, 1999 amounted to \$2,408 million and for the 12 months ended July 31, 2000 amounted to \$2,236 million excluding special gains recognized in fiscal 1999 of \$1,553 million after tax, relating to the sale of shares of TD Waterhouse and Knight/Trimark, and one-time restructuring costs recognized in the second quarter of fiscal 2000 of \$271 million after tax (“special items”). These amounts are approximately 4.8 and 4.2 times, respectively, the aggregate debenture interest and amortization of discounts and premiums and issue expenses and grossed up Indicated Yield and dividend requirements of \$501 million for the 12 months ended October 31, 1999 and \$538 million for the 12 months ended July 31, 2000. The Bank has compiled pro forma consolidated financial statements to reflect the Acquisition. The Bank's pro forma annual interest requirement and amortization of discounts and premiums and issue expenses as reflected on the pro forma consolidated financial statements at October 31, 1999 and July 31, 2000 would amount to \$326 million and \$330 million, respectively. The annual Indicated Yield and dividend requirements on the Outstanding Preferred Shares on a pro forma basis (collectively, the “pro forma Preferred Shares”) would amount to \$208 million at each of October 31, 1999 and July 31, 2000 when grossed up to a pre-tax equivalent. The adjusted pro forma income of the Bank before the deduction of interest and amortization of discounts and premiums and issue expenses on the debentures, income taxes and after the deduction of the non-controlling interests for the 12 months ended October 31, 1999 and July 31, 2000 would amount to \$1,563 million and \$2,276 million, respectively, excluding special items. These amounts are approximately 2.9 times and 4.2 times, respectively, the aggregate pro forma debenture interest and amortization of discounts and premiums and issue expenses and grossed up pro forma Indicated Yield and dividend requirements of \$534 million for the 12 months ended October 31, 1999 and \$538 million for the 12 months ended July 31, 2000.

The annual Indicated Yield requirement of the TD CaTS on an after-tax equivalent basis and the annual dividend requirements of the Outstanding Preferred Shares would amount to approximately \$119 million at each of October 31, 1999 and July 31, 2000. The Bank's net income as adjusted for the 12 months ended October 31, 1999 was \$1,364 million and for the 12 months ended July 31, 2000 was \$1,371 million, excluding special items. These amounts are approximately 11.5 times such annual Indicated Yield and dividend requirements. The Bank's pro forma annual Indicated Yield and dividend requirements on the pro forma Preferred Shares would amount to approximately \$119 million at each of October 31, 1999 and July 31, 2000. The Bank's adjusted pro forma net income for the 12 months ended October 31, 1999 is \$448 million and for the 12 months ended July 31, 2000 is \$1,000 million, excluding special items. These amounts are approximately 3.8 times and 8.4 times, respectively, the pro forma annual Indicated Yield and such dividend requirements.

On a cash basis, the adjusted pro forma income of the Bank before the deduction of interest and amortization of discounts and premiums and issue expenses on the debentures, income taxes and after the deduction of non-controlling interests for the 12 months ended October 31, 1999 and July 31, 2000 would amount to \$2,733 million and \$3,180 million, respectively, excluding special items. These amounts are approximately 5.1 and 5.9 times, respectively, the aggregate pro forma debenture interest and amortization of discounts and premiums and issue expenses and grossed up pro forma Indicated Yield and dividend requirements on the pro forma Preferred Shares of \$534 million for the 12 months ended October 31, 1999 and \$538 million for the 12 months ended July 31, 2000. Cash basis measurement is based on excluding non-cash goodwill and intangible asset amortization expense from the pro forma consolidated statement of income and is considered by the Bank to be a more meaningful measurement since it reflects the cash flows available to meet such annual Indicated Yield and dividend requirements. On a cash basis, the Bank's adjusted pro forma net income for the 12 months ended October 31, 1999 is \$1,618 million and for the 12 months ended July 31, 2000 is \$1,904 million, excluding special items. These cash basis amounts are approximately 13.6 and 16.0 times, respectively, the pro forma annual Indicated Yield and dividend requirements on the pro forma Preferred Shares of \$119 million at each of October 31, 1999 and July 31, 2000.

Asset Coverage

After giving effect to issuance of the Bank Debentures pursuant to the Transaction, the adjusted net tangible assets of the Bank available for the Outstanding Preferred Shares and debentures as adjusted were as follows at October 31, 1999 and July 31, 2000:

	July 31, 2000	October 31, 1999
	(millions of dollars)	
	(unaudited)	
Total Assets:	\$ 272,742	\$ 214,417
Less: Deposits	(193,147)	(140,386)
Other tangible liabilities	(58,930)	(59,281)
Future income taxes and goodwill and identifiable intangibles	(8,521)	(1,145)
Net tangible assets before deduction of debentures	12,144	13,605
Add: Net proceeds of subsequent issues less redemptions	-	2,524
Adjusted net tangible assets before deduction of debentures ...	12,144	16,129
Less: debentures (1)	4,839	4,467
Adjusted net tangible assets available for Outstanding Preferred Shares	7,305	11,662

(1) Adjusted to reflect new issues and redemptions.

The adjusted net tangible assets available at October 31, 1999 and July 31, 2000 for Outstanding Preferred Shares amounted to approximately 4.9 and 3.1 times, respectively, the aggregate issue price of the Outstanding Preferred Shares of \$2,356 million at October 31, 1999 and \$2,357 million at July 31, 2000.

The adjusted net tangible assets before deduction of the debentures at October 31, 1999 and July 31, 2000 amounted to 2.4 and 1.7 times, respectively, the aggregate of the principal amount of the debentures and the aggregate issue price of the Outstanding Preferred Shares of \$6,823 million at October 31, 1999 and \$7,196 million at July 31, 2000.

Transfer Agent and Registrar

Montreal Trust is the transfer agent and registrar for the Series 2 Debentures and Series 3 Debentures. The registers of holders of debentures and the registers of transfer of debentures are held at the Toronto office of Montreal Trust. Registration and transfer of the August 4, 2014 Debentures and the May 26, 2025 Debentures may be effected at the principal offices of Montreal Trust in Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

DIRECTORS' APPROVAL

The contents of this Proxy Circular and the mailing thereof to the Capital Debentureholders has been approved and authorized by the Board of Directors. No person is authorized to make any representation of the matters addressed herein other than those contained in this Proxy Circular and, if given or made, such information must not be relied upon as having been authorized.

(Signed) C. A. Montague
Secretary

November 1, 2000
Toronto, Ontario

SCHEDULE A

EXTRAORDINARY RESOLUTION

BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT:

- (1) The exchange of each \$1,000 principal amount of the 10.05% Capital Debentures, Series 2 of the Corporation (the “Series 2 Debentures”) for an identical principal amount of 10.05% debentures of The Toronto-Dominion Bank (the “Bank”) due August 4, 2014 and having the terms and conditions described in a Management Proxy Circular of the Corporation dated November 1, 2000, as the same may be amended (the “Proxy Circular”) is hereby approved and authorized.
- (2) The exchange of each \$1,000 principal amount of the 9.15% Capital Debentures, Series 3 of the Corporation (the “Series 3 Debentures”) for an identical principal amount of 9.15% debentures of the Bank due May 26, 2025 and having the terms and conditions described in the Proxy Circular is hereby approved and authorized.
- (3) The implementation of certain procedures (the “Series 2 Transfer Provisions”), as provided in Exhibit 1 attached hereto, to transfer all of the Series 2 Debentures to the Bank, at the option of the Bank, is hereby authorized and approved.
- (4) The implementation of certain procedures (the “Series 3 Transfer Provisions” used collectively with the Series 2 Transfer Provisions the “Transfer Provisions”), as provided in Exhibit 2 attached hereto, to transfer all of the Series 3 Debentures to the Bank, at the option of the Bank, is hereby authorized and approved.
- (5) Notwithstanding this extraordinary resolution, the Board of Directors of the Corporation may, without further notice to the Capital Debentureholders, revoke this extraordinary resolution at any time prior to the implementation of the Transfer Provisions, subject to the terms of an Exchange Agreement (the “Exchange Agreement”) entered into between the Corporation and the Bank dated as of November 1, 2000.
- (6) The proper officers of the Corporation be and they are hereby authorized, for and on behalf of the Corporation (whether under its corporate seal or otherwise) to execute and deliver all documents and instruments and to take such other actions as they may determine to be necessary or desirable to implement this extraordinary resolution and the matters authorized hereby, including the transactions contemplated by the Exchange Agreement, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

Exhibit 1 to Schedule A

- (1) For the purposes of paragraphs (1), (2) and (3) hereof:
- (a) “August 4, 2014 Debentures” means bank subordinated indebtedness of the Bank evidenced by the 10.05% debentures due August 4, 2014 to be issued and certified under a twenty-fifth supplemental indenture between the Bank and Montreal Trust Company of Canada;
 - (b) “Bank” means The Toronto-Dominion Bank;
 - (c) “bank subordinated indebtedness” means subordinated indebtedness as defined in the *Bank Act* (Canada);
 - (d) “Corporation” means Canada Trustco Mortgage Corporation;
 - (e) “Ineligible Person” means any person whose address is in or whom the Bank or the Trustee has reason to believe is a resident of any jurisdiction outside of Canada to the extent that the issuance by the Bank to such person of August 4, 2014 Debentures would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction;
 - (f) “Series 2 Debentures” means the 10.05% Capital Debentures, Series 2 of the Corporation;
 - (g) “Transfer” has the meaning ascribed to such term in paragraph (2)(b) hereof;
 - (h) “Transfer Date” means the date upon which the Transfer Notice is delivered to the Trustee in accordance with paragraph (2)(a) hereof;
 - (i) “Transfer Notice” means the notice advising of the Transfer, substantially in the form attached hereto as Appendix A;
 - (j) “Transfer Price” means \$1,000 principal amount of August 4, 2014 Debentures in respect of each \$1,000 principal amount of Series 2 Debentures except in the case of Ineligible Persons, in which case, the Transfer Price shall be a pro rata entitlement to the net cash amount, if any, after deducting all applicable withholding taxes and all costs and expenses thereof, realized by the Trustee from secondary market sales of the August 4, 2014 Debentures otherwise issuable to such persons;
 - (k) “Transfer Time” means the time the Transfer Notice is delivered to the Trustee on the Transfer Date in accordance with paragraph (2)(a) hereof; and
 - (l) “Trustee” means Montreal Trust Company of Canada or any successor trustee in respect of the Series 2 Debentures;
- (2) Transfer.
- (a) Subject to section (3) hereof, the Bank may, at its option, cause the Transfer through the delivery by the Bank of the Transfer Notice to the Trustee by hand delivery to the Trustee at its principal office in Toronto (being 100 University Avenue, 12th Floor, South Tower, Toronto, Ontario M5J 2Y1) which delivery shall be deemed to be delivery of the Transfer Notice to each holder of Series 2 Debentures, with a copy to the Corporation by hand delivery to Suite 1200, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario.
 - (b) In the event the Transfer Notice is delivered by the Bank in accordance with paragraph (2)(a) hereof, at the Transfer Time, each holder of Series 2 Debentures shall transfer, and shall be

deemed to have transferred, to the Bank all of such holder's right, title and interest in and to its Series 2 Debentures and the Bank shall acquire, and shall be deemed to have acquired, from each such holder of Series 2 Debentures, all, but not less than all, of the Series 2 Debentures held by each such holder (which transfer and acquisition are referred to herein as the "Transfer") and, at the Transfer Time, each holder of Series 2 Debentures shall cease to be a holder of such Series 2 Debentures and shall not be entitled to exercise any of the rights of a holder of Series 2 Debentures in respect thereof other than the right to receive the Transfer Price for the Series 2 Debentures.

- (c) The Bank shall, on or prior to the Transfer Date, issue sufficient August 4, 2014 Debentures to pay the aggregate Transfer Price to the holders of the Series 2 Debentures and, in the event that the Transfer Notice is delivered by the Bank in accordance with paragraph (2)(a) hereof, such issuance shall constitute a full and complete discharge of the Bank's obligation to pay the Transfer Price to the holders of the Series 2 Debentures. Notwithstanding the foregoing, Ineligible Persons shall not be entitled to receive August 4, 2014 Debentures in exchange for Series 2 Debentures. Instead, the Trustee, as agent acting through TD Securities Inc. for such Ineligible Persons, shall attempt to sell all such August 4, 2014 Debentures otherwise issuable to Ineligible Persons on the secondary market at such prices and at such times as the Trustee may, in its sole discretion, determine. Neither the Trustee, the Bank, the Corporation, nor any of their respective directors, officers, shareholders, employees or agents shall in any way be liable or responsible for any failure to sell such August 4, 2014 Debentures on behalf of any Ineligible Person or at any particular price on any particular day. On and after the Transfer Time, the Transfer Price shall be held by the Trustee as agent for the holders of the Series 2 Debentures, and receipt of payment by the Trustee shall be deemed to constitute receipt of payment of the Transfer Price by the holders of the Series 2 Debentures for all of the Series 2 Debentures transferred pursuant to the Transfer. The holders of the Series 2 Debentures transferred pursuant to the Transfer shall be entitled to receive the Transfer Price, without interest, for each \$1,000 principal amount of Series 2 Debentures so transferred: (i) on presentation and surrender of the instrument or instruments evidencing all Series 2 Debentures held by such holder (or, in respect of any such instrument or instruments which have been lost, destroyed or wrongfully taken, an indemnity bond together with an affidavit confirming ownership, each in a form satisfactory to the Bank, acting reasonably) or any other evidence of ownership with respect to the Series 2 Debentures which is satisfactory to the Bank, acting reasonably; and (ii) on presentation of a fully completed and duly executed Letter of Transmittal. Should any holder of any Series 2 Debentures transferred pursuant to the Transfer fail to present and surrender the above-mentioned documentation, the Bank shall have the right, after one year from the Transfer Date, to have all of the remaining Transfer Price deposited with the Trustee returned to the Bank and the Bank shall thereafter be responsible for payment of the Transfer Price to any former holder of Series 2 Debentures upon presentation and surrender of such documentation as the Bank may require.
- (3) If the Transfer Notice has not been delivered to the Trustee in accordance with paragraph (2)(a) hereof on or prior to 5:00 p.m. (Toronto time) on the 15th business day following the approval of the Extraordinary Resolution, the provisions of paragraph (2)(a) hereof shall be of no force or effect.

Appendix A to Exhibit 1 to Schedule A

TRANSFER NOTICE

TO: Montreal Trust Company of Canada
Corporate Trust Services
100 University Avenue
12th Floor, South Tower
Toronto, Ontario
M5J 2Y1

COPY TO: Canada Trustco Mortgage Company

FROM: The Toronto-Dominion Bank

DATE: [insert date]

All capitalized terms in this Transfer Notice that are not defined herein have the meaning ascribed to such terms in Exhibit 1 to the text of the extraordinary resolution (the “Extraordinary Resolution”) approved on December 4, 2000 by the holders of the Capital Debentures of Canada Trustco Mortgage Company issued and outstanding under a trust indenture dated as of March 12, 1993 and made between Canada Trustco Mortgage Company and Montreal Trust Company of Canada, as amended.

In accordance with the Extraordinary Resolution, The Toronto-Dominion Bank hereby gives notice to the Trustee and Canada Trustco Mortgage Company of the Transfer.

THE TORONTO-DOMINION BANK

Per: _____

Date on which this Transfer Notice is delivered to the Trustee:

_____.

Time on the Transfer Date this Transfer Notice is delivered to the Trustee:

_____.

Exhibit 2 to Schedule A

- (1) For the purposes of paragraphs (1), (2) and (3) hereof:
- (a) “Bank” means The Toronto-Dominion Bank;
 - (b) “bank subordinated indebtedness” means subordinated indebtedness as defined in the *Bank Act* (Canada);
 - (c) “Corporation” means Canada Trustco Mortgage Company;
 - (d) “Ineligible Person” means any person whose address is in or whom the Bank or the Trustee has reason to believe is a resident of any jurisdiction outside of Canada to the extent that the issuance by the Bank to such person of May 26, 2025 Debentures would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction;
 - (e) “May 26, 2025 Debentures” means bank subordinated indebtedness of the Bank evidenced by the 9.15% debentures due May 26, 2025 to be issued and certified under a twenty-sixth supplemental indenture between the Bank and Montreal Trust Company of Canada;
 - (f) “Series 3 Debentures” means the 9.15% Capital Debentures, Series 3 of the Corporation;
 - (g) “Transfer” has the meaning ascribed to such term in paragraph (2)(b) hereof;
 - (h) “Transfer Date” means the date upon which the Transfer Notice is delivered to the Trustee in accordance with paragraph (2)(a) hereof;
 - (i) “Transfer Notice” means the notice advising of the Transfer, substantially in the form attached hereto as Appendix A;
 - (j) “Transfer Price” means \$1,000 principal amount of May 26, 2025 Debentures in respect of each \$1,000 principal amount of Series 3 Debentures except in the case of Ineligible Persons, in which case, the Transfer Price shall be a pro rata entitlement to the net cash amount, if any, after deducting all applicable withholding taxes and all costs and expenses thereof, realized by the Trustee from secondary market sales of the May 26, 2025 Debentures otherwise issuable to such persons;
 - (k) “Transfer Time” means the time the Transfer Notice is delivered to the Trustee on the Transfer Date in accordance with paragraph (2)(a) hereof; and
 - (l) “Trustee” means Montreal Trust Company of Canada or any successor trustee in respect of the Series 3 Debentures;
- (2) Transfer.
- (a) Subject to section (3) hereof, the Bank may, at its option, cause the Transfer through the delivery by the Bank of the Transfer Notice to the Trustee by hand delivery to the Trustee at its principal office in Toronto (being 100 University Avenue, 12th Floor, South Tower, Toronto, Ontario M5J 2Y1) which delivery shall be deemed to be delivery of the Transfer Notice to each holder of Series 3 Debentures, with a copy to the Corporation by hand delivery to Suite 1200, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario.
 - (b) In the event the Transfer Notice is delivered by the Bank in accordance with paragraph (2)(a) hereof, at the Transfer Time, each holder of Series 3 Debentures shall transfer, and shall be

deemed to have transferred, to the Bank all of such holder's right, title and interest in and to its Series 3 Debentures and the Bank shall acquire, and shall be deemed to have acquired, from each such holder of Series 3 Debentures, all, but not less than all, of the Series 3 Debentures held by each such holder (which transfer and acquisition are referred to herein as the "Transfer") and, at the Transfer Time, each holder of Series 3 Debentures shall cease to be a holder of such Series 3 Debentures and shall not be entitled to exercise any of the rights of a holder of Series 3 Debentures in respect thereof other than the right to receive the Transfer Price for the Series 3 Debentures.

- (c) The Bank shall, on or prior to the Transfer Date, issue sufficient May 26, 2025 Debentures to pay the aggregate Transfer Price to the holders of the Series 3 Debentures and, in the event that the Transfer Notice is delivered by the Bank in accordance with paragraph (2)(a) hereof, such issuance shall constitute a full and complete discharge of the Bank's obligation to pay the Transfer Price to the holders of the Series 3 Debentures. Notwithstanding the foregoing, Ineligible Persons shall not be entitled to receive May 26, 2025 Debentures in exchange for Series 3 Debentures. Instead, the Trustee, as agent acting through TD Securities Inc. for such Ineligible Persons, shall attempt to sell all such May 26, 2025 Debentures otherwise issuable to Ineligible Persons on the secondary market at such prices and at such times as the Trustee may, in its sole discretion, determine. Neither the Trustee, the Bank, the Corporation, nor any of their respective directors, officers, shareholders, employees or agents shall in any way be liable or responsible for any failure to sell such May 26, 2025 Debentures on behalf of any Ineligible Person or at any particular price on any particular day. On and after the Transfer Time, the Transfer Price shall be held by the Trustee as agent for the holders of the Series 3 Debentures, and receipt of payment by the Trustee shall be deemed to constitute receipt of payment of the Transfer Price by the holders of the Series 3 Debentures for all of the Series 3 Debentures transferred pursuant to the Transfer. The holders of the Series 3 Debentures transferred pursuant to the Transfer shall be entitled to receive the Transfer Price, without interest, for each \$1,000 principal amount of Series 3 Debentures so transferred: (i) on presentation and surrender of the instrument or instruments evidencing all Series 3 Debentures held by such holder (or, in respect of any such instrument or instruments which have been lost, destroyed or wrongfully taken, an indemnity bond together with an affidavit confirming ownership, each in a form satisfactory to the Bank, acting reasonably) or any other evidence of ownership with respect to the Series 3 Debentures which is satisfactory to the Bank, acting reasonably; and (ii) on presentation of a fully completed and duly executed Letter of Transmittal. Should any holder of any Series 3 Debentures transferred pursuant to the Transfer fail to present and surrender the above-mentioned documentation, the Bank shall have the right, after one year from the Transfer Date, to have all of the remaining Transfer Price deposited with the Trustee returned to the Bank and the Bank shall thereafter be responsible for payment of the Transfer Price to any former holder of Series 3 Debentures upon presentation and surrender of such documentation as the Bank may require.
- (3) If the Transfer Notice has not been delivered to the Trustee in accordance with paragraph (2)(a) hereof on or prior to 5:00 p.m. (Toronto time) on the 15th business day following the approval of the Extraordinary Resolution, the provisions of paragraph (2)(a) hereof shall be of no force or effect.

Appendix A to Exhibit 2 to Schedule A

TRANSFER NOTICE

TO: Montreal Trust Company of Canada
Corporate Trust Services
100 University Avenue
12th Floor, South Tower
Toronto, Ontario
M5J 2Y1

COPY TO: Canada Trustco Mortgage Company

FROM: The Toronto-Dominion Bank

DATE: [insert date]

All capitalized terms in this Transfer Notice that are not defined herein have the meaning ascribed to such terms in Exhibit 2 to the text of the extraordinary resolution (the "Extraordinary Resolution") approved on December 4, 2000 by the holders of the Capital Debentures of Canada Trustco Mortgage Company issued and outstanding under a trust indenture dated as of March 12, 1993 and made between Canada Trustco Mortgage Company and Montreal Trust Company of Canada, as amended.

In accordance with the Extraordinary Resolution, The Toronto-Dominion Bank hereby gives notice to the Trustee and Canada Trustco Mortgage Company of the Transfer.

THE TORONTO-DOMINION BANK

Per: _____

Date on which this Transfer Notice is delivered to the Trustee:

_____.

Time on the Transfer Date this Transfer Notice is delivered to the Trustee:

_____.

SCHEDULE B
EXCHANGE AGREEMENT

THIS EXCHANGE AGREEMENT dated as of the 1st day of November, 2000

B E T W E E N:

THE TORONTO-DOMINION BANK, a Canadian chartered bank (hereinafter called the “**Bank**”),

- and -

CANADA TRUSTCO MORTGAGE COMPANY, a loan company governed by the *Trust and Loan Companies Act* (Canada)(hereinafter called “**the Corporation**”),

WITNESSES THAT:

WHEREAS the Bank has, pursuant to a take-over bid, acquired all of the outstanding common shares of CT Financial Services Inc., which owns 100% of the outstanding common shares of the Corporation;

AND WHEREAS the Corporation has outstanding two series of publicly held debentures, being \$150 million 10.05% Capital Debentures, Series 2 due August 4, 2014 (the “**Series 2 Debentures**”) and \$200 million 9.15% Capital Debentures Series 3 due May 26, 2025 (the “**Series 3 Debentures**” and, together with the Series 2 Debentures, the “**Capital Debentures**”);

AND WHEREAS the parties have agreed on certain procedures which are to be followed to permit the transfer of each \$1000 principal amount of the Capital Debentures to the Bank in exchange for an identical principal amount of certain newly issued debentures of the Bank (the “**Bank Debentures**”);

AND WHEREAS the Bank and the Corporation wish to set forth the terms and conditions on which the transaction will be implemented;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the respective covenants and agreements provided in this Agreement and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

ARTICLE I

DEFINITION AND INTERPRETATION

Section 1.01 **Definitions**

In this Agreement, capitalized terms which are defined in the Proxy Circular (as hereinafter defined) are used with the meanings given to such terms in the Proxy Circular. In addition, the following terms have the following meanings:

“**Agreement**” means this Exchange Agreement, as amended, supplemented or restated from time to time;

“**Business Day**” means a day which is not a Saturday, Sunday or statutory holiday within the meaning of the *Interpretation Act* (Canada) on which The Toronto Stock Exchange is open for trading; and

“**Proxy Circular**” means the Management Proxy Circular of the Corporation to be dated November 1, 2000 or such other date as the Corporation and the Bank may agree, a draft of which has been provided by the Corporation to the Bank.

Section 1.02 **Effect of Headings**

The division of this Agreement into Articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “**this Agreement**”, “**hereof**”, “**hereunder**” and similar expressions refer to this Agreement and not to any particular Article, section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and sections are to Articles and sections of this Agreement.

Section 1.03 **Extended Meanings**

In this Agreement words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa* and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

Section 1.04 **Date for Any Action**

If any date on which any action is required to be taken under this Agreement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

ARTICLE II

SPECIAL MEETING OF CAPITAL DEBENTUREHOLDERS

Section 2.01 **Calling of Special Meeting of Capital Debentureholders**

Subject to the terms and conditions of this Agreement, the Corporation will take all action necessary in accordance with applicable law and the CT Trust Indenture to convene the Special Meeting to be held on a date that is as soon as practicable after the date hereof, all as contemplated in the Proxy Circular. The Corporation shall solicit from the Capital Debentureholders proxies in favour of the Extraordinary Resolution and to take other action as may reasonably be necessary or advisable to secure the vote of the Capital Debentureholders in favour of the Extraordinary Resolution.

Section 2.02 **Delivery of Proxy Circular**

Subject to the terms and conditions hereof, as soon as practicable, the Corporation shall have completed and delivered the Proxy Circular to the Capital Debentureholders or the intermediaries that hold instruments evidencing Capital Debentures on behalf of the Capital Debentureholders in connection with the Special Meeting. The Corporation shall distribute the Proxy Circular in substantially the form of the draft thereof provided to the Bank, and shall only make changes to the Proxy Circular following consultation with the Bank.

Section 2.03 **Cooperation by Bank**

The Bank covenants to promptly furnish to the Corporation all information related to the Bank as the Corporation may reasonably request in connection with and for inclusion in the Proxy Circular.

Section 2.04 **Cooperation by the Corporation**

The Corporation covenants to provide the Bank with any proposed amendments to the draft Proxy Circular and any other documents to be issued by the Corporation to the Capital Debentureholders in connection to the Special Meeting, from time to time, prior to the mailing thereof, on a confidential basis, and to provide the Bank with a reasonable opportunity to review and provide comments thereon.

ARTICLE III

CONDITIONS

Section 3.01 Conditions

The parties agree that the completion of the Transaction, as contemplated by this Agreement, is subject to fulfillment of the conditions set forth in the Proxy Circular, some of which may not be waived, and others of which may be waived in the discretion of the Bank, in each case as provided in the Proxy Circular.

Section 3.02 Certificate of each of the Bank and the Corporation

Prior to implementing the Transfer Provisions, each of the Bank and the Corporation shall deliver to the other a certificate signed by an officer addressed to the other certifying that the conditions provided herein to be satisfied have been satisfied and that the representation, warranties and covenants of each as set forth herein continue to be accurate and have been complied with.

ARTICLE IV

IMPLEMENTATION OF TRANSACTION

Section 4.01 Implementation of Transaction

Each of the Corporation and the Bank shall take such steps and actions as may be necessary or desirable to give effect to the procedures and actions contemplated in the Proxy Circular, upon and subject to the terms, conditions and discretions set forth in the Proxy Circular. Subject to the prior termination of this Agreement in accordance with its terms and to the satisfaction or waiver, as applicable, of the conditions to the completion of the Transaction, if the Extraordinary Resolution has been approved and if the Bank wishes to effect the Transaction, it shall do so in accordance with the Transfer Provisions. If the Bank delivers the Transfer Notices prior to the Termination Time, the Corporation shall take all steps necessary or advisable to be taken by or on behalf of it to implement the Transaction in accordance with the Transfer Provisions. If the Bank fails to comply with the Transfer Provisions prior to the Termination Time, the Transfer Provisions will cease to be of any further force and effect.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.01 **Representations and Warranties of the Corporation**

The Corporation represents and warrants to and in favour of the Bank as follows:

- (a) it is a loan company governed by the *Trust and Loan Companies Act* (Canada);
- (b) it has the corporate power, authority and right to enter into this Agreement and, subject to obtaining all necessary regulatory and other approvals as contemplated in the Proxy Circular, to perform its obligations hereunder;
- (c) the execution and delivery of this Agreement by the Corporation and the completion of the transactions contemplated herein do not and will not:
 - (i) result in the breach of, or violate any term or provision of, the articles or by-laws of the Corporation;
 - (ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement or other instrument, license, permit, or authority to which the Corporation is a party or by which the Corporation is bound; or
 - (iii) violate any applicable law, rule or regulation, the breach of which would have a material adverse effect on the Corporation;
- (d) the execution and delivery of this Agreement have been duly authorized by all necessary corporate action by the Corporation, and this Agreement constitutes a valid and legally binding obligation of the Corporation enforceable against it in accordance with its terms;
- (e) the Capital Debentures have been duly and validly authorized, created, issued and executed by the Corporation and constitute indebtedness of the Corporation and valid and binding direct obligations of the Corporation enforceable against the Corporation in accordance with their respective terms; and
- (f) the information set forth in the Proxy Circular with respect to the Corporation is true, correct and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in light of the circumstances in which they are made.

Section 5.02 **Representations and Warranties of the Bank**

The Bank represents and warrants to and in favour of the Corporation as follows:

- (a) it is a bank to which the *Bank Act* applies and the Bank exists thereunder and has made all necessary filings under all applicable corporate, securities and taxation laws or any other laws to which it is subject;
- (b) it has the corporate power, authority and right to enter into this Agreement and, subject to obtaining all necessary approvals as contemplated in the Proxy Circular, to perform its obligations hereunder;
- (c) the execution and delivery of this Agreement by the Bank and the completion of the transactions contemplated herein do not and will not:
 - (i) result in the breach of, or violate any term or provision of, the by-laws of the Bank;
 - (ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement or other instrument, license, permit, or authority to which the Bank is a party or by which the Bank is bound; or
 - (iii) violate any applicable law, rule or regulation, the breach of which would have a material adverse effect on the Bank;
- (d) the execution and delivery of this Agreement and the proposed issuance of the Bank Debentures have been duly authorized by all necessary corporate action by the Bank, and this Agreement constitutes a valid and legally binding obligation of the Bank enforceable against it in accordance with its terms;
- (e) once issued and certified, as contemplated by the Transfer Provisions and the TD Trust Indenture, the Bank Debentures will have been duly and validly, created, issued and executed by the Bank and will constitute indebtedness of the Bank and valid and binding direct obligations of the Bank enforceable against the Bank in accordance with their respective terms; and
- (f) the information set forth in the Proxy Circular (including documents incorporated therein by reference) with respect to the Bank is true, correct and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in light of the circumstances in which they are made.

ARTICLE VI

AMENDMENTS AND TERMINATION

Section 6.01 **Amendments**

This Agreement may, at any time and from time to time before the Transfer Time, be amended by written agreement of the parties hereto. Without limiting the generality of the foregoing, any such amendment may:

- (a) change the time for performance of any of the obligations or acts of the parties hereto;
- (b) modify any representation contained herein or any document to be delivered pursuant hereto; or
- (c) modify any of the covenants or conditions herein contained or modify performance of any of the obligations of the parties hereto.

Section 6.02 **Termination**

This Agreement may be terminated at any time prior to the Transfer Time, notwithstanding that the Extraordinary Resolution may have been duly approved by the Capital Debentureholders, in the following circumstances:

- (a) at any time by mutual written consent of the Bank and the Corporation;
- (b) by the Bank, if the board of directors of the Corporation withdraws, modifies or changes its recommendation of the Transaction in a manner adverse to the Bank;
- (c) at any time by the Bank or the Corporation if the conditions precedent in favour of that party will not, in such party's opinion, acting reasonably, be capable of being satisfied; and
- (d) at any time by the Bank by giving the Corporation notice in writing that it will not deliver the Transfer Notices.

If this Agreement is terminated as outlined herein, there shall be no liability or further obligation on the part of the Corporation or the Bank or any of their respective shareholders, officers or directors, except for liability arising from a wilful and intentional breach of any representations, warranties or then effective covenants in this Agreement. There is no termination fee payable by any of the parties hereto in the event that this Agreement is terminated in accordance with the terms hereto.

ARTICLE VII

GENERAL

Section 7.01 **Notice**

All notices and other communications to be given hereunder shall be valid and effective if made in writing and sent by personal delivery or by facsimile transmission or other means of electronic communication which is capable of producing a writing and addressed to the parties as set forth below or to such other address as any of the parties may designate by notice given to the others:

To the Bank:

The Toronto-Dominion Bank
12th Floor
Toronto Dominion Bank Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1A2

Attention: Executive Vice President, General Counsel and Secretary

Fax: (416) 982-6166

To the Corporation:

Canada Trustco Mortgage Company
12th Floor
Toronto Dominion Bank Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1A2

Attention: Executive Vice President, General Counsel and Secretary

Fax: (416) 982-6166

Any notice given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

Section 7.02 **Assignment**

No party may assign its rights or obligations under this Agreement without the prior written consent of the other parties hereto.

Section 7.03 **Binding Effect**

This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

Section 7.04 **Waiver**

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the party granting the same.

Section 7.05 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 7.06 **Severability**

If any provisions of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remainder of this Agreement shall not, in any way, be affected or impaired thereby and this Agreement shall be carried out as nearly as possible in accordance with its original terms and conditions.

IN WITNESS WHEREOF the parties hereto have executed this agreement by the hands of their proper officers duly authorized in that behalf.

THE TORONTO-DOMINION BANK

By: _____
Name:
Title:

CANADA TRUSTCO MORTGAGE COMPANY

By: _____
Name:
Title: