

## BMO Dividend Fund Linked GIC

BMO Bank of Montreal is committed to providing complete and concise disclosure to investors interested in purchasing a BMO Progressive GIC.

### Summary of Investment Terms and Conditions

<b>Term of Series:</b>	5 years
<b>Issue Date of Series:</b>	Continuous
<b>Maturity Date:</b>	5 years from the Issue Date of Series
<b>Participation Rate:</b>	50%
<b>Eligible for CDIC coverage:</b>	Yes
<b>Reference Portfolio:</b>	BMO Dividend Fund Total Return Index

1. On the Maturity Date, you are guaranteed to receive 100% of the amount you invest in a BMO Dividend Fund Linked GIC. You will also receive the Rate of Return, if any, on the amount you invest in the GIC.
  - The Rate of Return payable to you is the Percentage Growth of the BMO Dividend Fund Total Return Index during the term of the GIC multiplied by the Participation Rate set out above, but will not be less than zero. The BMO Dividend Fund Total Return Index measures the total return of an investment in the BMO Dividend Fund assuming that distributions on the fund are reinvested in the fund. You should note that the Rate of Return is not an annual rate but is the rate of return over the entire term of the GIC.
  - The Percentage Growth is the percentage difference between the value of the BMO Dividend Fund Total Return Index when the GIC is issued and the average value of that index on the 15<sup>th</sup> day of the last six months before the GIC matures.
  - If market disruptions or other special circumstances affect the calculation of the return, we may adjust or delay this calculation or the payment of any interest. These are the only circumstances in which we may amend the terms of the GIC.
2. The BMO Dividend Fund Linked GIC may be suitable for you if you want an investment for a term of 5 years and you are prepared to accept the risks set out in the accompanying Terms and Conditions, including those summarized below:
  - The Rate of Return on the GIC differs from the return payable on a fixed-rate investment in that (i) it is not based on a fixed rate of interest that is known when the GIC is issued, (ii) it cannot be calculated before the Maturity Date because it is based on the performance of the Reference Portfolio over the Term of Series, (iii) it could be zero, and (iv) no part of the return on the GIC is paid before the Maturity Date. By law, the Rate of Return cannot exceed an average of 60% per year, regardless of the performance of the Reference Portfolio.
  - The market price of the BMO Dividend Fund is unpredictable and will be influenced by complex interrelated factors that affect markets generally and the fund in particular. The historical performance of the BMO Dividend Fund does not indicate the future performance of the fund.
  - Neither you nor we can redeem the GIC before it matures. You cannot transfer your GIC and there will be no market through which you can sell it.
3. Bank of Montreal and its affiliates may hold interests in or securities of, extend credit to or enter into other business dealings with one or more of the entities that make up the underlying index in the Reference Portfolio.
4. There are no fees and expenses applicable to an investment in the GIC.
5. You can cancel an order to purchase the GIC within 48 hours after receiving the Terms and Conditions of the GIC and a written copy of this summary.
6. This is only a summary of certain terms of the GIC.
  - You should carefully read the application form for the GIC and the accompanying Terms and Conditions for further details and a more complete discussion of the risk factors associated with an investment in the GIC.
  - We will send a copy of the Terms and Conditions of the GIC to you at your request. Complete information about the GIC may also be found at [www.bmo.com/gic](http://www.bmo.com/gic).
  - An indicative rate of return on the GIC, based on the performance of the BMO Dividend Fund Total Return Index since the Issue Date of Series, will be available at any Bank of Montreal branch or at [www.bmo.com/gic](http://www.bmo.com/gic). The indicative rate of return is not a guarantee of the Rate of Return, if any, payable when the GIC matures.

By signing below, you acknowledge that this summary has been read to you, that you have received a written copy of this summary and that you consent to this summary being read to you and provided to you in writing at any time before you enter into a contract to purchase the GIC.

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**BRANCH COPY**

# BMO Dividend Fund Linked GIC

BMO Bank of Montreal is committed to providing complete and concise disclosure to investors interested in purchasing a BMO Progressive GIC.

## Summary of Investment Terms and Conditions

<b>Term of Series:</b>	5 years
<b>Issue Date of Series:</b>	Continuous
<b>Maturity Date:</b>	5 years from the Issue Date of Series
<b>Participation Rate:</b>	50%
<b>Eligible for CDIC coverage:</b>	Yes
<b>Reference Portfolio:</b>	BMO Dividend Fund Total Return Index

1. On the Maturity Date, you are guaranteed to receive 100% of the amount you invest in a BMO Dividend Fund Linked GIC. You will also receive the Rate of Return, if any, on the amount you invest in the GIC.
  - The Rate of Return payable to you is the Percentage Growth of the BMO Dividend Fund Total Return Index during the term of the GIC multiplied by the Participation Rate set out above, but will not be less than zero. The BMO Dividend Fund Total Return Index measures the total return of an investment in the BMO Dividend Fund assuming that distributions on the fund are reinvested in the fund. You should note that the Rate of Return is not an annual rate but is the rate of return over the entire term of the GIC.
  - The Percentage Growth is the percentage difference between the value of the BMO Dividend Fund Total Return Index when the GIC is issued and the average value of that index on the 15<sup>th</sup> day of the last six months before the GIC matures.
  - If market disruptions or other special circumstances affect the calculation of the return, we may adjust or delay this calculation or the payment of any interest. These are the only circumstances in which we may amend the terms of the GIC.
2. The BMO Dividend Fund Linked GIC may be suitable for you if you want an investment for a term of 5 years and you are prepared to accept the risks set out in the accompanying Terms and Conditions, including those summarized below:
  - The Rate of Return on the GIC differs from the return payable on a fixed-rate investment in that (i) it is not based on a fixed rate of interest that is known when the GIC is issued, (ii) it cannot be calculated before the Maturity Date because it is based on the performance of the Reference Portfolio over the Term of Series, (iii) it could be zero, and (iv) no part of the return on the GIC is paid before the Maturity Date. By law, the Rate of Return cannot exceed an average of 60% per year, regardless of the performance of the Reference Portfolio.
  - The market price of the BMO Dividend Fund is unpredictable and will be influenced by complex interrelated factors that affect markets generally and the fund in particular. The historical performance of the BMO Dividend Fund does not indicate the future performance of the fund.
  - Neither you nor we can redeem the GIC before it matures. You cannot transfer your GIC and there will be no market through which you can sell it.
3. Bank of Montreal and its affiliates may hold interests in or securities of, extend credit to or enter into other business dealings with one or more of the entities that make up the underlying index in the Reference Portfolio.
4. There are no fees and expenses applicable to an investment in the GIC.
5. You can cancel an order to purchase the GIC within 48 hours after receiving the Terms and Conditions of the GIC and a written copy of this summary.
6. This is only a summary of certain terms of the GIC.
  - You should carefully read the application form for the GIC and the accompanying Terms and Conditions for further details and a more complete discussion of the risk factors associated with an investment in the GIC.
  - We will send a copy of the Terms and Conditions of the GIC to you at your request. Complete information about the GIC may also be found at [www.bmo.com/gic](http://www.bmo.com/gic).
  - An indicative rate of return on the GIC, based on the performance of the BMO Dividend Fund Total Return Index since the Issue Date of Series, will be available at any Bank of Montreal branch or at [www.bmo.com/gic](http://www.bmo.com/gic). The indicative rate of return is not a guarantee of the Rate of Return, if any, payable when the GIC matures.

By signing below, you acknowledge that this summary has been read to you, that you have received a written copy of this summary and that you consent to this summary being read to you and provided to you in writing at any time before you enter into a contract to purchase the GIC.

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**CUSTOMER COPY**

## BMO Dividend Fund Linked GIC – Investment Terms and Conditions

The following sets out the terms and conditions of a BMO Dividend Fund Linked GIC as referred to on the application form ("the Application"). "Plan" means the registered retirement savings plan, locked-in retirement savings plan or locked-in retirement account under which the investments are held. "Owner" means the planholder named under the Plan. "BMMC" refers to Bank of Montreal Mortgage Corporation and the "Bank" refers to Bank of Montreal.

**Product overview.** The BMO Dividend Fund Linked GIC (the "Investment") is offered by BMMC and unconditionally guaranteed by the Bank. The BMO Dividend Fund Linked GIC is linked to the total return of the BMO Dividend Fund (the "Fund"). On the Investment issue date, the funds are notionally invested in the underlying BMO Dividend Fund. At no time will an Investment Owner have any ownership interest in any units of the BMO Dividend Fund, nor will an Owner be entitled to any of the rights and benefits of a BMO Dividend Fund unitholder. An Owner may obtain further information in respect to the BMO Dividend Fund at [www.bmo.com](http://www.bmo.com) or from licensed mutual fund personnel at any of the Bank's branches.

**1. Payment at Maturity.** BMMC promises to pay BMO Trust Company for the account of the Owner on the maturity date, the principal amount of the Investment in Canadian dollars. BMMC also promises to pay interest on the principal amount on the maturity date as set out below.

**2. Return.** The Investment's Rate of Return will be calculated as follows:

i) the percentage growth of the Average 6 Month Closing Value of the BMO Dividend Fund Total Return Index compared to the Opening Value for the BMO Dividend Fund Total Return Index (the "Percentage Growth")

ii) multiplied by the assigned Participation Rate.

**No return (interest) will be paid if the Percentage Growth is a negative or a zero number and the Owner will receive only his or her principal back at maturity (in other words, if the Average 6 Month Closing Value is the same as or lower than the Opening Value the Owner will not be paid interest for the term and will receive his or her initial principal back). The Investment's return cannot be more than 60% per year, which is the maximum allowed by law.**

**3. The BMO Dividend Fund Total Return Index.** The BMO Dividend Fund Total Return Index is created by BMMC to measure the change in the Net Asset Value ("NAV") of the BMO Dividend Fund and all dividends/distributions paid by the Fund which are deemed to have been reinvested in the Fund as of the day they were paid.

The BMO Dividend Fund Total Return Index will initially be set on December 31, 2004. On this date, the value of the BMO Dividend Fund Total Return Index will be set at 100 to reflect the closing NAV of the BMO Dividend Fund set by BMO Investments Inc. ("BMOI"), the manager of the BMO Dividend Fund. From that date going forward, the value of the BMO Dividend Fund Total Return Index will reflect both the change in NAV of the BMO Dividend Fund and all dividends or distributions reinvested at the date they are paid.

The BMO Dividend Fund Total Return Index is calculated each business day (with the exception of the day after a dividend is paid) using the following formula:

$$TR_i = \frac{NAV_i}{NAV_{i-1}} \times TR_{i-1}$$

$TR_i$  = the daily value of the BMO Dividend Fund Total Return Index

$NAV_i$  = the closing value of the BMO Dividend Fund

$NAV_{i-1}$  = the previous business day's closing value of the BMO Dividend Fund

$TR_{i-1}$  = the previous business day's value of the BMO Dividend Fund Total Return Index

To account for dividends paid and reinvested, the calculation of the BMO Dividend Fund Total Return Index the business day after a dividend is paid is as follows:

$$TR_i = \left( \frac{NAV_i}{NAV_{i-1}} \times TR_{i-1} \right) + \left( Div_{i-1} \times \frac{NAV_i}{NAV_{i-1}} \right)$$

$Div_{i-1}$  = previous business day's dividend payment

The BMO Dividend Fund Total Return Index will be calculated to two decimal places.

**4. Opening Value.** The Opening Value is set to reflect the value of the BMO Dividend Fund Total Return Index as of the market close on the Wednesday for sales from Saturday to Friday of the previous week. An official listing of Opening Values will be available in Bank branches. If Wednesday is a holiday or any other day on which the BMO Dividend Fund is not measured, the value of the next day on which the measure is available will be used.

**5. The Average 6 Month Closing Value.** The Average 6 Month Closing Value will be calculated as the average of the closing value of the BMO Dividend Fund Total Return Index on the 15<sup>th</sup> day of each of the 6 calendar months immediately preceding the month in which the Investment matures.

*For example:*

*An Investment with a maturity date in the month of February 2009 would use the average of the closing values of the BMO Dividend Fund Total Return Index as of: August 15<sup>th</sup>, 2008, September 15<sup>th</sup>, 2008, October 15<sup>th</sup>, 2008, November 15<sup>th</sup>, 2008, December 15<sup>th</sup>, 2008 and January 15<sup>th</sup>, 2009.*

If the 15<sup>th</sup> day of the month falls on a weekend, a holiday or any other day on which the BMO Dividend Fund is not measured, the value of next day on which the measure is available will be used for the BMO Dividend Fund Total Return Index.

**6. Percentage Growth.** The Percentage Growth is the growth of the Average 6 Month Closing Value compared to the Opening Value calculated as a percentage to three decimal places.

*Formula:*

$$\text{Percentage Growth} = \frac{\text{Average 6 Month Closing Value} - \text{Opening Index Value}}{\text{Opening Index Value}} \times 100\%$$

Both the opening and closing values represent a notional investment in the BMO Dividend Fund. The notional investment is reflected in the BMO Dividend Fund Total Return Index that is used to set the opening value and respective closing values.

**7. Participation Rate.** The Participation Rate is the rate at which the Owner participates in the Percentage Growth.

*For example:*

*If the Percentage Growth over the term of the Investment is 40%, with a Participation Rate of 75%, the Owner would receive a Rate of Return of 30% (being 40% x 75%). Of course, if the Percentage Growth is zero % or negative, the Owner would receive no interest.*

The Participation Rate is necessary in order to guarantee the principal of the Investment while providing potential returns based on the applicable market index. The Participation Rate is dependent on the interest rate environment and stock market conditions and will be set prior to the commencement of sales for each issue date of the Investment. An official listing of Participation Rates for each weekly issue for each BMO Dividend Fund Linked GIC will be available at any of the Bank's branches. The Participation Rate is set out in the accompanying Summary of Investment Terms and Conditions and is confirmed to you and is subject to this confirmation.

**8. Calculation of Interest Payable.** The amount of interest which will be payable at the maturity date will be calculated based on the Rate of Return, if any, multiplied by the principal. (For example, a 30% Rate of Return multiplied by the principal amount of an Investment of \$1,000 would result in a total interest payment of \$300 for the term and maturity value of \$1,300. A 0% or negative Rate of Return would result in no interest payment). The Rate of Return is not an annual interest rate.

**9. Market Disruption.** In addition to the actions described in the previous paragraphs, there is always the possibility of a market disruption or other events beyond the reasonable control of BMMC or the Bank that may have a material effect on BMMC's ability to calculate a rate of return on the Investment, to manage the related risk, or otherwise perform its obligations. This may include, for example, determining the applicable closing value and opening value discussed in paragraphs 2, 3, 4 and 5. Should such an event occur, BMMC may act as it deems appropriate without notifying you in advance, including, without limitation, adjusting or delaying the calculation or payment of any interest on the Investment.

BMMC has the right to replace the BMO Dividend Fund with another mutual fund managed by BMO Investments Inc. or a Canadian stock market index, in certain limited circumstances, including if the BMO Dividend Fund announces that it will be closed to additional purchases, discontinued or otherwise wound-up or that it will merge into, consolidate with or be combined with any other fund or where there is a suspension or limitation of the sale or redemption of units of the Fund, or where the cost or ability of any dealer to hedge BMMC's obligation under the Investment is materially adversely affected by circumstances beyond its control.

**10. Redeemability.** A BMO Dividend Fund Linked GIC is not redeemable prior to maturity. Redemption prior to maturity may be permitted by BMMC without penalty in the event of the death of a sole Owner who was a Canadian resident (within the meaning of the Income Tax Act - Canada) at the time of death, or was a non-resident of Canada at the time of death if the original term of the Investment was for less than five (5) years.

**11. Reinvestment.** Where at the maturity date of the Investment neither maturity instructions nor notice pursuant to paragraph 12 have been received by the Bank or BMMC, the principal amount of the Investment and the interest thereon, will automatically be reinvested in a non-redeemable BMO Guaranteed Investment Certificate (GIC) issued by BMMC, and fully guaranteed by the Bank, having a one year term at the annual interest rate then applicable to the new investment and with interest compounded annually.

**12. Maturity Instructions.** Where at the maturity date, the Investment is not to be automatically reinvested as provided for in paragraph 11, the Owner must complete a Maturity Option Change Request, available at any branch of the Bank, at least (20) twenty days prior to the maturity date of the Investment.

**13. CDIC Deposit Insurance.** Only deposits held in Canadian currency, having a term of 5 years or less and payable in Canada are insurable under the *Canada Deposit Insurance Corporation Act*.

**14. Confirmation.** At the time of issue of a BMO Dividend Fund Linked GIC, we will provide owners with written confirmation of the issue amount, issue date, term, Opening Index Value, and any other information we consider to be necessary.

**15. Certificate.** A certificate representing the investment is not available.

**16. Statements.** BMO Dividend Fund Linked GIC statements will be issued annually. BMO Dividend Fund Linked GICs will also be included on the semi-annual statements. The BMO Dividend Fund Linked GIC final return shown on the statements will be "to be determined" ("TBD"), as the return will only be established at maturity.

**17. Restrictions on Sale.** The BMO Dividend Fund Linked GIC is restricted within Canada and to Canadian residents and may be subject to further restrictions within any relevant province or territory. The BMO Dividend Fund Linked GIC has not been and will not be registered under the United States Securities Act of 1933, as amended, and the BMO Dividend Fund Linked GIC may not be offered, sold or delivered within the United States or to United States persons (as such expressions are defined in the United States Internal Revenue Code and Regulations thereunder).

**18. Risk Factors.** An investment in a BMO Dividend Fund Linked GIC is subject to certain risk factors that you should carefully consider before acquiring a BMO Dividend Fund Linked GIC, including the following factors:

**No Assurance of Returns.** There is no assurance that the mutual fund to which the return is linked will be able to generate positive Rates of Returns. Therefore, BMO Dividend Fund Linked GICs are not suitable investments for you if you need or expect to receive any return or a specific return on your investment. BMO Dividend Fund Linked GICs are designed for investors with a long-term investment horizon who are prepared to hold BMO Dividend Fund Linked GICs to the maturity date and are prepared to assume risks with respect to a return tied to the performance of the mutual fund.

**Calculation of the Rate of Return for the Term and Variable Interest.** The Interest Payable on a BMO Dividend Fund Linked GIC, if any, is based in part on the Average Closing Value of the BMO Dividend Fund Total Return Index over a number of months prior to the maturity date. This Average Closing Value may be higher or lower than the closing values of the index on the maturity date. As a result, the return on a BMO Dividend Fund Linked GIC may not be the same as, and may be lower than, the return based on the closing value of the BMO Dividend Fund Total Return Index on the maturity date.

The Interest Payable, if any, on a BMO Dividend Fund Linked GIC is also based on a Participation Rate. If the Participation Rate is less than 100%, the return will not fully reflect the increase in value, if any, of the BMO Dividend Fund Total Return Index.

**Non-Conventional Indebtedness.** A BMO Dividend Fund Linked GIC has certain characteristics that differ from conventional forms of indebtedness in that it does not provide you with a return or income stream prior to the maturity date, or a return on the maturity date calculated by reference to a fixed or floating rate of interest that is determinable prior to the maturity date. Prior to the maturity date, there will not be an opportunity to determine the amount of the return, if any, that will be paid on a BMO Dividend Fund Linked GIC on the maturity date.

**No Secondary Market.** BMO Dividend Fund Linked GICs are designed for investors who are prepared to hold their investment to the maturity date. BMO Dividend Fund Linked GICs will not be listed on any exchange and there will be no market through which a BMO Dividend Fund Linked GIC may be sold. Also, BMO Dividend Fund Linked GICs are not transferable. As a result, there will be no opportunity to redeem or sell a BMO Dividend Fund Linked GIC prior to the maturity date, and the Issue Amount and the Interest Payable, if any, are payable only at the maturity date.

**Risks Relating to the Reference Portfolios.** There can be no assurance that a BMO Dividend Fund Linked GIC will show any return. The Rate of Return will be based on the market price of the BMO Dividend Fund Total Return Index at the relevant dates of valuation. The market price of this index is unpredictable and will be influenced by factors that are beyond our control, including the complex and interrelated political, economic, financial and other factors that can affect markets generally, and by various circumstances that can influence the value of a particular index. Historical prices of the BMO Dividend Fund Total Return Index should not be considered any indication of the future performance of the index.

**No Ownership of Units of BMO Dividend Fund.** Owning a BMO Dividend Fund Linked GIC is different from owning the BMO Dividend Fund. A BMO Dividend Fund Linked GIC does not represent a direct substitute for an investment in this fund. Owners of a BMO Dividend Fund Linked GIC will not be entitled to any direct or indirect ownership of the fund. As such, owners will not be entitled to the rights and benefits of a unitholder, including any right to vote at or attend meetings of unitholders.

**No Independent Calculation.** A Calculation Agent appointed by BMMC will be solely responsible for computing the Rate of Return based on the performance of the BMO Dividend Fund Total Return Index. No independent calculation agent will be retained to confirm any determinations and any calculations made.

**Conflicts of Interest.** BMMC, the Bank and their respective affiliates may, from time to time in the course of normal business operations, hold interests in or hold securities of (including under hedging arrangements related to the investment), extend credit to or enter into other business dealings with, one or more of the entities whose securities are held in the BMO Dividend Fund. Such actions shall be based on normal commercial criteria in the particular circumstances, which may include payment of trailer fees to BMMC, the Bank or their affiliates, and may not take into account the effect, if any, of such actions on the amount of Interest Payable, if any, on BMO Dividend Fund Linked GICs.

**Credit Risk.** Because the obligation to make payments to owners of a BMO Dividend Fund Linked GIC under these terms and conditions is an obligation of BMMC and the Bank, the likelihood that owners will receive the payments owing to them in connection with a BMO Dividend Fund Linked GIC will be dependent upon the financial health and creditworthiness of BMMC and the Bank.

**19. Right of Rescission for Telephone Sales.** If an owner of a BMO Dividend Fund Linked GIC purchased the GIC via the telephone, the owner may cancel it within 48 hours of receiving these Terms and Conditions.

**20. Related Party Transactions.** The current portfolio manager of the BMO Dividend Fund is Jones Heward Investment Counsel Inc. ("Jones Heward"), and the manager of the fund is BMOII. BMOII and Jones Heward are subsidiaries and separate legal entities of Bank of Montreal, and as manager and portfolio manager of the fund, receive compensation from the fund for services rendered. Management fees paid to BMOII by the BMO Dividend Fund are set out in the prospectus for the fund, and Jones Heward is paid for portfolio management services from the management fees paid to BMOII. Other BMO Financial Group entities may receive payments for administering this product.

**21. Plan Withdrawal Fees.** A fee applies to a withdrawal of the investments from the Plan. The current Withdrawal Fee is published in our Better Banking Guide.