

INFORMATION STATEMENT DATED MARCH 27, 2019



**BANK OF MONTREAL PLATINUM PRINCIPAL PROTECTED DEPOSIT NOTES,  
SERIES 2 (CAD)**

**SUMMARY OF THE OFFERING**

This is a summary of the offering of Deposit Notes under this Information Statement. Please note that this summary is not intended to be a detailed description of the offering and may not contain all the information that a prospective investor may need to make a decision as to whether to purchase any Deposit Notes. For more detailed and complete information prospective investors should please refer to the body of this Information Statement. In this summary, "\$" refers to Canadian dollars, unless otherwise specified and "BMO Capital Markets" refers to a company owned by Bank of Montreal called BMO Nesbitt Burns Inc. and any of its affiliates.

**Issue:** Bank of Montreal Platinum Principal Protected Deposit Notes, Series 2 (CAD) (the "Deposit Notes").

**Issuer:** Bank of Montreal.

**Minimum Subscription:** \$500,000.00 (5,000 Deposit Notes). Bank of Montreal reserves the right to change the minimum investment amount in its sole and absolute discretion.

**Last Selling Date:** April 30, 2019

**Closing Date:** On or about May 7, 2019 (the "Closing Date").

**Maturity Date:** May 7, 2024 ("Maturity" or the "Maturity Date"). The term of the Deposit Notes is approximately 5 years.

**Offering:** This offering has been designed to provide investors with

- a) Annual interest of 1.00%
- b) Payment at Maturity of (i) the Deposit Amount per Deposit Note, plus (ii) an amount of Variable Return, if any, based on the price performance of the S&P/TSX Composite Low Volatility Index (Price Return Version) (the "Index").

The Deposit Notes are Canadian dollar deposits. All amounts owing on the Deposit Notes will be paid in Canadian dollars.

**Coupon Payments:** 1.00% per annum, payable annually on each Coupon Payment Date.

**Coupon Payment Dates:** May 7, 2020; May 7, 2021; May 9, 2022; May 8, 2023; and May 7, 2024.

**Payment at Maturity:** In addition to the Coupon Payment payable on the Maturity Date, an investor will receive on the Maturity Date an amount equal to (i) the Deposit Amount, plus (ii) a Variable Return, if any, based on the price performance of the Index.

More specifically, the variable return per Deposit Note, if any (the "Variable Return"), is:

$\$100 \times 80\%$  of the price return (if positive) of the Index from the Closing Date to and including the 5<sup>th</sup> Business Day prior to Maturity (the "Final Valuation Date").

If the percentage change in the closing level of the Index measured from the Closing Date to the Final Valuation Date is zero or negative, no Variable Return will be payable on the Deposit Notes. The Variable Return, if any, will not reflect any dividends or distributions declared on the securities

comprising the Index (the “Securities”). Beneficial holders of Deposit Notes (each a “Holder”) cannot elect to receive any payments prior to Maturity. No Variable Return, distributions or any other payments will be paid during the term of the Deposit Notes other than the Coupon Payments. It is possible that no Variable Return or other payments will be payable on the Deposit Notes other than the Coupon Payments.

**The Index:** S&P/TSX Composite Low Volatility Index (Price Return Version). See “The Index”.

**Selling Agent:** BMO Nesbitt Burns Inc. is the selling agent (the “Selling Agent”) and is a wholly-owned subsidiary of Bank of Montreal. Consequently, Bank of Montreal is a related issuer of the Selling Agent under applicable securities legislation. See “Plan of Distribution”

**Fees and Expenses of the Offering:** No annual fees will be charged and no expenses will be paid out of the proceeds of the Offering.

See “Fees and Expenses of the Offering”.

**Secondary Market:** The Deposit Notes will not be listed on any stock exchange or marketplace. However, BMO Capital Markets will use reasonable efforts, under normal market conditions, to arrange for a daily secondary market for the sale of Deposit Notes but reserves the right to elect not to do so in the future, in its sole and absolute discretion, without prior notice to Holders.

The market price that BMO Capital Markets will pay for the Deposit Notes prior to Maturity (a) will be determined by BMO Capital Markets in its sole and absolute discretion, (b) may have a non-linear sensitivity to the increases and decreases in the Closing Levels of the Index (i.e., the market price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the Closing Levels of the Index); and (c) may be substantially affected by changes in interest rates independent of the price performance of the Index. If a Holder sells such Holder’s Deposit Notes prior to Maturity, such Holder may receive less than the Deposit Amount even if the price performance of the Index has been positive and, as a result, such Holder may suffer losses.

No early trading charge will apply to the sale of a Deposit Note at any time after the closing of the Offering.

See “Secondary Market”.

**Suitability and Appropriateness for Investment:** The Deposit Notes may be a suitable and appropriate investment for investors who are prepared to:

- invest in a medium-term investment that provides annual Coupon Payments;
- receive the Deposit Amount and the final Coupon Payment only at Maturity;
- receive a Variable Return, if any, at Maturity that (i) is based on the price performance of the Index and is not based on a fixed, floating or other specified interest rate, (ii) is uncertain until the Final Valuation Date, and (iii) may be zero;
- waive the aggregate dividend or distribution yield provided by the Index, and
- accept the risks described in this Information Statement, including the risks associated with the price performance

of the Index.

A prospective investor should only make a decision to invest in the Deposit Notes after carefully considering, with such prospective investor's advisors, the suitability of this investment in light of such prospective investor's investment objectives and the information in this Information Statement.

**Risk Factors:**

The Deposit Notes may not be suitable for all investors and in deciding whether to invest in Deposit Notes you should take into account various risks associated with such an investment. This Information Statement contains a complete description of these risks under "Risk Factors", which include the following:

**Variable Return May Not be Payable and is Limited:** It is possible that you may not receive a Variable Return on your Deposit Notes. Whether you receive a Variable Return will depend on the price performance of the Index. In addition, the Variable Return may be less than the return realized from a direct investment in the Index or the Securities.

**Risk Relating to the Index:** Certain risk factors applicable to investors in a security with exposure to the Index are also applicable to an investment in the Deposit Notes.

**Secondary Trading of Deposit Notes:** There is currently no market through which the Deposit Notes may be sold and it is possible that no such market will be arranged. Sale of a Deposit Note prior to maturity may result in a loss even if the performance of the Index has been positive.

**Conflicts of Interest:** In the course of normal business operations, Bank of Montreal and BMO Capital Markets may hold interests linked to the Index or the issuers of Securities included in the Index or enter into other business dealings with these issuers. If such actions are taken, Bank of Montreal and BMO Capital Markets will not necessarily take into account the effect, if any, that such actions could have on the Deposit Notes or the Variable Return that may be payable on the Deposit Notes. Furthermore, BMO Capital Markets, which has undertaken to use reasonable efforts to arrange for a secondary market, is an affiliate of Bank of Montreal.

**Credit Rating:** There is no assurance that the Deposit Notes, if rated, would receive the same rating as other deposit liabilities of Bank of Montreal.

**Credit Risk:** The likelihood that you will receive all the payments owing to you under the Deposit Notes will depend on the financial health and creditworthiness of Bank of Montreal.

**No Deposit Insurance:** Unlike conventional bank deposits, the Deposit Notes are not insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime designed to ensure that depositors receive payment of all or a portion of their deposits if the deposit taking financial institution becomes insolvent.

**Not Eligible for Protection Under the Canadian Investor Protection Fund:** As is the case with other investments made through BMO Investment Inc., your investment in the Deposit Notes will not be eligible for protection

under the Canadian Investor Protection Fund.

**Special Circumstances:** In certain circumstances, BMO Capital Markets may, as it determines is appropriate, (i) adjust the method, components or variables in calculating the Variable Return, (ii) defer the timing of the calculation of the Variable Return, if any, (iii) estimate the closing level of the Index, (iv) replace the Index with another comparable index, or (v) estimate and pay prior to maturity the amount of the Variable Return, if any, under a Deposit Note that when paid will extinguish the obligation of Bank of Montreal to pay Variable Return.

**No Independent Calculation:** Bank of Montreal has no obligation to retain an independent person to make or confirm the determinations and calculations made in respect of the Deposit Notes.

**No Ownership of the Index or the Securities Included in the Index:** You will have no rights of ownership in the Index or any of the securities included in the Index.

**Consequences of Special Circumstances:**

In certain circumstances, BMO Capital Markets may, as it determines appropriate, (i) adjust the components or variables in calculating the Variable Return, if any, (ii) defer the timing of the calculation of the Variable Return, if any, (iii) estimate the closing level of the Index, (iv) replace the Index with a comparable index, or (v) on the occurrence of an Extraordinary Event, instead of paying any remaining Coupon Payments and the Variable Return, if any, at Maturity, pay the estimated present value on the occurrence of the Extraordinary Event of such Coupon Payments and the Variable Return, if any, that would have been payable at Maturity if the Extraordinary Event had not occurred. See “Special Circumstances” for a discussion of these circumstances.

**Amendments:**

Bank of Montreal may amend the terms of the Deposit Notes after they have been issued without the Holders’ consent if Bank of Montreal and BMO Capital Markets agree that the amendment would not materially and adversely affect a Holder’s interests. In all other cases, amendments must be approved by the votes of Holders representing at least two-thirds of the outstanding aggregate Deposit Amount of the Deposit Notes represented at a meeting held to consider the amendment.

**Investor’s Right to Cancel:**

An investor may cancel an order to purchase a Deposit Note (or cancel its purchase if the Deposit Note has been issued) by providing instructions to Bank of Montreal through such investor’s BMO private banker any time up to 48 hours after the later of (i) the day on which the agreement to purchase the Deposit Note is entered into, and (ii) deemed receipt of this Information Statement. **The Information Statement must be delivered electronically by the financial advisor prior to any order to purchase a Deposit Note.**

See “Description of the Deposit Notes — Investor’s Right to Cancel the Agreement to Purchase a Deposit Note”.

**Date of Agreement:**

If an investor places an order to purchase a Deposit Note in person or electronically, the agreement to purchase the Deposit Note will be deemed to have been entered into on the day after the day such purchase order is received. The Information Statement must be delivered electronically by the financial advisor prior to any order to purchase a Deposit Note. If an order to purchase a Deposit Note is received by telephone, the agreement to purchase a Deposit Note will be deemed to have been entered into at the time the purchase order is received.

**Rank:**

The Deposit Notes will rank equally with all other deposit liabilities of Bank

of Montreal. See “Description of the Deposit Notes – Rank”.

**Certain Canadian Federal Income Tax Considerations:**

This income tax summary applies to an Initial Holder who is an individual (other than a trust) or a corporation, in each case, that is resident in Canada and is subject to the limitations and qualifications set out under “Certain Canadian Federal Income Tax Considerations” in the body of this Information Statement.

In the opinion of McMillan LLP, counsel to Bank of Montreal, an Initial Holder will be required to include a Coupon Payment as interest on Deposit Notes in income for the taxation year in which the Coupon Payment is received or became receivable (depending on the method regularly followed by the Initial Holder in computing income) to the extent such amount was not otherwise included in computing the Initial Holder’s income for that or a preceding taxation year. If an Initial Holder holds a Deposit Note at Maturity, such Initial Holder will be required to include in his or her income the amount, if any, by which the payment at Maturity exceeds the Deposit Amount. Generally, based in part on counsel’s understanding of the Canada Revenue Agency’s administrative practice and assessing policies, an Initial Holder should not have to report any amount in respect of the Variable Return, if any, in his or her tax return for any taxation year ending before the Final Valuation Date or the year in which the Deposit Notes are disposed of, as the case may be, provided an Extraordinary Event has not occurred.

Where an Initial Holder assigns or transfers a Deposit Note before Maturity, the Initial Holder will be required to include in income as accrued interest the amount, if any, by which the price for which the Deposit Note was assigned or transferred exceeds the Deposit Amount. See “Certain Canadian Federal Income Tax Considerations”.

Prospective investors may request information about the Deposit Notes or another copy of this Information Statement by contacting your BMO private banker or calling BMO Capital Markets at 1-866-864-7760 to speak to someone in English and 1-866-529-0017 to speak to someone in French. A copy of this Information Statement is also posted at [www.bmonotes.com](http://www.bmonotes.com).

During the term of the Deposit Notes, Holders may inquire as to the net asset value of the Deposit Notes and the formula for determining the Variable Return under the Deposit Notes by contacting you BMO private banker or BMO Capital Markets at the above numbers.

This Information Statement has been prepared for the sole purpose of assisting prospective investors in making an investment decision with respect to the Deposit Notes only. This Information Statement relates only to the Deposit Notes offered hereby and does not relate to the Index or the securities comprising the Index (the “Securities”) or the issuers of such Securities (the “Companies”). Bank of Montreal has taken reasonable care to ensure that the facts in this Information Statement with respect to the description of the Deposit Notes are true and accurate in all material respects. All information in this Information Statement relating to the Index, the Securities and the Companies has been obtained from the public disclosure filed on [www.sedar.com](http://www.sedar.com) and other publicly available sources; it is the sole responsibility of such respective Companies to ensure the accuracy, reliability and completeness of such information. As such, none of Bank of Montreal, BMO Investment Inc., the Selling Agent, the Manager or the Calculation Agent, or any of their affiliates, assumes any responsibility for the accuracy or completeness of such information or has any obligation or responsibility for the provision of future information in respect of the Index, the Securities or the Companies. Bank of Montreal makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of information obtained from such publicly available sources. Furthermore, Bank of Montreal makes no recommendation concerning the Index, the Securities, or the Companies, equity securities as an asset class or the suitability of investing in securities generally or the Deposit Notes in particular. In connection with the issue and sale of Deposit Notes by Bank of Montreal, no person is authorized to give any information or to make any representation not contained in this Information Statement and Bank of

Montreal does not accept any responsibility for any information not contained herein. Investors shall have no recourse against Bank of Montreal, the Selling Agent, the Manager or the Calculation Agent or any of their respective affiliates or associates in connection with any information about and/or relating to the Index, the Securities or the Companies.

This Information Statement constitutes an offering of the Deposit Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Deposit Notes. No securities commission or similar authority in Canada has in any way passed upon the merits of the Deposit Notes offered hereunder and any representation to the contrary is an offence. The Deposit Notes offered under this Information Statement have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any State securities laws and may not be offered for sale or sold in the United States or to United States persons

## DEFINITIONS

In this Information Statement, unless the context otherwise requires:

“\$” means Canadian dollars, unless otherwise specified;

“**Bank Act (Canada)**” means the Bank Act (S.C. 1991, c.46), as amended;

“**BMO Capital Markets**” means, collectively, BMO Nesbitt Burns Inc. and any of its affiliates;

“**Business Day**” means any day (other than a Saturday or a Sunday or a statutory holiday) on which commercial banks are open for business in Toronto, Ontario;

“**Canada Deposit Insurance Corporation Act (Canada)**” means the Canada Deposit Insurance Corporation Act (R.S.C., 1985, c. C-3), as amended;

“**Calculation Agent**” means BMO Capital Markets or a third party appointed by BMO Capital Markets to act as calculation agent for the Note Program;

“**Closing Date**” means on or about May 7, 2019;

“**Closing Level**” means the official closing level or value of the Index rounded to two decimal places on a given day as announced by the Index Sponsor, provided that, if on or after the Closing Date the Index Sponsor materially changes the time of day at which the official closing level or value is determined or no longer announces the official closing level or value, the Calculation Agent may thereafter deem the Closing Level to be the level or value of the Index as of the time of day used by the Index Sponsor to determine the official closing level or value prior to such change or failure to announce;

“**Companies**” means the issuers of the common shares and units, as applicable, comprising the Index, and each is a “**Company**”. Further information regarding the Index can be found at [www.standardandpoors.com/home/en/us](http://www.standardandpoors.com/home/en/us) or other publicly available sources. The content of this website is not incorporated by reference in, and does not form part of, this Information Statement;

“**Coupon Payment**” means the payment of 1.00% per annum of the Deposit Amount (or \$1.00 per Deposit Note) to be made to Holders on each Coupon Payment Date;

“**Coupon Payment Date**” means May 7, 2020; May 7, 2021; May 9, 2022; May 8, 2023; and May 7, 2024. If any scheduled Coupon Payment Date is not a Business Day, then the Coupon Payment to be made to Holders on such day will be paid on the immediately following Business Day and no interest or other compensation will be paid in respect of such delay;

“**CRA**” means the Canada Revenue Agency;

“**Custodian**” means Bank of Montreal or a person appointed by Bank of Montreal;

“**DBRS**” means DBRS Limited;

“**Deposit Amount**” means \$100.00 per Deposit Note;

“**Deposit Notes**” means the Bank of Montreal Platinum Principal Protected Deposit Notes, Series 2 (CAD) issued by Bank of Montreal;

“**Exchange**” means any exchange or trading system from which prices of securities are used from time to time in the computation of the Closing Level, subject to the provisions set out below under “Special Circumstances”;

“**Exchange Business Day**” means any Business Day which is also an Exchange Day on which the Exchange and each Related Exchange are open for trading;

“**Exchange Day**” means, in respect of the Index, any day on which the Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading sessions;

“**Extraordinary Event**” has the meaning ascribed thereto under “Special Circumstances — Extraordinary Event”;

“**Extraordinary Event Notification Date**” has the meaning ascribed thereto under “Special Circumstances — Extraordinary Event”;

“**Final Level**” means, in respect of the Index, the Closing Level on the Final Valuation Date, provided that, if the Final Valuation Date is not an Exchange Business Day, then the Final Level will be determined on the immediately preceding

Exchange Business Day, and subject further to the provisions set out under “Special Circumstances — Extraordinary Event”;

“**Final Valuation Date**” means the date that is five Business Days prior to the Maturity Date or, if such Business Day is not an Exchange Business Day, the immediately preceding Exchange Business Day, subject to the provisions set out under “Special Circumstances”;

“**Holder**” means a beneficial owner of a Deposit Note;

“**Index**” means S&P/TSX Composite Low Volatility Index (Price Return Version);

“**Index Return**” means the percentage change in the Closing Level of the Index measured from the Closing Date to the Final Valuation Date and rounded to two decimal places, calculated as follows:

$$\text{Index Return} = \frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}};$$

“**Index Sponsor**” means S&P or a person appointed by S&P to act as calculation agent for the Index;

“**Initial Holder**” means a Holder who purchases the Deposit Notes only at the time of their issuance;

“**Initial Level**” means, in respect of the Index, the Closing Level on the Closing Date, provided that if such day is not an Exchange Business Day, then the Initial Level will be determined on the immediately preceding Exchange Business Day, subject to the provisions set out under “Special Circumstances”;

“**Manager**” means BMO Capital Markets or a person appointed by BMO Capital Markets to act as manager of the Note Program;

“**Market Disruption Event**” has the meaning ascribed thereto under “Special Circumstances — Market Disruption Event”;

“**Material Index Change**” has the meaning given to that term under “Special Circumstances — Discontinuance or Modification of the Index”;

“**Maturity**” or “**Maturity Date**” means May 7, 2024;

“**Moody’s**” means Moody’s Investors Service Inc.;

“**Note Program**” means the Bank of Montreal Platinum Principal Protected Deposit Notes, Series 2 (CAD) administered by BMO Capital Markets;

“**Offering**” means the offering of the Deposit Notes to prospective investors under this Information Statement;

“**Participation Rate**” means 80%;

“**Related Exchange**” means any exchange or trading system on which futures or options relating to the Index are listed from time to time;

“**Replacement Event**” has the meaning ascribed thereto under “Special Circumstances — Discontinuance or Modification of the Index”;

“**Replacement Index**” has the meaning given to that term under “Special Circumstances — Discontinuance or Modification of the Index”;

“**S&P**” means Standard & Poor’s Financial Services LLC;

“**Securities**” means, collectively, the common shares and units, as applicable, of the Companies comprising the Index and each is a “**Security**”, subject to the provisions set out under “Special Circumstances”;

“**Selling Agent**” means BMO Nesbitt Burns Inc.;

“**Subscription Price**” means \$100.00 per Deposit Note;

“**Successor Sponsor**” means an entity that succeeds the Index Sponsor and continues calculation and publication of the Index, provided such Successor Sponsor is acceptable to Bank of Montreal;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**TSX**” means the Toronto Stock Exchange;



“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**Variable Return**” means, on a per Deposit Note basis, the amount equal to the following formula, provided that the Variable Return shall not be less than zero:

$$\text{Variable Return} = \text{Deposit Amount} \times \text{Participation Rate} \times \text{Index Return}; \text{ and}$$

“**Variable Return Early Payment Amount**” has the meaning ascribed thereto under “Special Circumstances — Extraordinary Event”.

## NOTE PROGRAM

The Note Program provides investors with an entitlement to payment per Deposit Note of (i) Coupon Payments on each Coupon Payment Date, plus (ii) an amount at Maturity equal to (a) the Deposit Amount, plus (b) a Variable Return, if any, based on the price performance of the Index. See “— Coupon Payments”, “— Maturity Payment”, “— Variable Return” and “Special Circumstances”.

### Coupon Payments

Coupon Payments of 1.00% of the Deposit Amount will be paid annually on May 7, 2020; May 7, 2021; May 9, 2022; May 8, 2023; and May 7, 2024. If any scheduled Coupon Payment Date is not a Business Day, then the Coupon Payment to be made to Holders on such day will be paid on the immediately following Business Day and no interest or other compensation will be paid in respect of such delay.

### Maturity Payment

The Deposit Notes will mature on the Maturity Date. At Maturity, each Holder will be entitled to receive, in addition to the final Coupon Payment, an amount equal to (i) the Deposit Amount of \$100.00 per Deposit Note, regardless of the price performance of the Index, plus (ii) the Variable Return, if any, as described below.

### Variable Return

The Variable Return, if any, payable on the Maturity Date will be based on the Index Return (which will exclude any dividends or distributions declared on the Securities). The Index Return is the percentage change in the Closing Level of the Index from the Closing Date to the Final Valuation Date and will be determined by the Calculation Agent in accordance with the methodology described below.

The Variable Return, if any, will be payable in an amount per Deposit Note equal to the result obtained using the following formula:

$$\text{Variable Return} = \text{Deposit Amount} \times \text{Participation Rate} \times \text{Index Return}$$

**The formula above provides for a Variable Return, if any, equal to the Deposit Amount multiplied by 80% of the Index Return (the “Participation Rate”). No Variable Return will be payable unless the Index Return is greater than zero. Accordingly, a Holder may not receive any Variable Return. A Holder should be aware that the Variable Return will not take into account any dividends or distributions paid on the Securities.**

The amount of the Variable Return, if any, will be payable on the Maturity Date unless the Final Valuation Date is postponed to a later date due to a Market Disruption Event or the Variable Return Early Payment Amount is determined and paid due to an Extraordinary Event as described under “Special Circumstances”.

### Return Profile and Variable Return Examples

The return profile and examples below are provided for illustration purposes only. All examples assume that (i) a Holder has purchased a Deposit Note with an aggregate principal amount of \$100.00, (ii) a Holder holds the Deposit Notes until Maturity, (iii) no Extraordinary Event or Market Disruption Event has occurred during the term of the Deposit Notes, (iv) the Deposit Notes will pay an annual Coupon Payment of 1.00%, and (v) the Participation Rate is 80%. The Index Returns used to illustrate the three different scenarios are hypothetical and are not estimates or forecasts of expected changes in the Closing Level of the Index from the Closing Date to and including the Final Valuation Date.

The calculation of the Variable Return would involve determining the Index Return by comparing the Final Level to the Initial Level. The Variable Return, if any, will be equal to the Deposit Amount multiplied by 80% of the Index Return, if positive.

The following table demonstrates the amount that would be received by a Holder of Deposit Notes based on specific Index Returns determined on the Final Valuation Date:

Index Return over the 5-year term	Amount Received by Holder over the term (per Deposit Note)
-20%	\$105.00
-10%	\$105.00

<b>Index Return over the 5-year term</b>	<b>Amount Received by Holder over the term (per Deposit Note)</b>
0%	\$105.00
10%	\$113.00
20%	\$121.00

#### Scenario 1 – Negative Index Return

During the term, the Holder will receive a Coupon Payment of \$1.00 per Deposit Note per annum. If the Index Return over the 5 year period is 0% or worse, a Holder will receive no Variable Return, but will be entitled to receive the Coupon Payments totaling \$5.00 per Deposit Note over the term of the Deposit Notes plus the Deposit Amount of \$100.00 per Deposit Note at Maturity. Therefore, over the term, the Holder will receive \$105.00 per Deposit Note.

#### Scenario 2 – Positive Index Return

During the term, the Holder will receive a Coupon Payment of \$1.00 per Deposit Note per annum. If the Index Return over the 5 year period is 10%, a Holder will receive Coupon Payments totaling \$5.00 per Deposit Note over the term of the Deposit Notes, plus an amount at Maturity equal to (i) a Variable Return of \$8.00 plus (ii) the Deposit Amount of \$100.00. Therefore, over the term, the Holder will receive \$113.00 per Deposit Note.

#### Scenario 3 – Positive Index Return

During the term, the Holder will receive a Coupon Payment of \$1.00 per Deposit Note per annum. If the Index Return over the 5 year period is 20%, a Holder will receive Coupon Payments totaling \$5.00 per Deposit Note over the term of the Deposit Notes, plus an amount at Maturity equal to (i) a Variable Return of \$16.00 plus (ii) the Deposit Amount of \$100.00. Therefore, over the term, the Holder will receive \$121.00 per Deposit Note.

## **SECONDARY MARKET**

The Deposit Notes will not be listed on any stock exchange or marketplace. Moreover, Bank of Montreal does not have a right to redeem the Deposit Notes prior to Maturity and a Holder may not require Bank of Montreal to redeem the Deposit Notes prior to Maturity.

BMO Capital Markets will use reasonable efforts, under normal market conditions, to arrange for a daily secondary market for the sale of Deposit Notes but reserves the right to elect not to do so in the future, in its sole and absolute discretion, without prior notice to Holders.

In order to sell a Deposit Note in the secondary market, if available, a Holder must arrange through his or her BMO private banker to give notice to BMO Capital Markets in writing. However, BMO Capital Markets is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when commenced, may be suspended at any time at the sole and absolute discretion of BMO Capital Markets, without notice. Therefore, there can be no assurance that a secondary market will be available or that such market will be liquid or sustainable. The sale of a Deposit Note to BMO Capital Markets will be effected at a price equal to the market price for the Deposit Note, determined by BMO Capital Markets in its sole and absolute discretion.

The Deposit Notes are intended to be instruments held to Maturity with their principal being payable on the Maturity Date. As a result, sale of the Deposit Notes prior to the Maturity Date may result in a market price that is less than the Deposit Amount of the Deposit Notes. The market price of a Deposit Note at any time will be determined by BMO Capital Markets, acting in its sole and absolute discretion, and will be dependent upon a number of factors, which may include, among other things: (i) whether the Closing Level of the Index has increased or decreased since the Closing Date and by how much; (ii) the fact that Holders will receive the Deposit Amount on the Maturity Date regardless of the Closing Level or price performance of the Index at any time and up to such time; and (iii) a number of other interrelated factors, including, without limitation, the correlation and volatility of the prices of the Securities, prevailing interest rates, the dividend and distribution yields of the Securities and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note: (a) may have a non-linear sensitivity to the increases and decreases in the Closing Level of the Index (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the

Closing Level of the Index); and (b) may be substantially affected by changes in interest rates independent of the price performance of the Index.

No early trading charge will apply to the sale of a Deposit Note at any time after the closing of the Offering. If a Holder sells his or her Deposit Notes prior to Maturity, such Holder may receive less than the Deposit Amount even if the price performance of the Index has been positive, and, as a result, such Holder may suffer losses.

**A Holder will not be able to redeem or sell a Deposit Note prior to Maturity other than through the secondary market, if available, provided by BMO Capital Markets.**

A Holder should consult his or her BMO private banker on whether it would be more favourable in the circumstances at any time to sell the Deposit Notes in a secondary market, if available, or hold the Deposit Notes until the Maturity Date.

Bank of Montreal, BMO Capital Markets or any of their respective affiliates, associates or successors, may at any time, subject to applicable laws, purchase Deposit Notes at any price in the open market or by private agreement.

## **SPECIAL CIRCUMSTANCES**

### **Determinations of the Calculation Agent and Manager**

All calculations and determinations in respect of the Deposit Notes made by the Calculation Agent or the Manager will, absent manifest error, be final and binding on Bank of Montreal and the Holders. The Calculation Agent will not be responsible for its errors or omissions if made in good faith, except in the case of its negligence or wilful misconduct.

In certain circumstances, if a calculation or determination contemplated to be made by the Calculation Agent in respect of the Deposit Notes involves the application of material discretion or is not based on information or calculation methodologies compiled or utilized by, or derived from, independent third party sources, Bank of Montreal may appoint one or more calculation experts to confirm such calculation or determination.

### **Discontinuance or Modification of the Index**

If the Index is (i) not calculated and announced by the Index Sponsor existing on the Closing Date but is calculated and announced by a Successor Sponsor, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Sponsor or that successor index, as the case may be, and the Variable Return will be calculated by reference to the closing value of the applicable index.

If any of the following occurs in respect of the Index (each a "Material Index Change"):

- (a) on or prior to any Valuation Date, the Index Sponsor announces that it will make a material change in the formula for or the method of calculating the Closing Level of the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and capitalization and other routine events) or permanently cancels the Index and no successor index exists;
- (b) on any Valuation Date, the failure of the Index Sponsor to calculate, announce and/or publish the Closing Level of the Index (or the information necessary for determining the Closing Level of the Index), or the temporary or permanent discontinuance or unavailability of the Index Sponsor; or
- (c) prior to the Final Valuation Date, Bank of Montreal determines, in its sole discretion, that it has ceased to have any necessary license or right to utilize the Index in connection with the Deposit Notes,

then the Calculation Agent may (A) determine if such Material Index Change has a material effect on the calculation of the Variable Return and, if so, shall calculate those payments using, in lieu of a published Closing Level for the Index, the value for the Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating the Closing Level of the Index last in effect prior to the change, failure or cancellation, but using only those constituent securities that comprised the Index immediately prior to that Material Index Change, or (B) determine if another comparable equity index exists that (1) is reasonably representative of the equity market which was represented by the Index, and (2) may be as efficiently and economically hedged by dealers in such equity market as the Index was so hedged. If the Calculation Agent determines that such other comparable index exists, then the comparable index (the "Replacement Index") shall replace the Index as of the date of such determination. Upon such replacement (a "Replacement Event"), the Replacement Index shall be deemed to be the Index for purposes of determining the Variable Return and Bank of Montreal shall, as soon as practicable after such Replacement Event, make adjustments to the Initial Level, or any other component or variable relevant to the determination of any amounts payable in respect of the Deposit

Notes. Adjustments will be made in such a way as the Calculation Agent determines appropriate to account for the price performance of the Index up to the occurrence of such Replacement Event and the subsequent price performance of the Replacement Index thereafter. Upon any Replacement Event and the making of any adjustments, the Calculation Agent shall promptly give notice to the Holders or their agents.

For greater certainty, the Calculation Agent, acting in its sole and absolute discretion, may determine that no other comparable index exists such that a Replacement Index is not substituted for the Index. See “Special Circumstances — Extraordinary Event”.

### **Market Disruption Event**

If the Calculation Agent, acting in its sole and absolute discretion, determines that a Market Disruption Event (as defined below) in respect of the Index has occurred and is continuing on any day that, but for that event, would be the Final Valuation Date, then the Variable Return will be calculated (and the Closing Level will be determined) on the basis that the Final Valuation Date will be postponed to the next Exchange Business Day on which there is no Market Disruption Event in effect in respect of the Index.

However, there will be a limit for postponement of the Final Valuation Date. If on the eighth (8<sup>th</sup>) Exchange Day following the date originally scheduled as the Final Valuation Date, the Final Valuation Date has not occurred, then despite the occurrence of any Market Disruption Event in respect of the Index on or after such eighth (8<sup>th</sup>) Exchange Business Day:

- (i) such eighth (8<sup>th</sup>) Exchange Business Day will be the Final Valuation Date, and
- (ii) the Closing Level for such Final Valuation Date used in the calculation of the Index Return and the Variable Return will be a value equal to the Calculation Agent’s estimate of the Closing Level of the Index as at such Final Valuation Date reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the calculation of the Variable Return that may be payable. Where there has been a Market Disruption Event, payment of the Variable Return will be made on the fifth (5<sup>th</sup>) Business Day following the valuation of the Index Return.

“Market Disruption Event” means, in respect of the Index, any bona fide event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of Bank of Montreal or any person that does not deal at arm’s length with Bank of Montreal which (as determined by the Calculation Agent) has or will have a material adverse effect on the ability of a party to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction. A Market Disruption Event may include, without limitation, any of the following events:

- (a) any failure of trading to commence, or the permanent discontinuation of trading or any suspension of or limitation imposed on trading of: (i) the Index; (ii) securities that comprise 10% or more of the value of the Index on a relevant Exchange; or (iii) any futures or options relating to the Index, by the relevant Exchange or Related Exchange, whether by reason of movements in price exceeding limits permitted by a relevant Exchange or Related Exchange or otherwise;
- (b) in respect of the Index, the failure of the Index Sponsor, or the Successor Sponsor, to determine or announce the Closing Level of the Index (or the information necessary for determining the Closing Level of the Index), or the temporary or permanent discontinuance or unavailability of such announcements;
- (c) the closure on any Exchange Business Day of a relevant Exchange or Related Exchange after it has opened for trading but prior to its scheduled closing time unless such earlier closing time is announced by such Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be submitted for entry in the Exchange or Related Exchange system for execution at the close of trading on such Exchange Business Day;
- (d) any event (other than an event described in (c) above) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, in respect of the Index: (i) the Index, (ii) Securities that comprise 10% or more of the value of the Index on a relevant Exchange, or (iii) any futures or options contracts relating to the Index on a relevant Related Exchange;
- (e) the failure on any Exchange Day of the relevant Exchange(s) of the Index or any Related Exchange to open for trading during its regular trading session;

- (f) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or any order of any court or other governmental or regulatory authority, or any issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, any other event that (as determined by the Calculation Agent) makes or would make it unlawful or impracticable for Bank of Montreal to perform its obligations under the Note Program or for dealers generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Index or otherwise has or would have a material adverse effect on the Index, or on the economy or the trading of securities generally on any relevant Exchange or Related Exchange;
- (g) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, that (as determined by the Calculation Agent) has a material adverse effect on the financial markets of Canada or of a country in which a relevant Exchange or Related Exchange is located;
- (h) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) that (as determined by the Calculation Agent) has or would have a material adverse effect on the ability of Bank of Montreal to perform its obligations under the Note Program or of dealers generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Index or has or would have a material adverse effect on the economy of Canada or of a country in which a relevant Exchange or Related Exchange is located or the trading of securities generally on any relevant Exchange or Related Exchange; or
- (i) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying unwinding or disposing of any hedge transaction in connection with the Index or in the cost of realizing, recovering or remitting the proceeds of any such hedge transaction.

#### **Extraordinary Event**

If the Calculation Agent determines in its sole and absolute discretion that:

- (i) a Market Disruption Event in respect of the Index has occurred and has continued for at least eight (8) consecutive applicable Exchange Days;
- (ii) a Material Index Change has occurred; or
- (iii) there is any change or proposed change in applicable law (or the interpretation or administration thereof) that, in the opinion of the Calculation Agent, acting reasonably, would have a significant adverse effect on the market price, value, marketability or return payable with respect to the Deposit Notes,

the Calculation Agent may decide not to choose a Replacement Index as a substitute for the Index. The decision not to choose a Replacement Index in such circumstances (an “Extraordinary Event”) may be made if the Calculation Agent has determined that there is no comparable index traded on a major exchange or market quotation system that offers sufficient liquidity in order for the Calculation Agent to (A) acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of that index or (B) realize, recover or remit the proceeds of any hedge transaction. If an Extraordinary Event occurs, the Calculation Agent may, upon notice to the Holders to be given effective on an applicable Exchange Day (the “Extraordinary Event Notification Date”), elect to estimate the present value, which may be nil, as of the Extraordinary Event Notification Date (the “Variable Return Early Payment Amount”), taking into account all relevant market circumstances, of a right to receive payment of the remaining Coupon Payments and any Variable Return that, but for such occurrence of the Extraordinary Event, would have been payable on any remaining Coupon Payment Dates and the Maturity Date. Upon the Calculation Agent making such an election, the following consequences will arise as of the Extraordinary Event Notification Date:

- (i) any Variable Return that may otherwise be payable by Bank of Montreal will not be calculated in accordance with the provisions set out in “Note Program — Variable Return” above;
- (ii) the Variable Return Early Payment Amount, if any, will be determined as of the Extraordinary Event Notification Date, whether or not any Extraordinary Event is continuing on such date; and
- (iii) Bank of Montreal shall be discharged of all its obligations in respect of any remaining Coupon Payments and any Variable Return.

Payment of the Variable Return Early Payment Amount, if any, will be made on the tenth (10<sup>th</sup>) Business Day after the Extraordinary Event Notification Date. Upon such payment, the Holder's right to receive any Coupon Payments and any Variable Return per Deposit Note will be extinguished.

In these circumstances, payment of the Deposit Amount will not be accelerated and will remain due and payable only on the Maturity Date. The Variable Return Early Payment Amount, if any, will reflect a return to Holders that may be less than the aggregate amount of Coupon Payments and Variable Return that may have been payable absent the occurrence of the relevant Extraordinary Event and the election by Bank of Montreal to pay the Variable Return Early Payment Amount.

### **SUITABILITY AND APPROPRIATENESS FOR INVESTMENT**

A person should make a decision to invest in the Deposit Notes after carefully considering, with his or her advisors, the suitability of this investment in light of his or her investment objectives and the information in this Information Statement.

The Deposit Notes may be a suitable and appropriate investment for investors who are prepared to:

- invest in a medium-term investment that provides annual Coupon Payments;
- receive the Deposit Amount and the final Coupon Payment only at Maturity;
- receive a Variable Return, if any, at Maturity that (i) is based on the price performance of the Index and is not based on a fixed, floating or other specified interest rate, (ii) is uncertain until the Final Valuation Date, and (iii) may be zero;
- waive the aggregate dividend or distribution yield provided by the Index, and
- accept the risks described in this Information Statement, including the risks associated with the price performance of the Index.

A prospective investor should only make a decision to invest in the Deposit Notes after carefully considering, with such prospective investor's advisors, the suitability of this investment in light of such prospective investor's investment objectives and the information in this Information Statement.

### **DESCRIPTION OF THE DEPOSIT NOTES**

The following is a summary of the material attributes and characteristics of the Deposit Notes offered hereby. Reference is made to the certificate representing the Global Note referred to below which contains the full text of such attributes and characteristics.

#### **Offering**

The Bank of Montreal Platinum Principal Protected Deposit Notes, Series 2 (CAD) are being issued by Bank of Montreal with a Subscription Price of \$100.00 per Deposit Note and a minimum subscription of \$500,000.00 (5,000 Deposit Notes). The currency of the Offering is Canadian dollars.

A Global Note for the full amount of the issue will be issued in registered form to BMO Nesbitt Burns Inc. on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Holders. The Deposit Notes may not be called for redemption by Bank of Montreal prior to Maturity.

Investors will subscribe for Deposit Notes by placing their orders with the Selling Agent or sub-agency groups including other qualified selling members.

Orders for purchases of Deposit Notes may be accepted in whole or in part, and the right to allot Deposit Notes to investors in an amount less than that subscribed for by the investor is reserved by Bank of Montreal. Bank of Montreal reserves the right to discontinue accepting subscriptions at any time without notice. Bank of Montreal may at any time prior to the Closing Date, in its sole and absolute discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes.

Bank of Montreal may from time to time issue any additional series of notes or any other notes or other debt instruments (which may or may not resemble the Deposit Notes) and offer any such notes or debt instruments concurrently with the Offering.

## **Coupon Payments**

Provided no Extraordinary Event has occurred, Coupon Payments of 1.00% of the Deposit Amount will be paid annually on May 7, 2020; May 7, 2021; May 9, 2022; May 8, 2023; and May 7, 2024. If any scheduled Coupon Payment Date is not a Business Day, then the Coupon Payment to be made to Holders on such day will be paid on the immediately following Business Day and no interest or other compensation will be paid in respect of such delay.

## **Maturity Payment**

Each Deposit Note will mature on the Maturity Date, on which date the Holder will be entitled to receive, in respect of each Deposit Note, an amount equal to the Deposit Amount plus the Variable Return, if any. If the Maturity Date does not occur on a Business Day, then the payment the Bank of Montreal is obligated to make on such day will be paid on the next following Business Day and no interest or other compensation will be paid in respect of such postponement. See “Description of the Deposit Notes — Settlement of Payments” below.

The Variable Return, if any, payable to each Holder at Maturity will not affect the right of Holders to receive Coupon Payments on each Coupon Payment Date or the Deposit Amount at Maturity.

The Deposit Notes are Canadian dollar deposits. Bank of Montreal will pay all amounts on the Deposit Notes in Canadian dollars.

## **Variable Return**

The Variable Return, if any, payable on the Maturity Date will be determined by the Calculation Agent in accordance with the methodology described under “Note Program — Variable Return”.

The amount of the Variable Return, if any, will depend upon the Index Return (which will exclude any distributions or dividends declared on the Securities). There is a possibility that a Holder may not receive any Variable Return. No Variable Return will be payable unless the Index Return is greater than zero.

The amount of the Variable Return, if any, will be payable on the Maturity Date. However, the timing and manner of determining the Variable Return is affected by the occurrence of certain unusual events. See “Special Circumstances”. Generally stated, the Variable Return, if any, will be payable on the Maturity Date, unless the Final Valuation Date is postponed to a later date due to a Market Disruption Event or the Variable Return Early Payment Amount is determined and paid due to an Extraordinary Event, as described under “Special Circumstances”.

## **Rank**

The Deposit Notes will constitute direct unconditional obligations of Bank of Montreal. The Deposit Notes will be issued on an unsubordinated basis and will rank equally, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future obligations (except as otherwise prescribed by law) of Bank of Montreal, and will be payable rateably without any preference or priority.

## **Custodian**

The Custodian will hold the Deposit Notes for Holders in accordance with their respective entitlements as reflected in a register to be maintained by the Custodian solely on the basis of and in reliance upon instructions received from such Holders. Upon receiving amounts payable in respect of Deposit Notes from BMO Capital Markets, the Custodian will arrange for payment to Holders in amounts proportionate to their respective interests in the Deposit Notes recorded in the register maintained by the Custodian.

All records maintained by the Custodian shall, absent manifest error, be final for all purposes and binding on all persons including the Holders. The Custodian shall not be responsible for its errors if made in good faith.

## **Global Note**

Bank of Montreal will issue the registered Deposit Notes on the Closing Date in the form of the fully registered Global Note that will be registered in the name of BMO Nesbitt Burns Inc. and deposited with the Custodian. Unless and until it is exchanged in whole for Deposit Notes in definitive registered form, the registered Global Note may not be transferred except as a whole by and among the Custodian or any successors thereof. Each Holder’s beneficial ownership of Deposit Notes will be shown on the records maintained by the Custodian. Bank of Montreal’s obligation will run only to the holder named on the face of the Global Note and the responsibility and liability of Bank of Montreal, except in its capacity as the Custodian, in respect of Deposit Notes represented by a Global Note is limited to making payment of the amounts due in



respect of the Global Note to BMO Nesbitt Burns Inc. Neither Bank of Montreal, except in its capacity as the Custodian, nor the Manager will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership of the Deposit Notes represented by the Global Note or for maintaining, supervising or reviewing records relating to any such ownership.

### **Definitive Deposit Notes**

The text of any Deposit Notes issued in definitive form will contain such provisions as Bank of Montreal may deem necessary or advisable. Bank of Montreal will keep or cause to be kept a register in which will be recorded registrations and transfers of Deposit Notes in definitive form if issued. Such register will be kept at the offices of Bank of Montreal or at such other offices notified by Bank of Montreal to Holders.

No transfer of a definitive Deposit Note will be valid unless made at such offices and entered on such register upon surrender of the certificate in definitive form for cancellation with a written instrument of transfer in form and as to execution satisfactory to Bank of Montreal or its agent, and upon compliance with such reasonable conditions as may be required by Bank of Montreal or its agent and with any requirement imposed by law.

Payments on a definitive Deposit Note, if issued, will be made by cheque mailed to the applicable registered Holder at the address of the Holder appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Holder at least five Business Days before the date of the payment and agreed to by Bank of Montreal, by electronic funds transfer to a bank account nominated by the Holder with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Holder first delivering the Deposit Note to the paying and transfer agent who reserves the right on behalf of Bank of Montreal, in the case of payment of the Variable Return Early Payment Amount on a Deposit Note prior to the Maturity Date, to mark on the Deposit Note that the remaining Coupon Payments and the Variable Return, if any, has been paid in full or in part (as the case may be), or, in the case of payment of all Coupon Payments, the Variable Return and the Deposit Amount, or the Variable Return Early Payment Amount and the Deposit Amount (as the case may be), under the Deposit Note in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

### **Notices to Holders**

If notice is required to be given to Holders it will be validly given if published once in a French language Canadian newspaper and in the national edition of an English language Canadian newspaper, or if communicated to the Holders or their agents by mail, electronic and/or any other means. Unless stated otherwise, the Manager will give notice as aforesaid to the Holders or their agents of any material change or material fact relating to the Deposit Notes.

### **Amendments to the Global Note**

The Global Note may be amended without the consent of the Holders by agreement between Bank of Montreal and the Manager if, in the reasonable opinion of Bank of Montreal and the Manager, the amendment would not materially and adversely affect the interests of such Holders. In all other cases, the Global Note may be amended if the amendment is approved by a resolution passed by the favourable votes of Holders representing not less than 66 $\frac{2}{3}$ % of the outstanding aggregate Deposit Amount of the Deposit Notes represented at the meeting of Holders convened for the purpose of considering the resolution. Each Holder is entitled to one vote per Deposit Note held for the purpose of voting at meetings convened to consider a resolution. The Deposit Notes do not carry the right to vote in any other circumstances.

### **Investor's Right to Cancel the Agreement to Purchase a Deposit Note**

An investor may cancel an order to purchase a Deposit Note (or cancel its purchase if the Deposit Note has been issued) by providing instructions to Bank of Montreal through his or her BMO private banker any time up to 48 hours after the later of (i) the day on which the agreement to purchase the Deposit Note is entered into; and (ii) deemed receipt of this Information Statement. Upon cancellation, the investor is entitled to a refund of the Subscription Price and any fees relating to the purchase that have been paid by the investor to Bank of Montreal. This right of cancellation does not extend to investors who purchase a Deposit Note in the secondary market.

The Information Statement will be delivered electronically to the investor. An investor will be deemed to have received this Information Statement on the earlier of: (i) the day recorded as the time of sending by the server or other electronic means; and (ii) when it is received.

### **Date of Agreement to Purchase a Deposit Note**

If an order to purchase a Deposit Note is received in person or electronically, the agreement to purchase the Deposit Note will be deemed to have been entered into on the day after the later of (i) the day the purchase order is received; and (ii) the date this Information Statement is actually received by the investor, since it is provided electronically. If an order to purchase a Deposit Note is received by telephone, the agreement to purchase a Deposit Note will be deemed to have been entered into at the time the purchase order is received.

### **THE INDEX**

All information in this Information Statement relating to the S&P/TSX Composite Low Volatility Index (Price Return Version) (the “Index”) and the Index Sponsor, including without limitation, its make-up, method of calculation and changes in its constituent securities (the “Securities”), is derived from publicly available sources and is presented in this Information Statement in summary form. Such information is subject to change by the Index Sponsor. The Index Sponsor has no obligation to continue to publish, and may discontinue publication of the Index at any time. As such, none of Bank of Montreal, BMO Investment Inc., the Selling Agent, the Manager or the Calculation Agent, or any of their affiliates, assumes any responsibility for the accuracy, reliability or completeness of such information, or accepts responsibility for the calculation or other maintenance of or any adjustments to the Index or the provision of any future information in respect of the Securities, the Companies and the Index Sponsor or has any duty or obligation to update such information up to or after the Closing Date. Investors in the Deposit Notes should make their own investigation into the Index, the Securities, the Companies and the Index Sponsor.

### **General Description**

The Index is designed to measure the performance of the 50 least volatile stocks within the S&P/TSX Composite Index. Volatility is defined as the standard deviation of a security’s daily price returns over the prior one year trading period. Constituents are weighted relative to the inverse of their corresponding volatility, with the least volatile stocks receiving the highest weights. The Index is designed to serve as a benchmark for low volatility or low variance strategies based on the S&P/TSX Composite Index, which is the headline index and the principal broad market measure for the Canadian equity markets.

A Holder may obtain further information regarding the Index at [www.standardandpoors.com/home/en/us](http://www.standardandpoors.com/home/en/us) or other publicly available sources. The content of this website is not incorporated by reference in, and does not form part of, this Information Statement.

### **License Arrangements**

The Index is a product of S&P Dow Jones Indices LLC or its affiliates and TSX Inc., and has been licensed for use by Bank of Montreal and its affiliates. Standard & Poor’s<sup>®</sup> and S&P<sup>®</sup> are registered trademarks of Standard & Poor’s Financial Services LLC and Dow Jones<sup>®</sup> is a registered trademark of Dow Jones Trademark Holdings LLC. TSX is a registered trademark of TSX Inc. The trademarks have been licensed to SPDJI and have been sublicensed for use for certain purposes by Bank of Montreal and its affiliates. The Deposit Notes are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, any of their respective affiliates (collectively, “S&P Dow Jones Indices”) or TSX Inc. Neither S&P Dow Jones Indices nor TSX Inc. make any representation or warranty, express or implied, to the owners of the Deposit Notes or any member of the public regarding the advisability of investing in securities generally or in the Deposit Notes particularly or the ability of the Index to track general market performance. S&P Dow Jones Indices’ and TSX’s only relationship to Bank of Montreal with respect to the Index is the licensing of the Index and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its licensors. The Index is determined, composed and calculated by S&P Dow Jones Indices or TSX without regard to Bank of Montreal or the Deposit Notes. S&P Dow Jones Indices and TSX Inc. have no obligation to take the needs of Bank of Montreal or the Holders into consideration in determining, composing or calculating the Index. Neither S&P Dow Jones Indices nor TSX Inc. is responsible for or has participated in the determination of the prices and amount of the Deposit Notes or the timing of the issuance or sale of the Deposit Notes or in the determination or calculation of the equation by which the Deposit Notes are to be converted into cash, surrendered or redeemed, as the case may be. S&P Dow Jones Indices and TSX Inc. have no obligation or liability in connection with the administration, marketing or trading of the Deposit Notes. There is no assurance that investment products based on the Index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

NEITHER S&P DOW JONES INDICES NOR TSX INC. GUARANTEES THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA RELATED THERETO OR ANY

COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES AND TSX INC. SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES AND TSX INC. MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY BANK OF MONTREAL, THE HOLDERS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEX OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES OR TSX INC. BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND BANK OF MONTREAL, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

#### **FEES AND EXPENSES OF THE OFFERING**

No annual fees will be charged and no expenses will be paid out of the proceeds of the Offering.

#### **RISK FACTORS**

An investment in Deposit Notes is subject to certain risk factors that prospective investors should carefully consider before acquiring Deposit Notes, including, but not limited to, the risk factors described below. This section describes the most significant risks relating to the Deposit Notes. Bank of Montreal urges prospective investors to read the following information about these risks, together with other information in this Information Statement, before investing in the Deposit Notes.

##### **Suitability of Deposit Notes for Investment**

An investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor, whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. Neither Bank of Montreal nor BMO Capital Markets, including in its capacity as Selling Agent, Manager and Calculation Agent, makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

The return on the Deposit Notes, if any, unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that, if the Index does not generate positive returns, the Deposit Notes could produce no return on a Holder's original investment other than the Coupon Payments. There is no assurance that the Index will generate positive returns. It is possible that at Maturity a Holder will only receive the Deposit Amount at Maturity, in addition to the final Coupon Payment. The Deposit Notes are designed for investors with a medium-term investment horizon who are prepared to hold the Deposit Notes to Maturity; an investment in the Deposit Notes is only suitable for investors prepared to assume the risks of an investment whose return at Maturity, if any, is based on the price performance of the Index and could be zero. The Deposit Amount is only repaid if the Deposit Notes are held to Maturity. In addition, the Deposit Notes are not a suitable investment for a prospective investor who does not understand their terms or the risks involved in holding the Deposit Notes.

##### **Variable Return May Not Be Payable or May Be Limited**

The Variable Return payable under the Deposit Notes, if any, is uncertain and is based on the price performance of the Index, which will not include any dividends or distributions declared on the Securities. In addition, a Holder's exposure under the Deposit Notes to the Index, is not the same as an investment in the Index or the Securities and therefore the Variable Return that may be payable at Maturity may be less than the return realized from a direct investment in the Index or the Securities. Accordingly, an investment in the Deposit Notes will not track a direct investment in the Index or the Securities and Holders will not have any ownership interest or related rights (including, without limitation, any voting rights or rights to receive dividends or distributions) in the Index or the Securities. There is a possibility that no Variable Return will be payable, with the result that a Holder may only receive the Deposit Amount at Maturity, in addition to the final Coupon Payment. In all cases, however, Holders will be entitled to receive the Deposit Amount at Maturity. See "Note Program – Variable Return".

## **Risk Factors Relating to the Index**

### *Closing Level of the Index will Fluctuate*

The Closing Level of the Index will fluctuate and will be used to determine the Variable Return. It is impossible to predict whether the Closing Level of the Index will increase or decrease. Historical closing values and returns of the Securities that comprise the Index from time to time should not be taken as an indication of future performance. The Closing Level of the Index from time to time will be influenced by the complex and interrelated political, economic, financial and other factors that can affect both equity trading markets and the capital markets generally. The Index may also change from time to time, as described in “Special Circumstances — Discontinuance or Modification of the Index”.

### *The Index Sponsor has no Obligations Relating to the Deposit Notes or the Holders*

The Index Sponsor has no obligations relating to the Deposit Notes or amounts to be paid to Holders, including any obligation to take the interests of Holders into consideration for any reason. The Index Sponsor will not receive any of the proceeds of the Offering and is not responsible for, and has not participated in, the Offering and is not responsible for, and will not participate in, the determination or calculation of the amount receivable by Holders.

The Index Sponsor is under no obligation to continue the calculation and dissemination of the Index. The Deposit Notes are not sponsored, endorsed, sold or promoted by the Index Sponsor. No inference should be drawn from the information contained in this Information Statement that the Index Sponsor makes any representation or warranty, implied or express, to Bank of Montreal, the Holders or any member of the public regarding the advisability of investing in securities generally or in the Deposit Notes in particular or the ability of the Index to track general stock market performance.

### *Changes Affecting the Index Could Impact the Deposit Notes*

The policies of the Index Sponsor in respect of the Index and its calculation, additions, deletions or substitutions of the Securities and the manner in which changes affecting the Securities, such as stock dividends, reorganizations or mergers, are reflected, could affect the Closing Level of the Index and, therefore, could affect the amounts payable on the Deposit Notes, and the market price of the Deposit Notes prior to Maturity.

### *Potential Modification of the Index*

The Index may be replaced with a Replacement Index. Although the Calculation Agent may make certain determinations in certain special circumstances to ensure that a Replacement Index is designated, certain information regarding the successor index may not be readily available to Holders, which may adversely affect the secondary market for trading in the Deposit Notes. Moreover, the return generated on such successor index may not be as favourable as the return that would have been generated by the Index if it had not been replaced.

### *Equity Risk*

The Closing Level of the Index will be affected by changes in the market price of its Securities. The price of equity securities is influenced by the outlook for the company that issued them and by general economic, industry and market trends. When the economy is strong, the outlook for many companies will be good, and share prices will generally rise. On the other hand, share prices usually decline with a general economic or industry downturn.

### *Risks Relating to the Securities, the Index and the Companies*

The value of most investments, in particular equity securities, is affected by the outlook for the company that issued the security and by changes in general economic, industry and market trends. These changes may be caused by corporate developments, changes in interest rates, changes in the level of inflation, and other political and economic developments. These changes can affect the price of equity securities which can move up or down, without any predictability. A decrease in the price of the Securities will adversely affect the Index and thereby may affect the Deposit Notes. The Variable Return is linked to the price performance of the Index. Accordingly, risk factors applicable to direct investments in the Securities are also applicable to an investment in the Deposit Notes.

None of Bank of Montreal, BMO Capital Markets or their respective affiliates or associates has performed any due diligence investigation or review of any of the Index, the Securities or the Companies. Any information relating to the Index, the Securities or the Companies was derived from and based solely upon publicly available sources and its accuracy cannot be guaranteed. None of Bank of Montreal, BMO Capital Markets or any of their respective affiliates or associates has any obligations or responsibility for the provision of future information in respect of the Index, the Securities or the Companies. Investors shall have no recourse against Bank of Montreal, BMO Capital Markets or any of their respective affiliates or associates in connection with any information about and/or relating to the Index, the Securities or the Companies that is not contained in this Information Statement. Prospective investors should undertake an independent investigation to determine if an investment in the Deposit Notes is suitable for them. None of the Companies or the Index

Sponsor has participated in the preparation of this Information Statement and the Deposit Notes are not in any way sponsored, endorsed, sold or promoted by any of the Companies or the Index Sponsor.

### **Secondary Trading of Deposit Notes**

The Deposit Notes are designed for investors who are prepared to hold the Deposit Notes to Maturity.

There is currently no market through which the Deposit Notes may be sold. Bank of Montreal does not intend to apply to have the Deposit Notes listed on any securities exchange or marketplace.

BMO Capital Markets may (but is not obligated to) arrange for a secondary market for the purchase and sale of the Deposit Notes. Should there be such a secondary market, it is not possible to predict, due to several factors, the price at which the Deposit Notes will trade in the secondary market or whether such market will be liquid or illiquid.

A Holder who sells Deposit Notes in the secondary market may receive less than the Deposit Amount. Sale of a Deposit Note prior to Maturity may result in a loss even if the price performance of the Index has been positive.

The Deposit Amount is repaid by Bank of Montreal only at Maturity. There is no assurance that any premium that may have been paid by a Holder having purchased Deposit Notes in the secondary market will be repaid. The price that BMO Capital Markets will pay to a Holder for a Deposit Note prior to Maturity will be determined by BMO Capital Markets, acting in its sole discretion, and will be based on, among other things:

- whether the Closing Level of the Index has increased or decreased since the Closing Date and by how much;
- the fact that the Deposit Amount is payable on the Maturity Date regardless of the Closing Level or price performance of the Index at any time and up to such time; and
- a number of other interrelated factors, including, without limitation, the correlation and volatility of the prices of the Securities, prevailing interest rates, the dividend or distribution yields of the Securities and the time remaining to the Maturity Date.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that the secondary market price for the Deposit Note (a) may have a non-linear sensitivity to the increases and decreases in the Closing Levels of the Index (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the increases and decreases in the Closing Levels of the Index); and (b) may be substantially affected by changes in interest rates independent of the price performance of the Index. Holders may wish to consult their respective BMO private bankers on whether it would be more appropriate in the circumstances at any time to sell or to hold their Deposit Notes until Maturity.

A Holder will not be able to redeem or sell Deposit Notes prior to Maturity, other than through the secondary market, if available.

### **Conflicts of Interest**

Each of Bank of Montreal, BMO Capital Markets, whether in its capacity as Selling Agent, Calculation Agent or Manager and any of their respective affiliates, may from time to time, in the course of its normal business operations, hold interests linked to the Index or the Securities and Companies or hold securities of, extend credit to or enter into other business dealings with the Companies, including under hedging arrangements relating to the Deposit Notes. In addition, BMO Capital Markets, which has undertaken to use reasonable efforts to provide a secondary market, is an affiliate of Bank of Montreal. Each of Bank of Montreal and BMO Capital Markets has agreed that all such actions taken by it shall be taken based on normal commercial criteria in the particular circumstances. Conflicts may also arise because Bank of Montreal and/or its affiliates may engage in trading activities related to the Companies and the Securities that are not for the account of Holders or on their behalf. These trading activities may present a conflict between the Holders' interest in the Deposit Notes and the interests that Bank of Montreal and/or its affiliates will have in their proprietary accounts in facilitating transactions, including block trades and options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the Index, could be adverse to the interests of the Holders. Moreover, subsidiaries of Bank of Montreal (including BMO Capital Markets) have published, and in the future expect to publish, research reports with respect to some or all of the Securities. This research is modified from time to time and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Deposit Notes. The foregoing actions by Bank of Montreal, BMO Capital Markets and their respective affiliates may not take into account the effect, if any, of such actions on the Deposit Notes or the Variable Return that may be payable on the Deposit Notes.

## **Credit Rating**

The Deposit Notes have not been rated. As of the date of this Information Statement, the deposit liabilities of Bank of Montreal with a term to Maturity of more than one year are rated “AA” by DBRS, “A+” by S&P and “Aa2” by Moody’s. There can be no assurance that, if the Deposit Notes were rated by these rating agencies, they would have the same rating as the conventional deposit liabilities of Bank of Montreal. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

## **Credit Risk**

Because the obligation to make payments to Holders is an obligation of Bank of Montreal, the likelihood that such Holders will receive the payments owing to them in connection with the Deposit Notes will be dependent upon the financial health and creditworthiness of Bank of Montreal.

## **No Deposit Insurance**

Unlike conventional bank deposits, the Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution. Therefore, a Holder will not be entitled to Canada Deposit Insurance Corporation protection.

## **Not Eligible for Protection Under the Canadian Investor Protection Fund**

As is the case with other investments made through BMO Investment Inc., an investment in the Deposit Notes will not be eligible for protection under the Canadian Investor Protection Fund.

## **Special Circumstances**

In the event of the occurrence of certain special circumstances as described under “Special Circumstances”, BMO Capital Markets may, as it determines appropriate, (i) adjust the components or variables in calculating the Variable Return, (ii) replace the Index with a comparable index, (iii) defer the timing of the calculation of the Variable Return, if any, (iv) estimate the closing level of the Index, or (v) on the occurrence of an Extraordinary Event, instead of paying any remaining Coupon Payments and the Variable Return, if any, at Maturity, determine the Variable Return Early Payment Amount to be paid in extinguishment of the obligation to pay such Coupon Payments and the Variable Return, if any. The Variable Return Early Payment Amount is an estimate of the present value on the Extraordinary Event Notification Date, of a right to receive any remaining Coupon Payments and the Variable Return, if any, that would have been payable on the remaining Coupon Payment Dates and at Maturity if the Extraordinary Event had not occurred. If the Calculation Agent makes such an election, the Variable Return Early Payment Amount will be paid on the tenth (10<sup>th</sup>) Business Day after the Extraordinary Event Notification Date and no other coupon payments or variable return will be payable to Holders. However, in no event will the Deposit Amount be paid prior to the Maturity Date. See “Special Circumstances”.

If a Market Disruption Event in respect of the Index occurs on a day on which the Closing Level of the Index is to be determined for calculating the Variable Return, the determination of the Closing Level for such Final Valuation Date may be delayed. Fluctuations in the Closing Level of the Index may occur in the interim. Where there has been a Market Disruption Event, payment of the Variable Return, if any, will be made on the fifth (5<sup>th</sup>) Business Day after the Closing Level on the Final Valuation Date has been determined. See “Special Circumstances”.

## **No Independent Calculation**

As part of its responsibilities, the Manager will be solely responsible for computing the Variable Return based on the price performance of the Index as determined by the Calculation Agent. Bank of Montreal has no obligation to retain an independent person to make or confirm the determinations and calculations made for the Deposit Notes.

## **No Ownership of the Index or the Securities**

The Deposit Notes will not entitle a Holder to any direct or indirect ownership of, entitlement to, or interest in the Index or the Securities. As such, a Holder will not be entitled to the rights and benefits of a security holder, including any right to receive dividends or distributions or to vote at or attend meetings of security holders.

Owning the Deposit Notes is different from owning the Securities. The Deposit Notes do not represent a substitute for an investment in the Securities.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McMillan LLP, counsel to Bank of Montreal, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by an Initial Holder. This summary is applicable only to an Initial Holder who, for the purposes of the Tax Act, is, or is deemed to be, a resident of Canada, deals at arm's length with and is not affiliated with Bank of Montreal, holds Deposit Notes as capital property and is an individual (other than a trust) or a corporation (other than a financial institution as defined in subsection 142.2(1) of the Tax Act).

The Deposit Notes will generally be considered to be capital property to an Initial Holder unless: (i) the Initial Holder holds such Deposit Notes in the course of carrying on (or otherwise as part of) a business of trading or dealing in or buying and selling securities; or (ii) the Initial Holder acquired such Deposit Notes as an adventure or concern in the nature of trade. Certain Initial Holders resident in Canada whose Deposit Notes might not otherwise be considered to be capital property or who desire certainty with respect to the treatment of the Deposit Notes as capital property may be entitled to make an irrevocable election to have the Deposit Notes and all of the Initial Holder's other "Canadian securities" (as defined in the Tax Act) deemed to be capital property for the taxation year and all subsequent taxation years pursuant to subsection 39(4) of the Tax Act.

**This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "Regulations") in force on the date of this Information Statement, counsel's understanding of the current administrative and assessing practices and policies of the CRA and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. No assurance can be given that any proposals to amend the Tax Act and the Regulations will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative or assessing practices and policies, whether by legislative, governmental or judicial action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Deposit Notes, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.**

**This summary is of a general nature only and is not intended to be, nor should it be relied upon or construed as, legal or tax advice to any particular Holder. Holders should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Deposit Notes, based on their particular circumstances.**

### Coupon Payments

An Initial Holder will be required to include a Coupon Payment as interest on the Deposit Notes in income for the taxation year in which the Coupon Payment is received or became receivable (depending on the method regularly followed by the Initial Holder in computing income) to the extent such amount was not otherwise included in computing the Initial Holder's income for that taxation year or a preceding taxation year.

Bank of Montreal will file an information return with the CRA in respect of any interest to be included in an Initial Holder's income as and when required by law and will provide the Initial Holder with a copy of such return.

### Variable Return

A Deposit Note is a "prescribed debt obligation" within the meaning of the Tax Act. The rules contained in the Regulations applicable to a prescribed debt obligation (the "prescribed debt obligation rules") generally require a taxpayer to include in income as accrued interest for each taxation year the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium receivable on the obligation. While the Deposit Notes will generally be considered to be prescribed debt obligations to an Initial Holder, counsel's understanding of the CRA's administrative practice relating to "prescribed debt obligations" is that there should be no deemed accrual of interest on a prescribed debt obligation until such time as the return thereon becomes determinable. As a result, based in part on such understanding of the CRA's administrative practice, and except with respect to an assignment or transfer of Deposit Notes other than to Bank of Montreal at Maturity (discussed below), there should be no deemed accrual of any Variable Return on the Deposit Notes under the prescribed debt obligation rules prior to the Final Valuation Date for an Initial Holder that holds such Deposit Notes until Maturity, provided that Bank of Montreal has not given notice of the payment of a Variable Return Early Payment Amount following an Extraordinary Event.

If an Extraordinary Event occurs and Bank of Montreal has given notice of the payment of a Variable Return Early Payment Amount, the amount of any Variable Return Early Payment Amount will generally be required to be included in the Initial Holder's income for the taxation year that includes the date such amount was determined, except to the extent

otherwise included in income for the taxation year or a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of any such amount as and when required by law and will provide the Initial Holder with a copy of such return.

### **Disposition of Deposit Notes**

Where an Initial Holder assigns or transfers a Deposit Note (other than to Bank of Montreal at Maturity), the Initial Holder will be required to include in income as accrued interest for the taxation year in which the assignment or transfer occurs the amount, if any, by which the price for which the Deposit Note was assigned or transferred exceeds the Deposit Amount. An Initial Holder may realize a capital loss on such assignment or transfer to the extent that the price for which the Deposit Note was assigned or transferred is less than the Deposit Amount.

One-half of a capital loss (an “allowable capital loss”) realized by an Initial Holder is deductible against one-half of any capital gain (a “taxable capital gain”) realized by an Initial Holder in the taxation year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted against net taxable capital gains realized in the three preceding taxation years or carried forward and deducted against net taxable capital gains realized in subsequent taxation years, subject to the detailed rules in the Tax Act.

Upon a disposition of a Deposit Note to Bank of Montreal at Maturity, an Initial Holder will be required to include in income for the taxation year in which the disposition occurs, the amount, if any, of the Variable Return, except to the extent otherwise included in income for that taxation year or a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of any such amount as and when required by law and will provide the Initial Holder with a copy of such return.

### **Refundable Tax for Canadian-Controlled Private Corporations**

An Initial Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to a refundable tax on certain investment income, including interest.

## **PLAN OF DISTRIBUTION**

Pursuant to an agreement between Bank of Montreal and the Selling Agent, the Selling Agent has agreed to offer Deposit Notes for sale as agent of Bank of Montreal on a best efforts basis, if, as and when issued by Bank of Montreal. Investors will subscribe for Deposit Notes by placing their orders with the Selling Agent or sub-agency groups including other qualified selling members. Holders should recognize that, unless they have purchased the Deposit Notes directly through a representative of BMO Capital Markets, they do not have an account with BMO Capital Markets. Funds in respect of all subscriptions shall be payable at the time of subscription. Bank of Montreal will have the sole right to accept offers to purchase Deposit Notes and may reject any proposed purchase of Deposit Notes in whole or in part. Bank of Montreal reserves the right to allot the Deposit Notes to investors in an amount less than that subscribed for by an investor and/or to close the subscription book or discontinue accepting subscriptions at any time without notice.

The Selling Agent is a wholly-owned subsidiary of Bank of Montreal. Consequently, Bank of Montreal is a related issuer of the Selling Agent under applicable securities legislation. The decision to offer the Deposit Notes and the terms of the Offering were negotiated at arm’s length between Bank of Montreal and the Selling Agent.

Each Deposit Note will be issued at 100% of its Deposit Amount. No annual fees will be charged and no expenses will be paid out of the proceeds of the Offering. While the Selling Agent has agreed to use its best efforts to sell the Deposit Notes offered hereby, the Selling Agent will not be obligated to purchase any Deposit Notes that are not sold. For greater certainty, BMO Capital Markets may purchase Deposit Notes offered hereby as principal.

The proceeds to Bank of Montreal from the issuance of the Deposit Notes will constitute deposits received by Bank of Montreal and will be used for general banking purposes.

The closing of the Offering is scheduled to occur on or about the Closing Date. Bank of Montreal may, at any time prior to the Closing Date, in its sole and absolute discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes. If for any reason the closing of the Offering does not occur, all subscription funds will be returned to subscribers without interest or deduction.

Bank of Montreal may from time to time issue any additional series of notes or any other notes or debt instruments (which may or may not resemble the Deposit Notes) and offer any such notes or debt instruments concurrently with the Offering.

Bank of Montreal reserves the right to purchase for cancellation at its discretion any amount of Deposit Notes in the secondary market, without notice to Holders.



A Global Note for the aggregate principal amount of the Offering will be issued in registered form to BMO Nesbitt Burns Inc. and will be deposited with the Custodian on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Holders under any circumstances and registration of interests in and transfer of Deposit Notes will be made through the Custodian. See “Description of the Deposit Notes – Global Note”.

The Deposit Notes have not been and will not be registered under the U.S. Securities Act. No Deposit Notes may or will be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the U.S. Securities Act). In connection with the issue and sale of the Deposit Notes by Bank of Montreal, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement and Bank of Montreal does not accept responsibility for any information not contained herein. This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Deposit Notes or the distribution of this Information Statement in the United States or to U.S. Persons (as defined in Regulation S of the U.S. Securities Act) or in any jurisdiction outside Canada where any action is required.

### **ADDITIONAL INFORMATION**

An investor may request information about the Deposit Notes or another copy of this Information Statement by contacting your BMO private banker at 1-800-844-6442, or calling BMO Capital Markets at 1-866-864-7760 to speak to someone in English and 1-866-529-0017 to speak to someone in French. A copy of this Information Statement is also posted at [www.bmonotes.com](http://www.bmonotes.com).

During the term of the Deposit Notes, Holders may inquire as to the net asset value of the Deposit Notes and the formula for determining the Variable Return under the Deposit Notes by contacting BMO Private Investment Counsel Inc. or BMO Capital Markets at the above numbers.

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