TORONTO DOMINION BANK
Form SUPPL
June 23, 2011

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**Filed Pursuant to General Instruction II.K of Form-9**
**File No. 333-167637**

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This prospectus supplement, together with the short form base shelf prospectus dated July 7, 2010 to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference in the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

Prospectus Supplement to Short Form Base Shelf Prospectus Dated July 7, 2010

**The Toronto-Dominion Bank**
**Up to US$15,000,000,000**

**Senior Medium-Term Notes, Series A**
**Terms of Sale**

The Toronto-Dominion Bank may from time to time offer and sell notes with various terms (the notes ), including the following:

- stated maturity of 9 months or longer
- fixed interest rate, including zero-coupon, or floating interest rate, or a combination of both; a floating interest rate may be based on:
  - commercial paper rate
  - U.S. prime rate
  - LIBOR
  - EURIBOR
  - Treasury rate
  - CMT rate
  - CD rate
  - CMS rate
  - federal funds rate
- ranked as senior indebtedness of The Toronto-Dominion Bank
- book-entry form only through The Depository Trust Company
- redemption at the option of The Toronto-Dominion Bank or the option of the holder
- interest on notes paid monthly, quarterly, semi-annually or annually
- unless otherwise set forth in the applicable pricing supplement, minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof
- denominated in U.S. dollars, a currency other than U.S. dollars or in a composite currency
- settlement in immediately available funds
- may be issued with original issue discount

The final terms of each note will be included in a pricing supplement. For information regarding the agent s commissions, see Supplemental Plan of Distribution (Conflicts of Interest). The aggregate initial offering price of the notes is subject to reduction as a result of the sale by The Toronto-Dominion Bank of other debt securities pursuant to another prospectus supplement to the accompanying prospectus.

***See Risk Factors beginning on page S-6 to read about factors you should consider before investing in any notes.***

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

The notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

The Toronto-Dominion Bank may sell the notes directly or through one or more agents or dealers, including the agents referred to in Supplemental Plan of Distribution. The agents are not required to sell any particular amount of the notes.

The Toronto-Dominion Bank may use this prospectus supplement in the initial sale of any notes. In addition, this prospectus supplement may be used by certain of our affiliates in connection with offers and sales of the notes in market-making transactions. In a market-making transaction, our affiliates may resell a note it acquires from other holders, after the original offering and sale of the note. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of the resale or at related or negotiated prices. In these transactions, our affiliates may act as principal or as agent, including as agent for the counterparty in a transaction in which our affiliates act as principal. Our affiliates may receive compensation in the form of discounts and commissions including from both counterparties in some cases.

**No underwriter, as defined under Canadian securities legislation, has been involved in the preparation of, or has performed any review of, the contents of this prospectus supplement or the accompanying prospectus.**

*Arranger*

**TD Securities**

The date of this prospectus supplement is June 22, 2011.

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus provide you with a general description of the notes we may offer. Each time we sell notes we will provide a pricing supplement containing specific information about the terms of the notes being offered. Each pricing supplement may include a discussion of any risk factors or other special considerations that apply to those notes. The pricing supplement may also add, update or change the information in this prospectus supplement. If there is any inconsistency between the information in this prospectus supplement or any pricing supplement, you should rely on the information in that pricing supplement.

## THE TORONTO-DOMINION BANK

The Toronto-Dominion Bank, which we refer to as TD, we or us, is the sixth largest bank in North America by branches and serves more than 19 million customers in four key businesses operating in a number of locations in key financial centres around the globe: Canadian Personal and Commercial Banking, including TD Canada Trust and TD Insurance; Wealth Management, including TD Waterhouse and an investment in TD Ameritrade; U.S. Personal and Commercial Banking, including TD Bank, America s Most Convenient Bank; and Wholesale Banking, including TD Securities. TD also ranks among the world s leading online financial services firms, with approximately 7 million online customers. TD Group had CDN$630 billion in assets on April 30, 2011. The Toronto-Dominion Bank trades under the symbol TD on the Toronto and New York Stock Exchanges. To find out how to obtain more information about us, see Available Information on page I-6 of the accompanying prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying prospectus solely for the purpose of the notes to be issued hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the accompanying prospectus and reference should be made to the accompanying prospectus for full particulars thereof.

The following documents with respect to TD filed with the securities commissions or similar authorities in Canada, are specifically incorporated by reference in and form an integral part of this prospectus supplement:

(a) the Second Quarter Report to Shareholders for the three and six months ended April 30, 2011, which includes comparative consolidated interim financial statements (unaudited) and Management s Discussion & Analysis ( MD&A );

(b) the Management Proxy Circular dated as of January 27, 2011;

(c) the Annual Information Form dated December 1, 2010; and

(d) the consolidated audited financial statements for the fiscal year ended October 31, 2010 with comparative consolidated financial statements for the fiscal year ended October 31, 2009, together with the auditors report thereon and MD&A as contained in the Annual Report to Shareholders for the year ended October 31, 2010.

Any management proxy circular, annual information form, consolidated audited financial statements, interim unaudited financial statements, material change reports (excluding confidential material change reports) or business acquisition reports, all as filed by TD with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation after the date of this prospectus supplement and prior to the termination of the offering of notes hereunder will be deemed to be incorporated by reference into this prospectus supplement.

A pricing supplement describing the specific terms of an offering of notes and containing such other information that TD may elect to include will be delivered to purchasers of the notes together with this prospectus supplement and the accompanying prospectus and will be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus as of the date of the applicable pricing supplement solely for the purpose of the notes issued thereunder.

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Updated earnings coverage ratios, as necessary, will be filed quarterly with the various securities commissions and similar authorities in Canada, either as prospectus supplements to the accompanying prospectus or as exhibits to TD s unaudited interim and audited annual consolidated financial statements, and will be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus for the issuance of notes thereunder.

Any statement contained in the accompanying prospectus, in this prospectus supplement or in any other document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this prospectus supplement 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 is not to 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 was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

## TRADING PRICE AND VOLUME OF TD S SECURITIES

The following chart sets out the trading price in Canadian dollars and volume of TD s securities on the Toronto Stock Exchange during the 12 months preceding the date of this prospectus supplement:

| une 010 | July 2010 | August 2010 | Sept. 2010 | October 2010 | Nov. 2010 | Dec. 2010 | January 2011 | Feb. 2011 | March 2011 | April 2011 | M 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | **COMMON SHARES** | | | | | | |
| 74.26 | 74.95 | 74.49 | 76.50 | 76.14 | 75.47 | 75.87 | 76.72 | 81.69 | 86.82 | 86.75 | 8 |
| 68.17 | 67.63 | 68.25 | 71.95 | 72.41 | 72.05 | 70.48 | 73.50 | 75.11 | 79.52 | 80.39 | 8 |
| 50,356 | 41,746 | 44,280 | 54,628 | 40,170 | 41,468 | 64,303 | 46,787 | 40,173 | 55,842 | 36,108 | 32 |
| | | | | | **CLASS A FIRST PREFERRED SHARES** | | | | | | |
| 26.40 | 26.35 | 26.45 | 26.85 | 26.19 | 25.90 | 25.93 | 26.00 | 25.72 | 25.83 | 25.95 | 2 |
| 25.74 | 25.67 | 26.05 | 25.91 | 25.80 | 25.77 | 25.75 | 25.56 | 25.55 | 25.52 | 25.53 | 2 |
| 126 | 139 | 159 | 71 | 267 | 820 | 400 | 963 | 256 | 262 | 83 | |
| 26.25 | 26.10 | 26.20 | 26.60 | 26.20 | 26.00 | 25.94 | 27.75 | 25.75 | 25.80 | 27.70 | 2 |
| 25.70 | 25.85 | 25.98 | 25.80 | 25.67 | 25.72 | 25.75 | 25.56 | 25.50 | 25.65 | 25.61 | 2 |
| 41 | 28 | 40 | 37 | 77 | 49 | 27 | 433 | 88 | 66 | 295 | |
| 21.38 | 21.87 | 22.70 | 23.91 | 23.96 | 24.74 | 24.45 | 24.70 | 24.59 | 25.05 | 25.31 | 2 |
| 20.22 | 20.94 | 21.68 | 22.52 | 23.26 | 23.82 | 23.00 | 23.49 | 24.09 | 24.35 | 24.27 | 2 |
| 639 | 498 | 576 | 711 | 501 | 579 | 425 | 342 | 338 | 497 | 488 | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 23.16 | 23.50 | 24.38 | 24.90 | 25.19 | 25.25 | 25.54 | 25.49 | 25.39 | 26.00 | 25.96 | 2 |
| 21.90 | 22.75 | 23.25 | 24.15 | 24.46 | 24.66 | 24.75 | 24.69 | 24.77 | 25.10 | 25.05 | 2 |
| 145 | 96 | 140 | 384 | 360 | 417 | 127 | 165 | 299 | 269 | 113 | |
| 24.63 | 24.94 | 25.25 | 25.84 | 25.99 | 26.08 | 25.93 | 26.00 | 25.88 | 26.16 | 26.19 | 2 |
| 23.21 | 24.23 | 24.65 | 25.24 | 25.32 | 25.50 | 25.40 | 25.50 | 25.60 | 25.66 | 25.39 | 2 |
| 117 | 91 | 105 | 112 | 172 | 371 | 224 | 433 | 149 | 247 | 134 | |
| 24.50 | 24.96 | 25.25 | 25.84 | 25.87 | 26.31 | 25.83 | 25.94 | 25.87 | 26.13 | 26.17 | 2 |
| 23.22 | 24.19 | 24.55 | 25.02 | 25.13 | 25.15 | 25.11 | 25.24 | 25.52 | 25.65 | 25.45 | 2 |
| 268 | 327 | 328 | 290 | 285 | 356 | 159 | 212 | 202 | 247 | 246 | |

| | June 2010 | July 2010 | August 2010 | Sept. 2010 | October 2010 | Nov. 2010 | Dec. 2010 | January 2011 | Feb. 2011 | March 2011 | April 2011 | May 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| N$) | 26.10 | 26.29 | 27.00 | 27.40 | 26.95 | 26.83 | 26.41 | 26.59 | 26.10 | 26.29 | 26.43 | 26.25 |
| I$) | 25.66 | 25.75 | 26.07 | 26.49 | 26.16 | 26.14 | 25.82 | 25.88 | 25.61 | 25.87 | 25.70 | 25.92 |
| ) | 529 | 410 | 185 | 160 | 173 | 540 | 114 | 72 | 232 | 288 | 111 | 66 |
| N$) | 26.32 | 26.29 | 26.70 | 27.35 | 26.86 | 26.98 | 26.50 | 26.64 | 26.35 | 26.46 | 26.58 | 26.39 |
| I$) | 25.77 | 25.75 | 26.17 | 26.53 | 26.26 | 26.09 | 25.83 | 26.12 | 25.90 | 26.07 | 25.87 | 26.06 |
| ) | 54 | 275 | 44 | 189 | 110 | 425 | 97 | 157 | 190 | 120 | 62 | 197 |
| N$) | 26.28 | 26.42 | 26.84 | 27.17 | 26.85 | 26.90 | 26.72 | 26.74 | 26.62 | 26.43 | 26.55 | 26.54 |
| I$) | 25.82 | 25.80 | 26.15 | 26.63 | 26.25 | 26.14 | 26.08 | 26.00 | 25.81 | 25.92 | 25.96 | 26.09 |
| ) | 107 | 312 | 94 | 111 | 274 | 168 | 128 | 250 | 133 | 200 | 120 | 130 |
| N$) | 26.90 | 27.05 | 27.50 | 27.73 | 27.37 | 27.38 | 27.22 | 27.22 | 26.90 | 27.02 | 27.09 | 26.88 |
| I$) | 26.23 | 26.50 | 26.88 | 27.15 | 26.70 | 26.92 | 26.50 | 26.44 | 26.17 | 26.46 | 26.35 | 26.45 |
| ) | 327 | 289 | 92 | 223 | 215 | 222 | 391 | 236 | 156 | 84 | 142 | 115 |
| N$) | 27.75 | 27.75 | 28.20 | 28.38 | 28.02 | 28.11 | 27.94 | 27.78 | 27.50 | 27.69 | 27.67 | 27.62 |
| I$) | 26.92 | 27.20 | 27.35 | 27.96 | 27.47 | 27.65 | 27.20 | 27.10 | 26.95 | 27.33 | 26.99 | 27.12 |
| ) | 275 | 256 | 156 | 441 | 435 | 317 | 168 | 220 | 348 | 204 | 171 | 129 |
| N$) | 27.96 | 27.90 | 28.05 | 28.49 | 28.10 | 28.00 | 27.90 | 27.72 | 27.44 | 27.62 | 27.60 | 27.56 |
| I$) | 26.94 | 27.25 | 27.38 | 27.87 | 27.48 | 27.62 | 27.31 | 27.10 | 26.78 | 27.25 | 26.95 | 27.14 |
| ) | 352 | 323 | 289 | 681 | 647 | 334 | 208 | 294 | 309 | 523 | 221 | 618 |
| N$) | 27.90 | 27.90 | 28.10 | 28.48 | 28.29 | 28.20 | 28.00 | 28.00 | 27.49 | 27.75 | 27.79 | 27.64 |
| I$) | 27.00 | 27.42 | 27.54 | 27.94 | 27.61 | 27.81 | 27.21 | 27.12 | 27.01 | 27.32 | 27.10 | 27.23 |
| ) | 235 | 148 | 242 | 434 | 317 | 211 | 284 | 586 | 240 | 339 | 180 | 267 |
| N$) | 27.88 | 27.90 | 28.27 | 28.49 | 28.19 | 28.18 | 27.99 | 27.94 | 27.49 | 27.77 | 27.82 | 27.67 |
| I$) | 26.98 | 27.20 | 27.60 | 27.99 | 27.60 | 27.82 | 27.36 | 27.02 | 26.84 | 27.29 | 26.76 | 27.27 |
| ) | 381 | 325 | 242 | 482 | 362 | 224 | 227 | 269 | 281 | 234 | 141 | 300 |

(1) The June 2011 data include trading prices and volume up to and including June 20, 2011.

## SUMMARY

*The information in this  Summary  section is qualified by the more detailed information set forth in this prospectus supplement and the accompanying prospectus, as well as the applicable pricing supplement.*

| | |
|---|---|
| Issuer: | The Toronto-Dominion Bank ( TD ). |
| Interest Payment Dates: | The date or dates specified in the applicable pricing supplement. The applicable pricing supplement may specify that the interest dates are monthly, quarterly, semi-annually, annually or at other specified intervals, or that interest will be paid only at maturity. |
| Interest Payable: | Unless we specify otherwise in the applicable pricing supplement, the notes will bear interest at:<br>a fixed rate, which may be zero;<br>a floating rate; or<br>a combination of both fixed and floating rates. |
| Payment at Maturity: | On the maturity date, you will receive the principal amount of your notes plus any accrued and unpaid interest. |
| Redemption: | If the applicable pricing supplement specifies that the notes are  Redeemable,  we may redeem the notes at a price specified in the applicable pricing supplement plus accrued and unpaid interest to the redemption date on any payment date on or after the date or dates specified in the applicable pricing supplement. |
| Put Option: | You will only have the right to require us to repurchase your notes prior to maturity if so specified in the applicable pricing supplement. |
| Clearance and Settlement: | Unless we specify otherwise in the applicable pricing supplement, through DTC (including through its indirect participants Euroclear and Clearstream as described under  Book-Entry Procedures and Settlement  in the accompanying prospectus). |
| Listing: | The notes will not be listed on any securities exchange. |
| Calculation Agent: | Unless we specify otherwise in the applicable pricing supplement, The Bank of New York Mellon. |
| Conflicts of Interest: | TD Securities (USA) LLC is an affiliate of The Toronto-Dominion Bank. Financial Industry Regulatory Authority, Inc. ( FINRA ) Rule 5121 imposes certain requirements when a FINRA member, such as TD Securities (USA) LLC, distributes an affiliated company s securities. TD |

Securities (USA) LLC has advised The Toronto-Dominion Bank that each particular offering of notes in which it participates will comply with the applicable requirements of FINRA Rule 5121.

Neither TD Securities (USA) LLC nor any other FINRA member is permitted to sell notes in an offering to an account over which it exercises discretionary authority without the prior written approval of the customer to which the account relates.

# RISK FACTORS

**An investment in your notes is subject to the risks described below, as well as the risks described under Risk Factors in the accompanying prospectus. You should carefully consider whether the notes are suited to your particular circumstances. This prospectus supplement should be read together with the prospectus and the applicable pricing supplement. The information in the prospectus is supplemented by, and to the extent inconsistent therewith replaced and superseded by, the information in this prospectus supplement and the applicable pricing supplement.** This section describes the most significant risks relating to the terms of the notes. We urge you to read the following information about these risks, together with the other information in this prospectus supplement and the prospectus and the applicable pricing supplement, before investing in the notes.

## Risks Relating to the Notes in General

***An Investment in the Notes Is Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes.***

An investment in any of the notes issued under our medium-term note program, which are TD s senior unsecured debt securities, is subject to our credit risk. As a result, your receipt of each interest payment, if any, and the amount due on the maturity date is dependent upon TD s ability to repay its obligations as of each payment date. The existence of a trading market for, and the market value of, any of the notes may be impacted by market perception of our creditworthiness. If market perception of our creditworthiness were to decline for any reason, the market value of your notes, and availability of the trading markets generally, may be adversely affected. No assurance can be given as to what our financial condition will be at any time during the term of the notes, or at maturity.

***The Interest Rate of Certain Types of Notes Is Not Certain for One or More Interest Periods, and May Be Zero or Very Low.***

Except for any interest periods in which your notes will bear interest at a fixed rate, the interest rate for one or more interest periods during the term of the notes will not be known on the pricing date of your notes. Depending on the terms set forth in the applicable pricing supplement, it is possible that the applicable interest rate for one or more interest periods may be 0%, or if the rate is above 0%, it may be substantially less than the rate of interest that we would pay on conventional debt securities with a comparable term. You should carefully read the terms of the notes that will be set forth in the applicable pricing supplement in order to determine the extent to which the interest rate on your notes during any period may be so limited.

Even if your yield on the notes is positive, and even if your notes have a specified fixed rate of interest for one or more interest periods, your total yield may be less than the yield you would earn if you bought a standard senior non-callable debt security of TD with the same maturity date. The return on your investment may not compensate you for the opportunity cost when you take into account factors, such as inflation, that affect the time value of money.

Depending on the terms of your notes, you should, therefore, be prepared to realize no return at maturity over the principal amount of your notes.

***Your Notes May Be Subject to Early Redemption.***

Depending upon the terms of your notes, we may have the right to redeem them, or the notes may be automatically redeemable under some circumstances. If we have the right to redeem them, we will be more likely to do so as the rate of interest payable on your notes increases. If we redeem your notes, depending on the market conditions at the time of redemption, you may not be able to reinvest the redemption proceeds in a security with a comparable return.

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***There May Not Be an Active Trading Market for the Notes   Sales in the Secondary Market May Result in Significant Losses.***

There may be little or no secondary market for the notes. The notes will not be listed on any securities exchange. TD Securities (USA) LLC and other affiliates of TD may make a market for the notes; however, they are not required to do so. TD Securities (USA) LLC or any other affiliate of TD may stop any market-making activities at any time. Even if a secondary market for the notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your notes in any secondary market could be substantial.

If you sell your notes before maturity, you may have to do so at a substantial discount from the issue price, and as a result, you may suffer substantial losses.

***The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors.***

The following factors, which are beyond our control, may influence the market value of your notes:

Changes in the level of the interest rate basis. For example, if you purchase floating rate notes, an increase in the level of the interest rate basis could cause a decrease in the market value of the notes. Conversely, a decrease in the level of the interest rate basis for any of the notes could cause an increase in the market value of the notes. However, if the level of the interest rate basis decreases and remains low, the likelihood of the notes being redeemed (if the notes are redeemable) would increase. In all cases, the level of the interest rate basis itself will be influenced by complex and interrelated political, economic, financial and other factors that can affect the money markets generally and the London interbank market or other applicable market in particular.

Changes in U.S. interest rates. In general, if U.S. interest rates increase, the market value of the notes may decrease, and if U.S. interest rates decrease, the market value of the notes may increase.

Volatility of the interest rate basis. Depending on the terms of your notes, if the size and frequency of fluctuations of the interest rate basis changes, the market value of the notes may decrease.

These factors may influence the market value of your notes if you sell your notes before maturity. Our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market will also affect the market value of your notes. If you sell your notes prior to maturity, you may receive less than the principal amount of your notes.

***For Certain Types of Notes, the Interest Rate Payable During the Initial Interest Period May Not Be Indicative of the Interest Rate Payable During Subsequent Interest Periods.***

The interest rate of certain notes that we may offer with this prospectus supplement, may be based on a different rate during the initial interest period than in subsequent interest periods. In particular, during the interest period(s) where a fixed rate of interest (or other financial measure) applies, this fixed rate of interest (or other financial measure) may be higher than the floating rate of interest (or other financial measure) that will be applicable during subsequent interest period(s). As noted above, the interest rate during the interest period where a floating rate of interest is applicable is uncertain and could be as little as 0.0%.

***The Interest Rate on the Notes Will Be Limited if the Notes have a Maximum Interest Rate.***

If the applicable pricing supplement specifies that your notes have a maximum interest rate, the interest rate payable on your notes during any period will be limited to the maximum rate specified in the applicable pricing supplement. Therefore, the return you receive during any interest period may be less than what you would have received had you invested in a security that was not subject to a maximum interest rate.

***Trading Activities by TD or its Affiliates May Adversely Affect the Market Value of the Notes.***

We or one or more affiliates may hedge our obligations under the notes by purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the level of the interest rate basis, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the notes declines. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of the applicable interest rate basis.

These trading activities may present a conflict between the holders interest in the notes and the interests we and our affiliates will have in our or their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our or their customers accounts and in accounts under our or their management. These trading activities could be adverse to the interests of the holders of the notes.

***Historical Levels of an Interest Rate Basis Should Not Be Taken as an Indication of the Future Levels of Such Rate.***

The historical performance of an interest rate basis, which may be included in the applicable pricing supplement, should not be taken as an indication of the future performance of the interest rate basis during the term of the notes. Changes in the level of the interest rate basis will affect the trading price of the notes, but it is impossible to predict whether the level of the interest rate basis will rise or fall.

***Significant Aspects of the U.S. Tax Treatment of the Notes May Be Uncertain.***

The U.S. tax treatment of the notes may be uncertain. We do not plan to request a ruling from the Internal Revenue Service regarding the tax treatment of the notes, and the Internal Revenue Service or a court may not agree with the tax treatment described in this prospectus supplement.

In addition, because the tax disclosure in this prospectus supplement has been prepared without regard to any particular offering of notes, the tax disclosure does not take into account the terms of any particular note. The U.S. federal income tax consequences of a note with terms that are not consistent with the assumptions made in the section entitled Tax Consequences United States Taxation in this prospectus supplement may be significantly different from the anticipated tax treatment discussed in this document. You should therefore not rely on the disclosure in this prospectus supplement under Tax Consequences United States Taxation with regard to an investment in any particular note because it does not take into account the terms of any particular note or the tax consequences of investing in or holding any particular note unless the applicable pricing supplement applicable to your notes indicates that you may so rely. There may also be other features or terms of any specific offering of notes that will cause the tax section in this prospectus supplement to be inapplicable to any specific offering of notes.

Please read carefully the section entitled Tax Consequences United States Taxation in this prospectus supplement. You should consult your tax advisor about your own tax situation.

***Non-U.S. Investors May Be Subject to Certain Additional Risks.***

Unless otherwise specified in the applicable pricing supplement, the notes will be denominated in U.S. dollars. If you are a non-U.S. investor who purchases the notes with a currency other than U.S. dollars, changes in rates of exchange may have an adverse effect on the value, price or returns of your investment.

**Risks Relating to Floating Rate Notes**

***You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Applicable Interest Rate Basis.***

In the ordinary course of their business, our affiliates may have expressed views on expected movements in any interest rate basis, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any interest rate basis may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning any applicable interest rate basis from multiple sources, and you should not rely solely on views expressed by our affiliates.

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***The Method Used by the Publisher of an Interest Rate Basis May Change in the Future.***

The publisher of one or more of the interest rates basis for your notes may change the manner in which an interest rate basis is calculated. Any such changes could occur after the issue date of your notes, and may decrease the amounts of the payments that you receive on the notes. Unless otherwise set forth in the applicable pricing supplement, we will not have any obligation to compensate you for any reductions of this kind.

***Floating Rates of Interest are Uncertain and Could be 0.0%.***

If your notes are floating rate notes, no interest will accrue on the notes with respect to any interest period for which the applicable floating rate specified in the applicable pricing supplement is zero on the related interest rate reset date. Floating interest rates, by their very nature, fluctuate, and may be as low as 0.0%. Also, in certain economic environments, floating rates of interest may be less than fixed rates of interest for instruments with a similar credit quality and term. As a result, the return you receive on your notes may be less than a fixed rate security issued for a similar term by a comparable issuer.

***Changes in Banks Inter-bank Lending Rate Reporting Practices or the Method Pursuant to which LIBOR is Determined May Adversely Affect the Value of Securities to which LIBOR Relates.***

Concerns have been expressed that some of the member banks surveyed by the British Bankers Association (the BBA ) in 2008 in connection with the calculation of daily LIBOR rates may have been under-reporting the inter-bank lending rate applicable to them in order to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may result from reporting higher inter-bank lending rates. As a result, the LIBOR rate-fixing process was changed by increasing the number of banks surveyed to set a LIBOR rate. The BBA is continuing its consideration of ways to strengthen the oversight of the process. Future changes adopted by the BBA in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates, which may adversely affect the level of interest payments and the value of the notes.

**Risks Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency**

If you intend to invest in a non-U.S. dollar note e.g., a note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

***An Investment in a Non-U.S. Dollar Note Involves Currency-Related Risks.***

An investment in a non-U.S. dollar note may entail significant risks that may not be associated with a similar investment in a note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by foreign governments. These risks generally depend on factors over which we have no control, such as economic, military and political events and the supply of and demand for the relevant currencies in the global markets.

***Changes in Currency Exchange Rates Can Be Volatile and Unpredictable.***

Rates of exchange between the U.S. dollar and other currencies have been volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a note denominated in a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. market value of your note, including the principal payable at maturity. That in turn could cause the market value of the note to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

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***Government Policy Can Adversely Affect Foreign Currency Exchange Rates and an Investment in a Non-U.S. Dollar Note.***

Foreign currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country s central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar notes is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political, military or economic developments in the country issuing the specified currency for a non-U.S. dollar note or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the specified currency. These changes could affect the value of the note as participants in the global currency markets move to buy or sell the specified currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a specified currency that could affect exchange rates as well as the availability of a specified currency for a note at its maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

***Information About Exchange Rates May Not Be Indicative of Future Performance.***

If we issue a non-U.S. dollar note, we may include in the applicable pricing supplement a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular note. In addition, the historical relationship between the U.S. dollar and the specified non-U.S. currency may not be an accurate proxy for the historical relationship between your own principal currency and that currency.

***In a Lawsuit for Payment on a Non-U.S. Dollar Note, an Investor May Bear Foreign Currency Exchange Risk.***

The notes will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a note denominated in a foreign currency other than U.S. dollars would be required to render the judgment in the specified currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time. You will therefore be exposed to currency risk with respect to both the U.S. dollar and, if applicable, the foreign currency.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

***Non-U.S. Dollar Notes Will Permit Us to Make Payments in U.S. Dollars or Delay Payment If We Are Unable to Obtain the Specified Currency.***

Notes payable in a currency other than U.S. dollars will provide that, if the other currency is not available to us at or about the time when a payment on the notes comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we make payment in U.S. dollars, the exchange rate we will use, unless otherwise specified in the applicable pricing supplement, will be based on the most recently available noon buying rate in New York City for cable transfers of the other currency, available from the Federal Reserve Bank of New York. The most recently available rate may be for a date substantially before the payment date. A determination of this kind may be based on limited information and would involve significant discretion on the part of the exchange rate agent, as specified in the applicable pricing supplement. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero.

In addition, the unavailability of the specified non-U.S. currency will expose you to currency risks with respect to the U.S. dollar which would not have existed had the specified non-U.S. currency been available.

***We Will Not Adjust Any Notes to Compensate for Changes in Foreign Currency Exchange Rates.***

Except as set forth in the applicable pricing supplement, we will not make any adjustment or change in the terms of any note in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency or any other currency. Consequently, investors in notes will bear the risk that their investment may be adversely affected by these types of events.

## USE OF PROCEEDS

Except as otherwise set forth in a pricing supplement, the net proceeds from the sale of any notes will be added to our general funds and will be utilized for general corporate purposes.

## DESCRIPTION OF THE NOTES WE MAY OFFER

You should carefully read the description of the terms and provisions of the notes and our senior indenture under Description of the Debt Securities in the accompanying prospectus. That section, together with this prospectus supplement and the applicable pricing supplement, summarizes all the material terms of our senior indenture and your note. They do not, however, describe every aspect of our senior indenture and your note. For example, in this section entitled Description of the Notes We May Offer, the accompanying prospectus and the applicable pricing supplement, we use terms that have been given special meanings in our senior indenture, but we describe the meanings of only the more important of those terms. The specific terms of any series of notes will be described in the applicable pricing supplement. As you read this section, please remember that the specific terms of your note as described in your pricing supplement will supplement and, if applicable, may modify or replace the general terms described in this section. To the extent the information in the applicable pricing supplement is inconsistent with this prospectus supplement or the accompanying prospectus, the information in the applicable pricing supplement will supersede the conflicting information in this prospectus supplement or the accompanying prospectus. Thus, the statements we make in this section may not apply to your note.

### General

The notes will be issued under our senior indenture, dated as of June 30, 2006, between TD and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee, and as further amended from time to time, which we may refer to as the indenture. The notes constitute a single series of debt securities of TD issued under the indenture. The term debt securities, as used in this prospectus supplement, refers to all debt securities, including the notes, issued and issuable from time to time under the indenture. The indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended. The indenture is more fully described below in this section. Whenever we refer to specific provisions or defined terms in the indenture, those provisions or defined terms are incorporated in this prospectus supplement by reference. Capitalized terms which are not otherwise defined shall have the meanings given to them in the indenture.

The notes will be limited to an aggregate initial offering price of US$15,000,000,000 or at our option if so specified in the applicable pricing supplement, the equivalent of this amount in any other currency or currency unit, and will be our direct, unsecured obligations. This aggregate initial offering price is subject to reduction as a result of the sale by us of other debt securities pursuant to another prospectus supplement to the accompanying prospectus. The notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

We will offer the notes on a continuous basis through one or more agents listed in the section entitled Supplemental Plan of Distribution in this prospectus supplement or the applicable pricing supplement. The indenture does not limit the aggregate principal amount of senior notes that we may issue. We may, from time to time, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the indenture in addition to the US$15,000,000,000 aggregate initial offering price of notes noted on the cover of this prospectus supplement. Each note issued under this prospectus supplement will have a stated maturity that will be specified in the applicable pricing supplement and may be subject to redemption or repayment before its stated maturity. As a general matter, each note will mature nine months or more from its date of issue. Notes may be issued at significant discounts from their principal amount due on the stated maturity (or on any prior date on which the principal or an installment of principal of a note becomes due and payable, whether by the declaration of acceleration, call for redemption at our option, repayment at the option of the holder or otherwise), and some notes may not bear interest. We may from time to time, without the consent of the existing holders of the relevant notes, create and issue further notes having the same terms and conditions as such notes in all respects, except for the issue date, issue price and, if applicable, the first payment of interest thereon.

Unless we specify otherwise in the applicable pricing supplement, currency amounts in this prospectus supplement are expressed in U.S. dollars. Unless we specify otherwise in the applicable pricing supplement, the notes will be denominated in U.S. dollars and payments of principal, premium, if any, and any interest on the notes will be made in U.S. dollars. If any note is to be denominated other than exclusively in U.S. dollars, or if the principal of, premium, if any, or any interest on the note is to be paid in one or more currencies (or currency units) other than that in which that note is denominated, additional information (including authorized denominations and related exchange rate information) will be provided in the applicable pricing supplement. Unless we specify otherwise in the applicable pricing supplement, notes denominated in U.S. dollars will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Interest rates that we offer on the notes may differ depending upon, among other factors, the aggregate principal amount of notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. We may change interest rates or formulas and other terms of notes from time to time, but no change of terms will affect any note we have previously issued or as to which we have accepted an offer to purchase.

Each note will be issued as a book-entry note in fully registered form without coupons. Each note issued in book-entry form may be represented by a global note that we register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable pricing supplement, The Depository Trust Company, New York, New York, will be the depositary for all notes in global form. Except as discussed in the accompanying prospectus under Book-Entry Procedures and Settlement, owners of beneficial interests in book-entry notes will not be entitled to physical delivery of notes in certificated form. We will make payments of principal of, and premium, if any and interest, if any, on the notes through the trustee to the depositary for the notes.

**Types of Notes**

We may issue the following types of notes:

*Fixed Rate Notes.* A note of this type will bear interest at a fixed rate described in the applicable pricing supplement. This type includes zero-coupon notes, which bear no interest and are instead issued at a price lower than the principal amount.

*Floating Rate Notes.* A note of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or

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multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below in Interest Rates Floating Rate Notes. If your note is a floating rate note, the formula and any adjustments that apply to the interest rate will be specified in the applicable pricing supplement.

*Fixed-to-Floating Rate Notes.* A note of this type will bear interest at both a fixed rate described in the applicable pricing supplement for a certain period of time and at a floating rate for another certain period of time determined by reference to an interest rate formula. We refer to these notes as fixed-to-floating rate notes. The rate for the floating-rate period(s) for a fixed-to-floating rate note will be set, calculated and paid in the same manner as for floating rate notes, as described in this prospectus supplement. Any references to or discussion of floating-rate notes in this prospectus supplement also applies to the floating-rate period(s) of fixed-to-floating rate notes.

*Floating-to-Fixed Rate Notes.* A note of this type will bear interest at both a floating rate described in the applicable pricing supplement for a certain period of time and at a fixed rate for another certain period of time determined by reference to an interest rate formula. We refer to these notes as floating-to-fixed rate notes. The rate for the floating-rate period(s) for a floating-to-fixed rate note will be set, calculated and paid in the same manner as for floating-rate notes, as described in this prospectus supplement. Any references to or discussion of floating-rate notes in this prospectus supplement also applies to the floating-rate period(s) of floating-to-fixed rate notes.

## Original Issue Discount Notes

A fixed rate note or a floating rate note may be an original issue discount note. A note of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount equal to its principal amount will be payable. An original issue discount note may be a zero-coupon note. A note issued at a discount to its principal may be considered for U.S. federal income tax purposes as issued with original issue discount, regardless of the amount payable upon redemption or acceleration of maturity. See Tax Consequences United States Taxation in this prospectus supplement for a brief description of the U.S. federal income tax consequences of owning a note issued with original issue discount.

## Information in the Pricing Supplement

Your pricing supplement will describe all relevant terms of your note not described in this prospectus supplement or the accompanying prospectus, including one or more of the following terms of your note:

- the stated maturity;
- the specified currency or currencies for principal and interest, if not U.S. dollars;
- the price at which we originally issue your note, expressed as a percentage of the principal amount, and the original issue date;
- whether your note is a fixed rate note or a floating rate note;
- if your note is a fixed rate note, the annual rate at which your note will bear interest, if any, and the interest payment dates;

if your note is a floating rate note, the interest rate basis, which may be one of the interest rate bases described in Interest Rates Floating Rate Notes below; any applicable spread or spread multiplier or initial, maximum or minimum rate; and the interest reset, determination, calculation and payment dates, all of which we describe under Interest Rates Floating Rate Notes below;

if your note is an original issue discount note, the yield to maturity;

if applicable, the circumstances under which your note may be redeemed at our option before the stated maturity, including any redemption commencement date, redemption price(s) and redemption period(s);

if applicable, the circumstances under which you may demand repayment of your note before the stated maturity, including any repayment commencement date, repayment price(s) and repayment period(s);

any special Canadian or U.S. federal income tax consequences of the purchase, ownership or disposition of a particular issuance of notes;

the use of proceeds, if different than those discussed in this prospectus supplement; and

any other terms of your note, which could be different from those described in this prospectus supplement.

**Payment at Maturity**

At maturity, unless otherwise set forth in the applicable pricing supplement, you will receive the principal amount of your notes, plus accrued and unpaid interest, if any, as described under Interest Payments below.

**Maturity Date**

The maturity date will be the date specified in the applicable pricing supplement, unless that date is not a business day, in which case the maturity date will be the next following business day. No interest will accrue past the maturity date specified in the applicable pricing supplement.

**Interest**

Each interest-bearing note will bear interest from its date of issue at the rate per annum, in the case of a fixed rate note, or pursuant to the interest rate formula, in the case of a floating rate note, in each case as specified in the applicable pricing supplement, until the principal thereof is paid. We will make interest payments in respect of fixed rate notes and floating rate notes in an amount equal to the interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or from and including the date of issue, if no interest has been paid, to but excluding the applicable interest payment date or the maturity date, as the case may be (each, an interest period ).

Interest on fixed rate notes and floating rate notes will be payable in arrears on each interest payment date and on the maturity date. The first payment of interest on any note originally issued between a regular record date and the related interest payment date will be made on the interest payment date immediately following the next succeeding record date to the registered holder on the next succeeding record date. Unless otherwise specified in the applicable pricing supplement, the regular record date shall be the fifteenth calendar day, whether or not a business day, immediately preceding the related interest payment date. Business day is defined below under Interest Rates Special Rate Calculation Terms. If the applicable pricing supplement specifies a different meaning for the term business day, we will use that modified definition in determining each interest payment date as well as the maturity date for your notes. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

Any payment on your note that would otherwise be due on a day that is not a business day may instead be paid on the next day that is a business day, with the same effect as if paid on the original due date. However, if the interest rate basis is LIBOR or EURIBOR, and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. The term business day with respect to your note may have a different meaning than it does for other Series A notes.

***Interest Rates***

This subsection describes the different kinds of interest rates that may apply to your note, if it bears interest.

*Fixed Rate Notes*

The applicable pricing supplement will specify the interest payment dates for a fixed rate note as well as the maturity date. Unless otherwise specified in the applicable pricing supplement, interest, if any, on fixed rate notes

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will be computed on the basis of a 360-day year consisting of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed.

If any interest payment date, redemption date, repayment date or maturity date of a fixed rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and/or interest on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

*Floating Rate Notes*

In this subsection, we use several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold, italicized type the first time they appear, and we define these terms in Special Rate Calculation Terms at the end of this subsection.

The following will apply to floating rate notes.

*Interest Rate Basis.* We currently expect to issue floating rate notes that bear interest at rates based on one or more of the following interest rate bases:

- commercial paper rate;
- U.S. prime rate;
- LIBOR;
- EURIBOR;
- Treasury rate;
- CMT rate;
- CD rate;
- CMS rate; and/or
- federal funds rate.

We describe each of the interest rate bases in further detail below in this subsection. If you purchase a floating rate note, your pricing supplement will specify the interest rate basis that applies to your note.

*Index Maturity.* The term index maturity means, with respect to a floating rate note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable pricing supplement.

*Calculation of Interest.* Calculations relating to floating rate notes will be made by the calculation agent, an institution that we appoint as our agent for this purpose. Unless we specify otherwise in the applicable pricing supplement, we have initially appointed The Bank of New York Mellon as our calculation agent for the notes. We may appoint a different institution to serve as calculation agent from time to time without your consent and without notifying you of the change.

For each floating rate note, the calculation agent will determine, on the corresponding interest calculation date or on the interest determination date, as described below, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period that is, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate note by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable pricing supplement.

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Upon the request of the holder of any floating rate note, the calculation agent will provide for that note the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent s determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a note will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the interest rate basis that applies to a floating rate note during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as discussed below. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any agent participating in the distribution of the relevant floating rate notes and its affiliates, and they may include our affiliates.

*Initial Interest Rate.* For any floating rate note, the interest rate in effect from the original issue date to the first interest reset date will be the initial interest rate. We will specify the initial interest rate or the manner in which it is determined in the applicable pricing supplement.

*Spread or Spread Multiplier.* In some cases, the interest rate basis for a floating rate note may be adjusted:

- by adding or subtracting a specified number of basis points, called the spread, with one basis point being 0.01%; or

- by multiplying the interest rate basis by a specified percentage, called the spread multiplier.

If you purchase a floating rate note, your pricing supplement will indicate whether a spread or spread multiplier will apply to your note and, if so, the amount of the spread or spread multiplier.

*Maximum and Minimum Rates.* The actual interest rate, after being adjusted by the spread or spread multiplier, may also be subject to either or both of the following limits:

- a maximum rate *i.e.*, a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or

- a minimum rate *i.e.*, a specified lower limit that the actual interest rate in effect at any time may not fall below.

If you purchase a floating rate note, your pricing supplement will indicate whether a maximum rate and/or minimum rate will apply to your note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a floating rate note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. law of general application and the Criminal Code (Canada). Under New York law as in effect on the date of this prospectus supplement, the maximum rate of interest, with some exceptions, for any loan in an amount less than US$250,000 is 16% per year on a simple interest basis; for any loan in the amount of US$250,000 or more but less than US$2,500,000 the maximum rate of interest is

25% per year on a simple interest basis; and for any loan in excess of US$2,500,000, there is no limit on the maximum rate of interest, except for the Criminal Code (Canada), which limits the rate to 60%.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a floating rate note.

*Interest Reset Dates.* The rate of interest on a floating rate note will be reset, by the calculation agent described below, daily, weekly, monthly, quarterly, semi-annually or annually. The date on which the interest rate resets and the reset rate becomes effective is called the interest reset date. Unless we specify otherwise in the applicable pricing supplement, the interest reset date will be as follows:

for floating rate notes that reset daily, each business day;

for floating rate notes that reset weekly and are not treasury rate notes, the Wednesday of each week;

for treasury rate notes that reset weekly, the Tuesday of each week;

for floating rate notes that reset monthly, the third Wednesday of each month;

for floating rate notes that reset quarterly, the third Wednesday of each of four months of each year as indicated in the applicable pricing supplement;

for floating rate notes that reset semi-annually, the third Wednesday of the month indicated in the applicable pricing supplement; and

for floating rate notes that reset annually, the third Wednesday of one month of each year as indicated in the applicable pricing supplement.

For a floating rate note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest interest reset date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

If any interest reset date for a floating rate note would otherwise be a day that is not a business day, the interest reset date will be postponed to the next day that is a business day. For a LIBOR or EURIBOR note, however, if that business day is in the next succeeding calendar month, the interest reset date will be the immediately preceding business day. If a treasury bill auction will be held on any day that would otherwise be a reset date for a treasury note, then that reset date will instead be the business day immediately following that auction date.

*Interest Determination Dates.* The interest rate that takes effect on an interest reset date will be determined by the calculation agent by reference to a particular date called an interest determination date. Unless we specify otherwise in the applicable pricing supplement:

for commercial paper rate, federal funds rate and U.S. prime rate notes, the interest determination date relating to a particular interest reset date will be the second business day preceding the interest reset date;

for LIBOR notes, the interest determination date relating to a particular interest reset date will be the second ***London business day*** preceding the interest reset date, unless the notes are denominated in pounds sterling, in which case the interest determination date will be the interest reset date. We refer to an interest determination date for a LIBOR note as a LIBOR interest determination date;

for EURIBOR notes, the interest determination date relating to a particular interest reset date will be the second ***euro business day*** preceding the interest reset date. We refer to an interest determination date for a EURIBOR note as a EURIBOR interest determination date;

for treasury rate notes, the interest determination date relating to a particular interest reset date, which we refer to as a treasury interest determination date, will be the day of the week in which the interest reset date falls on which treasury bills *i.e.*, direct obligations of the U.S. government would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the following Tuesday or preceding Friday, that Tuesday or Friday will be the treasury interest determination date relating to the interest reset date occurring in the next succeeding week; and

for CD rate, CMT rate and CMS rate notes, the interest determination date relating to a particular interest reset date will be the second business day preceding the interest reset date.

The interest determination date pertaining to a floating rate note, the interest rate of which is determined with reference to two or more interest rate bases, will be the latest business day which is at least two business days before the related interest reset date for the applicable floating rate note on which each interest rate basis is determinable.

*Interest Calculation Dates.* As described above, the interest rate that takes effect on a particular interest reset date will be determined by reference to the corresponding interest determination date. Except for LIBOR notes and EURIBOR notes, however, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. Unless we specify otherwise in the applicable pricing supplement, the interest calculation date will be the earlier of the following:

the tenth calendar day after the interest determination date or, if that tenth calendar day is not a business day, the next succeeding business day; and

the business day immediately preceding the interest payment date or the maturity, whichever is the day on which the next payment of interest will be due.

The calculation agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.

*Interest Payment Dates.* The interest payment dates for a floating rate note will depend on when the interest rate is reset and, unless we specify otherwise in the applicable pricing supplement, will be as follows:

for floating rate notes that reset daily, weekly or monthly, the third Wednesday of each month;

for floating rate notes that reset quarterly, the third Wednesday of the four months of each year specified in the applicable pricing supplement;

for floating rate notes that reset semi-annually, the third Wednesday of the two months of each year specified in the applicable pricing supplement; or

for floating rate notes that reset annually, the third Wednesday of the month specified in the applicable pricing supplement.

Regardless of these rules, if a note is originally issued after the regular record date and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

In addition, the following special provision will apply to a floating rate note with regard to any interest payment date other than one that falls on the maturity. If the interest payment date would otherwise fall on a day that is not a business day, then the interest payment date will be the next day that is a business day. However, if the floating rate note is a LIBOR note or a EURIBOR note and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. If the maturity date of a floating rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and interest on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

*Commercial Paper Rate Notes*

If you purchase a commercial paper rate note, your note will bear interest at the interest rate equal to the commercial paper rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the commercial paper rate will be the money market yield of the rate, for the relevant interest determination date, for commercial paper having the index maturity indicated in the applicable pricing supplement, as published in H.15(519) prior to 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date under the heading Commercial Paper Nonfinancial.

If the commercial paper rate cannot be determined as described above, the following procedures will apply:

> If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the commercial paper rate will be the money market yield of the rate, for the relevant interest determination date, for commercial paper having the index maturity specified in the applicable pricing

supplement, as published in ***H.15 Daily Update*** under the heading Commercial Paper Nonfinancial or any other recognized electronic source used for displaying that rate.

If the rate described above does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the commercial paper rate will be the money market yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant index maturity specified in the applicable pricing supplement and is placed for a non-financial issuer whose bond rating is AA, or the equivalent, from a nationally recognized statistical rating organization: the rates offered as of 11:00 A.M., New York City time, on the relevant interest determination date, by three leading U.S. dollar commercial paper dealers in New York City selected by the calculation agent.

If fewer than three dealers selected by the calculation agent are quoting as described above, the commercial paper rate for the new interest period will be the commercial paper rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*U.S. Prime Rate Notes*

If you purchase a U.S. prime rate note, your note will bear interest at an interest rate equal to the U.S. prime rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the U.S. prime rate will be the rate or base lending rate, for the relevant interest determination date, published in H.15(519) by 3:00 p.m., New York City time, opposite the heading Bank Prime Loan.

If the U.S. prime rate cannot be determined as described above, the following procedures will apply:

If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the U.S. prime rate will be the rate, for the relevant interest determination date, as published in H.15 Daily Update under the heading Bank Prime Loan, or another recognized electronic source used for the purpose of displaying that rate.

If the rate described above does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the U.S. prime rate will be the arithmetic mean of the following rates as they appear on the ***Reuters Screen US PRIME 1 page***: the rate of interest publicly announced by each bank appearing on that page as that bank s prime rate or base lending rate, as of 11:00 A..M., New York City time, on the relevant interest determination date.

If fewer than four rates appear on the Reuters Screen US PRIME 1 page on the relevant interest calculation date, the U.S. prime rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant interest determination date, of three major banks in New York City selected by the calculation agent. For this purpose, the calculation agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.

If fewer than three banks selected by the calculation agent are quoting as described above, the U.S. prime rate for the new interest period will be the U.S. prime rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*LIBOR Notes*

If you purchase a LIBOR note, your note will bear interest at an interest rate equal to LIBOR, which will be the London interbank offered rate for deposits in U.S. dollars or any other index currency, as noted in the applicable

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pricing supplement. In addition, when LIBOR is the interest rate basis the applicable LIBOR rate will be adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, LIBOR will be determined in the following manner:

LIBOR will be the London interbank offered rate appearing on the ***Reuters Page LIBOR01*** as of 11:00 A.M., London time, on the relevant LIBOR interest determination date, for deposits in the relevant index currency having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date.

If Reuters Page LIBOR01 applies and the rate described above does not appear on that page, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant LIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the calculation agent: deposits in the index currency having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date, and in a ***representative amount***. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the quotations provided.

If fewer than two quotations are provided as described above, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the applicable ***principal financial center***, on that LIBOR interest determination date, by three major banks in that financial center selected by the calculation agent: loans of the index currency having the relevant index maturity designated in the applicable pricing supplement, beginning on the relevant interest reset date and in a representative amount.

If fewer than three banks selected by the calculation agent are quoting as described above, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*EURIBOR Notes*

If you purchase a EURIBOR note, your note will bear interest at an interest rate equal to the interest rate for deposits in euro, designated as EURIBOR and sponsored jointly by the European Banking Federation and ACI the Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate. In addition, when EURIBOR is the interest rate basis the EURIBOR base rate will be adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, EURIBOR will be determined in the following manner:

EURIBOR will be the offered rate for deposits in euros having the index maturity specified in the applicable pricing supplement, beginning on the second euro business day after the relevant EURIBOR interest determination date, as that rate appears on ***Reuters Screen EURIBOR01*** page as of 11:00 A.M., Brussels time, on the relevant EURIBOR interest determination date.

If the rate described above does not appear on Reuters Screen EURIBOR01 page, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant EURIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the ***euro-zone*** interbank market by the principal euro-zone office of each of four major banks in that market selected by the calculation agent: euro deposits having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date, and in a representative amount. The calculation agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the quotations.

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If fewer than two quotations are provided as described above, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on that EURIBOR interest determination date, by three major banks in the euro-zone selected by the calculation agent: loans of euros having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date, and in a representative amount.

If fewer than three banks selected by the calculation agent are quoting as described above, EURIBOR for the new interest period will be EURIBOR in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*Treasury Rate Notes*

If you purchase a treasury rate note, your note will bear interest at an interest rate equal to the treasury rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the treasury rate will be the rate for the most recent auction, on the relevant treasury interest determination date, of treasury bills having the index maturity specified in the applicable pricing supplement, as that rate appears on Reuters Screen USAUCTION 10/11 by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, under the heading INVEST RATE . For purposes of this prospectus supplement, Reuters Screen USAUCTION 10/11 means the display on the Reuters (or any successor service) pages designated as USAUCTION 10 or USAUCTION 11 or any other page that replaces the applicable page on that service for the purpose of displaying the rate for the most recent auction of treasury bills.

If the treasury rate cannot be determined in this manner, the following procedures will apply:

If the rate described above does not appear on Reuters Screen USAUCTION 10/11 page by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, the treasury rate will be the ***bond equivalent yield*** of the rate, for the relevant interest determination date, for the type of treasury bill described above, as published in H.15 Daily Update, under the heading U.S. government securities/treasury bills (secondary market), or another recognized electronic source used for displaying that rate. The rate will be expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis.

If the rate described in the prior paragraph does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the ***bond equivalent yield*** of the auction rate, for the relevant treasury interest determination date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury. The auction rate will be expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis.

If the auction rate described in the prior paragraph is not so announced by 3:00 P.M., New York City time, on the relevant interest calculation date, or if no such auction is held for the relevant week, then the treasury rate will be the bond equivalent yield of the rate, for the relevant treasury interest determination date and for treasury bills having a remaining maturity closest to the index maturity specified in the applicable pricing supplement, as published in H.15(519) under the heading U.S. government securities/treasury bills (secondary market) or in another recognized electronic source used for the purpose of displaying that rate. The rate will be expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis.

If the rate described in the prior paragraph does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the treasury rate will be the rate, for the relevant treasury interest determination date and for treasury bills having a remaining maturity closest to the index maturity specified in the applicable pricing supplement, as published in H.15 Daily Update under the heading U.S. government securities/treasury bills (secondary market), or another recognized electronic source used for displaying that rate.

If the rate described in the prior paragraph does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the ***bond equivalent yield*** of the arithmetic mean of the following secondary market bid rates for the issue of treasury bills with a remaining maturity closest to the index maturity specified in the applicable pricing supplement: the rates bid as of approximately 3:30 P.M., New York City time, on the relevant treasury interest determination date, by three primary U.S. government securities dealers in New York City selected by the calculation agent.

If fewer than three dealers selected by the calculation agent are quoting as described in the prior paragraph, the treasury rate in effect for the new interest period will be the treasury rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*CD Rate Notes*

If you purchase a CD rate note, your note will bear interest at an interest rate equal to the CD rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the CD rate will be the rate, on the relevant interest determination date, for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable pricing supplement, as published in H.15(519) prior to 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, under the heading CDs (Secondary Market).

If the CD rate cannot be determined in this manner, the following procedures will apply.

If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CD rate will be the rate, for the relevant interest determination date for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable pricing supplement, as published in H.15 Daily Update, under the heading CDs (secondary market) or another recognized electronic source used for displaying that rate.

If the rate described above does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the CD rate will be the arithmetic mean of the following secondary market offered rates for negotiable U.S. dollar certificates of deposit of major U.S. money center banks of the highest credit rating standing in the market for negotiable certificates of deposit with a remaining maturity closest to the index maturity specified in the applicable pricing supplement, and in a representative amount: the rates offered as of 10:00 A.M., New York City time, on the relevant interest determination date, by three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in New York City, as selected by the calculation agent.

If fewer than three dealers selected by the calculation agent are quoting as described above, the CD rate in effect for the new interest period will be the CD rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*CMT Rate Notes*

If you purchase a CMT rate note, your note will bear interest at an interest rate equal to the CMT rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

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Unless we specify otherwise in the applicable pricing supplement, the CMT rate on the relevant interest determination date will be the following rate displayed on the designated CMT Reuters page by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, under the heading Constant Maturity/treasury under the column for the designated CMT index maturity:

if the designated CMT Reuters page is FRBCMT, the rate for the relevant interest determination date; or

if the designated CMT Reuters page is FEDCMT, the weekly or monthly average, as specified in the applicable pricing supplement, for the week that ends immediately before the week in which the relevant interest determination date falls, or for the month that ends immediately before the month in which the relevant interest determination date falls, as applicable.

If the CMT rate cannot be determined in this manner, the following procedures will apply.

If the applicable rate described above is not displayed on the relevant designated CMT Reuters page at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CMT rate will be the applicable treasury constant maturity rate for the designated CMT index maturity and for either the relevant interest determination date or the weekly or monthly average, as applicable, as published in H.15(519).

If the applicable rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT rate will be the treasury constant maturity rate, or other U.S. treasury rate, for the designated CMT index maturity and with reference to the relevant interest determination date, that:

is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and

is determined by the calculation agent to be comparable to the applicable rate formerly displayed on the designated CMT Reuters page and published in H.15(519).

If the rate described in the prior paragraph does not appear by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for the most recently issued treasury notes having an original maturity equal to the designated CMT index maturity and a remaining term to maturity of not less than the designated CMT index maturity minus one year, and in a representative amount: the bid rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three leading primary U.S. government securities dealers in New York City (each, a reference dealer ) selected by the calculation agent. In selecting these bid rates, the calculation agent will request quotations from five of these reference dealers and will disregard the highest quotation or, if there is equality, one of the highest quotations and the lowest quotation or, if there is equality, one of the lowest quotations. Treasury notes are direct, non-callable, fixed rate obligations of the U.S. government.

If three or four of these reference dealers are quoting as described in the prior paragraph, then the CMT rate for the relevant interest determination date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.

If the calculation agent is unable to obtain three treasury note quotations, the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for treasury notes with an original maturity of the number of years that is the next highest to the index maturity and a remaining term to maturity closest to the index maturity and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three reference dealers selected by the calculation agent.

If two treasury notes with an original maturity as described in the preceding sentence have remaining terms to maturity that are equally close to the designated CMT index maturity, the calculation agent will obtain

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from three reference dealers selected as described above quotations for the treasury notes with the shorter remaining term to maturity.

If two or fewer primary dealers selected by the calculation agent are quoting as described above, the CMT rate in effect for the new interest period will be the CMT rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*CMS Rate Notes*

If you purchase a CMS rate note, your note will bear interest at an interest rate equal to the CMS rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the CMS rate will be the rate for euro swaps with a maturity for a specified number of years, expressed as a percentage in the applicable pricing supplement, which appears on the Reuters Screen ISDAFIX2 page under the heading EURIBOR Basis-EUR or LIBOR Basis-EUR as of 10:00 a.m., London time, on the interest rate determination date.

If the CMS rate cannot be determined as described above, the following procedures will be used:

If the applicable rate described above is not displayed on the relevant designated CMS Reuters page by 10:00 a.m., London time, on the interest rate determination date, then the CMS rate will be a percentage determined on the basis of the mid-market, semi-annual swap rate quotations provided by five leading swap dealers in the London interbank market at 10:00 a.m., London time, on the interest rate determination date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the maturity designated in the applicable pricing supplement commencing on that interest rate determination date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to EURIBOR (in the case of EURIBOR Basis-EUR) or LIBOR (in the case of LIBOR Basis-EUR) with a maturity of three months. The calculation agent will select the five swap dealers after consultation with us and will request the principal London office of each of those dealers to provide a quotation of its rate.

If at least three quotations are provided, the CMS rate for the interest determination date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations, or, in the event of equality, one of the highest and one of the lowest quotations.

If fewer than three leading swap dealers selected by the calculation agent are quoting as described above, the CMS rate will remain the CMS rate in effect on that interest rate determination date or, if that interest rate determination date is the first interest rate basis determination date, the initial interest rate.

*Federal Funds Rate Notes*

If you purchase a federal funds rate note, your note will bear interest at an interest rate equal to the federal funds rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the federal funds rate will be the rate for U.S. dollar federal funds as of the relevant interest determination date, as published in H.15(519) under the heading Federal Funds (Effective), as that rate is displayed on Reuters Screen FEDFUNDS1 prior to 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date.

If the federal funds rate cannot be determined in this manner, the following procedures will apply:

If the rate described above is not displayed on Reuters Screen FEDFUNDS1 by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the federal funds rate, as of the relevant interest determination date, will be the rate described above as published in H.15 Daily Update, under the heading Federal Funds (Effective), or another recognized electronic source used for displaying that rate.

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If the rate described above is not displayed on Reuters Screen FEDFUNDS1 and does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the federal funds rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on the relevant interest determination date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the calculation agent.

If fewer than three brokers selected by the calculation agent are quoting as described above, the federal funds rate in effect for the new interest period will be the federal funds rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*Special Rate Calculation Terms*

In this subsection entitled Interest Rates, we use several terms that have special meanings relevant to calculating floating interest rates. We define these terms as follows:

The term bond equivalent yield means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where

*D* means the annual rate for treasury bills quoted on a bank discount basis and expressed as a decimal;

*N* means 365 or 366, as the case may be; and

*M* means the actual number of days in the applicable interest reset period.

The term business day means, for any note, a day that meets all the following applicable requirements:

for all notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law to close in New York City or Toronto;

if the note has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the applicable principal financial center;

if the note is a LIBOR note, is also a London business day; and

if the note is a EURIBOR note or has a specified currency of euros, or is a LIBOR note for which the index currency is euros, is also a euro business day.

The term designated CMT index maturity means the index maturity for a CMT rate note and will be the original period to maturity of a U.S. treasury security either 1, 2, 3, 5, 7, 10, 20 or 30 years specified in the applicable pricing supplement.

The term designated CMT Reuters page means the Reuters (or any other successor service) page specified in the applicable pricing supplement (or any other page that replaces that page on that service) that displays treasury constant maturities as reported in H.15(519). If no Reuters page is so specified, then the applicable page will be Reuters page FEDCMT for the most recent week. If page FEDCMT applies but the applicable pricing supplement does not specify whether the weekly or monthly average applies, the weekly average will apply.

The term euro business day means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor system, is open for business.

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The term euro-zone means, at any time, the region comprised of the member states of the European Economic and Monetary Union that, as of that time, have adopted a single currency in accordance with the Treaty on European Union of February 1992.

*H.15(519)* means the weekly statistical release entitled Statistical Release H.15(519) Selected Interest Rates, or any successor publication, published by the Board of Governors of the Federal Reserve System.

*H.15 Daily Update* means the daily update of H.15(519), available through the website of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/update/h15supd.htm or any successor site or publication.

The term index currency means, with respect to a LIBOR note, the currency, including composite currencies, specified as such in the applicable pricing supplement. The index currency may be U.S. dollars or any other currency, and will be U.S. dollars unless another currency is specified in the applicable pricing supplement.

*London business day* means any day on which dealings in the relevant index currency are transacted in the London interbank market.

The term money market yield means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where

*D* means the annual rate for commercial paper, quoted on a bank discount basis and expressed as a decimal; and

*M* means the actual number of days in the relevant interest reset period.

The term principal financial center means the capital city of the country to which an index currency relates (or the capital city of the country issuing the specified currency, as applicable), except that with respect to U.S. dollars, Australian dollars, Canadian dollars, South African rands and Swiss francs, the principal financial center means The City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively, and with respect to euros the principal financial center means London.

The term representative amount means an amount that, in the calculation agent s judgment, is representative of a single transaction in the relevant market at the relevant time.

*Reuters Page LIBOR01* means the display designated as LIBOR01 (or any successor service) (or such other page on that service as may replace Page LIBOR01 or any successor service as may be nominated by the British Banker s Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

*Reuters Screen FEDFUNDS1* means the display on the Reuters (or any successor service) FEDFUNDS1 page under the heading EFFECT (or any other page that replaces that page on that service for the purpose of displaying the federal funds (effective) as reported in H.15(519).

*Reuters Screen US PRIME 1 page* means the display on the US PRIME 1 page on the Reuters Monitor Money Rates Service, or any successor service, or any replacement page or pages on that service, for the purpose of displaying prime rates or base lending rates of major U.S. banks.

*Reuters page* means the display on Reuters 3000 Xtra, or any successor service, on the page or pages specified in this prospectus supplement or the applicable pricing supplement, or any replacement page or pages on that service.

If, when we use the terms designated CMT Reuters page, H.15(519), H.15 Daily Update, Reuters Screen US PRIME page, Reuters Page LIBOR01 or Reuters page, or we refer to a particular heading or headings on any of those pages, those references include any successor or replacement heading or headings as determined by the calculation agent.

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### Market-Making Transactions

If you purchase your note in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which an agent or other person resells a note that it has previously acquired from another holder. A market-making transaction in a particular note occurs after the original sale of the note. For more information regarding market-making transactions, see Supplemental Plan of Distribution (Conflicts of Interest) Market-Making Transactions.

### Redemption at the Option of TD; No Sinking Fund

If an initial redemption date is specified in the applicable pricing supplement, we may redeem the particular notes prior to their stated maturity date at our option on any date on or after that initial redemption date specified in the applicable pricing supplement or on the dates specified in the applicable pricing supplement in whole, unless otherwise specified in the applicable pricing supplement, in increments of US$1,000 or any other integral multiple of an authorized denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least US$2,000 or other minimum authorized denomination applicable thereto), at the redemption price or prices specified in that pricing supplement, together with unpaid interest accrued thereon to the date of redemption. Unless we specify otherwise in the applicable pricing supplement, we must give written notice to registered holders of the particular notes to be redeemed at our option not more than 45 nor less than 15 calendar days prior to the date of redemption.

The notes will not be subject to, or entitled to the benefit of, any sinking fund.

### Repayment at the Option of the Holder

If one or more optional repayment dates are specified in the applicable pricing supplement, registered holders of the particular notes may require us to repay those notes prior to their stated maturity date on any optional repayment date in whole or from time to time in part in increments of US$1,000 or any other integral multiple of an authorized denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least US$2,000 or other minimum authorized denomination applicable thereto), at the repayment price or prices specified in that pricing supplement, together with unpaid interest accrued thereon to the date of repayment. A registered holder s exercise of the repayment option will be irrevocable.

For any note to be repaid, the applicable trustee must receive, at its corporate trust office in the Borough of Manhattan, The City of New York, not more than 60 nor less than 30 calendar days prior to the date of repayment, the particular notes to be repaid and, in the case of a book-entry note, repayment instructions from the applicable beneficial owner to the depositary and forwarded by the depositary to the trustee. Only the depositary may exercise the repayment option in respect of global notes representing book-entry notes. Accordingly, beneficial owners of global notes that desire to have all or any portion of the book-entry notes represented thereby repaid must instruct the participant through which they own their interest to direct the depositary to exercise the repayment option on their behalf by forwarding the repayment instructions to the applicable trustee as aforesaid. In order to ensure that these instructions are received by the applicable trustee on a particular day, the applicable beneficial owner must so instruct the participant through which it owns its interest before that participant s deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners should consult their participants for the respective deadlines. In addition, at the time repayment instructions are given, each beneficial owner shall cause the participant through which it owns its interest to transfer the beneficial owner s interest in the global note representing the related book-entry notes, on the depositary s records, to the applicable trustee.

If applicable, we will comply with the requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and the rules promulgated thereunder, and any other securities laws or regulations in connection with any repayment of notes at the option of the registered holders thereof.

We may at any time purchase notes at any price or prices in the open market or otherwise. Notes so purchased by us may, at our discretion, be held, resold or surrendered to the applicable trustee for cancellation.

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**Defeasance, Default Amount, Other Terms**

Unless otherwise specified in the applicable pricing supplement, neither full defeasance nor covenant defeasance will apply to your notes. The following will apply to your notes:

the default amount payable on any acceleration of the maturity of your notes as described under Default Amount on Acceleration below; and

a business day for your notes will have the meaning described under Special Calculation Provisions below.

Please note that the information about the settlement or pricing date, issue price discounts or commissions and net proceeds to TD in the applicable pricing supplement relates only to the initial issuance and sale of your notes. If you have purchased your notes in a market-making transaction after the initial issuance and sale, any such relevant information about the sale to you will be provided in a separate confirmation of sale.

**Form, Exchange and Transfer**

Unless we specify otherwise in the applicable pricing supplement, the notes will be issued:

only in fully-registered form;

without interest coupons; and

in denominations that are even multiples of US$2,000.

If a note is issued as a registered global note, only the depositary e.g., DTC, Euroclear and Clearstream, each as defined under Book-Entry Procedures and Settlement in the accompanying prospectus will be entitled to transfer and exchange the note as described in this subsection because the depositary will be the sole registered holder of the note and is referred to below as the holder. Those who own beneficial interests in a global note do so through participants in the depositary s securities clearance system, and the rights of these indirect owners will be governed by the applicable procedures of the depositary and its participants. We describe book-entry procedures under Book-Entry Procedures and Settlement in the accompanying prospectus.

Holders of notes issued in fully-registered form may have their notes broken into more notes of smaller denominations of not less than US$2,000, or combined into fewer notes of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

To the extent the notes are certificated, holders may exchange or register the transfer of notes at the office of the trustee. Notes may be transferred by endorsement. Holders may also replace lost, stolen or mutilated notes at that office. The trustee acts as our agent for registering notes in the names of holders and registering the transfer of notes. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also record transfers. The trustee may require an indemnity before replacing any notes.

Holders will not be required to pay a service charge to register the transfer or exchange of notes, but holders may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The registration of a transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

If we designate additional transfer agents, they will be named in the applicable pricing supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the notes are redeemable and we redeem less than all of the notes of a particular series, we may block the registration of transfer or exchange of notes during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders entitled to receive the mailing. We may also refuse to register transfers or exchanges of notes selected for redemption, except that we will continue to permit registration of transfers and exchanges of the unredeemed portion of any note being partially redeemed.

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### Payment and Paying Agents

We will pay interest to the person listed in the trustee s records at the close of business on a particular day (the record date ) in advance of each due date for interest, even if that person no longer owns notes on the interest due date. Holders buying and selling notes must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sale price of the securities to prorate interest fairly between buyer and seller. This prorated interest amount is called accrued interest.

We will pay interest, principal and any other money due on the debt securities at the corporate trust office of the trustee in the City of New York. That office is currently located at 101 Barclay Street, New York, NY 10286. Holders must make arrangements to have their payments picked up at or wired from that office. We may also choose to pay interest by mailing checks.

Book-entry and other indirect holders should consult their banks, brokers or other financial institutions for information on how they will receive payments.

We may also arrange for additional payment offices and may cancel or change these offices, including our use of the trustee s corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent or choose one of our subsidiaries to do so. We must notify holders of changes in the paying agents for any particular series of notes.

### Conversion or Exchange of Senior Debt Securities

If and to the extent mentioned in the applicable pricing supplement, any notes may be optionally or mandatorily convertible or exchangeable for stock or other securities of TD or another entity or entities, into the cash value therefor or into any combination of the above. The specific terms on which any notes series may be so converted or exchanged will be described in the applicable pricing supplement. These terms may include provisions for conversion or exchange, either mandatory, at the holder s option or at our option, in which case the amount or number of securities the note holders would receive would be calculated at the time and manner described in the applicable pricing supplement.

### Notices

We and the trustee will send notices regarding the notes only to registered holders, using their addresses as listed in the trustee s records. With respect to who is a registered holder for this purpose, see Book-Entry Procedures and Settlement in the accompanying prospectus.

### Manner of Payment and Delivery

Any payment on the notes at maturity will be made to accounts designated by you and approved by us, or at the office of the trustee in New York City. The payment at maturity will only be made when the notes are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depositary.

### Other Provisions; Addenda

Any provisions relating to the notes, including the determination of the interest rate basis, calculation of the interest rate applicable to a floating rate note, its interest payment dates, any redemption or repayment provisions, or any other term relating thereto, may be modified and/or supplemented by the terms as specified under Other Provisions in the applicable notes or in an addendum relating to the applicable notes and, in each case, in the applicable pricing supplement.

**No Listing**

Your notes will not be listed on any securities exchange.

# TAX CONSEQUENCES

## UNITED STATES TAXATION

The following summary describes certain U.S. federal income tax consequences of the ownership of notes by U.S. Holders (as defined below) as of the date hereof. Except where noted, this summary deals only with notes held as capital assets and which are denominated in or determined by reference to the U.S. dollar. This summary does not represent a detailed description of the U.S. federal income tax consequences applicable to holders subject to special treatment under the U.S. federal income tax laws, including, without limitation, dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, partnerships or other pass-through entities for U.S. federal income tax purposes or U.S. Holders whose functional currency is not the U.S. dollar. Furthermore, the summary below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code ), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

The summary below assumes that all notes issued pursuant to this prospectus supplement will be classified for U.S. federal income tax purposes as TD s indebtedness, and purchasers should note that in the event of an alternative characterization, the tax consequences would differ from those discussed below. Any special U.S. federal income tax considerations relevant to a particular issue of the notes will be provided in the applicable pricing supplement.

As used herein, a U.S. Holder means a beneficial owner of a note that is for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if it (X) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (Y) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If a partnership holds notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding notes is urged to consult its own tax advisors.

This summary does not represent a detailed description of the U.S. federal income tax consequences to holders in light of their particular circumstances and does not address the effects of any state, local or non-U.S. tax laws. Persons considering the purchase of notes should consult their own tax advisors concerning the particular U.S. federal income tax consequences to them of the ownership of the notes, as well as any consequences arising under the laws of any other taxing jurisdiction.

### Payments of Interest

Except as set forth below, stated interest on a note will generally be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder s method of accounting for U.S. federal income tax purposes. Interest income on a note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

**Original Issue Discount Notes**

U.S. Holders of notes issued with original issue discount ( OID ), other than Short-Term Notes (as defined below), will be subject to special tax accounting rules, as described in greater detail below. Notes issued with OID will be referred to as Original Issue Discount Notes. U.S. Holders of such notes should be aware that they generally must include OID in gross income in advance of the receipt of cash attributable to that income. However, U.S. Holders of such notes generally will not be required to include separately in income cash payments received on the notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). OID on a note generally will be considered foreign source income and, for purposes of the

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U.S. foreign tax credit, generally will be considered passive category income. Notice will be given in the applicable pricing supplement when TD determines that a particular note will be an Original Issue Discount Note.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency or currencies other than the U.S. dollar are described under Foreign Currency Notes below.

A note with an issue price that is less than its stated redemption price at maturity (the sum of all payments to be made on the note other than qualified stated interest ) will be issued with OID unless such difference is de minimis (i.e., less than 0.25 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity). The issue price of each note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, placement agent or wholesaler).

The term qualified stated interest means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, a rate based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the applicable pricing supplement when TD determines that a particular note will bear interest that is not qualified stated interest.

In the case of a note issued with de minimis OID, the U.S. Holder generally must include such de minimis OID in income as stated principal payments on the notes are made in proportion to the stated principal amount of the note unless the holder makes an election to treat all interest as OID as further described below. Any amount of de minimis OID that has been included in income shall be treated as capital gain.

Certain of the notes may be redeemed prior to their stated maturity date (as specified in the applicable pricing supplement) at the option of TD and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the applicable pricing supplement and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the notes.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments, regardless of such U.S. Holders method of accounting. The amount of OID that a U.S. Holder must include in income is calculated using a constant-yield method, and generally a holder will include increasingly greater amounts of OID in income over the life of the Original Issue Discount Note. Specifically, the amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the daily portions of OID with respect to the note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such note ( accrued OID ). The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. The accrual period for an Original Issue Discount Note may be of any length and may vary in length over the term of the note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of (a) the product of the note s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the aggregate of all qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The adjusted issue price of an Original Issue Discount Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments previously made on such note (other than qualified stated interest). TD is required to provide information returns stating the amount of OID accrued on Original Issue Discount Notes held by persons of record other than certain exempt holders.

Floating rate notes are subject to special OID rules. In the case of a floating rate note that is an Original Issue Discount Note, both the yield to maturity and qualified stated interest will be determined solely for purposes of calculating the accrual of OID as though the note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the note on its date of issue or, in the case of certain floating rate notes, the rate that reflects the yield to maturity that is reasonably expected for the note. Additional rules may apply if interest on a floating rate note is based on more than one interest rate basis. Persons considering the purchase of floating rate notes should carefully examine the applicable pricing supplement and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such notes.

In addition, the discussion above generally does not address notes providing for contingent payments or notes that may be convertible or exchangeable for stock or other securities (or the cash value thereof). U.S. Holders should carefully examine the applicable pricing supplement and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of any such notes.

U.S. Holders may elect to treat all interest on any note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. U.S. Holders should consult with their own tax advisors about this election.

**Short-Term Notes**

In the case of notes having a term of one year or less ( Short-Term Notes ), all payments (including all stated interest) will be included in the stated redemption price at maturity and will not be qualified stated interest. Thus, U.S. Holders will generally be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of Short-Term Notes will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder s interest expense with respect to any indebtedness incurred or continued to purchase or carry such Short-Term Notes.

**Market Discount**

If a U.S. Holder purchases a note, other than a Short-Term Note, for an amount that is less than its stated redemption price at maturity or, in the case of an Original Issue Discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless such difference is less than a specified de minimis amount. Under the market discount rules, a U.S. Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a note as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such note at the time of such payment or disposition. In addition, the U.S. Holder may be required to defer, until the maturity of the note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such note (in an amount not exceeding the accrued market discount).

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the note, unless the U.S. Holder elects to accrue on a constant yield method. A U.S. Holder of a note may elect to include market discount in income currently as it accrues (on either a ratable or constant yield method), in which case the rule described above regarding deferral of interest deductions will not apply.

**Acquisition Premium; Amortizable Bond Premium**

A U.S. Holder that purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the note after the purchase date other than payments of qualified stated interest will be considered to have purchased such note at an acquisition premium. Under the acquisition premium rules, the amount of OID which such U.S. Holder must include in its gross income with respect to such note for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

A U.S. Holder that purchases a note for an amount in excess of the sum of all amounts payable on the note after the purchase date other than qualified stated interest will be considered to have purchased the note at a premium and will not be required to include OID, if any, in income. A U.S. Holder generally may elect to amortize the premium over the remaining term of the note on a constant yield method as an offset to interest when includible in income under the U.S. Holder s regular accounting method. Bond premium on a note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the note.

**Sale, Exchange, Retirement or Other Disposition of Notes**

Upon the sale, exchange, retirement or other disposition of a note, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid qualified stated interest, which will be treated as a payment of interest for U.S. federal income tax purposes) and the adjusted tax basis of the note. A U.S. Holder s adjusted tax basis in a note will, in general, be the U.S. Holder s cost for the note, increased by any OID, market discount or, in the case of Short-Term Notes, discount previously included in income by the U.S. Holder, and reduced by any amortized premium and any cash payments on the note other than qualified stated interest. Except (i) as described above with respect to certain Short-Term Notes and market discount, (ii) with respect to gain or loss attributable to changes in exchange rates, as discussed below with respect to certain Foreign Currency Notes (as defined below), and (iii) with respect to notes treated as contingent payment debt instruments for U.S. federal income tax purposes (which this summary generally does not discuss), such gain or loss will be capital gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for preferential rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be considered U.S. source gain or loss.

**Foreign Currency Notes**

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder of the ownership of a note denominated in, or for which payments are determined by reference to, a currency other than the U.S. dollar (a Foreign Currency Note ).

***Interest Payments***

U.S. Holders that use the cash basis method of accounting for U.S. federal income tax purposes are required to include in income the U.S. dollar value of the amount of interest received, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss (as discussed below) is recognized with respect to the receipt of such payment.

U.S. Holders that use the accrual basis method of accounting for U.S. federal income tax purposes may determine the amount of income recognized with respect to an interest payment in accordance with either of two methods. Under the first method, the U.S. Holder will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, the U.S. Holder may elect to translate interest income at the spot rate on the last day of the accrual period (or last day of the taxable year in the case of an accrual period that straddles the U.S. Holder s taxable year) or on the date the interest payment is received if such date is within five days of the end of the accrual period. Upon receipt of an interest payment on a note (including, upon the sale of such note, the receipt of proceeds attributable to accrued interest previously included in income), an accrual basis U.S. Holder will recognize ordinary income or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate for such foreign currency on the date received) and the U.S. dollar value of the interest income that such U.S. Holder has previously included in income with respect to such payment.

***Original Issue Discount Notes***

OID on an Original Issue Discount Note that is also a Foreign Currency Note will be determined for any accrual period in the applicable foreign currency and then translated into U.S. dollars in the same manner as interest income accrued by a holder on the accrual basis, as described above. Upon receipt of OID on such note (including, upon the sale of such note, the receipt of proceeds attributable to OID previously included in income), a U.S. Holder will recognize ordinary income or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above.

***Market Discount***

The amount of market discount on Foreign Currency Notes includible in income will generally be determined by translating the market discount determined in the foreign currency into U.S. dollars at the spot rate on the date the Foreign Currency Note is retired or otherwise disposed of. If the U.S. Holder has elected to accrue market discount currently, then the amount which accrues is determined in the foreign currency and then translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period. A U.S. Holder will recognize exchange gain or loss with respect to market discount which is accrued currently using the approach applicable to the accrual of interest income as described above.

***Amortizable Bond Premium***

Bond premium on a Foreign Currency Note will be computed in the applicable foreign currency. With respect to a U.S. Holder that elects to amortize the premium, the amortizable bond premium will reduce interest income in the applicable foreign currency. At the time bond premium is amortized, exchange gain or loss (which is generally ordinary income or loss) will be realized based on the difference between spot rates at such time and at the time of acquisition of the Foreign Currency Note. A U.S. Holder that does not elect to amortize bond premium will translate the bond premium, computed in the applicable foreign currency, into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital loss which may be offset or eliminated by exchange gain.

***Sale, Exchange, Retirement or Other Disposition of Foreign Currency Notes***

Upon the sale, exchange, retirement or other disposition of a Foreign Currency Note, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid qualified stated interest, which will be treated as a payment of interest for U.S. federal income tax purposes) and the U.S. Holder s adjusted tax basis in the Foreign Currency Note. Except as described above with respect to certain Short-Term Notes or with respect to market discount, and subject to the foreign currency rules discussed below, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other disposition, the Foreign Currency Note has been held for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a

Foreign Currency Note generally will be considered U.S. source gain or loss.

A U.S. Holder s initial tax basis in a Foreign Currency Note generally will be the U.S. Holder s cost therefor. If a U.S. Holder purchased a Foreign Currency Note with foreign currency, the U.S. Holder s cost will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note determined at the time of such purchase. If a U.S. Holder s Foreign Currency Note is sold, exchanged, retired or otherwise disposed of for an

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amount denominated in foreign currency, then the U.S. Holder s amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange or retirement. If the Foreign Currency Notes are traded on an established securities market and the U.S. Holder is a cash method taxpayer, however, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of Foreign Currency Notes traded on an established securities market, provided that the election is applied consistently.

Upon the sale, exchange, retirement or other disposition of a Foreign Currency Note, a U.S. Holder may recognize exchange gain or loss with respect to the principal amount of such Foreign Currency Note. For these purposes, the principal amount of the Foreign Currency Note is the U.S. Holder s purchase price for the Foreign Currency Note calculated in the foreign currency on the date of purchase, and the amount of exchange gain or loss realized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, retirement or other disposition of the Foreign Currency Note and (ii) the U.S. dollar value of the principal amount determined on the date such U.S. Holder purchased the note. Such gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. The recognition of such gain or loss will be limited to the amount of overall gain or loss realized on the disposition of a Foreign Currency Note.

***Exchange Gain or Loss with Respect to Foreign Currency***

A U.S. Holder s tax basis in the foreign currency received as interest on a Foreign Currency Note will be the U.S. dollar value thereof at the spot rate in effect on the date the foreign currency is received. A U.S. Holder s tax basis in foreign currency received on the sale, exchange or retirement of a Foreign Currency Note will be equal to the U.S. dollar value of the foreign currency, determined at the time of the sale, exchange or retirement, or, if the Foreign Currency Notes are traded on an established securities market, the spot rate of exchange on the settlement date, in the case of a cash basis U.S. Holder or an electing accrual basis U.S. Holder as described above.

Any gain or loss recognized by a U.S. Holder on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be U.S. source gain or loss.

***Disclosure Requirements***

Treasury Regulations meant to require the reporting of certain tax shelter transactions ( Reportable Transactions ) could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Foreign Currency Note or foreign currency received in respect of a Foreign Currency Note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. Persons considering the purchase of Foreign Currency Notes should consult with their own tax advisers to determine the tax return disclosure obligations, if any, with respect to an investment in a Foreign Currency Note, including any requirement to file Internal Revenue Service ( IRS ) Form 8886 (Reportable Transaction Statement).

**Additional Medicare Tax on Unearned Income**

With respect to taxable years beginning after December 31, 2012, certain U.S. Holders, including individuals and estates and trusts, will be subject to an additional 3.8% Medicare tax on unearned income. For individual U.S. Holders, the additional Medicare tax applies to the lesser of (i) net investment income, or (ii) the excess of modified adjusted gross income over US$200,000 (US$250,000 if married and filing jointly or US$125,000 if married and filing separately). Net investment income generally equals the taxpayer s gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive income such as interest, dividends, annuities, royalties, rents, and capital gains. U.S. Holders are urged to consult their own tax advisors regarding the implications of the additional Medicare tax resulting from an investment in the notes.

**Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to payments of principal, interest, OID and premium paid on notes and to the proceeds of sale of a note paid to U.S. Holders other than certain exempt recipients. A

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backup withholding tax may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number or certification of exempt status or fails to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against such U.S. Holder s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Individual U.S. Holders that own specified foreign financial assets may be required to include certain information with respect to such assets with their U.S. federal income tax return. U.S. Holders are urged to consult their own tax advisors regarding such requirements with respect to the notes.

## CANADIAN TAXATION

The following summary describes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the Canadian Tax Act ) and Income Tax Regulations issued thereunder (the Canadian Tax Regulations ) generally applicable to a holder of notes who acquires all of the beneficial interests in notes pursuant to this prospectus supplement, and who, for purposes of the Canadian Tax Act and any applicable income tax convention, at all relevant times, is not resident and is not deemed to be resident in Canada, and who, for purposes of the Canadian Tax Act, at all relevant times, (i) deals at arm s length with TD and any Canadian resident (or deemed Canadian resident) to whom the holder disposes of the notes, (ii) holds the notes as capital property, and (iii) does not use or hold and is not deemed to use or hold notes in or in the course of carrying on a business in Canada and is not an insurer carrying on an insurance business in Canada and elsewhere (a Non-resident Holder ).

This summary is based upon the current provisions of the Canadian Tax Act and the Regulations in force as of the date hereof, all specific proposals to amend the Canadian Tax Act and the Canadian Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the Tax Proposals ) and counsel s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ( CRA ) published in writing by the CRA prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations relevant to an investment in notes and, except for the Tax Proposals, does not take into account or anticipate any changes in law or CRA administrative policies or assessing practices, whether by way of legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. While this summary assumes that the Tax Proposals will be enacted in the form proposed, no assurance can be given that this will be the case, and no assurance can be given that judicial, legislative or administrative changes will not modify or change the statements below.

**The following is only a general summary of certain Canadian non-resident withholding and other tax provisions which may affect a Non-resident Holder of the notes described in this prospectus supplement. This summary is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Non-resident Holder and no representation with respect to the income tax consequences to any particular Non-resident Holder is made. Persons considering investing in notes should consult their own tax advisors with respect to the tax consequences of acquiring, holding and disposing of notes having regard to their own particular circumstances.**

Material Canadian federal income tax considerations applicable to notes may be described particularly in the pricing supplement related thereto, when such notes are offered. In the event the material Canadian federal income tax considerations are described in the pricing supplement, the following description will be superseded by the description in such pricing supplement to the extent indicated therein.

Interest (including amounts on account or in lieu of payment of, or in satisfaction of, interest) paid or credited, or deemed to be paid or credited on a note (including accrued interest to the time of a transfer) to a Non-resident Holder will not be subject to Canadian non-resident withholding tax unless all or any part of such interest is participating debt interest. Participating debt interest is defined generally as interest (other than on a prescribed obligation described below) all or any portion of which is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class or series of shares of a corporation. A prescribed obligation for this purpose is an indexed debt obligation , as defined in the Canadian Tax Act, in respect of which no amount payable

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is: (a) contingent or dependent upon the use of, or production from, property in Canada, or (b) computed by reference to: (i) revenue, profit, cash flow, commodity price or any other similar criterion, other than a change in the purchasing power of money, or (ii) dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation. An indexed debt obligation is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money.

In the event that a note is redeemed, cancelled, purchased or repurchased by TD or any other person resident or deemed to be resident in Canada from a Non-resident Holder or is otherwise assigned or transferred by a Non-resident Holder to a person resident or deemed to be resident in Canada for an amount which exceeds, generally, the issue price thereof, the excess may be deemed to be interest and may, together with any interest that has accrued or is deemed to have accrued on the note to that time, be subject to Canadian non-resident withholding tax. The foregoing does not apply, amongst other exceptions, in respect of a note the interest on which is not participating debt interest and where (a) the note is a deposit note not repayable in Canadian currency on which interest is payable in a non-Canadian currency, (b) under the terms of the note or any agreement relating thereto, TD may not under any circumstances be obliged to repay more than 25% of the aggregate principal amount of the relevant tranche of notes of the relevant series within five years from the date of issue of such tranche of notes except, generally, in the event of a failure or default under such notes or a related agreement or (c) the note is not an indexed debt obligation (described above) and was issued for an amount not less than 97% of its principal amount (as defined in the Canadian Tax Act), and the yield from the note, expressed in terms of an annual rate (determined in accordance with the Canadian Tax Act) on the amount for which the note was issued does not exceed 4/3 of the interest stipulated to be payable on the note, expressed in terms of an annual rate on the outstanding principal amount from time to time.

Generally, there are no other Canadian taxes on income (including taxable capital gains) payable by a Non-resident Holder under the Canadian Tax Act solely as a consequence of the acquisition, ownership or disposition of notes.

## SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We and TD Securities (USA) LLC, as agent, have entered into a distribution agreement with respect to the notes. The agent or agents through whom the notes will be offered will be identified in the applicable pricing supplement. Subject to certain conditions, the agent has agreed to use its reasonable efforts to solicit purchases of the notes. We have the right to accept offers to purchase notes and may reject any proposed purchase of the notes. The agent may also reject any offer to purchase notes. We will pay the agent a commission on any notes sold through the agent. The commission is expected to range from 0% to 2% gn="bottom" width="32" style="TEXT-ALIGN: left">
Liability outstanding

September 30, 2014

$23 $65 $96 $- $- $- $178 $362

December 31, 2013

N/A $34 $61 $80 $- $- $145 $320

Fair value per unit

September 30, 2014 ($)
$71.29 $78.27 $79.26 N/A N/A N/A $79.51 N/A
Fair value of awards vested during the period

Nine months ended September 30, 2014

$- $- $- $- N/A N/A $1 $1

Nine months ended September 30, 2013

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | N/A | $- | $- | $- | $- | N/A | $1 | $1 |
| Nonvested awards at September 30, 2014 | | | | | | | | |
| Unrecognized compensation cost | $30 | $23 | $5 | $- | N/A | N/A | $2 | $60 |
| Remaining recognition period (years) | 2.3 | 1.3 | 0.3 | N/A | N/A | N/A | N/A(4) | N/A |
| Assumptions (5) | | | | | | | | |
| Stock price ($) | $79.51 | $79.51 | $79.51 | N/A | N/A | N/A | $79.51 | N/A |
| Expected stock price volatility (6) | 14% | 13% | 13% | N/A | N/A | N/A | N/A | N/A |
| Expected term (years) (7) | 2.3 | 1.3 | 0.3 | N/A | N/A | N/A | N/A | N/A |
| Risk-free interest rate (8) | 1.13% | 1.03% | 0.92% | N/A | N/A | N/A | N/A | N/A |
| Dividend rate ($) (9) | $1.00 | $1.00 | $1.00 | N/A | N/A | N/A | N/A | N/A |

(1)
Compensation cost is based on the fair value of the awards at period-end using the lattice-based valuation model that uses the assumptions as presented herein.

(2)
Compensation cost is based on intrinsic value.

(3)
Includes the reversal of approximately $20 million of stock-based compensation expense related to the forfeiture of PSUs by former executives.

(4)
The remaining recognition period has not been quantified as it relates solely to the 25% Company grant and the dividends earned thereon, representing a minimal number of units.

(5)
Assumptions used to determine fair value are at September 30, 2014.

(6)
Based on the historical volatility of the Company's stock over a period commensurate with the expected term of the award.

(7)
Represents the remaining period of time that awards are expected to be outstanding.

(8)
Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.

(9)
Based on the annualized dividend rate.

Stock option awards

Following approval by the Board of Directors in January 2014, the Company granted 1.0 million conventional stock options to designated senior management employees. The stock option plan allows eligible employees to acquire common shares of the Company upon vesting at a price equal to the market value of the common shares at the date of grant. The options issued by the Company are conventional options that vest over a period of time. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first 12 months after the date of grant and expire after 10 years. At September 30, 2014, 19.2 million common shares remained authorized for future issuances under this plan. The total number of options outstanding at September 30, 2014 was 7.8 million.

Notes to Unaudited Consolidated Financial Statements

The following table provides the activity of stock option awards during 2014, and for options outstanding and exercisable at September 30, 2014, the weighted-average exercise price and the weighted-average years to expiration. The table also provides the aggregate intrinsic value for in-the-money stock options, which represents the value that would have been received by option holders had they exercised their options on September 30, 2014 at the Company's closing stock price of $79.51 on the Toronto Stock Exchange.

| | Options outstanding | | | |
|---|---|---|---|---|
| | Number of options In millions | Weighted-average exercise price | Weighted-average years to expiration | Aggregate intrinsic value In millions |
| Outstanding at December 31, 2013 (1) | 7.7 | $ 30.97 | | |
| Granted | 1.0 | $ 58.74 | | |
| Exercised | (0.9 ) | $ 23.17 | | |
| Outstanding at September 30, 2014 (1) | 7.8 | $ 36.19 | 5.8 | $335 |
| Exercisable at September 30, 2014 (1) | 5.2 | $ 29.40 | 4.6 | $262 |

(1) Stock options with a US dollar exercise price have been translated to Canadian dollars using the foreign exchange rate in effect at the balance sheet date.

The following table provides valuation and expense information for all stock option awards:

| In millions, unless otherwise indicated | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of grant | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | Total |
| Stock-based compensation expense recognized over requisite service period (1) | | | | | | | |
| Nine months ended September 30, 2014 | $ 4 | $ 1 | $ 1 | $ 1 | $ - | $ - | $ 7 |
| Nine months ended September 30, 2013 | N/A | $ 4 | $ 1 | $ 1 | $ 1 | $ - | $ 7 |
| Fair value per unit At grant date ($) | $ 11.09 | $ 8.52 | $ 7.74 | $ 7.83 | $ 6.55 | $ 6.30 | N/A |
| Fair value of awards vested during the period | | | | | | | |
| Nine months ended September 30, | $ - | $ 2 | $ 2 | $ 3 | $ 2 | $ - | $ 9 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2014 Nine months ended September 30, 2013 | N/A | $ - | $ 2 | $ 3 | $ 2 | $ 4 | $ 11 |
| Nonvested awards at September 30, 2014 | | | | | | | |
| Unrecognized compensation cost | $ 5 | $ 2 | $ 1 | $ 1 | $ - | $ - | $ 9 |
| Remaining recognition period (years) | 3.3 | 2.3 | 1.3 | 0.3 | - | - | N/A |
| Assumptions | | | | | | | |
| Grant price ($) | $ 58.74 | $ 47.47 | $ 38.35 | $ 34.47 | $ 27.38 | $ 21.07 | N/A |
| Expected stock price volatility (2) | 23 % | 23 % | 26 % | 26 % | 28 % | 39 % | N/A |
| Expected term (years) (3) | 5.4 | 5.4 | 5.4 | 5.3 | 5.4 | 5.3 | N/A |
| Risk-free interest rate (4) | 1.51 % | 1.41 % | 1.33 % | 2.53 % | 2.44 % | 1.97 % | N/A |
| Dividend rate ($) (5) | $ 1.00 | $ 0.86 | $ 0.75 | $ 0.65 | $ 0.54 | $ 0.51 | N/A |

(1) Compensation cost is based on the grant date fair value using the Black-Scholes option-pricing model that uses the assumptions at the grant date.

(2) Based on the average of the historical volatility of the Company's stock over a period commensurate with the expected term of the award and the implied volatility from traded options on the Company's stock.

(3) Represents the period of time that awards are expected to be outstanding. The Company uses historical data to estimate option exercise and employee termination, and groups of employees that have similar historical exercise behavior are considered separately.

(4) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.

(5) Based on the annualized dividend rate.

Notes to Unaudited Consolidated Financial Statements

6 - Pensions and other postretirement benefits
The Company has various retirement benefit plans under which substantially all of its employees are entitled to benefits at retirement age, generally based on compensation and length of service and/or contributions. Senior and executive management employees ("executive employees") subject to certain minimum service and age requirements, are also eligible for an additional retirement benefit under their Special Retirement Stipend Agreements (SRS), the Supplemental Executive Retirement Plan (SERP) or the Defined Contribution Supplemental Executive Retirement Plan (DC SERP). Current or former executive employees who breach the non-compete, non-solicitation and non-disclosure of confidential information conditions of the SRS, SERP or DC SERP plans will forfeit the retirement benefit under these plans. Should the Company reasonably determine that a current or former executive employee may have violated the conditions of their SRS, SERP, or DC SERP plan, the Company may at its discretion withhold or suspend payout of the retirement benefit pending resolution of such matter.

For the three and nine months ended September 30, 2014 and 2013, the components of net periodic benefit cost (income) for pensions and other postretirement benefits were as follows:

Components of net periodic benefit cost (income) for pensions

| In millions | Three months ended September 30 2014 | Three months ended September 30 2013 | Nine months ended September 30 2014 | Nine months ended September 30 2013 |
|---|---|---|---|---|
| Service cost | $ 33 | $ 39 | $ 99 | $ 117 |
| Interest cost | 178 | 165 | 533 | 494 |
| Settlement gain | - | - | - | (1) |
| Expected return on plan assets | (245) | (240) | (734) | (719) |
| Amortization of prior service cost | 1 | 1 | 3 | 3 |
| Amortization of net actuarial loss | 31 | 57 | 93 | 170 |
| Net periodic benefit cost (income) | $ (2) | $ 22 | $ (6) | $ 64 |

Components of net periodic benefit cost for other postretirement benefits

| In millions | Three months ended September 30 2014 | Three months ended September 30 2013 | Nine months ended September 30 2014 | Nine months ended September 30 2013 |
|---|---|---|---|---|
| Service cost | $ 1 | $ 1 | $ 2 | $ 2 |
| Interest cost | 2 | 3 | 8 | 8 |
| Amortization of prior service cost | 1 | - | 2 | 1 |
| Amortization of net actuarial gain | (1) | (1) | (3) | (1) |
| Net periodic benefit cost | $ 3 | $ 3 | $ 9 | $ 10 |

Company contributions to its various pension plans are made in accordance with the applicable legislation in Canada and the United States (U.S.) and are determined by actuarial valuations. Actuarial valuations are generally required on an annual basis both in Canada and the U.S. The latest actuarial valuations for funding purposes for the Company's Canadian pension plans, based on a valuation date of December 31, 2013, were filed in June 2014 and identified a going-concern surplus of approximately $1.6 billion and a solvency deficit of approximately $1.7 billion calculated using the three-year average of the Company's hypothetical wind-up ratio in accordance with the Pension Benefit Standards Regulations, 1985. Under Canadian legislation, the solvency deficit is required to be funded through special solvency payments, for which each annual amount is equal to one fifth of the solvency deficit, and is re-established at each valuation date.

Pension contributions made in the first nine months of 2014 and 2013 of $106 million and $221 million, respectively, mainly represent contributions to the Company's main pension plan, the CN Pension Plan. These pension contributions are for the current service cost as determined under the Company's current actuarial valuations for funding purposes. The Company expects to make total cash contributions in 2014 of approximately $130 million for all of the Company's pension plans. Voluntary contributions can be treated as a prepayment against the Company's required special solvency deficit payments. As at December 31, 2013, the Company had approximately $470 million of accumulated prepayments available to offset future required solvency deficit payments. The Company applied approximately $250 million of such prepayments during the first nine months of 2014 and will apply approximately $75 million for the remainder of the year.

Additional information relating to the pension plans is provided in Note 11 – Pensions and other postretirement benefits to the Company's 2013 Annual Consolidated Financial Statements.

Notes to Unaudited Consolidated Financial Statements

7 - Income taxes

The Company recorded income tax expense of $337 million and $858 million for the three and nine months ended September 30, 2014, respectively, compared to $295 million and $738 million, respectively, for the same periods in 2013.

Included in the 2014 figure was an income tax recovery of $18 million resulting from a change in estimate of the deferred income tax liability related to properties, which was recorded in the first quarter.

Included in the 2013 figures was a net income tax recovery of $7 million consisting of a $19 million and a $5 million income tax expense resulting from the enactment of higher provincial corporate income tax rates, which were recorded in the third and second quarter respectively; a $15 million income tax recovery resulting from the recognition of U.S. state income tax losses, which was recorded in the second quarter; and a $16 million income tax recovery resulting from a revision of the apportionment of U.S. state income taxes which was recorded in the first quarter.

8 - Major commitments and contingencies

Commitments

As at September 30, 2014, the Company had commitments to acquire railroad ties, rail, freight cars, locomotives, and other equipment and services, as well as outstanding information technology service contracts and licenses, at an aggregate cost of $966 million ($482 million as at December 31, 2013). The Company also has estimated remaining commitments of approximately $283 million (US$252 million), in relation to the U.S. federal government legislative requirement to implement Positive Train Control (PTC) by December 31, 2015.

In addition, the Company has estimated remaining commitments, through to December 31, 2016, of approximately $66 million (US$59 million), in relation to the acquisition of the principal lines of the former Elgin, Joliet and Eastern Railway Company. These commitments are for railroad infrastructure improvements, grade separation projects as well as commitments under a series of agreements with individual communities and a comprehensive voluntary mitigation program established to address surrounding municipalities' concerns.

The Company also has agreements with fuel suppliers which allow but do not require the Company to purchase approximately all of its estimated remaining 2014 volume, approximately 80% of its anticipated 2015 volume, 70% of its anticipated 2016 volume and 20% of its anticipated 2017 volume at market prices prevailing on the date of the purchase.

Contingencies

In the normal course of business, the Company becomes involved in various legal actions seeking compensatory and occasionally punitive damages, including actions brought on behalf of various purported classes of claimants and claims relating to employee and third-party personal injuries, occupational disease and property damage, arising out of harm to individuals or property allegedly caused by, but not limited to, derailments or other accidents.

Canada

Employee injuries are governed by the workers' compensation legislation in each province whereby employees may be awarded either a lump sum or a future stream of payments depending on the nature and severity of the injury. As such, the provision for employee injury claims is discounted. In the provinces where the Company is self-insured, costs related to employee work-related injuries are accounted for based on actuarially developed estimates of the ultimate cost associated with such injuries, including compensation, health care and third-party administration costs. A comprehensive actuarial study is generally performed at least on a triennial basis. For all other legal actions, the Company maintains, and regularly updates on a case-by-case basis, provisions for such items when the expected loss is both probable and can be reasonably estimated based on currently available information.

United States

Personal injury claims by the Company's employees, including claims alleging occupational disease and work-related injuries, are subject to the provisions of the Federal Employers' Liability Act (FELA). Employees are compensated under FELA for damages assessed based on a finding of fault through the U.S. jury system or through individual settlements. As such, the provision is undiscounted. With limited exceptions where claims are evaluated on a case-by-case basis, the Company follows an actuarial-based approach and accrues the expected cost for personal injury, including asserted and unasserted occupational disease claims, and property damage claims, based on actuarial estimates of their ultimate cost. A comprehensive actuarial study is performed annually.

For employee work-related injuries, including asserted occupational disease claims, and third-party claims, including grade crossing, trespasser and property damage claims, the actuarial valuation considers, among other factors, the Company's historical patterns of claims filings and payments. For unasserted occupational disease claims, the actuarial study includes the projection of the Company's experience into the future considering the potentially exposed population. The Company adjusts its liability based upon management's assessment and the results of the study. On an ongoing basis, management reviews and compares the assumptions inherent in the latest actuarial study with the current claim experience and, if required, adjustments to the liability are recorded.

Notes to Unaudited Consolidated Financial Statements

As at September 30, 2014, the Company had aggregate reserves for personal injury and other claims of $318 million, of which $49 million was recorded as a current liability ($316 million as at December 31, 2013, of which $45 million was recorded as a current liability).
Although the Company considers such provisions to be adequate for all its outstanding and pending claims, the final outcome with respect to actions outstanding or pending at September 30, 2014, or with respect to future claims, cannot be reasonably determined. When establishing provisions for contingent liabilities the Company considers, where a probable loss estimate cannot be made with reasonable certainty, a range of potential probable losses for each such matter, and records the amount it considers the most reasonable estimate within the range. However, when no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued. For matters where a loss is reasonably possible but not probable, a range of potential losses cannot be estimated due to various factors which may include the limited availability of facts, the lack of demand for specific damages and the fact that proceedings were at an early stage. Based on information currently available, the Company believes that the eventual outcome of the actions against the Company will not, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position. However, due to the inherent inability to predict with certainty unforeseeable future developments, there can be no assurance that the ultimate resolution of these actions will not have a material adverse effect on the Company's results of operations, financial position or liquidity in a particular quarter or fiscal year.

Environmental matters
The Company's operations are subject to numerous federal, provincial, state, municipal and local environmental laws and regulations in Canada and the U.S. concerning, among other things, emissions into the air; discharges into waters; the generation, handling, storage, transportation, treatment and disposal of waste, hazardous substances, and other materials; decommissioning of underground and aboveground storage tanks; and soil and groundwater contamination. A risk of environmental liability is inherent in railroad and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations.

Known existing environmental concerns
The Company has identified approximately 260 sites at which it is or may be liable for remediation costs, in some cases along with other potentially responsible parties, associated with alleged contamination and is subject to environmental clean-up and enforcement actions, including those imposed by the United States Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the Superfund law, or analogous state laws. CERCLA and similar state laws, in addition to other similar Canadian and U.S. laws, generally impose joint and several liability for clean-up and enforcement costs on current and former owners and operators of a site, as well as those whose waste is disposed of at the site, without regard to fault or the legality of the original conduct. The Company has been notified that it is a potentially responsible party for study and clean-up costs at approximately 10 sites governed by the Superfund law (and analogous state laws) for which investigation and remediation payments are or will be made or are yet to be determined and, in many instances, is one of several potentially responsible parties.
The ultimate cost of addressing these known contaminated sites cannot be definitely established given that the estimated environmental liability for any given site may vary depending on the nature and extent of the contamination; the nature of anticipated response actions, taking into account the available clean-up techniques; evolving regulatory standards governing environmental liability; and the number of potentially responsible parties and their financial viability. As a result, liabilities are recorded based on the results of a four-phase assessment conducted on a site-by-site basis. A liability is initially recorded when environmental assessments occur, remedial efforts are probable, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated. The Company estimates the costs related to a particular site using cost scenarios established by external consultants based on the extent of contamination and expected costs for remedial efforts. In the case of multiple parties, the Company accrues its allocable share of liability taking into

account the Company's alleged responsibility, the number of potentially responsible parties and their ability to pay their respective share of the liability. Adjustments to initial estimates are recorded as additional information becomes available.

The Company's provision for specific environmental sites is undiscounted and includes costs for remediation and restoration of sites, as well as monitoring costs. Environmental expenses, which are classified as Casualty and other in the Consolidated Statement of Income, include amounts for newly identified sites or contaminants as well as adjustments to initial estimates. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

As at September 30, 2014, the Company had aggregate accruals for environmental costs of $118 million, of which $43 million was recorded as a current liability ($119 million as at December 31, 2013, of which $41 million was recorded as a current liability). The Company anticipates that the majority of the liability at September 30, 2014 will be paid out over the next five years. However, some costs may be paid out over a longer period. Based on the information currently available, the Company considers its provisions to be adequate.

Notes to Unaudited Consolidated Financial Statements

Unknown existing environmental concerns

While the Company believes that it has identified the costs likely to be incurred for environmental matters in the next several years based on known information, the discovery of new facts, future changes in laws, the possibility of releases of hazardous materials into the environment and the Company's ongoing efforts to identify potential environmental liabilities that may be associated with its properties may result in the identification of additional environmental liabilities and related costs. The magnitude of such additional liabilities and the costs of complying with future environmental laws and containing or remediating contamination cannot be reasonably estimated due to many factors, including:

(a) the lack of specific technical information available with respect to many sites;
(b) the absence of any government authority, third-party orders, or claims with respect to particular sites;
(c) the potential for new or changed laws and regulations and for development of new remediation technologies and uncertainty regarding the timing of the work with respect to particular sites; and
(d) the determination of the Company's liability in proportion to other potentially responsible parties and the ability to recover costs from any third parties with respect to particular sites.

Therefore, the likelihood of any such costs being incurred or whether such costs would be material to the Company cannot be determined at this time. There can thus be no assurance that liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Company's financial position or results of operations in a particular quarter or fiscal year, or that the Company's liquidity will not be adversely impacted by such liabilities or costs, although management believes, based on current information, that the costs to address environmental matters will not have a material adverse effect on the Company's financial position or liquidity. Costs related to any unknown existing or future contamination will be accrued in the period in which they become probable and reasonably estimable.

Guarantees and indemnifications

In the normal course of business, the Company, including certain of its subsidiaries, enters into agreements that may involve providing guarantees or indemnifications to third parties and others, which may extend beyond the term of the agreements. These include, but are not limited to, residual value guarantees on operating leases, standby letters of credit, surety and other bonds, and indemnifications that are customary for the type of transaction or for the railway business.

The Company is required to recognize a liability for the fair value of the obligation undertaken in issuing certain guarantees on the date the guarantee is issued or modified. In addition, where the Company expects to make a payment in respect of a guarantee, a liability will be recognized to the extent that one has not yet been recognized.

Guarantee of residual values of operating leases

The Company has guaranteed a portion of the residual values of certain of its assets under operating leases with expiry dates between 2014 and 2022, for the benefit of the lessor. If the fair value of the assets at the end of their respective lease term is less than the fair value, as estimated at the inception of the lease, then the Company must, under certain conditions, compensate the lessor for the shortfall. As at September 30, 2014, the maximum exposure in respect of these guarantees was $187 million. There are no recourse provisions to recover any amounts from third parties.

Other guarantees

As at September 30, 2014, the Company, including certain of its subsidiaries, had granted $493 million of irrevocable standby letters of credit and $95 million of surety and other bonds, issued by highly rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at September 30, 2014, the maximum potential liability under these guarantee instruments was $588 million, of which $525 million related to workers' compensation and other employee benefit liabilities and $63 million related to other liabilities. The letters of credit were drawn on the Company’s bilateral letter of credit facilities. The Company had not recorded a liability as at September 30, 2014 with respect to these guarantee instruments as they related to the Company’s future performance and the Company did not expect to make any payments under these guarantee instruments. The majority of the guarantee instruments mature at various dates between 2014 and 2016.

Notes to Unaudited Consolidated Financial Statements

General indemnifications
In the normal course of business, the Company has provided indemnifications, customary for the type of transaction or for the railway business, in various agreements with third parties, including indemnification provisions where the Company would be required to indemnify third parties and others. Indemnifications are found in various types of contracts with third parties which include, but are not limited to:

(a) contracts granting the Company the right to use or enter upon property owned by third parties such as leases, easements, trackage rights and sidetrack agreements;
(b) contracts granting rights to others to use the Company's property, such as leases, licenses and easements;
(c) contracts for the sale of assets;
(d) contracts for the acquisition of services;
(e) financing agreements;
(f) trust indentures, fiscal agency agreements, underwriting agreements or similar agreements relating to debt or equity securities of the Company and engagement agreements with financial advisors;
(g) transfer agent and registrar agreements in respect of the Company's securities;
(h) trust and other agreements relating to pension plans and other plans, including those establishing trust funds to secure payment to certain officers and senior employees of special retirement compensation arrangements;
(i) pension transfer agreements;
(j) master agreements with financial institutions governing derivative transactions;
(k) settlement agreements with insurance companies or other third parties whereby such insurer or third-party has been indemnified for any present or future claims relating to insurance policies, incidents or events covered by the settlement agreements; and
(l) acquisition agreements.

To the extent of any actual claims under these agreements, the Company maintains provisions for such items, which it considers to be adequate. Due to the nature of the indemnification clauses, the maximum exposure for future payments may be material. However, such exposure cannot be reasonably determined.
During the period, the Company entered into various indemnification contracts with third parties for which the maximum exposure for future payments cannot be reasonably determined. As a result, no liability was recorded. There are no recourse provisions to recover any amounts from third parties.

9 - Financial instruments
For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is believed to be consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.
Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3: Significant inputs to the valuation model are unobservable.

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Balance Sheet under the following captions:

Cash and cash equivalents, Restricted cash and cash equivalents, Accounts receivable, Other current assets, Accounts payable and other

The carrying amounts approximate fair value because of the short maturity of these instruments. Cash and cash equivalents and Restricted cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are classified as Level 1. Accounts receivable, Other current assets, and Accounts payable and other are classified as Level 2 as they may not be priced using quoted prices, but rather determined from market observable information.

Notes to Unaudited Consolidated Financial Statements

Intangible and other assets
Included in Intangible and other assets are equity investments for which the carrying value approximates the fair value, with the exception of certain cost investments for which the fair value is estimated based on the Company's proportionate share of the underlying net assets. Investments are classified as Level 3 as their fair value is based on significant unobservable inputs.

Debt
The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar debt instruments, as well as discounted cash flows using current interest rates for debt with similar terms, company rating, and remaining maturity. The Company's debt is classified as Level 2.

The following table provides the carrying amounts and estimated fair values of the Company's financial instruments as at September 30, 2014 and December 31, 2013 for which the carrying values on the Consolidated Balance Sheet are different from their fair values:

| In millions | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Investments | $ 58 | $ 175 | $ 57 | $ 164 |
| Financial liabilities | | | | |
| Total debt | $ 7,841 | $ 8,988 | $ 7,840 | $ 8,683 |

10 - Earnings per share
The following table provides a reconciliation between basic and diluted earnings per share:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| In millions, except per share data | 2014 | 2013 | 2014 | 2013 |
| Net income | $853 | $705 | $2,323 | $1,977 |
| Weighted-average shares outstanding | 817.0 | 839.3 | 822.2 | 846.2 |
| Effect of stock options | 3.9 | 2.9 | 3.6 | 3.0 |
| Weighted-average diluted shares outstanding | 820.9 | 842.2 | 825.8 | 849.2 |
| Basic earnings per share | $1.04 | $0.84 | $2.83 | $2.34 |
| Diluted earnings per share | $1.04 | $0.84 | $2.81 | $2.33 |

Basic earnings per share are calculated based on the weighted-average number of common shares outstanding over each period. Diluted earnings per share are calculated based on the weighted-average diluted shares outstanding using the treasury stock method, which assumes that any proceeds received from the exercise of in-the-money stock options would be used to purchase common shares at the average market price for the period.

Notes to Unaudited Consolidated Financial Statements

11 – Accumulated other comprehensive loss
The components of Accumulated other comprehensive loss are as follows:

| In millions | Foreign currency translation adjustments | Pension and other postretirement benefit plans | Derivative instruments | Total before tax | Income tax recovery (expense) | Total net of tax |
|---|---|---|---|---|---|---|
| Balance at June 30, 2014 | $ (538)$ | (1,452)$ | 8 $ | (1,982)$ | 176 $ | (1,806) |
| Other comprehensive income (loss) before reclassifications: | | | | | | |
| Unrealized foreign exchange gain on translation of net investment in foreign operations | 349 | | | 349 | - | 349 |
| Unrealized foreign exchange loss on translation of US dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries | (305) | | | (305) | 41 | (264) |
| Amounts reclassified from Accumulated other comprehensive loss: | | | | | | |
| Amortization of net actuarial loss | | 30 | | 30 (1) | (9)(2) | 21 |
| Amortization of prior service cost | | 2 | | 2 (1) | - (2) | 2 |
| Amortization of gain on treasury lock | | | (1) (3) | (1) | - | (1) |
| Other comprehensive income (loss) | 44 | 32 | (1) | 75 | 32 | 107 |
| Balance at September 30, 2014 | $ (494)$ | (1,420)$ | 7 $ | (1,907)$ | 208 $ | (1,699) |

| In millions | Foreign currency translation adjustments | Pension and other postretirement benefit plans | Derivative instruments | Total before tax | Income tax recovery (expense) | Total net of tax |
|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $ (533)$ | (1,515)$ | 8 $ | (2,040)$ | 190 $ | (1,850) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other comprehensive income (loss) | | | | | | |
| before reclassifications: | | | | | | |
| Unrealized foreign exchange gain on translation of net investment in foreign operations | 368 | | | 368 | - | 368 |
| Unrealized foreign exchange loss on translation of US dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries | (329) | | | (329) | 42 | (287) |
| Amounts reclassified from Accumulated other comprehensive loss: | | | | | | |
| Amortization of net actuarial loss | | 90 | | 90 (1) | (24) (2) | 66 |
| Amortization of prior service cost | | 5 | | 5 (1) | - (2) | 5 |
| Amortization of gain on treasury lock | | | (1) (3) | (1) | - | (1) |
| Other comprehensive income (loss) | 39 | 95 | (1) | 133 | 18 | 151 |
| Balance at September 30, 2014 $ | (494)$ | (1,420)$ | 7 $ | (1,907)$ | 208 $ | (1,699) |

(1) Reclassified to Labor and fringe benefits on the Consolidated Statement of Income and included in components of net periodic benefit cost. See Note 6 - Pensions and other postretirement benefits.
(2) Included in Income tax expense on the Consolidated Statement of Income.
(3) Related to treasury lock transactions settled in prior years, which are being amortized over the terms of the related debt to Interest expense on the Consolidated Statement of Income.

Notes to Unaudited Consolidated Financial Statements

| In millions | Foreign currency translation adjustments | Pension and other postretirement benefit plans | Derivative instruments | Total before tax | Income tax recovery (expense) | Total net of tax |
|---|---|---|---|---|---|---|
| Balance at June 30, 2013 | $ (544) | $ (3,174) | $ 8 | $ (3,710) | $ 616 | $ (3,094) |
| Other comprehensive income (loss) before reclassifications: | | | | | | |
| Unrealized foreign exchange loss on translation of net investment in foreign operations | (134) | | | (134) | - | (134) |
| Unrealized foreign exchange gain on translation of US dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries | 123 | | | 123 | (17) | 106 |
| Amounts reclassified from Accumulated other comprehensive loss: | | | | | | |
| Amortization of net actuarial loss | | 56 | | 56 (1) | (15)(2) | 41 |
| Amortization of prior service cost | | 1 | | 1 (1) | - (2) | 1 |
| Other comprehensive income (loss) | (11) | 57 | - | 46 | (32) | 14 |
| Balance at September 30, 2013 | $ (555) | $ (3,117) | $ 8 | $ (3,664) | $ 584 | $ (3,080) |

| In millions | Foreign currency translation adjustments | Pension and other postretirement benefit plans | Derivative instruments | Total before tax | Income tax recovery (expense) | Total net of tax |
|---|---|---|---|---|---|---|
| Balance at December 31, 2012 | $ (579) | $ (3,290) | $ 8 | $ (3,861) | $ 604 | $ (3,257) |
| Other comprehensive income (loss) before reclassifications: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Unrealized foreign exchange gain on translation of net investment in foreign operations | 221 | | | 221 | - | 221 |
| Unrealized foreign exchange loss on translation of US dollar-denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries | (197) | | | (197) | 25 | (172) |
| Amounts reclassified from Accumulated other comprehensive loss: | | | | | | |
| Amortization of net actuarial loss | | 169 | | 169 (1) | (44) (2) | 125 |
| Amortization of prior service cost | | 4 | | 4 (1) | (1) (2) | 3 |
| Other comprehensive income (loss) | 24 | 173 | - | 197 | (20) | 177 |
| Balance at September 30, 2013 | $ (555) | $ (3,117) | $ 8 | $ (3,664) | $ 584 | $ (3,080) |

(1) Reclassified to Labor and fringe benefits on the Consolidated Statement of Income and included in components of net periodic benefit cost. See Note 6 - Pensions and other postretirement benefits.
(2) Included in Income tax expense on the Consolidated Statement of Income.

Notes to Unaudited Consolidated Financial Statements

12 - Subsequent event

Share repurchase program

On October 21, 2014, the Board of Directors of the Company approved a new share repurchase program, which allows for the repurchase of up to 28.0 million common shares between October 24, 2014 and October 23, 2015, pursuant to a normal course issuer bid at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the Toronto Stock Exchange.

Selected Railroad Statistics - unaudited

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Statistical operating data | | | | |
| Rail freight revenues ($ millions) (1) | 2,920 | 2,519 | 8,440 | 7,367 |
| Gross ton miles (GTM) (millions) | 115,348 | 100,321 | 333,067 | 298,169 |
| Revenue ton miles (RTM) (millions) | 58,946 | 52,188 | 172,361 | 155,466 |
| Carloads (thousands) | 1,475 | 1,333 | 4,177 | 3,880 |
| Route miles (includes Canada and the U.S.) | 19,600 | 19,900 | 19,600 | 19,900 |
| Employees (end of period) | 25,032 | 23,664 | 25,032 | 23,664 |
| Employees (average for the period) | 24,915 | 23,756 | 24,412 | 23,706 |
| Productivity | | | | |
| Operating ratio (%) | 58.8 | 59.8 | 62.3 | 62.9 |
| Rail freight revenue per RTM (cents) (1) | 4.95 | 4.83 | 4.90 | 4.74 |
| Rail freight revenue per carload ($) (1) | 1,980 | 1,890 | 2,021 | 1,899 |
| Operating expenses per GTM (cents) | 1.59 | 1.61 | 1.67 | 1.65 |
| Labor and fringe benefits expense per GTM (cents) | 0.50 | 0.52 | 0.52 | 0.53 |
| GTMs per average number of employees (thousands) | 4,630 | 4,223 | 13,644 | 12,578 |
| Diesel fuel consumed (US gallons in millions) | 108.1 | 96.8 | 327.3 | 302.0 |
| Average fuel price ($/US gallon) | 3.62 | 3.52 | 3.80 | 3.52 |
| GTMs per US gallon of fuel consumed | 1,067 | 1,036 | 1,018 | 987 |
| Safety indicators | | | | |
| Injury frequency rate (per 200,000 person hours) (2) | 2.17 | 1.72 | 1.91 | 1.52 |
| Accident rate (per million train miles) (2) | 3.25 | 1.37 | 2.69 | 2.04 |
| Financial ratio | | | | |
| Debt-to-total capitalization ratio (% at end of period) (3) | 36.3 | 39.3 | 36.3 | 39.3 |

Statistical operating data, productivity measures and safety indicators are based on estimated data available at such time and are subject to change as more complete information becomes available, as such certain of the comparative data have been restated.

(1) In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remains unchanged. The 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.

(2) Based on Federal Railroad Administration (FRA) reporting criteria.

(3) Debt-to-total capitalization ratio is calculated as total long-term debt plus current portion of long-term debt, divided by the sum of total debt plus total shareholders’ equity.

Supplementary Information - unaudited

| | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | % Change Fav (Unfav) | % Change at constant currency Fav (Unfav) (2) | 2014 | 2013 | % Change Fav (Unfav) | % Change at constant currency Fav (Unfav) (2) |
| Revenues (millions of dollars) (1) | | | | | | | | |
| Petroleum and chemicals | 594 | 489 | 21% | 18% | 1,726 | 1,431 | 21% | 15% |
| Metals and minerals | 388 | 332 | 17% | 13% | 1,066 | 929 | 15% | 9% |
| Forest products | 393 | 365 | 8% | 4% | 1,125 | 1,064 | 6% | 1% |
| Coal | 185 | 191 | (3%) | (6%) | 568 | 553 | 3% | (1%) |
| Grain and fertilizers | 469 | 363 | 29% | 26% | 1,426 | 1,162 | 23% | 19% |
| Intermodal | 731 | 642 | 14% | 12% | 2,068 | 1,808 | 14% | 12% |
| Automotive | 160 | 137 | 17% | 13% | 461 | 420 | 10% | 5% |
| Total rail freight revenues | 2,920 | 2,519 | 16% | 13% | 8,440 | 7,367 | 15% | 10% |
| Other revenues | 198 | 179 | 11% | 7% | 487 | 463 | 5% | 1% |
| Total revenues | 3,118 | 2,698 | 16% | 13% | 8,927 | 7,830 | 14% | 10% |
| Revenue ton miles (millions) | | | | | | | | |
| Petroleum and chemicals | 13,576 | 11,033 | 23% | 23% | 39,234 | 32,428 | 21% | 21% |
| Metals and minerals | 6,664 | 5,825 | 14% | 14% | 17,691 | 16,022 | 10% | 10% |
| Forest products | 7,581 | 7,508 | 1% | 1% | 21,718 | 22,317 | (3%) | (3%) |
| Coal | 5,289 | 6,057 | (13%) | (13%) | 16,316 | 17,342 | (6%) | (6%) |
| Grain and fertilizers | 12,116 | 9,105 | 33% | 33% | 37,502 | 30,556 | 23% | 23% |
| Intermodal | 12,868 | 11,986 | 7% | 7% | 37,577 | 34,722 | 8% | 8% |
| Automotive | 852 | 674 | 26% | 26% | 2,323 | 2,079 | 12% | 12% |
| Total revenue ton miles | 58,946 | 52,188 | 13% | 13% | 172,361 | 155,466 | 11% | 11% |
| Rail freight revenue / RTM (cents) (1) | | | | | | | | |
| Petroleum and chemicals | 4.38 | 4.43 | (1%) | (4%) | 4.40 | 4.41 | - | (5%) |
| Metals and minerals | 5.82 | 5.70 | 2% | (1%) | 6.03 | 5.80 | 4% | (1%) |
| Forest products | 5.18 | 4.86 | 7% | 3% | 5.18 | 4.77 | 9% | 4% |
| Coal | 3.50 | 3.15 | 11% | 8% | 3.48 | 3.19 | 9% | 5% |
| Grain and fertilizers | 3.87 | 3.99 | (3%) | (5%) | 3.80 | 3.80 | - | (3%) |
| Intermodal | 5.68 | 5.36 | 6% | 4% | 5.50 | 5.21 | 6% | 4% |
| Automotive | 18.78 | 20.33 | (8%) | (11%) | 19.85 | 20.20 | (2%) | (6%) |
| Total rail freight revenue per RTM | 4.95 | 4.83 | 2% | - | 4.90 | 4.74 | 3% | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Carloads (thousands) | | | | | | | | |
| Petroleum and chemicals | 168 | 152 | 11% | 11% | 489 | 452 | 8% | 8% |
| Metals and minerals | 295 | 285 | 4% | 4% | 769 | 803 | (4%) | (4%) |
| Forest products | 111 | 114 | (3%) | (3%) | 324 | 338 | (4%) | (4%) |
| Coal | 126 | 109 | 16% | 16% | 392 | 316 | 24% | 24% |
| Grain and fertilizers | 153 | 126 | 21% | 21% | 465 | 401 | 16% | 16% |
| Intermodal | 563 | 493 | 14% | 14% | 1,567 | 1,402 | 12% | 12% |
| Automotive | 59 | 54 | 9% | 9% | 171 | 168 | 2% | 2% |
| Total carloads | 1,475 | 1,333 | 11% | 11% | 4,177 | 3,880 | 8% | 8% |
| Rail freight revenue / carload (dollars) (1) | | | | | | | | |
| Petroleum and chemicals | 3,536 | 3,217 | 10% | 7% | 3,530 | 3,166 | 11% | 7% |
| Metals and minerals | 1,315 | 1,165 | 13% | 9% | 1,386 | 1,157 | 20% | 14% |
| Forest products | 3,541 | 3,202 | 11% | 7% | 3,472 | 3,148 | 10% | 5% |
| Coal | 1,468 | 1,752 | (16%) | (18%) | 1,449 | 1,750 | (17%) | (20%) |
| Grain and fertilizers | 3,065 | 2,881 | 6% | 4% | 3,067 | 2,898 | 6% | 2% |
| Intermodal | 1,298 | 1,302 | - | (2%) | 1,320 | 1,290 | 2% | - |
| Automotive | 2,712 | 2,537 | 7% | 4% | 2,696 | 2,500 | 8% | 3% |
| Total rail freight revenue per carload | 1,980 | 1,890 | 5% | 2% | 2,021 | 1,899 | 6% | 3% |

Statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available.

(1) In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remains unchanged. The 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.

(2) See supplementary schedule entitled Non-GAAP Measures for an explanation of this non-GAAP measure.

Non-GAAP Measures

Adjusted performance measures

For the three and nine months ended September 30, 2014, the Company reported adjusted net income of $853 million, or $1.04 per diluted share and $2,251 million, or $2.72 per diluted share, respectively. The adjusted figures for the nine months ended September 30, 2014 exclude a gain on disposal of the Deux-Montagnes subdivision, including the Mont-Royal tunnel, together with the rail fixtures, of $80 million, or $72 million after-tax ($0.09 per diluted share). For the three and nine months ended September 30, 2013, the Company reported adjusted net income of $724 million, or $0.86 per diluted share and $1,947 million, or $2.30 per diluted share, respectively. The adjusted figures for the three and nine months ended September 30, 2013 exclude an income tax expense of $19 million ($0.02 per diluted share) resulting from the enactment of higher provincial corporate income tax rates. The adjusted figures for the nine months ended September 30, 2013 also exclude a gain on exchange of perpetual railroad operating easements, including the track and roadway assets on specific rail lines, of $29 million, or $18 million after-tax ($0.02 per diluted share); an income tax expense of $5 million ($0.01 per diluted share) resulting from the enactment of higher provincial corporate income tax rates and a gain on disposal of a segment of the Oakville subdivision, together with the rail fixtures and certain passenger agreements, of $40 million, or $36 million after-tax ($0.04 per diluted share). Management believes that adjusted net income and adjusted earnings per share are useful measures of performance that can facilitate period-to-period comparisons, as they exclude items that do not necessarily arise as part of the normal day-to-day operations of the Company and could distort the analysis of trends in business performance. The exclusion of such items in adjusted net income and adjusted earnings per share does not, however, imply that such items are necessarily non-recurring. These adjusted measures do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. The reader is advised to read all information provided in the Company's 2014 unaudited Interim Consolidated Financial Statements and Notes thereto. The following tables provide a reconciliation of net income and earnings per share, as reported for the three and nine months ended September 30, 2014 and 2013, to the adjusted performance measures presented herein.

| | Three months ended September 30, 2014 | | | Nine months ended September 30, 2014 | | |
|---|---|---|---|---|---|---|
| In millions, except per share data | Reported | Adjustments | Adjusted | Reported | Adjustments | Adjusted |
| Revenues | $ 3,118 | $ - | $ 3,118 | $ 8,927 | $ - | $ 8,927 |
| Operating expenses | 1,832 | - | 1,832 | 5,563 | - | 5,563 |
| Operating income | 1,286 | - | 1,286 | 3,364 | - | 3,364 |
| Interest expense | (94) | - | (94) | (277) | - | (277) |
| Other income (loss) | (2) | - | (2) | 94 | (80) | 14 |
| Income before income taxes | 1,190 | - | 1,190 | 3,181 | (80) | 3,101 |
| Income tax expense | (337) | - | (337) | (858) | 8 | (850) |
| Net income | $ 853 | $ - | $ 853 | $ 2,323 | $ (72) | $ 2,251 |
| Operating ratio | 58.8 % | | 58.8 % | 62.3 % | | 62.3 % |
| Effective tax rate | 28.3 % | | 28.3 % | 27.0 % | | 27.4 % |
| Basic earnings per share | $ 1.04 | $ - | $ 1.04 | $ 2.83 | $ (0.09) | $ 2.74 |
| Diluted earnings per share | $ 1.04 | $ - | $ 1.04 | $ 2.81 | $ (0.09) | $ 2.72 |

| | Three months ended September 30, 2013 | | | Nine months ended September 30, 2013 | | |
|---|---|---|---|---|---|---|
| In millions, except per share data | Reported | Adjustments | Adjusted | Reported | Adjustments | Adjusted |
| Revenues | $ 2,698 | $ - | $ 2,698 | $ 7,830 | $ - | $ 7,830 |
| Operating expenses | 1,614 | - | 1,614 | 4,924 | - | 4,924 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Operating income | 1,084 | - | 1,084 | 2,906 | - | 2,906 |
| Interest expense | (89) | - | (89) | (266) | - | (266) |
| Other income | 5 | - | 5 | 75 | (69) | 6 |
| Income before income taxes | 1,000 | - | 1,000 | 2,715 | (69) | 2,646 |
| Income tax expense | (295) | 19 | (276) | (738) | 39 | (699) |
| Net income | $ 705 | $ 19 | $ 724 | $ 1,977 | $ (30) | $ 1,947 |
| Operating ratio | 59.8 % | | 59.8 % | 62.9 % | | 62.9 % |
| Effective tax rate | 29.5 % | | 27.6 % | 27.2 % | | 26.4 % |
| Basic earnings per share | $ 0.84 | $ 0.02 | $ 0.86 | $ 2.34 | $ (0.03) | $ 2.31 |
| Diluted earnings per share | $ 0.84 | $ 0.02 | $ 0.86 | $ 2.33 | $ (0.03) | $ 2.30 |

Non-GAAP Measures

Constant currency

Although CN conducts its business and reports its earnings in Canadian dollars, a large portion of revenues and expenses is denominated in US dollars. As such, the Company's results are affected by exchange rate fluctuations. Financial results at "constant currency" allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Measures at constant currency are considered non-GAAP measures and do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. Financial results at constant currency are obtained by translating the current period results denominated in US dollars at the foreign exchange rates of the comparable period of the prior year. The average foreign exchange rates were $1.09 per US$1.00, for both the three and nine months ended September 30, 2014, and $1.04 and $1.02 per US$1.00, respectively, for the three and nine months ended September 30, 2013.

On a constant currency basis, the Company's net income for the three and nine months ended September 30, 2014 would have been lower by $22 million, or $0.03 per diluted share and $76 million, or $0.09 per diluted share, respectively. The following table presents a reconciliation of 2014 net income as reported to net income on a constant currency basis:

| In millions | Three months ended September 30, 2014 | Nine months ended September 30, 2014 |
|---|---|---|
| Net income, as reported | $ 853 | $ 2,323 |
| Impact due to the weakening Canadian dollar included in net income | (18) | (70) |
| Decrease due to the weakening Canadian dollar on additional year-over-year US$ net income | (4) | (6) |
| Impact of foreign exchange using constant currency rates | (22) | (76) |
| Net income, on a constant currency basis | $ 831 | $ 2,247 |

Free cash flow

Free cash flow does not have any standardized meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends and strategic opportunities.

The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities; adjusted for changes in restricted cash and cash equivalents and the impact of major acquisitions, if any.

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| In millions | 2014 | 2013 | 2014 | 2013 |
| Net cash provided by operating activities | $1,328 | $1,066 | $3,246 | $2,450 |
| Net cash used in investing activities | (552) | (579) | (1,220) | (1,151) |
| Net cash provided before financing activities | 776 | 487 | 2,026 | 1,299 |
| Adjustment: | | | | |
| Change in restricted cash and cash equivalents | (1) | 32 | 19 | 8 |
| Free cash flow | $775 | $519 | $2,045 | $1,307 |

SIGNATURES

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

| | | | | |
|---|---|---|---|---|
| | | Canadian National Railway Company | | |
| Date: | October 21, 2014 | By: | /s/ Cristina Circelli | |
| | | | Name: | Cristina Circelli |
| | | | Title: | Deputy Corporate Secretary and General Counsel |