

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Quebec). Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President and Secretary, Bank of Montreal, 1 First Canadian Place, Toronto, Ontario, M5X 1A1, telephone (416) 867-6783.

The securities have not been and will not be registered under the Securities Act of 1933, as amended, of the United States of America. Accordingly, these securities may not be offered, sold or delivered by the Underwriters in the United States or to U.S. persons.

**New Issue**

**\$250,000,000**



**Bank of Montreal**

**(10,000,000 shares)**

**Non-cumulative Class B Preferred Shares Series 6**

The Non-cumulative Class B Preferred Shares Series 6 (the "Preferred Shares Series 6") of Bank of Montreal (the "Bank") will be entitled to non-cumulative preferential cash dividends, payable quarterly as and when declared by the Board of Directors. The initial dividend, payable August 25, 1998, shall be \$0.329144 per share, based on the anticipated closing date of May 15, 1998. Thereafter, quarterly dividends shall be at a rate of \$0.296875 per share. Reference is made to "Details of the Offering".

Subject to the provisions of the *Bank Act* (Canada) and the prior approval of the Superintendent of Financial Institutions Canada (the "Superintendent"), on and after November 25, 2005 the Bank may redeem the Preferred Shares Series 6, in whole or in part, at the Bank's option, by the payment in cash of a sum equal to \$25.00 per share plus, if redeemed before November 25, 2007, a premium, together with declared and unpaid dividends to the date fixed for redemption.

The Bank may also, on and after November 25, 2005, subject to the approval of The Toronto Stock Exchange and the Montreal Exchange, convert the Preferred Shares Series 6 into that number of fully-paid and freely tradeable common shares of the Bank ("Common Shares") determined by dividing the then applicable redemption price per Preferred Share Series 6, together with declared and unpaid dividends to the date fixed for conversion, by 95% of the weighted average trading price of such Common Shares at such time. Reference is made to "Details of the Offering".

On and after November 25, 2008, subject to the right of the Bank on 2 days notice prior to the conversion date to redeem for cash or to find substitute purchasers, each Preferred Share Series 6 will be convertible at the option of the holder on the 25<sup>th</sup> day of each of February, May, August and November in each year on at least 30 days' notice into that number of fully-paid and freely tradeable Common Shares of the Bank determined by dividing \$25.00, together with declared and unpaid dividends to the date of conversion, by the greater of \$2.00 and 95% of the weighted average trading price of such Common Shares at such time. Reference is made to "Details of the Offering".

In the opinion of counsel, the Preferred Shares Series 6 will be, at the date of issue, eligible for investment under certain statutes as set forth under "Eligibility for Investment".

**Price: \$25.00 per share to yield 4.75%**

The Toronto and Montreal stock exchanges have conditionally approved the listing of the Preferred Shares Series 6 subject to the fulfilment of certain requirements, including distribution of the Preferred Shares Series 6 to a minimum number of public shareholders, on or before August 4, 1998.

We, as principals, conditionally offer the Preferred Shares Series 6, subject to prior sale if, as and when issued by the Bank and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Bank by Osler, Hoskin & Harcourt and on our behalf by Fraser & Beatty.

**Nesbitt Burns Inc. is a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited which in turn is a majority-owned subsidiary of the Bank. The Bank is a related and connected issuer of Nesbitt Burns Inc. under applicable securities legislation by virtue of the Bank's ownership of The Nesbitt Burns Corporation Limited. Reference is made to "Plan of Distribution".**

	<b>Price to the Public</b>	<b>Underwriting Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Bank<sup>(2)</sup></b>
Per Share . . . . .	\$25.00	\$0.75	\$24.25
Total . . . . .	\$250,000,000	\$7,500,000	\$242,500,000

(1) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares. The total represents the underwriting fee assuming no Preferred Shares Series 6 are sold to such institutions.

(2) Before deduction of expenses of the issue payable by the Bank estimated at \$250,000.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that a definitive share certificate representing the Preferred Shares Series 6 will be available for delivery on the closing date of this offering, which is expected to be on or about May 15, 1998. A book entry only certificate representing the Preferred Shares Series 6 distributed hereunder will be issued in registered form only to the Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on closing of this offering. A purchaser of Preferred Shares Series 6 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 6 are purchased.

May 7, 1998

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### Eligibility for Investment

In the opinion of Osler, Hoskin & Harcourt, counsel for the Bank, and Fraser & Beatty, counsel for the Underwriters, the Preferred Shares Series 6 offered hereby will be at the date of issue eligible investments without resort to the so-called "basket" provisions, or their purchase will not be prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment requirements relating to investment or lending policies or goals, under or by the following statutes:

- (i) *Insurance Companies Act* (Canada)
- (ii) *Trust and Loan Companies Act* (Canada)
- (iii) *Pension Benefits Standards Act, 1985* (Canada)
- (iv) *Insurance Act* (Ontario)
- (v) *Loan and Trust Corporations Act* (Ontario)
- (vi) *Pension Benefits Act* (Ontario)
- (vii) *Trustee Act* (Ontario)
- (viii) *Supplemental Pension Plans Act* (Quebec)
- (ix) *an Act respecting insurance* (Quebec)
- (x) *an Act respecting trust companies and savings companies* (Quebec)
- (xi) *Employment Pension Plans Act* (Alberta)
- (xii) *Insurance Act* (Alberta)
- (xiii) *Financial Institutions Act* (British Columbia).
- (xiv) *The Pension Benefits Act* (Manitoba)

In the opinion of such counsel, the Preferred Shares Series 6 offered hereby will be at the date of issue qualified investments under the Income Tax Act (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

## Documents Incorporated by Reference

The following documents, filed by the Bank with the Superintendent and the various securities commissions or similar authorities in Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) Annual Information Form dated January 5, 1998;
- (b) Audited consolidated financial statements for the fiscal year ended October 31, 1997 with comparatives for the fiscal year ended October 31, 1996 together with the auditors' report thereon and management's analysis of operations as contained in pages 20 to 88 of the Bank's Annual Report for the year ended October 31, 1997;
- (c) Proxy Circular dated as of December 12, 1997 in connection with the Bank's annual meeting of shareholders held on February 24, 1998, excluding the sections entitled "Corporate Governance", "Report on Executive Compensation by the Human Resources and Management Compensation Committee" and the "Performance Graph";
- (d) Material Change Report dated February 2, 1998 in connection with the Bank's announcement of a definitive agreement, subject to regulatory and shareholder approval, to merge by way of statutory amalgamation with Royal Bank of Canada; and
- (e) First Quarter Report for the quarter ended January 31, 1998 which includes comparative consolidated interim financial statements (unaudited) for the quarter ended January 31, 1997.

Any documents of the type referred to in the preceding paragraph and any material change report (excluding any confidential material change reports) filed by the Bank with a securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of this offering, shall be deemed to be incorporated by reference herein.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## Bank of Montreal

Bank of Montreal, a chartered bank subject to the provisions of the Bank Act, was founded in 1817 and is Canada's oldest chartered bank. The head office is at 129 rue Saint-Jacques, Montreal, Quebec, H2Y 1L6, and the executive offices are located at 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

The Bank offers, domestically and internationally, a broad range of credit and non-credit products and services to individuals, industry, financial institutions and governments directly and through special-purpose domestic and foreign subsidiaries. The Bank had total assets as at January 31, 1998 of approximately \$219 billion.

## Share and Subordinated Debt Capital

The following material change in the share capital and subordinated debt of the Bank occurred after the fiscal year ended October 31, 1997:

- (i) on January 21, 1998, the Bank issued \$150,000,000 5.75% Series A Medium Term Notes (Second Tranche) Due 2013 (the "Series A Notes (Second Tranche)");
- (ii) on February 26, 1998, the Bank issued \$200,000,000 Non-Cumulative Class B Preferred Shares Series 4 (the "Preferred Shares Series 4");
- (iii) on February 26, 1998, the Bank issued \$200,000,000 Non-Cumulative Class B Preferred Shares Series 5 (the "Preferred Shares Series 5"); and

- (iv) on April 8, 1998, the Bank issued US\$350,000,000 Series B-1 Floating Rate Subordinated Notes Due 2008 (the "Series B-1 Notes").

### **Details of the Offering**

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Class B preferred shares of the Bank as a class (the "Class B Preferred Shares") and the Preferred Shares Series 6 as a series.

#### **Certain Provisions of the Class B Preferred Shares as a Class**

##### ***Priority***

The Class B Preferred Shares of each series will rank on a parity with Class B Preferred Shares of every other series and with every series of Class A Preferred Shares and are entitled to preference over the Common Shares and over any other shares of the Bank ranking junior to the Class A Preferred and the Class B Preferred Shares with respect to the payment of dividends and upon any distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

##### ***Restrictions***

The Bank may not, without the approval of the holders of both the Class A Preferred Shares and the Class B Preferred Shares, create or issue any class of shares ranking prior to the Class A Preferred Shares or the Class B Preferred Shares as to the payment of dividends or the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

##### ***Shareholder Approvals***

Any approval to be given by the holders of the Class B Preferred Shares may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Class B Preferred Shares at which a majority of the outstanding Class B Preferred Shares is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

#### **Certain Provisions of the Preferred Shares Series 6 as a Series**

##### ***Issue Price***

The Preferred Shares Series 6 will have an issue price of \$25.00 each.

##### ***Dividends***

The holders of the Preferred Shares Series 6 will be entitled to receive a quarterly non-cumulative preferential cash dividend, as and when declared by the Board of Directors, on the 25<sup>th</sup> day of each of February, May, August and November in each year, at a quarterly rate equal to \$0.296875 per share. The first of such dividends, if declared, shall be payable on August 25, 1998 and shall be \$0.329144 per share, based on the anticipated closing date of May 15, 1998.

If the Board of Directors of the Bank does not declare the dividends, or any part thereof, on the Preferred Shares Series 6 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 6 to receive such dividends, or to any part thereof, for such quarter shall be forever extinguished.

##### ***Redemption***

The Preferred Shares Series 6 will not be redeemable prior to November 25, 2005. On and after November 25, 2005, but subject to the provisions of the Bank Act and to the prior approval of the Superintendent and to the provisions described below under "Restrictions on Dividends and Retirement of Shares", the Bank may redeem at any time all or from time to time any part of the outstanding Preferred Shares Series 6, at the Bank's option, by the payment of an amount in cash for each such share so redeemed of \$25.50, if

redeemed during the 12 months commencing November 25, 2005, \$25.25 if redeemed during the 12 months commencing November 25, 2006, and \$25.00 commencing November 25, 2007 and thereafter together with, in each case, declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 6 are at any time to be redeemed, the shares to be redeemed will be selected by lot or in such other manner as the Bank may determine.

#### ***Conversion into Common Shares by the Bank***

The Preferred Shares Series 6 will not be convertible at the option of the Bank prior to November 25, 2005. On or after November 25, 2005, the Bank may, subject to the approval of The Toronto Stock Exchange and the Montreal Exchange, at any time convert all or from time to time any part of the outstanding Preferred Shares Series 6 into that number of fully-paid and freely tradeable Common Shares of the Bank determined by dividing the then applicable redemption price per Preferred Share Series 6, together with declared and unpaid dividends to the date fixed for conversion, by 95% of the weighted average trading price of such Common Shares on The Toronto Stock Exchange for the 20 trading days ending on the last trading day ending on or immediately prior to the fourth day prior to the date fixed for conversion. Fractional Common Shares will not be issued on any conversion of Preferred Shares Series 6 but in lieu thereof the Bank will make cash payments.

Notice of any conversion will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for conversion. If less than all the outstanding Preferred Shares Series 6 are at any time to be converted, the shares to be converted will be selected by lot or in such other manner as the Bank may determine. Reference is also made to “Restrains on Bank Shares Under the Bank Act”.

#### ***Conversion into Common Shares at Option of Holder***

On and after November 25, 2008, each Preferred Share Series 6 will be convertible at the option of the holder on the 25<sup>th</sup> day of each of February, May, August and November in each year on at least 30 days notice before the date fixed for conversion into that number of fully-paid and freely tradeable Common Shares of the Bank determined by dividing \$25.00, together with declared and unpaid dividends to the date of conversion, by the greater of \$2.00 and 95% of the weighted average trading price of such Common Shares on The Toronto Stock Exchange for the 20 trading days ending on the last trading day ending on or immediately prior to the fourth day prior to the date of conversion. Fractional shares will not be issued on any conversion but in lieu thereof the Bank will make cash payments. Reference is also made to “Restrains on Bank Shares Under the Bank Act”.

The Bank, subject to the provisions of the Bank Act and to the prior approval of the Superintendent and to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, as applicable, may by notice given not later than 2 business days before the date fixed for conversion to all holders who have given a conversion notice either (i) redeem on the business day after the date fixed for conversion all but not less than all of the Preferred Shares Series 6 forming the subject matter of the applicable conversion notice; or (ii) cause the holder of such Preferred Shares Series 6 to sell on the business day after the date fixed for conversion of such Preferred Shares Series 6 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all but not less than all of such Preferred Shares Series 6 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of \$25.00 per share, together with declared and unpaid dividends to the date fixed for redemption or purchase. The Preferred Shares Series 6 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

#### ***Conversion into Another Series of Class B Preferred Shares at Option of the Holder***

If the Bank, by resolution adopted by the Directors of the Bank, should decide that at any time on or after November 25, 2007, it would be expedient to do so, it may, subject to the prior approval of the Superintendent, constitute a further series of Class B Preferred Shares (“New Class B Preferred Shares”) having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Class B Preferred Shares as Tier 1 capital of the Bank under the then current capital adequacy guidelines prescribed for Canadian chartered banks by the Superintendent and, by prior notice of at least 30 days and not more than 60 days, advise

the holders of the Preferred Shares Series 6 that they have the right pursuant to the terms of the Preferred Shares Series 6, at their option, to convert their Preferred Shares Series 6 on the date so specified by the Bank in such notice into fully-paid and non-assessable New Class B Preferred Shares on a share for share basis. The Preferred Shares Series 6 will only be convertible into New Class B Preferred Shares if, and the Bank will ensure that, such New Class B Preferred Shares are listed on a prescribed stock exchange in Canada. Reference is made to “Restrictions on Bank Shares under the Bank Act”.

#### ***Purchase for Cancellation***

Subject to the provisions of the Bank Act and to the prior approval of the Superintendent and to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Preferred Share Series 6 at the lowest price or prices at which in the opinion of the Board of Directors of the Bank such shares are obtainable.

#### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 6 shall be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount shall be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 6. The holders of the Preferred Shares Series 6 shall not be entitled to share in any further distribution of the assets of the Bank.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Preferred Shares Series 6 are outstanding, the Bank will not, without the approval of the holders of the Preferred Shares Series 6 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Preferred Shares Series 6 (other than stock dividends in shares ranking junior to the Preferred Shares Series 6); or
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 6 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 6); or
- (c) redeem, purchase or otherwise retire less than all the Preferred Shares Series 6; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 6;

unless all dividends on the Preferred Shares Series 6, in respect of which the rights of holders thereof have not been extinguished, have been declared, and all dividends then accrued on all shares ranking on a parity with the Preferred Shares Series 6 have been declared and paid or set apart for payment.

#### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of Class A Preferred Shares or Class B Preferred Shares ranking on a parity with the Preferred Shares Series 6 without the authorization of the holders of the Preferred Shares Series 6.

#### ***Amendments to Preferred Shares Series 6***

The Bank will not, without the approval of the holders of the Preferred Shares Series 6 given as specified below, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 6. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent make any such deletion or variation which might affect the classification afforded the Preferred Shares Series 6 from time to time for capital adequacy requirements pursuant to the Bank Act and the Regulations and Guidelines thereunder.

### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 6 may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Preferred Shares Series 6 at which a majority of the outstanding Preferred Shares Series 6 is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum would apply.

### ***Voting Rights***

The holders of the Preferred Shares Series 6 will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished as described under “Dividends” above. In that event, the holders of the Preferred Shares Series 6 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors are to be elected and will be entitled to one vote for each share held. The voting rights of the holders of the Preferred Shares Series 6 shall forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 6 to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Preferred Shares Series 6 have again become extinguished, such voting rights shall become effective again and so on from time to time.

### **Depository Services**

Except as otherwise provided below, the Preferred Shares Series 6 will be issued in “book entry only” form and must be purchased or transferred through participants (“Participants”) in the depository service of The Canadian Depository for Securities Limited or a successor (collectively “CDS”) or its nominee, which include securities brokers and dealers, banks and trust companies. On the date of closing, the Bank will cause a global certificate representing the Preferred Shares Series 6 to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Preferred Shares Series 6 will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book entry account of a Participant acting on behalf of such purchaser. Each purchaser of Preferred Shares Series 6 will receive a customer confirmation of purchase from the registered dealer from which the Preferred Shares Series 6 are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book entry accounts for its Participants having interests in the Preferred Shares Series 6.

If (i) the Bank determines that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Preferred Share Series 6 and the Bank is unable to locate a qualified successor, or (ii) the Bank at its option elects, or is required by law, to terminate the book entry system, then certificates representing the Preferred Shares Series 6 will be issued to purchasers thereof or their nominees.

### ***Manner of Effecting Transfer, Redemption or Conversion***

A transfer, redemption or conversion of Preferred Shares Series 6 will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of Preferred Shares Series 6 who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Preferred Shares Series 6, may do so only through Participants.

The ability of a purchaser to pledge Preferred Shares Series 6 or otherwise take action with respect to such purchaser’s interest in Preferred Shares Series 6 (other than through a Participant) may be limited due to the lack of a physical certificate.

### ***Payment of Dividends and Other Amounts***

Payments of dividends and other amounts in respect of the Preferred Shares Series 6 will be made by the Bank to CDS or its nominee, as the case may be, as registered holder of the Preferred Shares Series 6. As long as CDS or its nominee is the registered owner of the Preferred Shares Series 6, CDS or its nominee, as the case may be, will be considered the sole owner of the Preferred Shares Series 6 for the purposes of receiving payment on the Preferred Shares Series 6.

The Bank expects that CDS or its nominee, upon receipt of any payment in respect of the Preferred Share Series 6, will credit on the date an amount is payable the Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Preferred Shares Series 6 as shown on the records of CDS or its nominee. The Bank also expects that payments by the Participants to the owners of beneficial interests in such Preferred Shares Series 6 held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The responsibility and liability of the Bank in respect of the Preferred Shares Series 6 issued in book entry form is limited to making payment of any amount due on such Preferred Shares Series 6 to CDS or its nominee.

### **Bank Act Restrictions**

Under the Bank Act, the Bank, with the prior approval of the Superintendent, may redeem or purchase any of its shares, including the Preferred Shares Series 6, unless there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the Bank Act regarding its capital or its liquidity. No such direction to the Bank has been made to date.

The Bank is also prohibited under the Bank Act from paying or declaring a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the Bank Act regarding its capital or its liquidity. As at the date hereof, this limitation would not restrict a payment of quarterly dividends on the Preferred Shares Series 6. Further, no such direction to the Bank has been made to date.

### **Restraints on Bank Shares Under the Bank Act**

The Bank Act contains restrictions on the allotment, transfer, acquisition, holding and voting of all shares of a chartered bank. By way of summary, no person, or persons acting jointly or in concert, shall have a significant interest in any class of shares of a Schedule I bank, including the Bank. For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of:

- (a) any shares of that class beneficially owned by the person; and
- (b) any shares of that class beneficially owned by entities controlled by the person

exceeds 10% of all of the outstanding shares of that class of shares of the Bank.

Purchasers of the Preferred Shares Series 6 may be required to furnish declarations relative to the foregoing in a form prescribed by the Bank.

### **Common Shares**

The authorized common share capital of the Bank consists of an unlimited number of Common Shares without nominal or par value, of which 261,647,309 Common Shares were outstanding as at January 31, 1998.

The holders of Common Shares are entitled to receive dividends as and when declared by the Directors of the Bank, subject to the preference of holders of Class A Preferred Shares and Class B Preferred Shares. Subject to the restrictions set out in "Restraints on Bank Shares Under the Bank Act", a holder of Common Shares is



entitled to one vote for each share at all meetings of shareholders except meetings at which only holders of a specified class or series are entitled to vote. In the event of the liquidation, dissolution, or winding-up of the Bank, after payment of all outstanding debts and subject to the preference of the holders of Class A Preferred Shares and Class B Preferred Shares, the remaining assets of the Bank would be distributed pro rata to the holders of the Common Shares.

### Common Share Price Range and Volume

The Bank's outstanding Common Shares are listed on the Toronto, Montreal, Alberta, Winnipeg, Vancouver, New York and London stock exchanges. The following table sets forth the market price range and trading volume of the Common Shares on The Toronto Stock Exchange for the fiscal periods of the Bank indicated.

		High	Low	Volume
		Price Range		
Fiscal 1994	First Quarter . . . . .	30.375	25.000	48,214,700
	Second Quarter . . . . .	30.625	25.125	43,006,400
	Third Quarter . . . . .	26.125	22.125	37,446,680
	Fourth Quarter . . . . .	25.500	23.625	45,614,900
Fiscal 1995	First Quarter . . . . .	26.750	24.375	40,511,600
	Second Quarter . . . . .	28.000	25.875	39,831,600
	Third Quarter . . . . .	30.000	27.625	36,352,880
	Fourth Quarter . . . . .	30.750	28.125	53,041,520
Fiscal 1996	First Quarter . . . . .	33.375	29.500	38,442,500
	Second Quarter . . . . .	33.500	30.500	37,812,600
	Third Quarter . . . . .	34.050	32.000	43,151,500
	Fourth Quarter . . . . .	41.150	32.900	54,908,000
Fiscal 1997	First Quarter . . . . .	46.600	34.800	58,925,900
	Second Quarter . . . . .	55.400	45.650	63,904,200
	Third Quarter . . . . .	57.700	51.500	56,574,200
	Fourth Quarter . . . . .	61.250	57.500	45,446,400
Fiscal 1998	November . . . . .	66.700	61.000	16,469,300
	December . . . . .	67.100	60.250	13,281,000
	January . . . . .	70.200	57.250	35,547,900
	February . . . . .	77.300	68.400	18,236,200
	March . . . . .	80.450	75.450	14,476,000
	April . . . . .	86.100	74.950	19,526,600
	May 1 to May 6 . . . . .	78.050	76.800	1,738,800

On May 6, 1998, the closing price of the Common Shares on The Toronto Stock Exchange was \$76.800 per share.

### Shareholder Dividend Reinvestment and Share Purchase Plan

Holders of Preferred Shares Series 6 will be entitled to participate in the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan (the "Plan"). This Plan, subject to restrictions contained in the Bank Act, provides a means for holders of record of Common Shares or of any eligible series of Class A Preferred Shares or Class B Preferred Shares of the Bank to invest cash dividends and optional cash payments in Common Shares of the Bank. Such shares will be purchased either, at the Bank's option, on the open market or directly from the Bank by an agent who will act on behalf of participants under the Plan.

A participant may purchase Common Shares of the Bank quarterly with cash dividends paid on the Common Shares or on any eligible series of Class A Preferred Shares or Class B Preferred Shares of the Bank which are registered in the name of the participant. A participant may also purchase Common Shares monthly with optional cash payments up to an aggregate sum of \$40,000 per annum. The price of Common Shares will be the Average Market Price (as defined in the Plan). No commissions or service charges will be payable by participants in connection with any purchase of Common Shares made under the Plan.

## Canadian Federal Income Tax Considerations

In the opinion of Osler, Hoskin & Harcourt and Fraser & Beatty, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Preferred Shares Series 6 pursuant to this prospectus who, within the meaning of the *Income Tax Act* (Canada) (the “Act”), is resident in Canada, deals at arm’s length with the Bank and holds the Preferred Shares Series 6 as capital property. The Preferred Shares Series 6 acquired by certain “financial institutions” (as defined in the Act) will generally not be held as capital property by such holders and will be subject to special “mark-to-market” rules. Such financial institutions should consult their own tax advisors as to the consequences under the mark-to-market rules of holding Preferred Shares Series 6. This summary does not address the consequences to a purchaser of participating in the Bank’s Shareholder Dividend Reinvestment and Share Purchase Plan.

**The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Act, the regulations thereunder, all specific proposals to amend the Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and the administrative practices published by Revenue Canada. This summary does not otherwise take into account any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

### Dividends

Dividends (including deemed dividends) received on the Preferred Shares Series 6 by an individual (other than certain trusts) will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

The Preferred Shares Series 6 will be “taxable preferred shares” as defined in the Act. The terms of the Preferred Shares Series 6 require the Bank to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 6.

Dividends (including deemed dividends) on the Preferred Shares Series 6 received by a corporation other than a “specified financial institution” as defined in the Act will be included in computing income and will generally be deductible in computing the taxable income of the corporation. Where the holder is a specified financial institution, such dividends will be deductible provided that the Preferred Shares Series 6 are not “term preferred shares” as defined in the Act or, if term preferred shares, such shares were not acquired by the specified financial institution in the ordinary course of the business carried on by it. Preferred Shares Series 6 will not be term preferred shares to a specified financial institution where such shares are listed on a prescribed stock exchange in Canada and the specified financial institution, alone or together with persons with whom it does not deal at arm’s length within the meaning of the Act, does not receive (and is not deemed to receive) dividends in respect of more than 10% of the issued and outstanding Preferred Shares Series 6. Specified financial institutions to whom the above does not apply should consult their own tax advisors.

A “private corporation”, as defined in the Act, or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Preferred Shares Series 6 to the extent such dividends are deductible in computing its taxable income.

### Dispositions

A holder who disposes of or is deemed to dispose of the Preferred Shares Series 6 (either on redemption of the shares for cash or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been

received on such shares. Analogous rules apply where a partnership or trust of which a corporation is a member or beneficiary owns Preferred Shares Series 6 or where a trust or partnership is a member of a partnership or a beneficiary of a trust that owns Preferred Shares Series 6.

Generally, three-quarters of any such capital gain will be included in computing the holder's income as a taxable capital gain and three-quarters of any such loss may be deducted from the holder's net taxable capital gains in accordance with the rules contained in the Act. Capital gains realized by an individual may give rise to a liability for minimum tax.

Certain corporations may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on their "aggregate investment income" (which is defined in the Act to include an amount in respect of taxable capital gains, but not dividends or deemed dividends deductible in computing taxable income).

### **Redemption and Conversion**

If the Bank redeems for cash or otherwise acquires the Preferred Shares Series 6 other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

The conversion of the Preferred Shares Series 6 for Common Shares or New Class B Preferred Shares pursuant to the exercise of the conversion privilege by a holder or at the option of the Bank will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of Common Shares or New Class B Preferred Shares received on the conversion will be deemed to be equal to the holder's adjusted cost base of the Preferred Shares Series 6 immediately before the conversion. In computing the adjusted cost base to a holder of Common Shares so acquired, the cost of such Common Shares will be averaged with the adjusted cost base to the holder of any other Common Shares held by the holder as capital property immediately prior to such acquisition. A holder of the Preferred Shares Series 6 who receives cash not exceeding \$200, in lieu of a fractional Common Share, will have the option of recognizing the capital gain or capital loss arising on the disposition of the fractional Preferred Share Series 6 in computing the holder's income for the taxation year in which the conversion occurs, or alternatively, of reducing the adjusted cost base of the Common Shares received at the time of the conversion by the amount of cash received by the holder.

The value of Common Shares received on a conversion in respect of declared and unpaid dividends will be included in a holder's income as a dividend and will be the cost to the holder of such Common Shares. See "Dividends" above. In computing the adjusted cost base to a holder of Common Shares so acquired, the cost of such Common Shares will be averaged with the adjusted cost base to the holder of Common Shares acquired after 1971 and held by the holder as capital property immediately prior to such acquisition.

### **Ratings**

The Preferred Shares Series 6 have been rated Pfd-1 (low) by Dominion Bond Rating Service Limited ("DBRS"). Pfd-1 is the highest of five categories of ratings granted by DBRS for preferred shares generally. In certain cases, preferred shares may have a "low" characterization to reflect relative strength within a rating category. DBRS does not grant a rating higher than Pfd-1 (low) for non-cumulative preferred shares.

The Preferred Shares Series 6 have been rated P-2 by CBRS Inc. ("CBRS"). P-2 is the second highest of five rating categories granted by CBRS for preferred shares generally and the highest category for non-cumulative preferred shares.

Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold the Preferred Shares Series 6. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

## Dividend and Asset Coverage

Assuming annual dividend rates of \$2.25, \$19,062.50, \$2.25, U.S. \$1.6876, \$1.3875, \$1.20, \$1.325 and \$1.1875 per share on the Class A Preferred Shares Series 4 and 5 and the Class B Preferred Shares Series 1, 2, 3, 4, 5 and 6, respectively, (collectively, the “Preferred Shares”) the aggregate annual dividend requirements of the Preferred Shares would amount to approximately \$124.0 million as at October 31, 1997 and \$124.8 million as at January 31, 1998. The Bank’s net income for the 12 months ended October 31, 1997 and January 31, 1998 was \$1,305 million and \$1,344 million, respectively. These amounts are approximately 10.5 times and 10.8 times such annual dividend requirements, respectively.

The annual dividend requirements of the Preferred Shares would amount to \$213.8 million as at October 31, 1997 and \$215.2 million as at January 31, 1998, in each case grossed up to a pre-tax equivalent basis assuming an effective tax rate of 42%. The net income of the Bank before income taxes and minority interests and before deduction of subordinated debt interest and amortization of discounts and underwriting fee expenses in respect of the Bank’s outstanding subordinated debt for the 12 months ended October 31, 1997 and January 31, 1998 amounted to \$2,463 million and \$2,516 million, respectively. These amounts are approximately 4.5 times and 4.5 times the aggregate subordinated debt interest (after giving effect to the issue of the Series A Notes (Second Tranche) and the Series B-1 Notes) and amortization of discounts and underwriting fee expenses and grossed up dividend requirements of \$547.6 million and \$554.6 million, respectively.

After giving effect to this offering and the issue of the Series A Notes (Second Tranche), the Series B-1 Notes, the Preferred Shares Series 4 and the Preferred Shares Series 5 referred to under “Share and Subordinated Debt Capital”, the adjusted net tangible assets of the Bank as at October 31, 1997 and January 31, 1998 available to cover the outstanding Preferred Shares would have been as follows:

	<b>October 31, 1997</b>	<b>January 31, 1998</b>
	(unaudited)	
	(in millions of dollars)	
Total assets . . . . .	207,838	218,535
Deduct: Deposit liabilities . . . . .	144,212	151,857
Other liabilities . . . . .	50,892	53,436
Goodwill and other valuation intangibles . . . . .	837	835
Deferred income taxes . . . . .	277	288
Net tangible assets . . . . .	11,620	12,119
Add: Net proceeds of this offering . . . . .	243	243
Add: Net proceeds of the issue of the Series A Notes (Second Tranche) . . . . .	149	—
Add: Net proceeds of the issue of the Preferred Shares Series 4 . . . . .	194	194
Add: Net proceeds of the issue of the Preferred Shares Series 5 . . . . .	194	194
Add: Net proceeds of the issue of the Series B-1 Notes . . . . .	490	507
Adjusted net tangible assets available for subordinated indebtedness and outstanding Preferred Shares . . . . .	12,890	13,257
Deduct: Subordinated debt (including the Series A Notes (Second Tranche) and the Series B-1 Notes) . . . . .	(4,474)	(4,526)
Adjusted net tangible assets available for outstanding Preferred Shares . . . . .	\$ 8,416	\$ 8,731

The adjusted net tangible assets available for outstanding Preferred Shares as at October 31, 1997 and as at January 31, 1998 amounted to 4.4 times and 4.5 times, respectively, the aggregate issue price of the outstanding Preferred Shares of 1,924 million and 1,936 million.

The adjusted net tangible assets available for subordinated indebtedness and outstanding Preferred Shares as at October 31, 1997 and as at January 31, 1998 amounted to 2.0 times and 2.1 times, respectively, the aggregate of the adjusted principal amount of such subordinated indebtedness and the aggregate issue price of the outstanding Preferred Shares.

## **Plan of Distribution**

Under an agreement dated April 30, 1998 (the "Underwriting Agreement") between the Bank and the underwriters whose names appear under the heading "Certificate of the Underwriters" (the "Underwriters"), the Bank has agreed to sell and the Underwriters have agreed to purchase on May 15, 1998, or on such later date as may be agreed upon, but in any event not later than May 23, 1998, all but not less than all of the 10,000,000 Preferred Shares Series 6 at a price of \$25.00 per share payable in cash to the Bank against delivery of the Preferred Shares Series 6. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to \$0.25 with respect to Preferred Shares Series 6 sold to certain institutions and \$0.75 with respect to all other Preferred Shares Series 6.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all such principal amount of Preferred Shares Series 6 if any Preferred Shares Series 6 are purchased under the Underwriting Agreement. The Underwriters have agreed not to offer, sell or deliver the Preferred Shares Series 6 in the United States or to U.S. persons.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase the Preferred Shares Series 6. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange and the Montreal Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this offering, the Underwriters may over-allot the Preferred Shares Series 6 offered by this short form prospectus or effect transactions which stabilize or maintain the market price of such Preferred Shares Series 6 at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Nesbitt Burns Inc., the lead Underwriter, is a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited. Bank of Montreal Securities Canada Limited ("BMSCL") holds 100% of the voting shares of The Nesbitt Burns Corporation Limited and the Bank in turn holds 100% of BMSCL's voting shares. The terms of this offering were negotiated at arm's length between the Bank and the Underwriters. None of Nesbitt Burns Inc., The Nesbitt Burns Corporation Limited or BMSCL will receive any benefit in connection with this offering other than a portion of the Underwriters' fee payable by the Bank.

## **Use of Proceeds**

The net proceeds to the Bank from the sale of the \$250,000,000 aggregate amount of Preferred Shares Series 6, after deducting estimated total expenses of the issue and the Underwriters' fee, will amount to approximately \$242,250,000. Such proceeds will enlarge the Bank's Tier 1 capital base.

After giving effect to this offering and the issue of the Preferred Shares Series 4 and the Preferred Shares Series 5, the Bank's Tier 1 capital base as at October 31, 1997 and as at January 31, 1998 would amount to \$9,112 million and \$9,435 million, respectively.

## **Legal Matters**

Legal matters in connection with the issue and sale of the Preferred Shares Series 6 will be passed upon, on behalf of the Bank, by Osler, Hoskin & Harcourt and, on behalf of the Underwriters, by Fraser & Beatty. As at April 30, 1998, partners and associates of Osler, Hoskin & Harcourt and Fraser & Beatty, collectively, beneficially owned, directly or indirectly, less than 1% of any class of outstanding securities of the Bank.

## **Transfer Agent and Registrar**

The Trust Company of Bank of Montreal, at its offices in the cities of Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver will be the transfer agent and registrar for the Preferred Shares Series 6.

### **Purchaser's Statutory Rights**

Securities legislation in certain of the provinces of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

## **Certificate of Bank of Montreal**

Dated: May 7, 1998

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the Bank Act (Canada) and the regulations thereunder and the securities laws of all provinces and territories of Canada. For the purposes of the Securities Act (Quebec), this short form prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) M.W. BARRETT  
Chairman and  
Chief Executive Officer

(Signed) R.B. WELLS  
Executive Vice-President and  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) RALPH M. BARFORD  
Director

(Signed) E. COURTNEY PRATT  
Director

## Certificate of the Underwriters

Dated: May 7, 1998

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the Bank Act (Canada) and the regulations thereunder and the securities laws of all provinces and territories of Canada. For the purposes of the Securities Act (Quebec), to our knowledge, this short form prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) THOMAS E. FLYNN

By: (Signed) JOHN M. GARROW

CIBC WOOD GUNDY SECURITIES INC.

SCOTIAMCLEOD INC.

By: (Signed) PETER M. IRWIN

By: (Signed) JOHN L. SHERRINGTON

LÉVESQUE BEAUBIEN GEOFFRION INC.

MIDLAND WALWYN CAPITAL INC.

By: (Signed) IAN D. MCPHERSON

By: (Signed) DONALD A. FOX

TD SECURITIES INC.

FIRST MARATHON SECURITIES LIMITED

By: (Signed) J. DAVID BEATTIE

By: (Signed) VINCENZA SERA

TRILON SECURITIES CORPORATION

By: (Signed) TREVOR D. KERR

The following includes the name of every person having an interest, directly or indirectly, to the extent of not less than 5 percent in the capital of:

NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of the Bank;

RBC DOMINION SECURITIES INC.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of The CIBC Wood Gundy Corporation, a wholly-owned subsidiary of a Canadian chartered bank;

SCOTIAMCLEOD INC.: a wholly-owned subsidiary of a Canadian chartered bank;

LÉVESQUE BEAUBIEN GEOFFRION INC.: wholly-owned by Lévesque Beaubien and Company Inc., a majority-owned subsidiary of a Canadian chartered bank;

MIDLAND WALWYN CAPITAL INC.: wholly-owned by Midland Walwyn Inc.;

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

FIRST MARATHON SECURITIES LIMITED: a wholly-owned subsidiary of First Marathon Inc.; and

TRILON SECURITIES CORPORATION: a wholly-owned subsidiary of Trilon Financial Corporation.



