

THE TORONTO-DOMINION BANK
Head Office
P.O. Box 1, Toronto Dominion Centre
Toronto, Ontario M5K 1A2

January 28, 2000

Konrad von Finckenstein, Q.C.
Commissioner of Competition
Competition Bureau
Industry Canada
Phase 1, 21st Floor
50 Victoria Street
Hull, Quebec
K1A 0C9

Dear Mr. von Finckenstein:

**Proposed Acquisition of CT Financial Services Inc.
by The Toronto-Dominion Bank - Retail Banking**

We are writing to you in connection with the proposed acquisition of CT Financial Services Inc. ("CT") by The Toronto-Dominion Bank ("TD") (the "Proposed Acquisition") which is scheduled to be completed on February 1, 2000 (the "Closing Date").

TD believes that the overall effect of the Proposed Acquisition will be to enhance competition in that it will enable TD to increase the scale and scope of its operations and thereby to better compete with its larger domestic and international rivals. However, you have identified competition concerns with regard to the likely impact of the Proposed Acquisition in the credit card networks market and in certain local retail banking markets in Ontario.

This letter will confirm that in consideration of, but conditional upon, the Commissioner not filing an application with the Competition Tribunal in connection with the Proposed Acquisition, TD undertakes that it will make the divestitures and comply with the other undertakings set out herein with respect to the retail banking operations of TD and CT. Credit cards are addressed in a separate letter of today's date that is being delivered contemporaneously with this letter.

Divestitures

1. Within the time period set out in paragraph 1 of Schedule "A" (the "Initial Period"), TD will sell to one or more third parties the retail banking assets of TD and CT described in paragraph 3 of Schedule "A" hereto (the "Retail Assets").
2. Notwithstanding anything to the contrary herein, if prior to the expiry of the Initial Period, TD and a prospective buyer of all or part of the Retail Assets enter into a legally binding agreement with respect to such Retail Assets, TD shall have the additional period set out in paragraph 2 of Schedule "A" following the Initial Period within which to complete such divestitures.
3. TD shall, every 30 days, file a report with the Commissioner describing its progress in the divestiture process. TD shall also promptly notify the Commissioner of any negotiations with a prospective buyer that, in the reasonable opinion of TD, may lead to a sale and forward copies to the Commissioner of any agreements which it signs with any prospective buyer.

Trustee Sale

4. If the divestiture of all or part of the Retail Assets described in section 1 above has not been completed within the relevant time period, the Commissioner may appoint a person (the "Trustee") to effect the divestiture of such Retail Assets on the following terms:
 - (a) the Trustee shall execute and deliver to the Commissioner and TD an agreement in writing to be bound by the terms of this letter;
 - (b) after the appointment of the Trustee becomes effective, the Trustee shall have the sole right to effect the divestiture (hereinafter referred to as a "Trustee Sale") on the terms set out below, and shall be vested with the power by TD and CT to sell the assets to be divested for the purpose of effecting such divestiture;
 - (c) the Trustee shall have the full power and authority to effect a Trustee Sale and shall diligently attempt to do so within 90 days of the Trustee's appointment;
 - (d) the Trustee shall have the full power and authority to retain, on usual commercial terms, financial, legal and other professional advisors, including investment bankers, that may be reasonably necessary or advisable in advising and assisting the Trustee in effecting a Trustee Sale;
 - (e) the relevant Retail Assets shall be sold by the Trustee at the price and on the terms and conditions most favourable to TD then reasonably available in the circumstances;

- (f) TD and CT shall use reasonable commercial efforts to assist the Trustee in effecting the Trustee Sale and shall execute such documents and do such other acts or things as may be reasonably requested by the Trustee in connection therewith;
- (g) after its appointment, the Trustee shall, every 30 days, file reports with the Commissioner and TD describing the Trustee's efforts to effect the Trustee Sale;
- (h) the Trustee shall promptly notify TD and the Commissioner of any negotiations with a prospective purchaser that, in the opinion of the Trustee, may lead to a Trustee Sale and forward copies of any agreements which it signs with any potential buyer to the Commissioner and TD;
- (i) all expenses reasonably and properly incurred by the Trustee in connection with a Trustee Sale, including the fees of any advisors retained by the Trustee as contemplated in paragraph 4(d), shall be paid by TD; and
- (j) the proceeds of the Trustee Sale shall be paid to TD or as TD may direct.

Approval of Divestitures

5. Each divestiture described in paragraphs 1 and 4 above is subject to the approval of the Commissioner, who shall, among other things, take into account the competitive impact of the acquisition by the proposed purchaser. TD or the Trustee, as the case may be, shall give a written notice (the "Divestiture Notice") to the Commissioner (and, in the case of a Trustee Sale, also to TD) of any proposed agreement (which shall be subject to the Commissioner's approval) reached for the divestiture or Trustee Sale, which Divestiture Notice shall set forth the details of the proposed divestiture or Trustee Sale. During the period of 10 days after the receipt of the Divestiture Notice, the Commissioner (and, in the case of a Trustee sale, TD) may request additional information concerning the proposed divestiture, which information shall be furnished to the Commissioner (and, in the case of a Trustee Sale, TD) by TD or the Trustee, as the case may be.

6. Within 10 days after receipt of the Divestiture Notice or, if additional information is requested by the Commissioner or TD as provided in paragraph 5 above, within 10 days after receipt of the additional information by the Commissioner or TD, as the case may be, the Commissioner shall notify TD, and, in the case of a Trustee Sale, the Commissioner or TD shall notify the Trustee, in writing, of any objections they may have to the proposed divestiture or Trustee Sale; provided that TD shall not object to a Trustee Sale on any grounds other than the Trustee's malfeasance, gross misconduct or breach of the terms of this letter. If within such time period, the Commissioner does not object to the proposed divestiture or Trustee Sale, the divestiture may be completed, subject to any injunction or other Court order that TD may obtain if it objects to the proposed divestiture.

Maintenance of the Retail Assets

7. During the period from the Closing Date until the completion of the divestitures described in paragraphs 1 and 4 above (the "Interim Period"), TD and CT shall, to the extent permitted by this letter and unless otherwise permitted by the Commissioner:

- (a) not dispose of any material assets comprising the Retail Assets;
- (b) use reasonable best efforts to maintain the competitive viability of the Retail Assets;
- (c) not take any steps toward integrating the assets, management, operations or books and records comprising the Retail Assets with the retail banking business of TD, CT or any other person;
- (d) use reasonable efforts to ensure that employees employed primarily with respect to the Retail Assets or a part thereof will be available to be employed by the Buyer of the relevant Retail Assets (which shall be deemed to include any such employee regularly employed at any of the branches to be divested); and
- (e) cause to be maintained, in accordance with generally accepted accounting principles, complete financial ledger books and records of material financial information in respect of the Retail Assets.

8. TD will appoint a person (the "TD Interim Manager") as the manager of the TD branches listed in Schedule "A" (the "TD Branches"). The TD Interim Manager will report to the individuals identified in Schedule "B" (collectively, the "Senior Officers"). The managers of the TD Branches will report only to the TD Interim Manager. The TD Interim Manager will not have any retail banking responsibilities other than to manage the TD Branches during the Interim Period in accordance with the terms of this letter.

9. Subject to the terms of this letter, and acknowledging the integrated electronic data-based platforms of TD and CT, the TD Interim Manager and TD shall make all reasonable efforts and take all reasonable steps to avoid disclosure of any confidential information relating specifically to the management or operations of any of the TD Branches to any employees of TD or CT other than persons reporting to the TD Interim Manager and the Senior Officers. TD and CT shall advise the Commissioner of the steps which have been taken in this regard within 14 days of the Closing Date.

10. CT will appoint a person (the "CT Interim Manager") as the manager of the CT branches listed in Schedule "A" (the "CT Branches"). The managers of the CT Branches will report only to the CT Interim Manager and the CT Interim Manager will not have any retail banking

responsibilities other than to manage the CT Branches during the Interim Period in accordance with the terms of this letter.

11. Subject to the terms of this letter and acknowledging the integrated electronic data-based platforms of TD and CT, during the Interim Period, the CT Interim Manager and CT shall make all reasonable efforts and take all reasonable steps to avoid disclosure of any confidential information relating specifically to the management or operations of any of the CT Branches to any employees of CT or TD other than persons reporting to the CT Interim Manager and the Senior Officers. TD and CT shall advise the Commissioner of the steps which have been taken in this regard within 14 days of the Closing Date.

12. The Senior Officers shall not disclose any confidential information received from either the TD Interim Manager or the CT Interim Manager relating to any Retail Assets to any other officer or employee of TD or CT and, in any event, shall not use such information for any operational purpose (other than with respect to the Retail Assets), except as is necessary to comply with the terms of this letter and except for confidential financial information required by TD's financial officers and its accountants to prepare standard financial reports or to comply with statutory reporting, credit or other filing obligations.

13. The TD Interim Manager and the CT Interim Manager shall, during the Interim Period, provide monthly financial and operating reports ("Periodic Performance Reports") to the Senior Officers with respect to the TD branches and CT branches, respectively. Copies of such Periodic Financial Reports shall be provided to the Commissioner coincidentally with delivery to the Senior Officers, who shall not disclose such Periodic Performance Reports to any other person (other than accountants, independent financial advisors and legal counsel who agree to be bound by the confidentiality provisions in this letter), without the consent of the Commissioner.

14. To the extent permitted by this letter, TD shall use commercially reasonable efforts during the Interim Period to:

- (a) carry on the business comprising the Retail Assets in the ordinary course in accordance with generally prevailing industry standards;
- (b) preserve the goodwill of the Retail Assets; and
- (c) not knowingly take any action that will materially adversely affect the competitiveness, assets, operations or financial status of the Retail Assets.

15. TD and CT shall use commercially reasonable efforts during the Interim Period and for a period of twelve months thereafter to ensure that no TD or CT employees or agents of TD or CT, actively solicit any customer of any TD Branch or CT Branch in respect of his or her transaction accounts, personal credit or residential mortgage business (except for general advertising or

marketing activities directed at the public or, subject to paragraph 17 below, TD's customer base at large).

16. Without limiting the generality of paragraphs 14 and 15 above, TD will not other than as necessary to comply with this letter,

- (a) without prior notice to the Commissioner, enter into or withdraw from any material contracts or arrangements relating to the Retail Assets, make any material changes to such operations, or enter into any material agreement to lease or sell any Retail Assets to any other person, that would have the effect of materially inhibiting or unreasonably delaying the divestiture of the Retail Assets or materially reducing their value; or
- (b) without prior notice to the Commissioner, curtail material marketing, sales, promotional or other activities in respect of the Retail Assets in connection with the solicitation of existing or prospective customers; or
- (c) without prior notice to the Commissioner, terminate or materially alter any current employment, salary or benefit agreements for any executives, managerial, sales or marketing personnel employed primarily in relation to the Retail Assets.

17. Upon completion of the divestitures contemplated in paragraphs 1 and 4 above, TD and CT agree that they will not use any confidential information, whether stored in written, electronic or another form, relating to the Retail Assets for the purposes of soliciting customers, employees or any other operational purpose whatsoever.

General

18. For greater certainty, nothing in this letter shall in any way bind the Minister of Finance or restrict or fetter the Minister of Finance in exercising any of his or her powers or authority under the *Bank Act* (Canada) or the *Trust and Loan Companies Act* (Canada) in respect of the Proposed Acquisition.

19. This letter will become effective upon the Closing Date.

20. Nothing in this letter shall restrict the obtaining and use of confidential information by TD or any other person in connection with the defence of any legal proceeding.

21. This letter sets forth all of the undertakings of TD to the Commissioner with respect to the Proposed Acquisition and the retail banking business carried on by TD and CT.

Yours very truly,

THE TORONTO-DOMINION BANK

by: _____

A. Charles Baillie
Chairman and Chief Executive Officer

The undersigned also agrees to be bound by the terms of this letter conditional upon TD acquiring a controlling interest in the common equity of CT.

CT FINANCIAL SERVICES INC.

by: _____

W. Edmund Clark
President and Chief Executive Officer

by: _____

Thomas J. Mullin
Executive Vice-President, Business
Development and Corporate Strategy