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MOORE MEDICAL CORP  
Form DEF 14A  
April 21, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss. 240.14a-11(c) or ss. 240.14a-12

Moore Medical Corp.

-----  
(Name of Registrant as Specified In Its Charter)

N/A

-----  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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4) Date Filed:

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[LOGO of Moore Medical  
The Supply Experts]

NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 22, 2003

Dear Stockholder,

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Meeting") of Moore Medical Corp., a Delaware corporation (the "Company"), will be held at The Michelangelo Hotel, in the Roman Room, located at 152 West 51st Street, New York, NY 10019, on Thursday, May 22, 2003 at 11:00 a.m., local time. At the Meeting we will ask stockholders to consider and act upon the following matters:

- (1) The election of seven directors to serve until the next Annual Meeting of Stockholders or until their successors have been duly elected and qualified. The following incumbent directors will be nominated for re-election:

Linda M. Autore  
Christopher W. Brody  
Peter A. Derow  
Steven Kotler  
Robert H. Steele  
Wilmer J. Thomas, Jr.  
Dan K. Wassong

- (2) The transaction of such other business as may properly come before the Meeting and at any adjournments thereof.

Only stockholders of record of the Company's Common Stock, \$0.01 par value per share, at the close of business on April 10, 2003, which has been fixed as the record date for the Meeting, will be entitled to notice of, and to vote at, the Meeting and any adjournments thereof.

It is important that your shares be represented and voted at the meeting. You may vote your shares by means of a proxy form by signing, dating and mailing the enclosed proxy card (the "Proxy") in the postage-paid envelope provided or, electronically via the Internet, or by telephone. Stockholders who attend the Meeting may vote their shares personally, even though they have mailed in their Proxies.

Each of these matters is described in more detail in the enclosed Proxy Statement, which constitutes part of this Notice. Please use this opportunity to take part in the Company's affairs by voting your shares.

By Order of the Board of Directors,

Linda M. Autore  
President and Chief Executive Officer

April 21, 2003

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YOUR VOTE IS IMPORTANT  
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The Supply Experts]

389 John Downey Drive  
New Britain, CT 06050

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PROXY STATEMENT

2003 ANNUAL MEETING OF STOCKHOLDERS

May 22, 2003

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INFORMATION ABOUT THE MEETING, VOTING AND PROXIES

Date, Time and Place of Meeting

The Board of Directors of Moore Medical Corp., a Delaware corporation ("Moore Medical" or the "Company") is asking for your proxy to be voted at the Annual Meeting of Stockholders (the "Meeting") of Moore Medical to be held on Thursday, May 22, 2003 at 11:00 a.m., local time, and at any adjournment or adjournments thereof, at The Michelangelo Hotel, in the Roman Room, located at 152 West 51st Street, New York, NY, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders and in this Proxy Statement. We are mailing this Proxy Statement and Proxy on or about April 21, 2003 to stockholders of Moore Medical.

Record Date, Outstanding Shares and Quorum

Only stockholders of record at the close of business on April 10, 2003 (the "Record Date") will be entitled to notice of, and to vote at, the Meeting and at any adjournments thereof. On the Record Date, there were 3,189,784 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), outstanding and entitled to vote. There were no other classes of voting securities of the Company outstanding on such Record Date. The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock on the Record Date shall constitute a quorum.

Voting Rights and Voting of Proxies

Each holder of Common Stock is entitled to one vote for each share held on the Record Date by such holder. Cumulative voting for directors is not permitted. If a quorum is present, (i) a plurality of the votes cast by the holders of the Common Stock, in person or by proxy at the Meeting, is required for the election of directors, and (ii) the approval of holders of a majority of the votes cast, in person or by proxy at the Meeting, is required (except where Delaware General Corporation Law prescribes a different percentage) to approve any other matter duly presented for action at the Meeting.

Under the rules promulgated by the Securities and Exchange Commission (the "SEC"), boxes and a designated blank space are provided on the Proxy card for stockholders to mark, if they wish, to withhold authority to vote for one or more of the nominees for directors. Votes withheld in connection with the election of one or more of the nominees for director will be excluded from the

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vote and will have no effect, but will be counted toward the presence of a quorum for the transaction of business at the Meeting. If no direction is indicated, the Proxy will be voted for the election of the nominees for director. The form of Proxy does not provide for abstentions with respect to the election of directors; however, a stockholder present at the Meeting may abstain with respect to such election. The treatment of abstentions and broker "non-votes" with respect to the election of directors is consistent with applicable Delaware law and the Company's By-Laws. Abstentions and broker "non-votes" are counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum of shares is present at a meeting. An abstention from a vote with respect to a proposal (other than for the election of directors) will have the same practical effect as a vote against such proposal. However, broker "non-votes" are not deemed to be "votes cast." As a result, broker "non-votes" are not included in the tabulation of the voting result on the election of directors or issues requiring approval of a majority of the votes cast and, therefore, do not have the effect of votes in opposition in such tabulations and as such will have the practical effect of reducing the number of affirmative votes required to achieve a majority vote for a matter by reducing the total number of shares from which a majority is calculated. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Under stock exchange rules a broker nominee who delivers this Proxy Statement to the beneficial owner will be entitled to vote the shares on the election of directors and the ratification of the appointment of auditors, even without the beneficial owner's instructions.

A Proxy, in the accompanying form, which is properly executed, duly returned to the Company and not revoked, will be voted in accordance with the instructions contained therein. If no specification is indicated on the Proxy, the shares represented thereby will be voted (i) FOR the election of the seven nominees for director; and (ii) in accordance with the judgment of the person or persons voting the Proxies on any other matter that may be properly brought before the Meeting. To the Company's knowledge, no other matter will be presented at the meeting.

### Solicitation of Proxies

The Proxy included with this Proxy Statement is solicited by the Board of Directors of Moore Medical for use at the Meeting. You can submit your Proxy by mailing it in the envelope provided. You may also be able to vote your shares by telephone or by the Internet, if these options are provided on your proxy. Instructions for telephone and Internet voting, if applicable, are included with your Proxy.

Moore Medical will pay all expenses of soliciting proxies to be voted at the Meeting. After the Proxies are initially distributed, Moore Medical and/or its agents may also solicit proxies by mail, telephone or in person. We have hired a proxy solicitation firm, D.F. King & Co., Inc. to assist us in soliciting proxies. We will pay D.F. King & Co., Inc. a fee of \$4,000 plus their expenses. After the Proxies are initially distributed, we will ask brokers, custodians, nominees and other record holders to forward copies of the Proxy Statement, Proxy and other materials to people for whom they hold shares of Common Stock, and to request that the beneficial holders give them authority to sign the Proxies. We will reimburse record holders for reasonable expenses they incur in forwarding proxy materials to beneficial holders.

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### Revocation of Proxies

Execution and delivery of a Proxy will not affect a stockholder's right to attend the Meeting and vote in person. A stockholder in whose name shares are registered as of the Record Date and who has given a Proxy may revoke it at any time before it is voted by executing and delivering a written revocation to the Secretary of the Company, by execution and delivery of a later dated Proxy or by attending the Meeting and voting by ballot (which has the effect of revoking the prior Proxy). Attendance at the Meeting, however, will not in and of itself revoke a Proxy.

A stockholder who is a beneficial owner but not registered as the record owner as of the Record Date cannot vote his or her shares except by the stockholder's broker, bank or nominee in whose name the shares are registered as of the Record Date executing and delivering a proxy on his or her behalf or the stockholder attending the Meeting with a proxy or other written authorization to vote from the registered owner and voting.

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### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS, NOMINEES AND OFFICERS

#### Certain Beneficial Owners

The Company believes the following, based on filings with the SEC, to be the only persons who own beneficially five percent or more of its voting securities outstanding, as of April 2, 2003:

Name and Address of Beneficial Owner -----	Number of Shares -----	Percent of Common Stock Outstanding -----
Heartland Advisors, Inc. (1) 789 North Water St., Milwaukee, WI 53202	449,400	14.1%
Vantage Venture Partners, LP / Christopher W. Brody (2) 610 Fifth Avenue, 7th Floor, New York, NY 10020	210,000	6.6%
Dimensional Fund Advisors, Inc. (3) 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401	191,100	6.0%
Thomas Charitable Foundation (4) 272 Undermountain Road, Salisbury, CT 06068	186,943	5.9%

(1) We obtained information about the shares owned by Heartland Advisors, Inc. ("Heartland") from the most recent Schedule 13G filed by Heartland with the SEC on December 31, 2002. Heartland's 449,400 shares may be deemed beneficially owned within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934 (the "Exchange Act") by (1) Heartland by virtue of its investment discretion and in some cases voting power over client securities, which may be revoked; and (2) William J. Nasgovitz, as a result of his position with and stock ownership of Heartland which could be deemed to confer upon him voting and/or investment power over the shares Heartland beneficially owns. Of these

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449,400 shares, 282,600 shares also may be deemed beneficially owned within the meaning of Rule 13d-3 of the Exchange Act by Mr. Nasgovitz as a result of his position as an officer and director of Heartland Group, Inc. ("Heartland Group") which could be deemed to confer upon him voting power over the shares Heartland Group beneficially owns.

- (2) We obtained information about shares owned by Christopher W. Brody from the most recent Schedule 13D filed by Mr. Brody with the SEC on August 7, 2000. Mr. Brody's 210,000 shares include 50,000 shares owned by Vantage Venture Partners, LP, as to which voting and dispositive power is exercised solely by Mr. Brody in his capacity as Chairman of its general partner, Vantage Partners, LLC.
- (3) We obtained information about the shares owned by Dimensional Fund Advisors, Inc. ("Dimensional") from the most recent Schedule 13G filed by Dimensional with the SEC on December 31, 2002. Dimensional, an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are referred to as the "Funds." In its role as investment advisor or manager, Dimensional possesses voting and/or investment power over

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the securities of the Company that are owned by the Funds. All securities reported are owned by the Funds. Dimensional has disclaimed beneficial ownership of such securities.

- (4) The Thomas Charitable Foundation ("Foundation") is a trust established pursuant to the laws of Florida. We obtained information about the shares owned by the Foundation from a Non-Objecting Beneficial Owners listing as of March 29, 2002. The Foundation's shares are held by the named trust, of which Wilmer J. Thomas, Jr., a director of the Company, as a co-trustee has shared voting and shared investment power. He disclaims a beneficial interest in the securities held by the Foundation.

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Ownership of Management

The following table sets forth, as of April 2, 2003, the number of shares of Moore Medical voting securities owned by all executive officers, directors and nominees of Moore Medical individually and as a group. The persons named in the table below have sole voting and investment power with respect to all of the shares of Moore Medical voting securities owned by them, unless otherwise noted.

Name of Beneficial Owner -----	Amount/Nature of Beneficial Ownership -----
Linda M. Autore .....	96,500 (2)
President and Chief Executive Officer, Director	

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Jon Garrity .....	13,800 (3)
Senior Vice President of Supply Chain and Customer Support	
Jerry Flasz .....	10,000 (4)
Executive Vice President Information Systems and Chief Information Officer	
John M. Zinzarella .....	1,625 (5)
Vice President of Finance, Treasurer and Chief Financial Officer	
Christopher W. Brody .....	210,000 (6)
Director	
Peter A. Derow .....	13,000 (7)
Director	
Steven Kotler .....	155,520 (8)
Director	
Robert H. Steele .....	84,800 (9)
Chairman of the Board	
Wilmer J. Thomas, Jr .....	186,943 (10)
Director	
Dan K. Wassong .....	1,000
Director	
All Current Directors and Executive Officers as a Group (10 persons) .....	773,188 (11)

\* Less than 1% of the outstanding shares of Common Stock

(1) Based on 3,276,409 shares which represents issued and outstanding shares of Common Stock on April 2, 2003 (3,189,784), plus 86,625 shares of Common Stock that may be acquired by the person or group indicated pursuant to any options and warrants exercisable within 60 days.

(2) Includes 50,000 shares pledged to the Company to secure a promissory note payable to the Company and 39,500 shares underlying options exercisable within 60 days.

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(3) Includes 12,500 shares underlying options exercisable within 60 days.

(4) Includes 10,000 shares underlying options exercisable within 60 days.

(5) Includes 1,625 shares underlying options exercisable within 60 days.

(6) Includes 50,000 shares held by Vantage Venture Partners, LP of which Mr. Brody is Chairman of its general partner, Vantage Partners, LLC, and holds a beneficial interest in Vantage Venture Partners, LLP.

(7) Includes 3,000 shares underlying options exercisable within 60 days.

(8) Excludes 300 shares owned by Mr. Kotler's wife, of which he disclaims beneficial ownership.

(9) Includes 20,000 shares underlying options exercisable within 60 days.

(10) Consists of shares held by Thomas Charitable Foundation, of which Mr. Thomas is a Trustee and of which he disclaims beneficial ownership.

(11) Includes 86,625 shares underlying stock options granted to directors and executive officers that are exercisable within 60 days. Also includes 186,943 shares held by Thomas Charitable Foundation and 50,000

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shares held by Vantage Venture Partners, LP.

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### PROPOSAL NO. 1 - ELECTION OF DIRECTORS

Moore Medical's directors are elected each year at the annual meeting. Seven nominees for director are proposed to be elected at the Meeting. Each director will hold office until the election and qualification of his or her successor or earlier death, removal or resignation. The Board of Directors recommends the election as directors of these nominees. Should any of the nominees not remain a candidate for election at the date of the Meeting (which contingency is not now contemplated or foreseen by the Board of Directors), Proxies solicited there under will be voted in favor of those nominees who do remain candidates and may be voted for substitute nominees selected by the Nominating Committee of the Board of Directors. Assuming a quorum is present, a plurality of the votes of the shares present, in person or by proxy, at the Meeting is required to elect each of the nominees as a director in accordance with the Company's By-Laws.

#### Certain Information Regarding Nominees

The following table gives information as of April 2, 2003 concerning the persons intended to be nominated on behalf of the Board of Directors for election as directors. They are now members of the Board of Directors and their current term of office expires at the election and qualification of their successors at the Meeting.

Name ----	Age ---	Title -----
Linda M. Autore	52	President and Chief Executive Officer, Director
Christopher W. Brody	58	Director
Peter A. Derow	62	Director
Steven Kotler	56	Director
Robert H. Steele	64	Chairman of the Board
Wilmer J. Thomas, Jr.	76	Director
Dan K. Wassong	72	Director

Ms. Autore is President and Chief Executive Officer and has been a director of Moore Medical since August 1999. Ms. Autore joined Moore Medical in October 1998 as Senior Vice President Sales and Marketing. She was elected a Member of Office of the President (Chief Executive Office) and to her present position in 1999. Prior to joining Moore Medical, she was Senior Vice President, Worldwide Marketing of Intellution, Inc., a division of Emerson Electric Corp., now a division of GE Finance, from 1997 to 1998. Prior thereto, Ms. Autore was a business development and marketing consultant and also held sales and marketing management positions of increasing responsibility at IBM Corp. for fifteen years.

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Mr. Brody has served as a director of Moore Medical since February 2000. Mr. Brody has been the Chairman of Vantage Partners, LLC, a private investment firm since January 1999. From 1971 through 1998, Mr. Brody was a partner of Warburg, Pincus & Co. Mr. Brody serves as a director of Intuit, Inc. and several privately held companies. He is the former Chairman of the National Venture Capital Association.

Mr. Derow has served as a director since November 2001. He serves as a director of CACI, Inc., Dice, Inc. and several other privately held companies. During a 35-year career in the media and communications industries, he served as President and CEO of Newsweek, Inc. and a director of the Washington Post Company, President and CEO of CBS Publishing Group, a director of CBS, Inc. and President and CEO of Institutional Investor, Inc. a wholly-owned subsidiary of Capital Cities/ABC, Inc.

Mr. Kotler has served as a director since 1977. Mr. Kotler has been the Vice Chairman of Gilbert Global Equity Partners, a private equity firm since 2000. He was formerly Co-Chairman, President and Chief Executive Officer of Schroder & Co., Inc. (investment bankers). Mr. Kotler is a director of Del Laboratories, Inc., a cosmetic and drugs company.

Mr. Steele became a director of Moore Medical in 1981. He has served as Chairman of the Board since February 1998. Mr. Steele is Vice Chairman of John Ryan Company, an international financial services marketing firm and has so served since 1997. Mr. Steele is a member of the Board of Directors of NLC Companies (insurance), Scan Optics, Inc. (data entry), Smart Serv OnLine, Inc. (web and wireless service provider) and the New York Mercantile Exchange.

Mr. Thomas has been a director of Moore Medical since 1977. He is a private investor and financial consultant. Mr. Thomas is also a director and the Vice Chairman of American Country Holding Co. (insurance).

Mr. Wassong became a director of Moore Medical in 1994. He is Chairman, President and Chief Executive Officer of Del Laboratories, Inc., a cosmetic and drugs company. Mr. Wassong is also a director of Southern Union Company, a gas utility company.

The Board of Directors recommends a vote FOR the election of the persons nominated for director.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors and persons who own more than ten percent of the Common Stock of the Company to file reports of ownership and changes in ownership with the SEC and the exchange on which the Common Stock is listed for trading. Executive officers, directors and more than ten percent stockholders are required by regulations under the Exchange Act to furnish the Company with copies of all Section 16(a) reports filed. Based on the Company's review of such reports filed for its fiscal year ended December 28, 2002, the Company believes that all reporting requirements applicable to its executive officers,

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directors and more than ten percent stockholders were complied with in a timely manner for the year ended December 28, 2002.

### Executive Officers

Set forth below are the names, ages and positions of the executive officers of

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the Company.

Name ----	Age ---	Position -----
Linda M. Autore	52	President and Chief Executive Officer
Jon Garrity	41	Senior Vice President of Supply Chain and Customer Support
Jerry Flasz	42	Executive Vice President, Information Systems and Chief Information Officer
John Zinzarella	37	Vice President of Finance, Treasurer and Chief Financial Officer

Mr. Garrity has served as Senior Vice President of Supply Chain since October 1, 2001. Mr. Garrity joined the Company as Vice President of Supply Chain in June 2000. Prior to joining Moore Medical, he was Vice President of Logistics for Remington Products from 1998 to 2000 and with the BIC Corporation from 1989 to 1998 in various supply chain capacities.

Mr. Flasz has served as Chief Information Officer and Executive Vice President, Information Systems since January 15, 2001. Prior to joining Moore Medical, he was Vice President of eCommerce/End User Computing Information Systems, Revlon Corporation, from 1998 to 2001; and Vice President of Operations, A.P. Products LTD, from 1993 to 1998.

Mr. Zinzarella is a certified public accountant who joined Moore Medical in October 2001 as Vice President, Controller and Chief Accounting Officer. On July 12, 2002, he assumed the role of Interim Chief Financial Officer. On November 14, 2002, the Moore Medical Board of Directors elected him Vice President of Finance, Treasurer and Chief Financial Officer. Prior to joining Moore Medical, he held various financial management positions with Aventis Pasteur from 1999 to 2001 and Wyeth Ayerst Laboratories from 1991 to 1999. Prior to 1991, he began his career with Ernst & Young and was a member of its audit group.

Meetings of Board and Committees

Board of Directors

The Board of Directors is responsible for supervision of the overall affairs of the Company. To assist it in carrying out its duties, the Board has delegated certain authority to several committees. The Board of Directors held five meetings during 2002 at which formal action was taken. All directors attended 75% or more of the aggregate number of meetings of the Board and Committees of the Board on which he or she served that were held during his or her period of service. Following the Meeting, the Board will consist of seven directors. In the interim, between annual meetings, the

Board has the authority under the By-Laws to increase or decrease the size of the Board and fill vacancies.

Committees of the Board

The Executive Committee, the Audit Committee, the Compensation Committee, and

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the Nominating Committee are the standing committees of the Board of Directors. Following are the names of the directors currently serving on each committee:

Executive -----	Audit -----	Compensation -----	Nominating -----
Steven Kotler*	Peter A. Derow	Peter A. Derow	Steven Kotler
Robert H. Steele	Steven Kotler	Steven Kotler	Wilmer J. Thomas
Wilmer J. Thomas, Jr.	Robert H. Steele*	Wilmer J. Thomas, Jr.	

\* Chair

Executive Committee

The Executive Committee is empowered to act for the full Board in intervals between Board meetings, with the exception of certain matters that by Delaware General Corporation Law may not be delegated. The committee meets as often as necessary, and all actions by the committee are reported at the next Board of Directors meeting. The committee held one meeting in 2002.

Audit Committee

The Audit Committee is responsible for reviewing reports of the Company's financial results, audits, internal controls and compliance with federal procurement laws and regulations. The committee recommends to the Board of Directors the selection of the Company's independent accountants and reviews their procedures for ensuring their independence with respect to the services performed for the Company. Moore Medical's Board of Directors adopted a written charter for the Audit Committee during 2000.

The Audit Committee is composed of outside directors who are not officers or employees of Moore Medical. In the opinion of the Board, as "independent" is defined under the standards of the American Stock Exchange, these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of the committee. The committee held seven meetings during 2002.

Nominating Committee

The Nominating Committee advises and makes recommendations to the Board on all matters concerning directorship practices and compensation for non-employee directors and recommendations concerning the functions and duties of the committees of the Board. The committee held no meeting in 2002.

The Nominating Committee also considers nominees recommended by stockholders of the Company. Stockholders wishing to submit recommendations for the 2004 Annual Meeting must comply with the procedures, requirements and time limitations set forth in the Company's By-laws and outlined in this Proxy Statement under STOCKHOLDER PROPOSALS AND NOMINATIONS FOR 2004 ANNUAL MEETING - Nominating Procedures.

Compensation Committee

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The Compensation Committee has responsibility for administering and approving all elements of compensation for elected corporate officers and certain other senior management positions. It also approves, by direct action or through delegation, participation in bonus and option programs. The committee reports to stockholders on executive compensation items as required by the SEC. The committee held two meetings in 2002.

### Compensation of Directors

A director who is not also a salaried employee receives an annual fee of \$8,000 plus \$1,000 for each Board meeting attended. A member of the Executive Committee who is not a salaried employee receives an annual additional fee of \$1,000 for services in such capacity. A member of the Audit Committee receives \$2,000 annually for services in such capacity. In addition, pursuant to Board action, (i) Mr. Steele is paid a fee of \$100,000 per annum as the non-executive Chairman of the Board of Directors for Board services, (ii) Mr. Kotler is paid a fee of \$50,000 per annum as Chairman of the Executive Committee, and (iii) Mr. Thomas is paid a fee of \$50,000 per annum under a consulting arrangement with the Company. Directors are reimbursed for related expenses.

The following Compensation Committee, Audit Committee and Executive Committee Reports do not constitute soliciting material and shall not be deemed "filed" or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates these Compensation Committee, Audit Committee and Executive Committee Reports by reference therein.

### Compensation Committee Report

In 2002, the Committee approved all forms of compensation for Named Officers including employment agreements, base salaries, annual bonuses and stock options. Mr. Derow was appointed by the Board of Directors to the Compensation Committee in September 2002 joining Messrs. Kotler and Thomas on the Committee.

Key senior executive officers entered into employment agreements with the Company during 2002: Linda M. Autore, the Company's President and Chief Executive Officer since August 1999, entered into an amended and restated employment agreement dated as of October 25, 2002; Jerry Flasz, its Executive Vice President and Chief Information Officer since January 15, 2001, entered into an amended and restated employment agreement as of October 25, 2002; and Jon Garrity, the Company's Senior Vice President of Supply Chain since October 1, 2001, entered into an amended and restated employment agreement dated October 25, 2002. Each employment agreement provided for a compensation package consisting of a base salary and the potential for an annual bonus under the current year's Executive Officers' Bonus Plan.

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During June 2002, James R. Simpson resigned from the Company to pursue other business interests. The Compensation Committee approved a severance agreement that paid Mr. Simpson approximately \$123,000 in fiscal 2002. Upon Mr. Simpson's termination, he was given 60 days to exercise all stock options that were vested, but none were exercised by Mr. Simpson prior to their expiration.

The Committee aligned the value of the Named Officers' compensation packages with those of the stockholders by tying the cash bonus compensation to the Company's financial performance, through the 2002 Corporate Bonus Plan. The components of the Named Officers' compensation packages, which the Committee reviewed and approved, were, accordingly:

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Base Salaries. Base salaries reflected the achievements, responsibilities and experience of the individual, as well as competitive conditions in the executive employment market.

Annual Bonuses. In 2002, incentive bonuses for Named Officers under the 2002 Corporate Bonus Plan were approved by the Committee. This plan entitled Named Officers to earn bonuses, ranging from 0% to 20% of their annual salaries, if the Company's net revenue and earnings before interest and taxes exceeded specified amounts.

Peter Derow  
Steven Kotler  
Wilmer J. Thomas, Jr.

### Executive Committee Report on CEO Compensation

Ms. Autore has served as President and Chief Executive Officer since August 1999. Her 2002 compensation was determined by her employment agreement and was based on establishing and achieving the Company's short-term business goals and long-term strategic plans. See "Executive Compensation and Other Benefits - Employment Related Agreements". She received a base salary of \$295,550 during the year 2002.

Steven Kotler, Chair  
Robert H. Steele  
Wilmer J. Thomas, Jr.

### Audit Committee Report

Management is responsible for the preparation and integrity of the Company's financial statements. The Committee reviewed the Company's audited financial statements for the fiscal year ended December 28, 2002 and met with both management and PricewaterhouseCoopers LLP, the Company's independent auditors (the "Auditors") to discuss those financial statements, including the critical accounting policies on which the financial statements are based. Management and the Auditors have represented to the Committee that the financial statements were prepared in accordance with generally accepted accounting principles.

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The Committee is composed of three directors, each of whom meet the independence requirements of the applicable American Stock Exchange. The Committee operates under a written charter adopted by the Board of Directors.

For the fiscal year ended December 28, 2002, the Committee also discussed with the Auditors the matters required to be discussed by SAS 61 Codification of Statements on Auditing Standards (AU ss. 380). The Audit Committee has received the written disclosures and the letter from the Auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the Auditors their independence. Based on the review and discussions described in this paragraph, the Audit Committee recommended to the Board of Directors of the Company that the Financial Statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.

The Audit Committee concluded that the non-audit services rendered in 2002 did not impair the independence of PricewaterhouseCoopers LLP.

Robert H. Steele, Chair

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Peter A. Derow  
Steven Kotler

APPOINTMENT OF INDEPENDENT AUDITORS

In past years, the Audit Committee has recommended the appointment of independent auditors for the current year to the Board of Directors, which in turn has recommended ratification of such appointment by our stockholders. This year, the Audit Committee has decided to evaluate several independent auditing firms before making a selection. There are no disagreements with our current auditors, PricewaterhouseCoopers, but the Audit Committee believes it is prudent and good corporate governance to explore the market in order to evaluate and assess several auditing firms before hiring an outside auditor. Accordingly, the stockholders are not being asked to ratify the appointment of independent auditors to audit the Company's financial statements for the fiscal year ending December 27, 2003. The Audit Committee and the Board of Directors intend to make a decision with respect to the appointment of independent auditors for the fiscal year ending December 27, 2003 later this year.

Representatives of PricewaterhouseCoopers LLP, our independent auditors for the fiscal year ended December 28, 2002, are expected to be present at the Meeting. They will have the opportunity to make a statement at the Meeting if they wish to do so, and they will be available to respond to appropriate questions from stockholders.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee reviewed aggregate fees paid to PricewaterhouseCoopers LLP for services related to fiscal year 2002 which were as follows:

Audit Fees:	\$ 221,500
All Other Fees:	
Tax planning and compliance	26,435
	-----
	\$ 247,935
	=====

EXECUTIVE COMPENSATION AND OTHER BENEFITS

Executive Compensation

The following table sets forth the annual and long-term compensation for the fiscal year ended December 28, 2002 and for the two prior fiscal years for Linda M. Autore, the Company's President and Chief Executive Officer, the three other most highly compensated executive officers of the Company (the "Named Officers"), and one Vice President who served in such capacity on December 28, 2002 and whose total annual compensation exceeded \$100,000 in said fiscal year and the compensation paid to the former Executive Vice President and Chief Financial Officer. The Company has not granted stock appreciation rights.

Summary Compensation Table

Annual Compensation
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Long-Term Compensatio Awards
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Name and Principal Position -----	Year ----	Salary (\$) -----	Bonus (\$) -----	Securities Underlying Options (#) -----
Linda M. Autore, President and Chief Executive Officer since August 17, 1999, Member Office of the President (Chief Executive Office) June 15, 1999-August 17, 1999, Senior Vice President Sales and Marketing since October 1998	2002	295,550	27,957	--
	2001	279,567	--	--
	2000	260,577	--	27,000
Jerry Flasz, Executive Vice President and Chief Information Officer since January 2001	2002	225,000	20,192	--
	2001	193,896	--	20,000
	2000	--	--	--
Jon Garrity, Senior Vice President of Supply Chain since November 2001, Vice President of Supply Chain from June 2000 until November 2001	2002	190,769	13,832	--
	2001	153,692	--	10,000
	2000	72,500	--	10,000
James R. Simpson, Executive Vice President and Chief Financial Officer since March 2001 until June 2002	2002	130,334	18,529	--
	2001	185,288	--	30,000
	2000	--	--	--
John M. Zinzarella, Vice President of Finance, Treasurer and Chief Financial Officer since November 14, 2002, Vice President and Controller (October 15, 2001 until November 13, 2002)	2002	145,077	2,150	10,000
	2001	23,885	--	6,500
	2000	--	--	--
Patrick F. Early Jr., Vice President, Logistics and Purchasing since February 2001	2002	133,846	23,365	--
	2001	103,846	--	3,000
	2000	--	--	--

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- (1) Consists of the Company's contribution to the Named Officer's retirement account under its defined contribution plan.
- (2) Included in Ms. Autore's other compensation for 2002 is \$4,800, which consists of the Company's contribution to Ms. Autore's retirement account under its defined contribution plan, and \$13,269, which represents a payment for unused earned vacation.
- (3) Included in Mr. Simpson's other compensation for 2002 is \$122,887 paid under a severance agreement, \$9,038 paid for unused earned vacation and the Company's contribution of \$4,737 to Mr. Simpson's retirement account under its defined contribution plan.

Employment Related Agreements

Ms. Autore has an amended and restated employment agreement, dated as of October 25, 2002, to continue to serve as the Company's President and Chief Executive Officer for a term starting October 25, 2002 and ending December 31, 2003. Under

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the agreement, Ms. Autore's 2002 annual base salary rate was \$295,550 and for 2003 and thereafter, at an annual rate of \$295,550, plus an inflationary adjustment for 2003.

Mr. Garrity has an amended and restated employment agreement, dated October 30, 2002, to continue to serve as the Company's Senior Vice President of Supply Chain and Customer Support effective October 25, 2002 and ending December 31, 2003. Under the agreement, Mr. Garrity's 2003 annual base salary rate is \$200,000, plus an inflationary adjustment for 2003.

Mr. Flasz has an amended and restated employment agreement, dated October 25, 2002, to continue to serve as the Company's Chief Information Officer effective October 25, 2002 and ending December 31, 2003. Under the agreement, Mr. Flasz's 2003 annual base salary rate is \$225,000, plus an inflationary adjustment for 2003.

Mr. Zinzarella has an employment agreement, dated February 10, 2003 to serve as the Company's Vice President of Finance, Treasurer and Chief Financial Officer for a term starting February 10, 2003 and ending December 31, 2003. Under the agreement, Mr. Zinzarella's 2003 annual base salary rate is \$175,000, plus an inflationary adjustment for 2003. Detailed information on Mr. Zinzarella's options can be found in the table "Option Grants in Last Fiscal Year".

Each executive officer's employment agreement or amended and restated employment agreement entitles him or her to participate under the Executive Officers' Bonus Plan, in effect for the applicable fiscal year, entitling each a percentage of his/her annual salary if the Company obtains specific key metrics (as defined in the plan). Under the Company's 2001 - 2002 Change of Control and Position Payment Plan, each executive officer participates under the plan entitling each to a payment equal to a

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percentage ranging from 75% to 100% of his/her salary in the event of a change of control (as defined in the plan) followed by a termination of employment on or following a change of position (as defined in the plan) within twelve months after the change of control. In the event an executive officer becomes entitled to a severance payment, he or she will also be entitled to acceleration of exercisability of 50% of the otherwise unexercisable installments of the stock options granted when such officer entered into his or her employment agreement.

Defined Benefit Plans

The following table shows the estimated annual benefits payable under the Plan upon retirement at age 65 to persons in specified remuneration and years-of-service classifications:

Average Highest Consecutive 5 Years' Compensation	Years of Service			
	10 Years	15 Years	20 Years	25 Years
\$130,000	\$19,392	\$29,088	\$38,784	\$48,480
\$140,000	\$21,242	\$31,863	\$42,484	\$53,105
\$150,000	\$23,092	\$34,638	\$46,184	\$57,730

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\$160,000	\$24,942	\$37,413	\$49,884	\$62,355
\$170,000	\$26,792	\$40,188	\$53,584	\$66,980

The Company has a noncontributory, defined benefit pension plan (the "Plan"). Under the Plan, retirement benefits are based on the number of years of service (up to a maximum of 25 years) multiplied by the sum of (i) 1.25% of the employee's average base compensation during the highest consecutive five years, and (ii) 0.6% of such compensation in excess of earnings for Social Security benefits as promulgated in an Internal Revenue Service "Covered Compensation Table Number 1"; the normal form of payment is a single life annuity with ten (10) years certain. Base compensation taken into account under the Plan is equal to the salary reported in the Summary Compensation Table, except that the Internal Revenue Code limits the compensation that may be taken into account in calculating benefits payable under the Plan to \$170,000 (as such may change from time to time). Ms. Autore will have 17 years, Mr. Flasz will have 25 years, Mr. Garrity will have 27 years, Mr. Zinzarella will have 29 years and Mr. Early will have 19 years of service assuming retirement from the Company at age 65.

Stock Options

Option Grants in Last Fiscal Year

The following table sets forth information concerning the number of options granted and the potential realized value of the stock options granted to each of the Company's Named Officers to whom options were granted during its fiscal year ended December 28, 2002:

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Individual Grants

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	Potential Realized Assumed Rates of Appreciation Opt 5% (\$)
John M. Zinzarella	10,000 (1)	19.5%	\$7.70	11/26/07	21,27

(1) The options were granted at fair market value and vest over four years in equal installments.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning options exercised during the fiscal year ended December 28, 2002 and the number of unexercised options and the imputed value thereof held by the Named Officers at December 28, 2002:

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Name	Shares Acquired on Value Exercise (#)	Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of U In-the Option Fiscal Ye
			Exercisable	Unexercisable	
Linda M. Autore	--	--	32,750	17,250	--
Jerry Flasz	--	--	5,000	15,000	\$5,750
Jon Garrity	--	--	12,500	7,500	--
John M. Zinzarella	--	--	1,625	14,875	--
Patrick F. Early, Jr.	--	--	750	2,250	--

Compensation Committee Interlocks and Insider Participation

The current members of the Company's Compensation Committee are Messrs. Derow, Kotler and Thomas, none of whom is or has been an officer or an employee of the Company. There were no "Compensation Committee Interlocks" during fiscal year 2002.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Indebtedness of Management

On January 11, 2001, the Board of Directors authorized the sale of 50,000 shares of common stock from the Company's treasury at the then current market price to Ms. Autore, President and Chief Executive Officer of the Company, in consideration of Ms. Autore's execution and delivery of a promissory note in the principal amount of \$281,250. The promissory note bears an interest rate of 6.0% per annum and is secured by said shares. The largest aggregate amount of indebtedness outstanding during 2002 was \$316,250. As of March 29, 2003, the amount due to the Company under the Ms. Autore's note was \$321,018.

COMPARISON OF TOTAL STOCKHOLDER RETURN

The graph below compares the cumulative total stockholders' return of the Common Stock of the Company for the last five years with the American Stock Exchange Composite Index and a composite index of Medical, Dental & Hospital Equipment & Supply companies. The peer group composite index consists of the following six companies within SIC Code 5047 Medical, Dental and Hospital Equipment and Supplies (weighting based upon market capitalization): Henry Schein, Inc. (HSIC), Owens & Minor Inc. (OMI), Prod-Dex, Inc. (PDEX), PSS World Medical, Inc. (PSSI), and Chindex International, Inc. (CHDX). The graph plots the value of a \$100 investment on December 31, 1997, assuming that all dividends were reinvested.

[THE FOLLOWING TABLE WAS REPRESENTED AS A LINE GRAPH IN THE PRINTED MATERIAL]

Return to Shareholders  
Moore Medical Corp.

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## INDEXED RETURNS

	Base Period Dec. 97 -----	Dec. 98 -----	Dec. 99 -----	Dec. 00 -----	Dec. 01 -----	Dec. 02 -----
Moore Medical Corp.	100	124.08	89.61	44.85	79.5	65.72
American Stock Exchange Index	100	107.35	141.64	131.37	122.26	99.88
Peer Group Composite Index	100	120.97	44.33	94.19	102.2	113.09

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## ANNUAL REPORT

All stockholders of record as of April 10, 2003 are being sent concurrently with this Proxy Statement a copy of the Company's 2002 Annual Report. The 2002 Annual Report is not incorporated by reference into this Proxy Statement and is not to be deemed a part hereof. The Company's consolidated financial statements for the fiscal years ended December 30, 2000, December 29, 2001 and December 28, 2002, as well as additional information required to be provided to stockholders pursuant to Rule 14a-3(b) under the Exchange Act, are included in the 2002 Annual Report.

### STOCKHOLDER PROPOSALS AND NOMINATIONS FOR 2004 ANNUAL MEETING

#### Stockholder Proposals

If a Stockholder intends to present a proposal at the Company's 2004 Annual Meeting of Stockholders and seeks to have the proposal included in the Company's Proxy Statement relating to that meeting, pursuant to Rule 14a-8 of the Exchange Act, the proposal must be received by the Company no later than the close of business on December 22, 2003. A stockholder may present a proposal not included in said Proxy Statement at the Company's 2004 Annual Meeting of Stockholders only if it is presented in compliance with the Company's By-Laws and the Company has notice of such a matter no later than April 16, 2004; however, nominations are governed by special By-Law procedures (described below). Any proposal submitted after April 16, 2004 will be considered untimely and the Company's proxies will have discretionary voting authority with respect to such matter. Any proposals, as well as any related questions, should be directed to the Chief Financial Officer of the Company.

#### Nominating Procedures

The Company's By-Laws provide that any stockholder entitled to vote for the election of directors may nominate persons for election as directors only if such stockholder has given written notice of such stockholder's intent to make such nominations, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company, in care of the Chief Financial Officer, Moore Medical Corp., P.O. Box 1500, New Britain, CT 06050, not later than 60 days before the date of an annual meeting and not less than seven days after the date on which notice of a special meeting is first given to stockholders. Each such notice shall set forth:

- (a) The name and address of the stockholder who intends to make the nominations and of the person or persons to be nominated;

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- (b) A representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;
- (c) A description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which nominations are to be made by the stockholder;

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- (d) Such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and
- (e) The consent of each nominee to serve as a director of the Company if so elected.

The presiding officer of the annual or special meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure. The Company has not received notice of nominations other than those proposed by management for election at the meeting.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors of the Company does not know of any other matters to be brought before the Meeting. However, if any other matters not mentioned in the Proxy Statement are properly brought before the Meeting or any adjournments thereof, the persons named in the enclosed Proxy or their substitutes will have discretionary authority to vote Proxies given in said form, or otherwise act in respect of such matters in accordance with their best judgment.

It is important that Proxies be returned promptly. Stockholders are, therefore, urged to fill in, date, sign and return the Proxy immediately. No postage need be affixed if the Proxy is mailed in the enclosed envelope in the United States.

A STOCKHOLDER MAY OBTAIN A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR ITS FISCAL YEAR ENDED DECEMBER 28, 2002 WITHOUT CHARGE BY WRITING TO: CHIEF FINANCIAL OFFICER, MOORE MEDICAL CORP., P.O. BOX 1500, NEW BRITAIN, CONNECTICUT 06050, OR E-MAIL TO: WWW.IR@MOOREMEDICAL.COM.

This Proxy Statement and the Company's Annual Report on Form 10-K are also available on the Company's web site at [www.mooremedical.com](http://www.mooremedical.com).

BY ORDER OF THE BOARD OF DIRECTORS

JOSEPH GREENBERGER, ESQ.  
Secretary

April 21, 2003

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THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

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MOORE MEDICAL CORP. - ANNUAL MEETING OF STOCKHOLDERS  
Thursday, May 22, 2003

The undersigned hereby appoints JOHN M. ZINZARELLA and JOSEPH GREENBERGER, and each of them, with the full power of substitution, and as proxies to represent the undersigned at the Annual Meeting of Stockholders to be held at The Michelangelo Hotel, in the Roman Room, located at 152 West 51st Street, New York, NY 10019, on Thursday, May 22, 2003 at 11:00 a.m., local time and at any adjournment or postponement thereof, and to vote all the shares of stock the undersigned would be entitled to vote if personally present at the meeting as indicated on the reverse side.

(To be signed below)

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[X] Please mark your votes as in this example  
The Board of Directors recommends a vote FOR Proposal 1.

	FOR all nominees (see instructions)	WITHHOLD authority to vote for all nominees	
Item 1. ELECTION OF DIRECTORS	[ ]	[ ]	Nominees: Linda M. A Peter A. Derow, Stev Robert H. Steele, Wi Dan K. Wassong

Instruction: To withhold authority to vote for any nominee(s), print the name(s) on the line below.

Item 2. IN THEIR DISCRETION THE PROXIES  
ARE AUTHORIZED TO VOTE UPON  
SUCH OTHER BUSINESS AS MAY  
PROPERLY COME BEFORE THE  
MEETING

The shares represented by this proxy will be voted as directed. If no contrary instruction is given, the shares will be voted FOR Item 1 and pursuant to Item 2.

SIGNATURE (S) \_\_\_\_\_ DATE \_\_\_\_\_

NOTE REGARDING SIGNATURE: Please sign and date as name appears hereon and return promptly. Joint owners should each sign. When signing as Corporate Officer, Partner, Executor Administrator, Trustee or Guardian, please give full title. Please note any change in your address alongside the address as it appears hereon.

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the trading price and volatility (frequency and magnitude of changes in value) of the securities represented by the underlying index;

§ dividend yields on the securities represented by the underlying index;

§ market interest rates;

§ our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market;

§ time remaining to maturity;

§ geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index; and

§ the exchange rates between the U.S. dollar and the euro.

The level of the underlying index may be volatile, and you should not take the historical levels of the underlying index as an indication of future performance. See “Information About the Underlying Index” below. You may receive less, and possibly significantly less, than the stated principal amount per PLUS if you sell your PLUS prior to maturity.

The PLUS are subject to the credit risk of Royal Bank of Canada, and any actual or anticipated changes to its credit ratings or credit spreads may adversely affect the market value of the PLUS. You are dependent on Royal Bank of Canada’s ability to pay all amounts due on the PLUS at maturity and therefore you are subject to the credit risk of Royal Bank of Canada. If Royal Bank of Canada defaults on its obligations under the PLUS, your investment would § be at risk and you could lose some or all of your investment. As a result, the market value of the PLUS prior to maturity will be affected by changes in the market’s view of Royal Bank of Canada’s creditworthiness. Any actual or anticipated decline in Royal Bank of Canada’s credit ratings or increase in the credit spreads charged by the market for taking Royal Bank of Canada credit risk is likely to adversely affect the market value of the PLUS.

The amount payable on the PLUS is not linked to the level of the underlying index at any time other than the valuation date. The final index level will be based on the closing level of the underlying index on the valuation date, subject to adjustment for non-trading days and certain market disruption events. Even if the level of the underlying index appreciates prior to the valuation date but then decreases on the valuation date to a level that is less than the § initial index level, the payment at maturity will be less, and may be significantly less, than it would have been had the payment at maturity been linked to the level of the underlying index prior to that decrease. Although the actual level of the underlying index on the maturity date or at other times during the term of the PLUS may be higher than the final index level, the payment at maturity will be based solely on the closing level of the underlying index on the valuation date.

Investing in the PLUS is not equivalent to investing in the underlying index. Investing in the PLUS is not equivalent § to investing in the underlying index or its component stocks. Investors in the PLUS will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the underlying index.

The initial estimated value of the PLUS is less than the price to the public. The initial estimated value that is set forth on the cover page of this document does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the PLUS in any secondary market (if any exists) at any time. If you attempt § to sell the PLUS prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the level of the underlying index, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the agent’s commissions and the estimated costs relating to our hedging of the PLUS. These factors, together with

PLUS Based on the Performance of the EURO STOXX 50® Index due August 3, 2018  
Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

various credit, market and economic factors over the term of the PLUS, are expected to reduce the price at which you may be able to sell the PLUS in any secondary market and will affect the value of the PLUS in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your PLUS prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the agent's commissions and the hedging costs relating to the PLUS. In addition to bid-ask spreads, the value of the PLUS determined for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the PLUS and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The PLUS are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your PLUS to maturity.

Our initial estimated value of the PLUS is an estimate only, calculated as of the pricing date. The initial estimated value of the PLUS is based on the value of our obligation to make the payments on the PLUS, together with the mid-market value of the derivative embedded in the terms of the PLUS. See "Structuring the PLUS" below. Our § estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the PLUS. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the PLUS or similar securities at a price that is significantly different than we do.

The value of the PLUS at any time after the pricing date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the PLUS in any secondary market, if any, should be expected to differ materially from the initial estimated value of your PLUS.

An investment in the PLUS is subject to risks relating to non-U.S. securities markets. Because foreign companies or foreign equity securities included in the underlying index are publicly traded in the applicable foreign countries and are denominated in currencies other than U.S. dollars, an investment in the PLUS involves particular risks. For example, the non-U.S. securities markets may be more volatile than the U.S. securities markets, and market developments may affect these markets differently from the U.S. or other securities markets. Direct or indirect § government intervention to stabilize the securities markets outside the U.S., as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning the foreign issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the foreign issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The securities included in the underlying index are issued by companies located within the Eurozone, which is and has been undergoing severe financial stress, and the political, legal and regulatory ramifications are impossible to predict. Changes within the Eurozone could have a material adverse effect on the performance of the underlying index and, consequently, on the value of the PLUS.

§ The PLUS will not be adjusted for changes in exchange rates. Although the equity securities composing the underlying index are traded in euro, and the PLUS are denominated in U.S. dollars, the amount payable on the PLUS at maturity, if any, will not be adjusted for changes in the exchange rates between the U.S. dollar and the euro. Changes in exchange rates, however, may also reflect changes in the applicable non-U.S. economies that in turn may affect the level of the underlying index, and therefore the PLUS. The amount we pay in respect of your PLUS on the maturity date, if any, will be determined solely in accordance with the procedures described in this document.

Adjustments to the underlying index could adversely affect the value of the PLUS. The sponsor of the underlying § index (the "index sponsor") may add, delete or substitute the stocks constituting the underlying index, or make other methodological changes. Further, the index sponsor may discontinue or suspend calculation or publication of the underlying index at any time. Any of these actions could affect the value of and the return on the PLUS.

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We have no affiliation with the index sponsor and will not be responsible for any actions taken by the index sponsor. The index sponsor is not an affiliate of ours and will not be involved in the offering of the PLUS in any way. Consequently, we have no control over the actions of the index sponsor, including any actions of the type that would require the calculation agent to adjust the payment to you at maturity. The index sponsor has no obligation of any sort with respect to the PLUS. Thus, the index sponsor has no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the PLUS. None of our proceeds from the issuance of the PLUS will be delivered to the index sponsor.

The PLUS will not be listed on any securities exchange and secondary trading may be limited. The PLUS will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the PLUS. RBCCM may, but is not obligated to, make a market in the PLUS, and, if it chooses to do so at any time, it may cease doing so. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimated of the current value of the PLUS, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time § remaining to maturity and the likelihood that it will be able to resell the PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the PLUS easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the PLUS, the price at which you may be able to trade your PLUS is likely to depend on the price, if any, at which RBCCM is willing to transact. If, at any time, RBCCM were not to make a market in the PLUS, it is likely that there would be no secondary market for the PLUS. Accordingly, you should be willing to hold your PLUS to maturity.

Historical levels of the underlying index should not be taken as an indication of its future levels during the term of § the PLUS. The trading prices of the equity securities comprising the underlying index will determine the level of the underlying index at

PLUS Based on the Performance of the EURO STOXX 50® Index due August 3, 2018  
Performance Leveraged Upside Securities<sup>SM</sup>  
Principal at Risk Securities

any given time. As a result, it is impossible to predict whether the level of the underlying index will rise or fall. Trading prices of the equity securities comprising the underlying index will be influenced by complex and interrelated political, economic, financial and other factors.

Hedging and trading activity by us and our subsidiaries could potentially adversely affect the value of the PLUS.

One or more of our subsidiaries and/or third party dealers expect to carry out hedging activities related to the PLUS (and possibly to other instruments linked to the underlying index or the securities it represents), including trading in those securities as well as in other related instruments. Some of our subsidiaries also may conduct trading activities relating to the underlying index on a regular basis as part of their general broker-dealer and other businesses. Any of § these hedging or trading activities on or prior to the pricing date could have affected the initial index level and, therefore, could have increased the level at which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the PLUS. Additionally, such hedging or trading activities during the term of the PLUS, including on the valuation date, could adversely affect the closing level of the underlying index on the valuation date and, accordingly, the amount of cash an investor will receive at maturity, if any.

Our business activities may create conflicts of interest. We and our affiliates may engage in trading activities related to the underlying index or the securities represented by the underlying index that are not for the account of holders of the PLUS or on their behalf. These trading activities may present a conflict between the holders' interest in the PLUS § and the interests we and our affiliates will have in proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our customers and in accounts under our management. These trading activities could be adverse to the interests of the holders of the PLUS.

We and our affiliates may presently or from time to time engage in business with one or more of the issuers of the securities represented by the underlying index. This business may include extending loans to, or making equity investments in, such companies or providing advisory services to such companies, including merger and acquisition advisory services. In the course of business, we and our affiliates may acquire non-public information relating to these companies, which we have no obligation to disclose to you, and, in addition, one or more of our affiliates may publish research reports about these companies. Neither we nor the agent have made any independent investigation regarding any matters whatsoever relating to the issuers of the securities represented by the underlying index. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the underlying index or the securities which it represents. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the PLUS. Any of these activities by us or one or more of our affiliates may affect the level of the underlying index and, therefore, the market value of the PLUS.

The calculation agent, which is a subsidiary of the issuer, will make determinations with respect to the PLUS, which may create a conflict of interest. Our wholly owned subsidiary, RBCCM, will serve as the calculation agent. As calculation agent, RBCCM determined the initial index level, and will determine the final index level and the underlying index return, and calculate the amount of cash, if any, you will receive at maturity. Moreover, certain § determinations made by RBCCM, in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or the calculation of the final index level in the event of a market disruption event or discontinuance of the underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations see "Additional Terms of the PLUS" below.

Significant aspects of the tax treatment of the PLUS are uncertain. The tax treatment of an investment in the PLUS is § uncertain. We do not plan to request a ruling from the Internal Revenue Service or from the Canada Revenue Agency regarding the tax treatment of an investment in the PLUS, and the Internal Revenue Service, the Canada Revenue Agency or a court may not agree with the tax treatment described in this document.

The Internal Revenue Service has issued a notice indicating that it and the U.S. Treasury Department are actively considering whether, among other issues, a holder should be required to accrue interest over the term of an instrument

such as the PLUS even though that holder will not receive any payments with respect to the PLUS until maturity and whether all or part of the gain a holder may recognize upon sale, exchange or maturity of an instrument such as the PLUS should be treated as ordinary income. The outcome of this process is uncertain and could apply on a retroactive basis.

Please read carefully the sections entitled “Canadian Federal Income Tax Consequences” and “Supplemental Discussion of U.S. Federal Income Tax Consequences” in this document, the section entitled “Tax Consequences” in the accompanying prospectus and the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement. You should consult your tax advisor about your own tax situation.

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Additional Terms of the PLUS

Please read this information in conjunction with the summary terms on the front cover of this document.

Additional Provisions

**Postponement of the valuation date:** If the valuation date occurs on a day that is not a trading day or on a day on which the calculation agent has determined that a market disruption event (as defined below) has occurred or is continuing, then the valuation date will be postponed until the next succeeding trading day on which the calculation agent determines that a market disruption event does not occur or is not continuing; provided that in no event will the valuation date be postponed by more than five trading days. If the valuation date is postponed by five trading days, and a market disruption event occurs or is continuing on that fifth trading day, then the calculation agent may determine, in its good faith and reasonable judgment, what the closing level of the underlying index would have been in the absence of the market disruption event. If the valuation date is postponed, then the maturity date will be postponed by an equal number of business days. No interest shall accrue or be payable as a result of such postponement.

**Market disruption events:** With respect to the underlying index and any relevant successor index, a “market disruption event” means:

§ a suspension, absence or material limitation of trading of equity securities then constituting 20% or more of the level of the underlying index (or the relevant successor index) on the relevant exchanges (as defined below) for such securities for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such relevant exchange; or

§ a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for equity securities then constituting 20% or more of the level of the underlying index (or the relevant successor index) during the one hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate; or

§ a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to the underlying index (or the relevant successor index) for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such exchange or market; or

§ a decision to permanently discontinue trading in the relevant futures or options contracts; in each case as determined by the calculation agent in its sole discretion; and

§ a determination by the calculation agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the PLUS.

For purposes of determining whether a market disruption event with respect to the underlying index (or the relevant successor index) exists at any time, if trading in a security included in the underlying index (or the relevant successor index) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the underlying index (or the relevant successor index) will be based on a comparison of (a) the portion of the level of the underlying index (or the relevant successor index) attributable to that security relative to (b) the overall level of the underlying index (or the relevant successor index), in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to the underlying index (or the relevant successor index) has occurred:

§ a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange, or the primary exchange or market for trading in futures or options contracts

related to the underlying index (or the relevant successor index);

§ limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;

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§ a suspension of trading in futures or options contracts on the underlying index (or the relevant successor index) by the primary exchange or market trading in such contracts by reason of:

§ a price change exceeding limits set by such exchange or market,

§ an imbalance of orders relating to such contracts, or

§ a disparity in bid and ask quotes relating to such contracts,

will, in each such case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to the underlying index (or the relevant successor index); and

§ a “suspension, absence or material limitation of trading” on any relevant exchange or on the primary exchange or market on which futures or options contracts related to the underlying index (or the relevant successor index) are traded will not include any time when such exchange or market is itself closed for trading under ordinary circumstances.

“Relevant exchange” means, with respect to the underlying index or any successor index, the primary exchange or market of trading for any security (or any combination thereof) then included in the underlying index or such successor index, as applicable.

Discontinuation of/adjustments to the underlying index: If the index sponsor discontinues publication of the underlying index and the index sponsor or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued index (such index being referred to herein as a “successor index”), then the closing level of the underlying index on the valuation date will be determined by reference to the level of such successor index at the close of trading on the relevant exchange for the successor index on such day.

Upon any selection by the calculation agent of a successor index, the calculation agent will cause written notice to be promptly furnished to the trustee, to us and to the holders of the PLUS.

If the index sponsor discontinues publication of the underlying index prior to, and that discontinuation is continuing on the valuation date, and the calculation agent determines, in its sole discretion, that no successor index is available at that time or the calculation agent has previously selected a successor index and publication of that successor index is discontinued prior to, and that discontinuation is continuing on, the valuation date, then the calculation agent will determine the closing level of the underlying index for that date. The closing level of the underlying index will be computed by the calculation agent in accordance with the formula for and method of calculating the underlying index or successor index, as applicable, last in effect prior to the discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for the suspension or limitation) at the close of the principal trading session on that date of each security most recently included in the underlying index or successor index, as applicable.

If at any time the method of calculating the underlying index or a successor index, or the level thereof, is changed in a material respect, or if the underlying index or a successor index is in any other way modified so that the underlying index or successor index does not, in the opinion of the calculation agent, fairly represent the level of the underlying index or successor index had those changes or modifications not been made, then the calculation agent will, at the close of business in New York City on the date on which the closing level of the underlying index is to be determined, make any calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the underlying index or successor index, as the case may be, as if those changes or modifications had not been made, and calculate the closing level of the underlying index with reference to the underlying index or such successor index, as adjusted. Accordingly, if the method of calculating the underlying index or a

successor index is modified so that the level of the underlying index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the underlying index), then the calculation agent will adjust its calculation of the underlying index or such successor index in order to arrive at a level of the underlying index or such successor index as if there had been no such modification (e.g., as if such split had not occurred).

Notwithstanding these alternative arrangements, discontinuation the publication of or modification of the underlying index or successor index, as applicable, may adversely affect the value of the PLUS.

Business day: A business day means a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York generally are authorized or obligated by law, regulation or executive order to close.

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- Trading day:** A trading day means a day, as determined by the calculation agent, on which trading is generally conducted on (i) the relevant exchanges for securities comprising the underlying index or the successor index and (ii) the exchanges on which futures or options contracts related to the underlying index or the successor index are traded, other than a day on which trading on such relevant exchange or exchange on which such futures or options contracts are traded is scheduled to close prior to its regular weekday closing time.
- Default interest upon acceleration:** In the event we fail to make a payment on the maturity date, any overdue payment in respect of such payment on the PLUS will bear interest until the date upon which all sums due are received by or on behalf of the relevant holder, at a rate per annum which is the rate for deposits in U.S. dollars for a period of six months which appears on the Reuters Screen LIBOR page as of 11:00 a.m. (London time) on the first business day following such failure to pay. Such rate shall be determined by the calculation agent. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of the actual number of days in the period.
- Events of default and acceleration:** If the maturity of the PLUS is accelerated upon an event of default under the Indenture, the amount payable upon acceleration will be determined by the calculation agent. Such amount will be calculated as if the date of declaration of acceleration were the valuation date.
- Minimum ticketing size:** \$1,000 / 100 PLUS
- Additional amounts:** We will pay any amounts to be paid by us on the PLUS without deduction or withholding for, or on account of, any and all present or future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings (“taxes”) now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of Canada or any Canadian political subdivision or authority that has the power to tax, unless the deduction or withholding is required by law or by the interpretation or administration thereof by the relevant governmental authority. At any time a Canadian taxing jurisdiction requires us to deduct or withhold for or on account of taxes from any payment made under or in respect of the PLUS, we will pay such additional amounts (“Additional Amounts”) as may be necessary so that the net amounts received by each holder (including Additional Amounts), after such deduction or withholding, shall not be less than the amount the holder would have received had no such deduction or withholding been required. However, no Additional Amounts will be payable with respect to a payment made to a holder of a PLUS or of a right to receive payments in respect thereto (a “Payment Recipient”), which we refer to as an “Excluded Holder,” in respect of any taxes imposed because the beneficial owner or Payment Recipient:
- (i) with whom we do not deal at arm’s length (within the meaning of the Income Tax Act (Canada)) at the time of making such payment;
  - (ii) who is subject to such taxes by reason of its being connected presently or formerly with Canada or any province or territory thereof otherwise than by reason of the holder’s activity in connection with purchasing the PLUS, the holding of the PLUS or the receipt of payments thereunder;
  - (iii) who is, or who does not deal at arm’s length with a person who is, a “specified shareholder” (within the meaning of subsection 18(5) of the Income Tax Act (Canada)) of Royal Bank of Canada (generally a person will be a “specified shareholder” for this purpose if that person, either alone or together with persons with whom the person does not deal at arm’s length, owns 25% or more of (a) our voting shares, or (b) the fair market value of all of our issued and outstanding shares);
  - (iv) who presents such security for payment (where presentation is required) more than 30 days after the relevant date (except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting a security for payment on the last day of such 30 day period); for

this purpose, the “relevant date” in relation to any payments on any security means:

- a. the due date for payment thereof, or
- b. if the full amount of the monies payable on such date has not been received by the trustee on or prior to such due date, the date on which the full amount of such monies has been received and notice to that effect is given to holders of the PLUS in accordance with the Indenture;
- (v) who could lawfully avoid (but has not so avoided) such withholding or deduction by

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complying, or requiring that any agent comply with, any statutory requirements necessary to establish qualification for an exemption from withholding or by making, or requiring that any agent make, a declaration of non-residence or other similar claim for exemption to any relevant tax authority; or (vi) who is subject to deduction or withholding on account of any tax, assessment, or other governmental charge that is imposed or withheld by reason of the application of Section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the “Code”) (or any successor provisions), any regulation, pronouncement, or agreement thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, whether currently in effect or as published and amended from time to time.

For the avoidance of doubt, we will not have any obligation to pay any holders Additional Amounts on any tax which is payable otherwise than by deduction or withholding from payments made under or in respect of the PLUS.

We will also make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. We will furnish to the trustee, within 30 days after the date the payment of any taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made or other evidence of such payment satisfactory to the trustee. We will indemnify and hold harmless each holder of the PLUS (other than an Excluded Holder) and upon written request reimburse each such holder for the amount of (x) any taxes so levied or imposed and paid by such holder as a result of payments made under or with respect to the PLUS, and (y) any taxes levied or imposed and paid by such holder with respect to any reimbursement under (x) above, but excluding any such taxes on such holder’s net income or capital.

For additional information, see the section entitled “Tax Consequences—Canadian Taxation” in the accompanying prospectus.

Form of the PLUS:

Book-entry

Trustee:

The Bank of New York Mellon

Calculation agent:

RBCCM. The calculation agent will make all determinations regarding the PLUS. Absent manifest error, all determinations of the calculation agent will be final and binding on you and us, without any liability on the part of the calculation agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations or confirmations by the calculation agent.

Contact:

Morgan Stanley Wealth Management clients may contact their local Morgan Stanley Wealth Management branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number 1-(866)-477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at 1-(800)-233-1087.

Validity of the PLUS:

In the opinion of Norton Rose Fulbright Canada LLP, the issue and sale of the PLUS has been duly authorized by all necessary corporate action of the Bank in conformity with the Indenture, and when the PLUS have been duly executed, authenticated and issued in accordance with the Indenture and delivered against payment therefor, the PLUS will be validly issued and, to the extent validity of the PLUS is a matter governed by the laws of the Province of Ontario or Québec, or the laws of Canada applicable therein, and will be valid obligations of the Bank, subject to equitable remedies which may only be granted at the discretion of a court of competent authority, subject to applicable bankruptcy, to rights to indemnity and contribution under the PLUS or the Indenture which may be limited by applicable law; to insolvency and other laws of general application affecting creditors’ rights, to limitations under applicable limitations statutes, and to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the Currency Act (Canada). This opinion is given as of the date hereof and

is limited to the laws of the Provinces of Ontario and Québec and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated January 8, 2016, which has been filed as Exhibit 5.1 to Royal Bank's Form 6-K filed with the SEC dated January 8, 2016.

In the opinion of Morrison & Foerster LLP, when the PLUS have been duly completed in accordance with the Indenture and issued and sold as contemplated by the prospectus supplement and the prospectus, the PLUS will be valid, binding and enforceable obligations of Royal Bank, entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting

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creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated January 8, 2016, which has been filed as Exhibit 5.2 to the Bank's Form 6-K dated January 8, 2016.

Terms incorporated in the master note: All of the terms in "Summary Terms" (except the item captioned "Commissions and issue price") and the terms above the item captioned "Contact" in "Additional Terms of the PLUS" of this pricing supplement, and the section "Supplemental Discussion of U.S. Federal Income Tax Consequences."

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#### Information About the Underlying Index

All disclosures contained in this document regarding the underlying index, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, STOXX Limited, as the sponsor of the underlying index (“STOXX”). STOXX, which owns the copyright and all other rights to the underlying index, has no obligation to continue to publish, and may discontinue publication of, the underlying index. The consequences of STOXX discontinuing publication of the underlying index are discussed above in the section entitled “Additional Terms of the PLUS—Discontinuation of/adjustments to the underlying index.” Neither we nor RBCCM accepts any responsibility for the calculation, maintenance or publication of the underlying index or any successor index.

#### The EURO STOXX 50<sup>®</sup> Index

The underlying index was created by STOXX Limited and SIX Swiss Exchange AG. Publication of the underlying index began in February 1998, based on an initial level of 1,000 at December 31, 1991.

#### Index Composition and Maintenance

The underlying index is composed of 50 component stocks of market sector leaders from within the EURO STOXX TMI Supersector indices, which represent the Eurozone portion of the STOXX Europe 600<sup>®</sup> Supersector indices. The composition of the underlying index is reviewed annually in September, based on the closing stock data on the last trading day in August. Changes in the composition of the underlying index are made to ensure that the underlying index includes the 50 market sector leaders from within the EURO STOXX TMI Supersector indices.

For each of the 19 EURO STOXX TMI Supersector indices, the stocks are ranked in terms of free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding Supersector index. If the next highest-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. All current stocks in the underlying index are then added to the selection list. All of the stocks on the selection list are then ranked in terms of free-float market capitalization to produce the final index selection list. The largest 40 stocks on the selection list are selected; the remaining 10 stocks are selected from the largest remaining current stocks ranked between 41 and 60; if the number of stocks selected is still below 50, then the largest remaining stocks are selected until there are 50 stocks. In exceptional cases, STOXX’s management board can add stocks to and remove them from the selection list.

The index components are subject to a capped maximum index weight of 10%, which is applied on a quarterly basis. The free float factors for each component stock used to calculate the underlying index, as described below, are reviewed, calculated, and implemented on a quarterly basis and are fixed until the next quarterly review.

The underlying index is subject to a “fast exit rule.” The index components are monitored for any changes based on the monthly selection list ranking, i.e., on an ongoing monthly basis. A stock is deleted from the underlying index if: (a) it ranks 75 or below on the monthly selection list and (b) it ranked 75 or below on the selection list of the previous month. The highest-ranked stock that is not an index component will replace it. Changes will be implemented on the close of the fifth trading day of the month, and are effective the next trading day.

The underlying index is also subject to a “fast entry rule.” All stocks on the latest selection lists and initial public offering (IPO) stocks are reviewed for a fast-track addition on a quarterly basis. A stock is added, if (a) it qualifies for the latest STOXX blue-chip selection list generated at the end of February, May, August or November and (b) it ranks within the “lower buffer” (ranks 1-25) on this selection list.

The underlying index is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings and bankruptcies) that affect the index composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day.

#### Index Calculation

The underlying index is calculated with the “Laspeyres formula,” which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the underlying index value can be expressed as follows:

$$\text{Index} = \frac{\text{Free float market capitalization of the index}}{\text{Adjusted base date market capitalization of the index}} \times 1,000$$

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The “free float market capitalization of the index” is equal to the sum of the products of the closing price, number of shares outstanding, free float factor and weighting cap factor for each component stock as of the time the underlying index is being calculated.

The underlying index is also subject to a divisor, which is adjusted to maintain the continuity of the underlying index values across changes due to corporate actions, such as the deletion and addition of stocks, the substitution of stocks, stock dividends and stock splits.

#### License Agreement

We have entered into a non-exclusive license agreement with STOXX providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use indices owned and published by STOXX (including the EURO STOXX 50<sup>®</sup> Index) in connection with certain securities, including the PLUS.

The license agreement between us and STOXX requires that the following language be stated in this document: STOXX has no relationship to us, other than the licensing of the EURO STOXX 50<sup>®</sup> Index and the related trademarks for use in connection with the PLUS.

STOXX does not:

§ sponsor, endorse, sell, or promote the PLUS;

§ recommend that any person invest in the PLUS or any other securities;

§ have any responsibility or liability for or make any decisions about the timing, amount or pricing of the PLUS.

§ have any responsibility or liability for the administration, management, or marketing of the PLUS; or

§ consider the needs of the PLUS or the holders of the PLUS in determining, composing, or calculating the EURO STOXX 50<sup>®</sup> Index, or have any obligation to do so.

STOXX will not have any liability in connection with the PLUS. Specifically, STOXX does not make any warranty, express or implied, and disclaims any and all warranty concerning:

· the results to be obtained by the PLUS, the holders of the PLUS or any other person in connection with the use of the EURO STOXX 50<sup>®</sup> Index and the data included in the EURO STOXX 50<sup>®</sup> Index;

· the accuracy or completeness of the EURO STOXX 50<sup>®</sup> Index and its data;

· the merchantability and the fitness for a particular purpose or use of the EURO STOXX 50<sup>®</sup> Index and its data;

· STOXX will have no liability for any errors, omissions, or interruptions in the EURO STOXX 50<sup>®</sup> Index or its data; and

· under no circumstances will STOXX be liable for any lost profits or indirect, punitive, special, or consequential damages or losses, even if STOXX knows that they might occur.

The licensing agreement between us and STOXX is solely for their benefit and our benefit, and not for the benefit of the holders of the PLUS or any other third parties.

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Historical Information

The table below sets forth the published high and low closing levels of the underlying index for each quarter in the period from January 1, 2013 through April 13, 2017. The graph below sets forth the daily closing levels of the underlying index from January 1, 2013 through April 13, 2017. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. You should not take the historical performance of the underlying index as an indication of its future performance, and no assurance can be given as to the level of the underlying index on the valuation date.

The EURO STOXX 50<sup>®</sup> Index

Information as of market close on April 13, 2017:

Bloomberg Ticker Symbol: SX5E	52 Weeks Ago:	3,039.19
Current Index Level:	3,448.26	52 Week High (on 3/31/2017): 3,500.93
		52 Week Low (on 6/27/2016): 2,697.44

The EURO STOXX 50<sup>®</sup> Index High Low

2013

First Quarter	2,749.27	2,570.52
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Second Quarter	2,835.87	2,511.83
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Third Quarter	2,936.20	2,570.76
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Fourth Quarter	3,111.37	2,902.12
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2014

First Quarter	3,172.43	2,962.49
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Second Quarter	3,314.80	3,091.52
----------------	----------	----------

Third Quarter	3,289.75	3,006.83
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Fourth Quarter	3,277.38	2,874.65
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2015

First Quarter	3,731.35	3,007.91
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Second Quarter	3,828.78	3,424.30
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Third Quarter	3,686.58	3,019.34
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Fourth Quarter	3,506.45	3,069.05
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2016

First Quarter	3,178.01	2,680.35
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Second Quarter	3,151.69	2,697.44
----------------	----------	----------

Third Quarter	3,091.66	2,761.37
---------------	----------	----------

Fourth Quarter	3,290.52	2,954.53
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2017

First Quarter	3,500.93	3,230.68
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Second Quarter (through April 13, 2017)	3,495.80	3,448.26
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The EURO STOXX 50<sup>®</sup> Index – Historical Closing Levels  
January 1, 2013 to April 13, 2017

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#### CANADIAN FEDERAL INCOME TAX CONSEQUENCES

An investor should read carefully the description of material Canadian federal income tax considerations relevant to a Non-resident Holder owning debt securities under “Tax Consequences—Canadian Taxation” in the accompanying prospectus.

#### Supplemental Discussion of U.S. Federal Income Tax Consequences

The following, together with the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement, is a general description of the material U.S. tax considerations relating to the PLUS. It does not purport to be a complete analysis of all tax considerations relating to the PLUS. Prospective purchasers of the PLUS 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 PLUS and receiving payments under the PLUS. This summary is based upon the law as in effect on the date of this document and is subject to any change in law that may take effect after such date.

#### Supplemental U.S. Tax Considerations

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement. It applies only to those initial holders who are not excluded from the discussion of U.S. federal income taxation in the accompanying prospectus.

**NO STATUTORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE PLUS 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 PLUS 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 PLUS, INCLUDING THE APPLICATION OF STATE, LOCAL OR OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.**

We will not attempt to ascertain whether any of the entities whose stock is included in the underlying index would be treated as a “passive foreign investment company” within the meaning of Section 1297 of the Code, or a “U.S. real property holding corporation” within the meaning of Section 897 of the Code. If any of the entities whose stock is included in the underlying index were so treated, certain adverse U.S. federal income tax consequences could possibly apply to U.S. and non-U.S. holders, respectively. You should refer to any available information filed with the SEC and other authorities by the entities whose stock is included in the underlying index and consult your tax advisor regarding the possible consequences to you in this regard.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a PLUS as a pre-paid cash-settled derivative contract in respect of the underlying index for U.S. federal income tax purposes, and the terms of the PLUS 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 PLUS for all tax purposes in accordance with such characterization. If the PLUS are so treated, a U.S. holder should generally recognize capital gain or loss upon the sale, exchange or maturity of the PLUS in an amount equal to the difference between the amount a holder receives at such time and the holder’s tax basis in the PLUS. In general, a U.S. holder’s tax basis in the PLUS will be equal to the price the holder paid for the PLUS. 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.

**Alternative Treatments.** Alternative tax treatments of the PLUS are also possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. For example, it is possible to treat the PLUS, and the Internal Revenue Service might assert that a PLUS should be treated, as a single debt instrument. Pursuant to such characterization, since the PLUS have a term that exceeds one year, such a debt instrument would be subject to the special tax rules governing contingent payment debt instruments. If the PLUS are so treated, a holder would generally be required to accrue interest income over the term of the PLUS based upon the yield at which we would issue a non-contingent fixed-rate debt instrument with terms and conditions similar to the PLUS. In addition, any gain a holder might recognize upon the sale, exchange or maturity of the PLUS would generally be ordinary

income and any loss recognized by a holder at such time would generally be ordinary loss to the extent of interest that same holder included in income in the current or previous taxable years in respect of the PLUS, and thereafter, would be capital loss.

Because of the absence of authority regarding the appropriate tax characterization of the PLUS, it is also possible that the Internal Revenue Service could seek to characterize the PLUS in a manner that results in tax consequences that are different from those described above. For example, the Internal Revenue Service could possibly assert that any gain or loss that a holder may recognize upon the sale, exchange or maturity of the PLUS should be treated as ordinary gain or loss.

The Internal Revenue Service has released a notice that may affect the taxation of holders of the PLUS. According to the notice, the Internal Revenue Service and the U.S. Treasury Department are actively considering whether the holder of an instrument such as the PLUS should be required to accrue ordinary income on a current basis. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the PLUS will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the U.S. Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital and whether the constructive ownership rules of Section 1260 of the Code which very generally can operate to recharacterize certain long-term capital gains as ordinary income and impose an interest charge, might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. We intend to treat the PLUS for U.S. federal income tax

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purposes in accordance with the treatment described in this document unless and until such time as the U.S. Treasury Department and Internal Revenue Service determine that some other treatment is more appropriate.

**Backup Withholding and Information Reporting.** Payments made with respect to the PLUS and proceeds from the sale or exchange of the PLUS may be subject to a backup withholding tax unless, in general, the holder complies with certain procedures or is an exempt recipient. Any amounts so withheld generally will be refunded by the Internal Revenue Service or allowed as a credit against the holder's U.S. federal income tax liability, provided the holder makes a timely filing of an appropriate tax return or refund claim to the Internal Revenue Service.

Reports will be made to the Internal Revenue Service and to holders that are not exempted from the reporting requirements.

**Non-U.S. Holders.** The following discussion applies to non-U.S. holders of the PLUS. A non-U.S. holder is a beneficial owner of a PLUS that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, or a foreign estate or trust.

Except as described below, a non-U.S. holder will generally not be subject to U.S. federal income or withholding tax for amounts paid in respect of the PLUS, provided that (i) the holder complies with any applicable certification requirements, (ii) the payment is not effectively connected with the conduct by the holder of a U.S. trade or business, and (iii) if the holder is a non-resident alien individual, such holder is not present in the U.S. for 183 days or more during the taxable year of the sale, exchange or maturity of the PLUS. In the case of (ii) above, the holder generally would be subject to U.S. federal income tax with respect to any income or gain in the same manner as if the holder were a U.S. holder and, in the case of a holder that is a corporation, the holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a U.S. trade or business, subject to certain adjustments. Payments made to a non-U.S. holder may be subject to information reporting and to backup withholding unless the holder complies with applicable certification and identification requirements as to its foreign status.

A "dividend equivalent" payment is treated as a dividend from sources within the United States and such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, U.S. Treasury Department regulations provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2018. Based on our determination that the PLUS are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the PLUS. However, it is possible that the PLUS could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the underlying index or the PLUS (for example, upon an underlying index rebalancing), and following such occurrence the PLUS could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the underlying index or the PLUS should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the PLUS and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

As discussed above, alternative characterizations of the PLUS for U.S. federal income tax purposes are possible. Should an alternative characterization, by reason of change or clarification of the law, by regulation or otherwise, cause payments as to the PLUS to become subject to withholding tax, we will withhold tax at the applicable statutory rate. The Internal Revenue Service has also indicated that it is considering whether income in respect of instruments such as the PLUS should be subject to withholding tax. We will not be required to pay any additional amounts in respect of such withholding. Prospective investors should consult their own tax advisors in this regard.

**Foreign Account Tax Compliance Act.** The Foreign Account Tax Compliance Act ("FATCA") imposes a 30% U.S. withholding tax on certain U.S.-source payments, including interest (and OID), dividends, other fixed or determinable

annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S. source interest or dividends (“Withholdable Payments”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the U.S. Treasury Department certain information regarding U.S. financial account holders, including certain account holders that are foreign entities with U.S. owners, with such institution or otherwise complies with FATCA. In addition, the PLUS may constitute a “financial account” for these purposes and thus, be subject to information reporting requirements pursuant to FATCA. FATCA also generally imposes a withholding tax of 30% on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

The U.S. Treasury Department and the IRS have announced that withholding on payments of gross proceeds from a sale or redemption of the PLUS will only apply to payments made after December 31, 2018. If we determine withholding is appropriate with respect to the PLUS, we will withhold tax at the applicable statutory rate, and we will not pay any additional amounts in respect of such withholding. Therefore, if such withholding applies, any payments on the PLUS will be significantly less than what you would have otherwise received. Depending on your circumstances, these amounts withheld may be creditable or refundable to you. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Prospective investors are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the PLUS.

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Use of Proceeds and Hedging

The net proceeds from the sale of the PLUS will be used as described under “Use of Proceeds” in the accompanying prospectus supplement and prospectus and to hedge market risks of Royal Bank of Canada associated with its obligation to make the payment at maturity on the PLUS. The initial public offering price of the PLUS includes the underwriting discount and commission and the estimated cost of hedging our obligations under the PLUS.

Supplemental Information Regarding Plan of Distribution; Conflicts of Interest

Pursuant to the terms of a distribution agreement, RBCCM, an affiliate of Royal Bank of Canada, will purchase the PLUS from Royal Bank of Canada for distribution to Morgan Stanley Wealth Management. RBCCM will act as agent for the PLUS and will receive a fee of \$0.225 per \$10 stated principal amount and will pay to Morgan Stanley Wealth Management a fixed sales commission of \$0.175 for each of the PLUS they sell. Of the amount per \$10 stated principal amount received by RBCCM, RBCCM will pay Morgan Stanley Wealth Management a structuring fee of \$0.05 for each PLUS. Morgan Stanley Wealth Management may reclaim selling concessions allowed to individual brokers within Morgan Stanley Wealth Management in connection with the offering if, within 30 days of the offering, Royal Bank of Canada repurchases the PLUS distributed by such brokers.

Delivery of the PLUS will be made against payment for the PLUS on April 20, 2017, which is the fifth business day following the pricing date (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the PLUS on any date prior to three business days before delivery will be required, by virtue of the fact that the PLUS are initially expected to settle in five business days (T+5), to specify alternative settlement arrangements to prevent a failed settlement.

In addition, RBCCM or another of its affiliates or agents may use this document in market-making transactions after the initial sale of the PLUS, but is under no obligation to do so and may discontinue any market-making activities at any time without notice.

For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the accompanying prospectus.

The value of the PLUS shown on your account statement may be based on RBCCM’s estimate of the value of the PLUS if RBCCM or another of our affiliates were to make a market in the PLUS (which it is not obligated to do). That estimate will be based on the price that RBCCM may pay for the PLUS in light of then prevailing market conditions, our creditworthiness and transaction costs. For an initial period of approximately eight months, the value of the PLUS that may be shown on your account statement is expected to be higher than RBCCM’s estimated value of the PLUS at that time. This is because the estimated value of the PLUS will not include the agent’s commission and our hedging costs and profits; however, the value of the PLUS shown on your account statement during that period is initially expected to be a higher amount, reflecting the addition of the agent’s commission and our estimated costs and profits from hedging the PLUS. This excess is expected to decrease over time until the end of this period, and we reserve the right to shorten this period. After this period, if RBCCM repurchases your PLUS, it expects to do so at prices that reflect its estimated value.

#### STRUCTURING THE PLUS

The PLUS are our debt securities, the return on which is linked to the performance of the underlying index. As is the case for all of our debt securities, including our structured notes, the economic terms of the PLUS reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these securities at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate, rather than the secondary market rate, along with the fees and expenses associated with structured notes, reduced the initial estimated value of the PLUS at the time their terms were set. Unlike the estimated value included in this document, any value of the PLUS determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the PLUS than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the PLUS, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the underlying index, and the tenor of the PLUS. The economic terms of the PLUS and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate, the underwriting commission and the hedging-related costs relating to the PLUS reduced the economic terms of the PLUS to you and resulted in the initial estimated value for the PLUS on the pricing date being less than their public offering price. See “Risk Factors—The initial estimated value of the PLUS is less than the price to the public” above.

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Employee Retirement Income Security Act

This section is only relevant to you if you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh Plan) proposing to invest in the PLUS.

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Each fiduciary of an ERISA Plan should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the PLUS. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

In addition, Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Internal Revenue Code, such as individual retirement accounts, including entities whose underlying assets include the assets of such plans (together with ERISA Plans, “Plans”) and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Governmental plans may be subject to similar prohibitions. Therefore, a plan fiduciary considering purchasing PLUS should consider whether the purchase or holding of such instruments might constitute a “prohibited transaction.”

Royal Bank of Canada and certain of its affiliates each may be considered a “party in interest” or a “disqualified person” with respect to many employee benefit plans by reason of, for example, Royal Bank of Canada (or its affiliate) providing services to such plans. Prohibited transactions within the meaning of ERISA or the Internal Revenue Code may arise, for example, if PLUS are acquired by or with the assets of a Plan, and with respect to which Royal Bank of Canada or any of its affiliates is a “party in interest” or a “disqualified person,” unless those PLUS are acquired under an exemption for transactions effected on behalf of that Plan by a “qualified professional asset manager” or an “in-house asset manager,” for transactions involving insurance company general accounts, for transactions involving insurance company pooled separate accounts, for transactions involving bank collective investment funds, or under another available exemption. Section 408(b)(17) provides an additional exemption for the purchase and sale of securities and related lending transactions where neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and the Plan pays no more than “adequate consideration” in connection with the transaction. The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and any such plan, by purchasing and holding the PLUS, or exercising any rights related thereto, to represent that (a) such purchase, holding and exercise of the PLUS will not result in a non-exempt prohibited transaction under ERISA or the Internal Revenue Code (or, with respect to a governmental plan, under any similar applicable law or regulation) and (b) neither Royal Bank of Canada nor any of its affiliates is a “fiduciary” (within the meaning of Section 3(21) of ERISA) with respect to the purchaser or holder in connection with such person’s acquisition, disposition or holding of the PLUS, or any exercise related thereto or as a result of any exercise by Royal Bank of Canada or any of its affiliates of any rights in connection with the PLUS, and no advice provided by Royal Bank of Canada or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the PLUS and the transactions contemplated with respect to the PLUS.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the PLUS, you should consult your legal counsel.