TRANSCAT INC
Form 10-Q
August 10, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2012

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ to _______________

Commission File Number: 000-03905

TRANSCAT, INC.
(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	16-0874418 (I.R.S. Employer Identification No.)

35 Vantage Point Drive, Rochester, New York 14624
(Address of principal executive offices) (Zip Code)

(585) 352-7777
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [x]

The number of shares of common stock, par value $0.50 per share, of the registrant outstanding as of August 6, 2012 was 7,409,652.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	(Unaudited) First Quarter Ended June 30, 2012	June 25, 2011
Product Sales	$16,365	$17,182
Service Revenue	8,732	8,423
Net Revenue	25,097	25,605
Cost of Products Sold	12,155	12,914
Cost of Services Sold	6,735	6,393
Total Cost of Products and Services Sold	18,890	19,307
Gross Profit	6,207	6,298
Selling, Marketing and Warehouse Expenses	3,441	3,626
Administrative Expenses	2,172	2,102
Total Operating Expenses	5,613	5,728
Operating Income	594	570
Interest and Other Expense, net	47	45
Income Before Income Taxes	547	525
Provision for Income Taxes	186	200
Net Income	$361	$325
Basic Earnings Per Share	$0.05	$0.04
Average Shares Outstanding	7,375	7,277
Diluted Earnings Per Share	$0.05	$0.04
Average Shares Outstanding	7,681	7,608

See accompanying notes to consolidated financial statements.

TRANSCAT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	(Unaudited) First Quarter Ended June 30, 2012	(Unaudited) First Quarter Ended June 25, 2011
Net Income	$361	$325
Other Comprehensive (Loss) Income:		
Currency Translation Adjustment	(5)	(2)
Unrecognized Prior Service Cost, net of tax	(82)	3
Unrealized Loss on Other Assets, net of tax	(4)	-
	(91)	1
Comprehensive Income	$270	$326

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share and Per Share Amounts)

	(Unaudited) June 30, 2012	March 31, 2012
ASSETS		
Current Assets:		
Cash	$ 44	$ 32
Accounts Receivable, less allowance for doubtful accounts of $97 and $99 as of June 30, 2012 and March 31, 2012, respectively	11,905	13,800
Other Receivables	1,041	845
Inventory, net	7,224	6,396
Prepaid Expenses and Other Current Assets	1,067	1,064
Deferred Tax Asset	857	1,041
Total Current Assets	22,138	23,178
Property and Equipment, net	5,426	5,306
Goodwill	13,384	13,390
Intangible Assets, net	2,265	2,449
Deferred Tax Asset	315	-
Other Assets	849	654
Total Assets	$ 44,377	$ 44,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 6,248	$ 7,516
Accrued Compensation and Other Liabilities	2,873	5,171
Income Taxes Payable	219	366
Total Current Liabilities	9,340	13,053
Long-Term Debt	5,852	3,365
Deferred Tax Liability	-	139
Other Liabilities	1,382	1,042
Total Liabilities	16,574	17,599
Shareholders' Equity:		
Common Stock, par value $0.50 per share, 30,000,000 shares authorized; 7,905,461 and 7,840,994 shares issued as of June 30, 2012 and March 31, 2012, respectively; 7,406,679 and 7,341,007 shares outstanding as of June 30, 2012 and March 31, 2012, respectively	3,953	3,920
Capital in Excess of Par Value	10,932	10,810
Accumulated Other Comprehensive Income	357	448
Retained Earnings	14,755	14,394
Less: Treasury Stock, at cost, 498,782 shares	(2,194)	(2,194)
Total Shareholders' Equity	27,803	27,378
Total Liabilities and Shareholders' Equity	$ 44,377	$ 44,977

See accompanying notes to consolidated financial statements.

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	(Unaudited) First Quarter Ended June 30, 2012	(Unaudited) First Quarter Ended June 25, 2011
Cash Flows from Operating Activities:		
Net Income	$ 361	$ 325
Adjustments to Reconcile Net Income to Net Cash		
Used in Operating Activities:		
Deferred Income Taxes	(218)	(8)
Depreciation and Amortization	600	670
Provision for Accounts Receivable and Inventory Reserves	70	66
Stock-Based Compensation Expense	75	258
Changes in Assets and Liabilities:		
Accounts Receivable and Other Receivables	1,662	(297)
Inventory	(808)	(1,028)
Prepaid Expenses and Other Assets	(346)	(163)
Accounts Payable	(1,254)	213
Accrued Compensation and Other Liabilities	(2,089)	(543)
Income Taxes Payable	(147)	(58)
Net Cash Used in Operating Activities	(2,094)	(565)
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(453)	(610)
Business Acquisition	-	(125)
Net Cash Used in Investing Activities	(453)	(735)
Cash Flows from Financing Activities:		
Revolving Line of Credit, net	2,487	1,296
Payments on Other Debt Obligations	-	(6)
Payments of Contingent Consideration	(14)	(58)
Issuance of Common Stock	80	70
Excess Tax Benefits Related to Stock-Based Compensation	-	6
Net Cash Provided by Financing Activities	2,553	1,308
Effect of Exchange Rate Changes on Cash	6	2
Net Increase in Cash	12	10
Cash at Beginning of Period	32	32
Cash at End of Period	$ 44	$ 42
Supplemental Disclosure of Cash Flow Activity:		
Cash paid during the period for:		
Interest	$ 22	$ 18
Income Taxes, net	$ 553	$ 262
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		

Contingent Consideration Related to Business Acquisition	$ -	$ 100

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands)
(Unaudited)

Common Stock Issued $0.50 Par Value		Capital In Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock Outstanding at Cost
Shares	Amount	Value	Income	Earnings	

EFA uses a representative sampling strategy to track the underlying index. Representative sampling is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the MXEA. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the MXEA. Funds may or may not hold all of the securities that are included in the MXEA.

Correlation

The index is a theoretical financial calculation, while the EFA is an actual investment portfolio. The performance of the EFA and the underlying index will vary somewhat due to transaction costs, foreign currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the EFA's portfolio and the underlying index resulting from legal restrictions (such as diversification requirements that apply to the EFA but not to the underlying index) or representative sampling. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called "tracking error." The EFA, using representative sampling, can be expected to have a greater tracking error than a fund using a replication indexing strategy. "Replication" is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

The MSCI EAFE Index

The information below is included only to give insight to the MXEA, the performance of which the EFA attempts to reflect. The return on your Securities is linked to the performance of a basket that includes the EFA, and not to the performance of the MXEA.

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

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

The MXEA is part of the MSCI Regional Equity Indices series and is an MSCI Global Investable Market Index, which is a family within the MSCI International Equity Indices discussed above under "The MSCI International Equity Indices."

The MSCI International Equity Indices

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

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

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

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

MSCI has announced that, effective with the November 2015 semi-annual index review, companies traded outside of their country of classification (i.e., “foreign listed companies”) will become eligible for inclusion in the MSCI Country Investable Market Indexes along with the applicable MSCI Global Index. In order for a MSCI Country Investable Market Index to be eligible to include foreign listed companies, it must meet the Foreign Listing Materiality Requirement. To meet the Foreign Listing Materiality Requirement, the aggregate market capitalization of all securities represented by foreign listings should represent at least (i) 5% of the free float-adjusted market capitalization of the relevant MSCI Country Investable Market Index and (ii) 0.05% of the free-float adjusted market capitalization of the MSCI ACWI Investable Market Index. As of the November 2015 semi-annual index review, the following countries are foreign listings eligible: Argentina, Bahrain, China, Hong Kong, Israel, Kazakhstan, Mauritius, Netherlands, Peru and Ukraine.

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

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

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

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

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

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

§ *Minimum Length of Trading Requirement*: this investability screen is applied at the individual security level. For an initial public offering (“IPO”) to be eligible for inclusion in a market investable equity universe, the new issue must have started trading at least four months before the implementation of the initial construction of the MXEF or at least three months before the implementation of a semi-annual index review (as described below). This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the minimum length of trading requirement and may be included in a market investable equity universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

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

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

§ Standard Index (Large + Mid);

§ Large Cap Index;

§ Mid Cap Index; or

§ Small Cap Index.

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

§ defining the market coverage target range for each size segment;
§ determining the global minimum size range for each size segment;
§ determining the market size-segment cutoffs and associated segment number of companies;
§ assigning companies to the size segments; and
§ applying final size-segment investability requirements.

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

Index Maintenance

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

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

§ updating the indices on the basis of a fully refreshed equity universe;
§ taking buffer rules into consideration for migration of securities across size and style segments; and
§ updating FIFs and Number of Shares (“NOS”).

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

§ including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the MXEF;
§ allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and
§ reflecting the impact of significant market events on FIFs and updating NOS.

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

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The iShares® MSCI Emerging Market ETF

Investment Objective and Strategy

The EEM seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in emerging markets, as represented by the MSCI Emerging Markets Index (the "MXEF"). The EEM's investment objective and the MXEF may be changed at any time without shareholder approval.

The return on your Securities is linked to the performance of a basket that includes the EEM, and not to the performance of the MXEF on which the EEM is based. Although the EEM seeks results that correspond generally to the performance of the MXEF, the EEM follows a strategy of "representative sampling," which means the EEM's holdings do not identically correspond to the holdings and weightings of the MXEF, and may significantly diverge from the MXEF. Although the EEM generally invests at least 90% of its assets in some of the same securities as those contained in the MXEF and in depositary receipts representing the same securities as those contained in the MXEF, it does not hold all of the securities underlying the MXEF and may invest the remainder in securities that are not contained in the MXEF, or in other types of investments. Currently, the EEM holds substantially fewer securities than the MXEF. Additionally, when the EEM purchases securities not held by the MXEF, the EEM may be exposed to additional risks, such as counterparty credit risk or liquidity risk, to which the MXEF components are not exposed. Therefore, the EEM will not directly track the performance of the MXEF and there may be significant variation between the performance of the EEM and the MXEF on which it is based.

Representative Sampling

BFA uses a representative sampling strategy to track the MXEF. Representative sampling is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the MXEF. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the MXEF. Funds may or may not hold all of the securities that are included in the underlying index.

Correlation

The MXEF is a theoretical financial calculation, while the EEM is an actual investment portfolio. The performance of the EEM and the MXEF will vary somewhat due to transaction costs, foreign currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the EEM's portfolio and the MXEF resulting from legal restrictions (such as diversification requirements that apply to the EEM but not to the MXEF) or representative sampling. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called "tracking error." The EEM, using representative sampling, can be expected to have a greater tracking error than a fund using a replication indexing strategy. "Replication" is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

The MSCI Emerging Markets Index

The information below is included only to give insight to the MXEF, the performance of which the EEM attempts to reflect. The return on your Securities is linked to the performance of a basket that includes the EEM and not to the performance of the MXEF.

The MXEF is a stock index calculated, published and disseminated daily by MSCI through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited.

The MXEF is intended to measure equity market performance in the global emerging markets. The index is a free float-adjusted market capitalization index with a base date of December 31, 1987 and an Initial Price of 100. The index is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The MXEF currently consists of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Greece, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

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

Historical Information for the IWM

Quarter Ending	Quarter High	Quarter Low	Quarter Close
March 31, 2008	$75.12	$64.30	$68.51
June 30, 2008	$76.17	$68.47	$69.03
September 30, 2008	$75.20	$65.50	$68.39
December 31, 2008	$67.02	$38.58	$49.27
March 31, 2009	$51.27	$34.36	$41.94
June 30, 2009	$53.19	$42.82	$50.96
September 30, 2009	$62.02	$47.87	$60.23
December 31, 2009	$63.36	$56.22	$62.26
March 31, 2010	$69.25	$58.68	$67.81
June 30, 2010	$74.14	$61.08	$61.08
September 30, 2010	$67.67	$59.04	$67.47
December 31, 2010	$79.22	$66.94	$78.23
March 31, 2011	$84.17	$77.18	$84.17
June 30, 2011	$86.37	$77.77	$82.80
September 30, 2011	$85.65	$64.25	$64.25
December 30, 2011	$76.45	$60.97	$73.69
March 30, 2012	$84.41	$74.56	$82.85

Quarter Ending	Quarter High	Quarter Low	Quarter Close
June 29, 2012	$83.79	$73.64	$79.65
September 28, 2012	$86.40	$76.68	$83.46
December 31, 2012	$84.69	$76.88	$84.29
March 28, 2013	$94.80	$86.65	$94.26
June 28, 2013	$99.51	$89.58	$97.16
September 30, 2013	$107.10	$98.08	$106.62
December 31, 2013	$115.31	$103.67	$115.31
March 31, 2014	$119.83	$108.64	$116.34
June 30, 2014	$118.81	$108.88	$118.81
September 30, 2014	$120.02	$109.35	$109.35
December 31, 2014	$121.08	$104.30	$119.67
March 31, 2015	$126.03	$114.69	$124.35
June 30, 2015	$129.01	$120.85	$124.86
September 30, 2015	$126.31	$107.53	$109.20
December 31, 2015	$119.85	$109.01	$112.51
March 31, 2016	$110.62	$94.80	$110.62

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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Historical Information for the EFA

Quarter Ending	Quarter High	Quarter Low	Quarter Close
March 31, 2008	$78.35	$68.31	$71.90
June 30, 2008	$78.52	$68.10	$68.70
September 30, 2008	$68.04	$53.08	$56.30
December 31, 2008	$55.88	$35.71	$44.87
March 31, 2009	$45.44	$31.69	$37.59
June 30, 2009	$49.04	$38.57	$45.81
September 30, 2009	$55.81	$43.91	$54.70
December 31, 2009	$57.28	$52.66	$55.30
March 31, 2010	$57.96	$50.45	$56.00
June 30, 2010	$58.03	$46.29	$46.51
September 30, 2010	$55.42	$47.09	$54.92
December 31, 2010	$59.46	$54.25	$58.23
March 31, 2011	$61.91	$55.31	$60.09
June 30, 2011	$63.87	$57.10	$60.14
September 30, 2011	$60.80	$46.66	$47.75
December 30, 2011	$55.57	$46.45	$49.53
March 30, 2012	$55.80	$49.15	$54.90

Quarter Ending	Quarter High	Quarter Low	Quarter Close
June 29, 2012	$55.51	$46.55	$49.96
September 28, 2012	$55.15	$47.62	$53.00
December 31, 2012	$56.88	$51.96	$56.82
March 28, 2013	$59.89	$56.90	$58.98
June 28, 2013	$63.53	$57.03	$57.38
September 30, 2013	$65.05	$57.55	$63.79
December 31, 2013	$67.06	$62.71	$67.06
March 31, 2014	$68.03	$62.31	$67.17
June 30, 2014	$70.67	$66.26	$68.37
September 30, 2014	$69.25	$64.12	$64.12
December 31, 2014	$64.51	$59.53	$60.84
March 31, 2015	$65.99	$58.48	$64.17
June 30, 2015	$68.42	$63.49	$63.49
September 30, 2015	$65.46	$56.25	$57.32
December 31, 2015	$62.06	$57.50	$58.75
March 31, 2016	$57.80	$51.38	$57.13

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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Historical Information for the EEM

Quarter Ending	Quarter High	Quarter Low	Quarter Close
March 31, 2008	$50.37	$42.17	$44.79
June 30, 2008	$51.70	$44.43	$45.19
September 30, 2008	$44.43	$31.33	$34.53
December 31, 2008	$33.90	$18.22	$24.97
March 31, 2009	$27.09	$19.94	$24.81
June 30, 2009	$34.64	$25.65	$32.23
September 30, 2009	$39.29	$30.75	$38.91
December 31, 2009	$42.07	$37.56	$41.50
March 31, 2010	$43.22	$36.83	$42.12
June 30, 2010	$43.98	$36.16	$37.32
September 30, 2010	$44.77	$37.59	$44.77
December 31, 2010	$48.58	$44.77	$47.62
March 31, 2011	$48.69	$44.63	$48.69
June 30, 2011	$50.21	$45.50	$47.60
September 30, 2011	$48.46	$34.95	$35.07
December 30, 2011	$42.80	$34.36	$37.94
March 30, 2012	$44.76	$38.23	$42.94

Quarter Ending	Quarter High	Quarter Low	Quarter Close
June 29, 2012	$43.54	$36.68	$39.19
September 28, 2012	$42.37	$37.42	$41.32
December 31, 2012	$44.35	$40.14	$44.35
March 28, 2013	$45.20	$41.80	$42.78
June 28, 2013	$44.23	$36.63	$38.57
September 30, 2013	$43.29	$37.34	$40.77
December 31, 2013	$43.66	$40.44	$41.77
March 31, 2014	$40.99	$37.09	$40.99
June 30, 2014	$43.95	$40.82	$43.23
September 30, 2014	$45.85	$41.56	$41.56
December 31, 2014	$42.44	$37.73	$39.29
March 31, 2015	$41.07	$37.92	$40.13
June 30, 2015	$44.09	$39.04	$39.62
September 30, 2015	$39.78	$31.32	$32.78
December 31, 2015	$36.29	$31.55	$32.19
March 31, 2016	$34.28	$28.25	$34.25

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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<u>The PowerShares DB Commodity Index Tracking Fund</u>

For information regarding the DBC and the risk factors attributable to the DBC, please consult filings with the SEC under the Exchange Act and the Investment Company Act, which can be located by reference to SEC file numbers 333-180878 and 001-32726, respectively. The shares of the DBC trade on the NYSE Arca under the symbol "DBC."

Composition of the DB Commodity Index Tracking Fund

The DBC is organized as a Delaware statutory trust. The shares of the DBC represent units of fractional undivided beneficial interest in and ownership of the fund.

Wilmington Trust Company, a Delaware trust company, is the sole trustee of the DBC, and PowerShares Capital Management LLC ("Invesco PowerShares") serves as the manager, commodity pool operator and commodity trading advisor of the fund. The Wilmington Trust Company has delegated to the manager certain of the power and authority to manage the business and affairs of the fund and has only nominal duties and liabilities to the fund.

Invesco PowerShares has been registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator since January 1, 2013 and as a commodity trading advisor since October 1, 2014 and has been a member of the National Futures Association ("NFA") since January 1, 2013. The registration of Invesco PowerShares with the CFTC and its membership in the NFA must not be taken as an indication that either the CFTC or the NFA has recommended or approved Invesco PowerShares or the DBC.

The shareholders take no part in the management or control, and have no voice in the operations or the business of the DBC. Shareholders, may, however, remove and replace Invesco PowerShares as the manager of the fund, and may amend the trust declaration, except in certain limited respects, by the affirmative vote of a majority of the outstanding shares then owned by shareholders (as opposed to by Invesco PowerShares and its affiliates). The owners of a majority of the outstanding shares then owned by shareholders may also compel dissolution of DBC.

Investment Objective

The DBC seeks to track changes, whether positive or negative, in the level of the DBIQ Optimum Yield Diversified Commodity Index (the "DBIQ Index"), over time, plus the excess, if any, of the DBC's interest income from its holdings of U.S. Treasury and other high credit quality short-term fixed income securities over the expenses of the fund. The DBC is managed to maintain correspondence between the composition and weightings of the index commodities comprising the DBIQ Index and the investments of the fund. Invesco PowerShares adjusts the portfolio from time-to-time to conform to periodic changes in the identity and/or relative weighting of the index commodities. Invesco PowerShares aggregates certain of the adjustments and makes changes to the portfolio at least monthly or more frequently in the case of significant changes to the DBIQ Index.

Correlation

The value of the shares of the DBC fluctuates in relation to changes in the value of the DBC's portfolio. The market price of the shares of the DBC may not be identical to the net asset value per share.

The performance of the fund and the index may vary due to, among other things, market disruptions affecting the commodity contracts, position limits on the index commodity, the fund's operating expenses (including management fees) and costs the fund incurs in buying and selling the commodity contracts and other securities. The DBC seeks to track the excess return version of the index (ticker "DBLCDBCE"). Because the fund collateralizes its futures positions with positions in 3-month U.S. Treasuries, when providing performance data, PowerShares displays the results of the total return version of the index (ticker "DBLCDBCT") for comparison.

The DBIQ Optimum Yield Diversified Commodity Index

The information below is included only to give insight to the DBIQ Index, the performance of which the DBC attempts to reflect. The return on your Securities is linked of a basket that includes the DBC and not to the performance of the DBIQ Index.

The DBIQ Index is intended to reflect the market value, positive or negative, of certain commodities. The index commodities are light sweet crude oil, heating oil, RBOB (reformulated gasoline blendstock for oxygen blending) gasoline, natural gas, Brent crude oil, gold, silver, aluminum, zinc, copper grade A, corn, wheat, soybeans, and sugar. The DBIQ Index is composed of notional amounts of each of the index commodities. The notional amounts of each index commodity included in the index are broadly in proportion to the levels of the world's production and supplies of the index commodities at the index's base date of September 3, 1997. The sponsor of the index is Deutsche Bank Securities Inc.

The DBIQ Index is calculated on an excess return, or unfunded basis. The futures contract price for each index commodity will be the exchange closing prices for such index commodity on each weekday when banks in New York, New York are open, or index business days. If a weekday is not a trading day on the relevant exchange for a particular commodity but is an index business day, the exchange closing price from the previous index business day will be used for each index commodity. The closing level of the index is calculated by the index sponsor based on the closing price of the futures contracts for each of the index commodities and the notional amount of such index commodity. The composition of the index may be adjusted in the event that the index sponsor is not able to calculate the closing prices of the index commodities.

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The index calculation is expressed as the weighted average return of the index commodities. The DBIQ Index is re-weighted on an annual basis on the sixth index business day of each November, to ensure that each of the index commodities is weighted in the same proportion that such index commodities were weighted on September 3, 1997, which serves as the base date for the index, on which date the closing level was 100. The following table reflects the index base weights of each index commodity on the base date:

Index Commodity	Index Base Weight
Light Crude	12.38%
Heating Oil	12.38%
RBOB Gasoline	12.38%
Natural Gas	5.50%
Brent Crude	12.38%
Gold	8.00%
Silver	2.00%
Aluminum	4.17%
Zinc	4.17%
Copper Grade A	4.17%
Corn	5.63%
Wheat	5.63%
Soybeans	5.63%
Sugar	5.63%
Closing Level on Base Date:	100.00%

The index commodities are traded on the following futures exchanges:

Exchange	Commodities
New York Mercantile Exchange	Light Sweet Crude Oil, Heating Oil, RBOB Gasoline and Natural Gas
ICE Futures Europe	Brent Crude
Commodity Exchange Inc., New York	Gold and Silver
The London Metal Exchange Limited	Aluminum, Zinc and Copper
Grade A Board of Trade of the City of Chicago Inc.	Corn, Wheat and Soybeans
ICE Futures U.S., Inc.	Sugar

The DBIQ Index includes provisions for the replacement of futures contracts as they approach maturity. This replacement takes place over a period of time in order to lessen the impact on the market for the futures contracts being replaced. With respect to each index commodity, the fund employs a rule-based approach when it 'rolls' from one futures contract to another. Rather than select a new futures contract based on a predetermined schedule (e.g., monthly), each index commodity rolls to the futures contract which generates the best possible "implied roll yield" (as determined by the index sponsor). The futures contract with a delivery month within the next thirteen months which generates the best possible implied roll yield will be included in the index. As a result, each index commodity is able to potentially maximize the roll benefits in backward-dated markets and minimize the losses from rolling in contangoed markets.

Contract Selection

On the first New York business day of each month, each index commodity futures contract will be tested in order to determine whether to continue including it in the DBIQ Index. If the index commodity futures contract requires delivery of the underlying commodity in the next month, known as the delivery month, a new index commodity futures contract will be selected for inclusion in the index. For each index commodity in the index, the new index commodity futures contract selected will be the index commodity futures contract with the best possible implied roll yield (as determined by the index sponsor) based on the closing price for each eligible index commodity futures contract. Eligible index commodity futures contracts are any index commodity futures contracts having a delivery month no sooner than the month after the delivery month of the index commodity futures contract currently in the index, and no later than the thirteenth month after the testing date. For example, if the first New York business day is May 1, 2015 and the delivery month of an index commodity futures contract currently in the index is therefore June 2015, the delivery month of an eligible new index commodity futures contract must be between July 2015 and July 2016. The implied roll yield is then calculated and the futures contract on the index commodity with the best possible implied roll yield is then selected. If two futures contracts have the same implied roll yield, the futures contract with the minimum number of months prior to the delivery month is selected.

Monthly Index Roll Period

After the futures contract selection, the monthly roll for each index commodity subject to a roll in that particular month unwinds the old futures contract and enters a position in the new futures contract. This takes place between the second and sixth index business day of the month. On each day during the roll period, new notional holdings are calculated. The calculations for the old index commodities that are leaving the index and the new index commodities are then calculated. On all days that are not monthly index roll days, the notional holding of each index commodity future remains constant.

Interruption of Index Calculation

Calculation of the index may not be possible or feasible under certain events or circumstances, including, without limitation, a systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance, that is beyond the reasonable control of the index sponsor and that the index sponsor determines affects the index or any index commodity. Upon the occurrence of such force majeure events, the index sponsor may, in its discretion, elect one (or more) of the following options:

- make such determinations and/or adjustments to the terms of the index as it considers appropriate to determine any closing level on any such appropriate index business day and/or
- defer publication of the information relating to the index until the next index business day on which it determines that no force majeure event exists and/or
- permanently cancel publication of the information relating to the index.

Additionally, calculation of the index may also be disrupted by an event that would require the index sponsor to calculate the closing price in respect of the relevant index commodity on an alternative basis were such event to occur or exist on a day that is a trading day for such index commodity on the relevant exchange. If such an index disruption event in relation to an index commodity as described in the prior sentence occurs and continues for a period of five successive trading days for such index commodity on the relevant exchange, the index sponsor will, in its discretion, either

- continue to calculate the relevant closing price for a further period of five successive trading days for such index commodity on the relevant exchange or
- if such period extends beyond the five successive trading days, the index sponsor may elect to replace the exchange traded instrument with respect to a specific index commodity and shall make all necessary adjustments to the methodology and calculation of the index as it deems appropriate.

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Historical Information for the DBC

Quarter Ending	Quarter High	Quarter Low	Quarter Close
March 31, 2008	$38.90	$30.73	$35.87
June 30, 2008	$45.56	$35.65	$44.90
September 30, 2008	$46.38	$32.39	$33.83
December 31, 2008	$33.05	$19.69	$21.19
March 31, 2009	$22.74	$18.15	$20.00
June 30, 2009	$24.19	$19.44	$22.62
September 30, 2009	$23.95	$20.74	$22.06
December 31, 2009	$24.84	$21.70	$24.62
March 31, 2010	$25.72	$22.38	$23.52
June 30, 2010	$24.70	$21.25	$21.57
September 30, 2010	$24.11	$21.20	$24.11
December 31, 2010	$27.58	$24.08	$27.58
March 31, 2011	$30.51	$27.13	$30.51
June 30, 2011	$31.92	$28.25	$28.96
September 30, 2011	$30.83	$25.73	$25.73
December 30, 2011	$28.54	$25.57	$26.84
March 30, 2012	$29.78	$27.29	$28.78

Quarter Ending	Quarter High	Quarter Low	Quarter Close
June 29, 2012	$29.17	$24.15	$25.75
September 28, 2012	$29.73	$25.70	$28.68
December 31, 2012	$28.95	$27.14	$27.78
March 28, 2013	$28.59	$26.84	$27.31
June 28, 2013	$27.31	$25.13	$25.13
September 30, 2013	$27.02	$25.29	$25.76
December 31, 2013	$26.29	$25.09	$25.65
March 31, 2014	$26.49	$24.70	$26.13
June 30, 2014	$26.92	$25.74	$26.58
September 30, 2014	$26.50	$23.22	$23.22
December 31, 2014	$23.14	$18.45	$18.45
March 31, 2015	$18.31	$16.81	$17.07
June 30, 2015	$18.46	$17.26	$18.00
September 30, 2015	$17.78	$14.41	$15.15
December 31, 2015	$15.76	$13.13	$13.36
March 31, 2016	$13.72	$11.88	$13.29

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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The Vanguard® REIT ETF

For information regarding the VNQ and the risk factors attributable to the VNQ, please consult filings with the SEC under the Exchange Act and the Investment Company Act, which can be located by reference to SEC file numbers 002-88116 and 811-03916, respectively. The Vanguard REIT ETF is listed on the NYSE Arca, Inc. under the ticker symbol “VNQ.”

Principal Investment Strategy

The VNQ is issued by Vanguard Specialized Funds, a registered open-end management investment company. The VNQ employs an indexing investment approach designed to track the performance of the MSCI US REIT Index (the “RMZ”). The RMZ is composed of stocks of publicly traded equity real estate investment trusts (known as REITs). The VNQ attempts to replicate the RMZ by investing all, or substantially all, of its assets in the stocks that make up the RMZ, holding each stock in approximately the same proportion as its weighting in the RMZ.

The VNQ may invest in foreign securities to the extent necessary to carry out its investment strategy of holding all, or substantially all, of the stocks that make up the RMZ. In addition to investing in common stocks of REITs, the VNQ may make other kinds of investments to achieve its objective.

Correlation

The VNQ attempts to track the investment performance of a RMZ, which measures the performance of publicly traded equity REITs. The VNQ attempts to hold each stock contained in the RMZ in roughly the same proportion as represented in the index itself.

The MSCI US REIT Index

The information below is included only to give insight to the RMZ, the performance of which the VNQ attempts to reflect. The return on your Securities is linked to the performance of a basket that includes the VNQ, and not to the performance of the RMZ.

We obtained all information contained in this pricing supplement regarding the RMZ, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. That information reflects the policies of, and is subject to change by, MSCI, Inc., the index sponsor (“MSCI”). MSCI has no obligation to continue to publish, and may discontinue publication of, the RMZ at any time. Neither we nor our affiliates has independently verified the accuracy or completeness of any information with respect to the RMZ in connection with the offer and sale of the Securities.

The RMZ is a free float-adjusted market capitalization index compiled by MSCI that aims to represent the performance of the equity REIT investment universe in the United States. The RMZ consists of REIT securities that belong to the MSCI USA Investable Market Index, and covers approximately 85% of the US REIT universe.

Constructing the MSCI US REIT Index

MSCI undertakes an index construction process, which involves: (i) defining the US Equity Universe and the investable market segment, (ii) defining REITs and the RMZ eligible REITs, (iii) free float-adjusting constituent weights, and (iv) screening securities for investability.

Defining the US Equity Universe and the Investable Market Segment

MSCI includes in the eligible US equity universe all listed equity securities of US incorporated companies listed on the New York Stock Exchange, NYSE Arca, NYSE MKT, and the NASDAQ, except investment trusts (other than REITs), preferred REITs, mutual funds, equity derivatives, limited partnerships, limited liability companies and business trusts that are structured to be taxed as limited partnerships, and royalty trusts. When appropriate, some non-US incorporated companies may also be considered for inclusion in the MSCI US equity universe based on an analysis and interpretation of a number of factors. Some of these factors include the company's main equity trading markets, shareholder base, and geographical distribution of operations (in terms of assets and production).

MSCI segregates the eligible US equity universe into three market capitalization segments:

- the investable market segment,
- the micro cap segment, and
- the lower micro cap segment.

The investable market segment includes all eligible securities with reasonable size, liquidity, and investability that can cost effectively be represented in institutional and pooled retail portfolios of reasonable size. The investment performance characteristics of this investable market segment is represented and measured by the MSCI USA Investable Market Index.

The MSCI USA Investable Market Index is an aggregation of the MSCI US Large Cap 300, Mid Cap 450, and Small Cap 1750 Indices, which together comprise the 2,500 largest companies by full market capitalization in the investable market segment.

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Defining REITs and the MSCI US REIT Index Eligible REITs

(i) Defining REITs: A real estate investment trust, or REIT, is a company that in most cases owns and operates income-producing real estate assets. Some REITs provide loans to the owners and operators of real estate. To qualify as a REIT under the Internal Revenue Code of 1986, as amended, a REIT is required to distribute at least 90% of its taxable income to shareholders annually and receive at least 75% of that income from rents, mortgages, and sales of property.

(ii) Sub-Industry Classification of REIT Securities: MSCI classifies REITs securities into one of the seven REIT Sub-Industries within the Global Industry Classification Standard ("GICS") structure. The REIT Sub-Industries are part of the Real Estate Industry, Real Estate Industry Group, and the Financials Sector. The seven REIT Sub-Industries aim to represent REITs with the following property type profiles:

- Diversified REITs
- Industrial REITs
- Mortgage REITs
- Office REITs
- Residential REITs
- Retail REITs
- Specialized REITs

(iii) Identifying Eligible REITs: A REIT is eligible for inclusion in the RMZ if it is included in the MSCI USA Investable Market Index, with the exception of:

- REITs classified in the Mortgage REITs Sub-Industry, and
- REITs classified in the Specialized REITs Sub-Industry that do not generate a majority of their revenue and income from real estate rental and related leasing operations.

Companies classified under the GICS Real Estate Management & Development Sub-Industry are not eligible for inclusion in the RMZ.

Free Float-Adjusting Constituent Weights

The market capitalization of the RMZ constituents are adjusted for free float in order to reflect the availability of shares from the perspective of US domestic investors. MSCI free float-adjusts the market capitalization of each security using an adjustment factor, referred to as the Domestic Inclusion Factor ("DIF").

MSCI defines the domestic free float of a security as the proportion of shares outstanding that are deemed available for purchase in the public equity markets by US domestic investors. Therefore, domestic free float excludes strategic investments in a company, such as stakes held by federal, state, and local governments and their agencies, controlling shareholders, and their families, the company's management, or another company. No foreign ownership limit is applied in the domestic free float calculation.

Screening Securities for Investability

The assessment of a security's investability is determined by applying the following investability screens. A security must pass all the screens in order to be considered for inclusion in the MSCI USA Investable Market Index. Given that the MSCI USA REIT Index is a sub-set of the MSCI USA Investable Market Index, constituents of the RMZ must also pass all the investability screens.

(i) Liquidity: Based on the stock price (securities with stock prices above $5,000 fail the liquidity screening) and a relative liquidity measure known as the Annualized Traded Value Ratio ("ATVR"). Securities that belong to the top 99.5% of the cumulative security full market capitalization of the US equity universe in descending order of ATVR, after excluding those securities trading above $5,000, are eligible for inclusion in the MSCI USA Investable Market Index.

(ii) Length of Trading: A seasoning period of at least three calendar months is required for all new issues of small companies at the time of the eligible US equity universe creation.

(iii) Company and Security Free Float: Securities of companies with an overall and/or security free float of less than 15% across all share classes are generally not eligible for inclusion.

(iv) Relative Security Free Float-Adjusted Market Capitalization: In general, all securities that are considered for inclusion in the MSCI USA Investable Market Index should have a free float-adjusted security market capitalization representing at least 10% of the company full market capitalization.

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Index Maintenance

The RMZ is fully reviewed on a semi-annual basis, at the end of May and November ("Semi-Annual Index Review"), and partially reviewed at the end of February and August ("Quarterly Index Review"). In addition, consistent with the index methodology employed in maintaining MSCI equity indices, MSCI reflects corporate events in the indices as they occur.

(i) Semi-Annual Index Review

The Semi-Annual Index Review involves a comprehensive review of the MSCI USA Investable Market Index, and consequently of the RMZ. During the review, changes in the investability of constituents and non-constituents are also assessed.

During each Semi-Annual Index Review, a new US equity universe is identified and companies and their securities are assigned to the appropriate market capitalization index. As such, constituents of the RMZ migrating out of the MSCI USA Investable Market Index will be deleted from the RMZ. In contrast, eligible equity REITs migrating to the MSCI USA Investable Market Index will be added to the RMZ.

Semi-Annual Index Reviews may also result in changes in DIFs or updates in number of shares. During the May Semi-Annual Index Review, a detailed review is conducted of the shareholder information used to estimate free float for constituent and non-constituent securities. The review is comprehensive, covering all aspects of shareholder information.

(ii) *Quarterly Index Review.* Quarterly Index Reviews may result in changes in DIFs or updates in number of shares. There are no new additions to or deletions from the RMZ at the Quarterly Index review, unless due to a corporate event or early additions coinciding with the Quarterly Index Review or deletions that result from corrections to the RMZ eligible universe. Also, if an existing constituent of the US Investable Market 2500 Index changes its GICS classification to one of the eligible REIT Sub-Industries defined above, it may be considered for inclusion in the RMZ at the next index review.

(iii) Ongoing Event-Related Changes

Corporate Events

In addition to the index maintenance described above, maintaining the RMZ also includes monitoring and completing adjustments for certain corporate events, including mergers and acquisitions, tender offers, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spin-offs.

Suspensions and Bankruptcies

MSCI will remove from the MSCI Equity Indices as soon as practicable companies that file for bankruptcy, companies that file for protection from their creditors, and companies that fail stock exchange listing requirements upon announcement of delisting.

MSCI will delete from the MSCI Equity Indices after 40 business days of suspension, where feasible, securities of companies facing financial difficulties (e.g., liquidity issues, debt repayment issues, companies under legal investigation, etc.) with at least two business days advance notice. Subsequently, if and when these securities resume normal trading, they may be considered as a potential addition to the MSCI Indices at the next scheduled Semi-Annual Index Review. In certain cases, when the financial situation of companies may not be transparent to the public, after 40 business days of suspension, MSCI may retain these companies in the indices and may evaluate them at a subsequent index review.

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Historical Information for the VNQ

Quarter Ending	Quarter High	Quarter Low	Quarter Close
March 31, 2008	$64.98	$55.19	$62.39
June 30, 2008	$68.43	$58.21	$58.30
September 30, 2008	$64.97	$54.10	$60.77
December 31, 2008	$59.33	$24.21	$36.45
March 31, 2009	$36.37	$21.15	$24.28
June 30, 2009	$34.53	$24.15	$31.01
September 30, 2009	$44.28	$28.57	$41.52
December 31, 2009	$46.14	$38.54	$44.74
March 31, 2010	$49.80	$41.04	$48.82
June 30, 2010	$54.04	$46.26	$46.49
September 30, 2010	$54.63	$44.39	$52.08
December 31, 2010	$57.29	$52.03	$55.37
March 31, 2011	$59.86	$54.89	$58.49
June 30, 2011	$62.68	$57.39	$60.10
September 30, 2011	$63.18	$48.88	$50.87
December 30, 2011	$58.80	$48.47	$58.00
March 30, 2012	$63.62	$57.49	$63.61

Quarter Ending	Quarter High	Quarter Low	Quarter Close
June 29, 2012	$66.18	$60.57	$65.43
September 28, 2012	$68.76	$64.79	$64.97
December 31, 2012	$66.43	$62.06	$65.80
March 28, 2013	$70.53	$66.61	$70.53
June 28, 2013	$78.15	$65.68	$68.72
September 30, 2013	$72.55	$63.50	$66.16
December 31, 2013	$71.05	$64.20	$64.56
March 31, 2014	$71.79	$64.57	$70.62
June 30, 2014	$76.41	$70.47	$74.84
September 30, 2014	$77.92	$71.35	$71.85
December 31, 2014	$82.45	$71.79	$81.00
March 31, 2015	$88.65	$80.37	$84.07
June 30, 2015	$85.71	$74.69	$74.69
September 30, 2015	$80.73	$72.20	$75.54
December 31, 2015	$81.59	$75.91	$79.73
March 31, 2016	$83.80	$71.47	$83.80

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Supplemental Discussion of U.S. Federal Income Tax Consequences

The following is a general description of certain U.S. tax consequences relating to the Securities. It does not purport to be a complete analysis of all tax consequences relating to the Securities. Prospective purchasers of the Securities should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Canada and the U.S. of acquiring, holding and disposing of the Securities and receiving payments under the Securities. This summary is based upon the law as in effect on the date of this pricing supplement and is subject to any change in law that may take effect after such date.

NO STATUTORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE Securities SHOULD BE TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES. AS A RESULT, THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE Securities ARE UNCERTAIN. BECAUSE OF THE UNCERTAINTY, YOU SHOULD CONSULT YOUR TAX ADVISOR IN DETERMINING THE U.S. FEDERAL INCOME TAX AND OTHER TAX CONSEQUENCES OF YOUR INVESTMENT IN THE Securities, INCLUDING THE APPLICATION OF STATE, LOCAL OR OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

The following disclosure supplements and to the extent inconsistent supersedes (and should be read in conjunction with) the discussion of U.S. federal income taxation in the prospectus and product prospectus supplement. It applies only to those holders who are not excluded from the discussion of U.S. federal income taxation in the prospectus.

Based on certain factual representations received from us, in the opinion of our special U.S. tax counsel, Morrison & Foerster LLP, it is reasonable to treat the Securities as pre-paid cash-settled derivative contracts in respect of the Reference Asset for U.S. federal income tax purposes, and the terms of the Securities require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the Securities for all tax purposes in accordance with such characterization. If the Securities are so treated, subject to the discussion below concerning the potential application of the "constructive ownership" rules under Section 1260 of the Code, a U.S. Holder should generally recognize capital gain or loss upon the sale or maturity of the Securities in an amount equal to the difference between the amount a holder receives at such time and the holder's tax basis in the Securities. In general, a U.S. Holder's tax basis in the Securities will be equal to the price the holder paid for the Securities. Capital gain recognized by an individual U.S. Holder is generally taxed at preferential rates where the property is held for more than one year and is generally taxed at ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations.

Potential Application of Section 1260 of the Internal Revenue Code. While the matter is not entirely clear, there exists a substantial risk that an investment in a Security is a “constructive ownership transaction” to which Section 1260 of the Code applies. If Section 1260 of the Code applies, all or a portion of any long-term capital gain recognized by a U.S. Holder in respect of a Security will be recharacterized as ordinary income (the “Excess Gain”). In addition, an interest charge will also apply to any deemed underpayment of tax in respect of any Excess Gain to the extent such gain would have resulted in gross income inclusion for the U.S. Holder in taxable years prior to the taxable year of the sale or maturity (assuming such income accrued at a constant rate equal to the applicable federal rate as of the date of sale or maturity). If an investment in a Security is treated as a constructive ownership transaction, it is not clear to what extent any long-term capital gain of a U.S. Holder in respect of the Security will be recharacterized as ordinary income. Unless otherwise established by clear and convincing evidence, the “net underlying long-term capital gain” (as defined in Section 1260 of the Code) is treated as zero. To the extent any gain is treated as long-term capital gain after application of the recharacterization rules of Section 1260 of the Code, such gain would be subject to U.S. federal income tax at the rates that would have been applicable to the net underlying long-term capital gain. U.S. Holders should consult their tax advisors regarding the potential application of Section 1260 of the Code to an investment in the Security.

Non-U.S. Holders. Recently finalized U.S. Treasury Department regulations provide that withholding on “dividend equivalent” payments, if any, will not apply to Securities issued before January 1, 2017.

Foreign Account Tax Compliance Act. The U.S. Treasury Department and the Internal Revenue Service have announced that withholding on foreign passthru payments will not be required with respect to payments made before the later of January 1, 2019, or the date of publication in the Federal Register of final regulations defining the term “foreign passthru payment.”

TD SECURITIES (USA) LLC WELLS FARGO SECURITIES

Supplemental Plan of Distribution (Conflicts of Interest)

We have appointed TD Securities (USA) LLC, an affiliate of TD, and Wells Fargo Securities, as the agents for the sale of the Securities. Pursuant to the terms of a distribution agreement, the Agents will purchase the Securities from TD at the public offering price less the underwriting discount set forth on the cover page of this pricing supplement for distribution to other registered broker-dealers, including Wells Fargo Advisors, LLC ("WFA"), or will offer the Securities directly to investors. The Agents may resell the Securities to other registered broker-dealers at the public offering price less a concession not in excess of $15.00 (1.50%) per $1,000 Principal Amount of the Securities. In addition to the concession allowed to WFA, Wells Fargo Securities will pay $0.75 (0.075%) per $1,000 Principal Amount of the Securities of the agent's discount to WFA as a distribution expense fee for each Security sold by WFA. The Agents or other registered broker-dealers will offer the Securities at the public offering price set forth on the cover page of this pricing supplement. Certain dealers who purchase the Securities for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The price for investors purchasing the Securities in these accounts may be as low as $965.00 (96.50%) per $1,000 Principal Amount of the Securities. TD will reimburse TDS for certain expenses in connection with its role in the offer and sale of the Securities, and TD will pay TDS a fee in connection with its role in the offer and sale of the Securities.

We expect that delivery of the Securities will be made against payment for the Securities on or about May 4, 2016, which is the third (3rd) Business Day following the Pricing Date (this settlement cycle being referred to as "T+3"). See "Plan of Distribution" in the prospectus. For additional information as to the relationship between us and TD Securities (USA) LLC, please see the section "Plan of Distribution—Conflicts of Interest" in the product prospectus supplement.

We may use this pricing supplement in the initial sale of the Securities. In addition, TD Securities (USA) LLC or another of our affiliates may use this pricing supplement in a market-making transaction in the Securities after their initial sale. ***If a purchaser buys the Securities from us or TD Securities (USA) LLC or another of our affiliates, this pricing supplement is being used in a market-making transaction unless we or TD Securities (USA) LLC or another of our affiliates informs such purchaser otherwise in the confirmation of sale.***

Additional Information Regarding Our Estimated Value of the Securities

The final terms for the Securities will be determined on the date the Securities are initially priced for sale to the public, which we refer to as the Pricing Date, based on prevailing market conditions on the Pricing Date, and will be communicated to investors in a final pricing supplement.

Our internal pricing models, or pricing models of any third-parties with whom we enter into potential hedging transactions, take into account a number of variables and are based on a number of subjective assumptions, which may or may not materialize, typically including volatility, interest rates, and our internal funding rates. Our internal funding rates (which are our internally published borrowing rates based on variables such as market benchmarks, our appetite for borrowing, and our existing obligations coming to maturity) may vary from the levels at which our benchmark debt securities trade in the secondary market. Our estimated value on the Pricing Date is based on our internal funding rates. Our estimated value of the Securities might be lower if such valuation were based on the levels at which our benchmark debt securities trade in the secondary market.

Our estimated value of the Securities on the Pricing Date is expected to be less than the public offering price of the Securities. The difference between the public offering price of the Securities and our estimated value of the Securities is expected to result from several factors, including any sales commissions expected to be paid to TD Securities (USA) LLC or another affiliate of ours, any selling concessions, discounts, commissions or fees expected to be allowed or paid to non-affiliated intermediaries, the estimated profit that we or any of our affiliates expect to earn in connection with structuring the Securities, the estimated cost which we may incur in hedging our obligations under the Securities, and estimated development and other costs which we may incur in connection with the Securities.

Our estimated value on the Pricing Date is not a prediction of the price at which the Securities may trade in the secondary market, nor will it be the price at which the Agents may buy or sell the Securities in the secondary market. Subject to normal market and funding conditions, the Agents or another affiliate of ours intends to offer to purchase the Securities in the secondary market but it is not obligated to do so.

Assuming that all relevant factors remain constant after the Pricing Date, the price at which the Agents may initially buy or sell the Securities in the secondary market, if any, may exceed our estimated value on the Pricing Date for a temporary period expected to be approximately six months after the Issue Date because, in our discretion, we may elect to effectively reimburse to investors a portion of the estimated cost of hedging our obligations under the Securities and other costs in connection with the Securities which we will no longer expect to incur over the term of the Securities. We made such discretionary election and determined this temporary reimbursement period on the basis of a number of factors, including the tenor of the Securities and any agreement we may have with the distributors of the Securities. The amount of our estimated costs which we effectively reimburse to investors in this way may not be allocated ratably throughout the reimbursement period, and we may discontinue such reimbursement at any time or revise the duration of the reimbursement period after the initial issue date of the Securities based on changes in market conditions and other factors that cannot be predicted.

We urge you to read the "Additional Risk Factors" beginning on page P-6 of this pricing supplement.

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