

## Base Shelf Prospectus

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form base shelf prospectus is a base shelf prospectus and has been filed under legislation in each of the provinces and territories of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form base shelf 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 regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, except as stated under "Plan of Distribution", may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act).

Information has been incorporated by reference in this short form base shelf prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary, Bank of Montreal, 100 King St. W., 1 First Canadian Place, 21<sup>st</sup> Floor, Toronto, Ontario, M5X 1A1, telephone: (416) 867-6783, and are also available electronically at [www.sedar.com](http://www.sedar.com).

### SHORT FORM BASE SHELF PROSPECTUS

January 11, 2010



**\$8,000,000,000**

**Debt Securities (subordinated indebtedness)**

**Common Shares**

**Class A Preferred Shares**

**Class B Preferred Shares**

Bank of Montreal (the "Bank") may from time to time offer and issue the following securities: (i) unsecured debt securities (the "Debt Securities"); (ii) common shares (the "Common Shares"); and (iii) Class A Preferred Shares and Class B Preferred Shares (collectively, the "Preferred Shares"). The Debt Securities, Common Shares and Preferred Shares (collectively, the "Securities") offered hereby may be offered separately or together, in amounts, at prices and on terms to be set forth in an accompanying shelf prospectus supplement and any applicable pricing supplement (collectively, a "Prospectus Supplement"). All shelf information permitted under applicable securities legislation to be omitted from this short form base shelf prospectus (the "Prospectus") will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. The Bank may sell up to \$8,000,000,000 in aggregate initial offering price of Securities (or the Canadian dollar equivalent thereof if any of the Securities are denominated in a foreign currency or currency unit) during the 25 month period that this Prospectus, including any amendments thereto, remains valid. All currency amounts in this Prospectus are stated in Canadian dollars, unless otherwise indicated.

The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, maturity, interest provisions, authorized denominations, offering price, any terms for redemption at the option of the Bank or the holder, any exchange or conversion terms and any other specific terms; (ii) in the case of Common Shares, the number of shares and offering price; and (iii) in the case of Preferred Shares, the designation of the particular class, series, aggregate principal amount, the number of shares offered, the issue price, the dividend rate, the dividend payment dates, any terms for redemption at the option of the Bank or the holder, any exchange or conversion terms and any other specific terms. This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or a bankers' acceptance rate, or to recognized market benchmark interest rates such as LIBOR.

The outstanding Common Shares are currently listed on the Toronto and New York stock exchanges and the outstanding Preferred Shares are listed on the Toronto Stock Exchange.

The Securities may be sold through underwriters or dealers, by the Bank directly pursuant to applicable statutory exemptions or through agents designated by the Bank from time to time. See "Plan of Distribution". The underwriters may decrease the price at which the Securities are distributed for cash from the initial offering price disclosed in a Prospectus Supplement unless otherwise specified in a Prospectus Supplement. See "Plan of Distribution" for additional disclosure concerning a possible price decrease. The Prospectus Supplement will identify each underwriter, dealer or agent engaged in connection with the offering and sale of those Securities, and will also set forth the terms of the offering of such Securities including the net proceeds to the Bank and, to the extent applicable, any fees payable to the underwriters, dealers or agents. The offerings are subject to approval of certain legal matters on behalf of the Bank by Osler, Hoskin & Harcourt LLP.

**The Debt Securities will be direct unsecured obligations of the Bank constituting subordinated indebtedness for the purposes of the Bank Act (Canada) and will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act.**

The head office of the Bank is at 129 rue Saint-Jacques, Montreal, Québec, H2Y 1L6, and the executive offices are located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

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### DOCUMENTS INCORPORATED BY REFERENCE

The following documents that have been filed by the Bank with the various securities commissions or similar authorities in each of the provinces and territories of Canada and with the Superintendent of Financial Institutions (the “Superintendent”), are specifically incorporated by reference in, and form an integral part of, this Prospectus:

- (a) Annual Information Form dated December 14, 2009;
- (b) audited consolidated financial statements as at and for the year ended October 31, 2009 with comparative consolidated financial statements as at and for the year ended October 31, 2008, together with the auditors’ report thereon and the auditors’ report on internal control over financial reporting under Standards of the Public Company Accounting Oversight Board (United States) and Management’s Discussion and Analysis as contained in the Bank’s Annual Report as of October 31, 2009; and
- (c) Management Proxy Circular dated January 13, 2009 in connection with the annual meeting of shareholders of the Bank held on March 3, 2009.

Any documents of the type referred to in the preceding paragraph and any unaudited interim consolidated financial statements, information circulars, material change reports (excluding confidential material change reports), business acquisition reports and other disclosure document filed by the Bank with a securities regulatory authority in Canada, after the date of this Prospectus and prior to the termination of the offering under any Prospectus Supplement, shall be deemed to be incorporated by reference herein.

**Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this 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. The modifying or superseding statement**

**need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

A Prospectus Supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of the Prospectus Supplement solely for the purposes of the offering of the Securities covered by such Prospectus Supplement unless otherwise expressly provided therein.

Upon a new Annual Information Form and the related audited annual consolidated financial statements together with the auditors' report thereon and the auditors' report on internal control over financial reporting under Standards of the Public Company Accounting Oversight Board (United States) and Management's Discussion and Analysis being filed by the Bank with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous Annual Information Form, the previous audited annual consolidated financial statements and Management's Discussion and Analysis and all unaudited interim consolidated financial statements, material change reports, information circulars, business acquisition reports and other disclosure documents filed prior to the commencement of the Bank's financial year in which the new Annual Information Form is filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.

Where the Bank updates its disclosure of earnings coverage ratios by Prospectus Supplement, the Prospectus Supplement filed with the applicable securities regulatory authorities that contains the most recent updated disclosure of earnings coverage ratios and any Prospectus Supplement supplying any additional or updated information the Bank may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a Prospectus Amendment) will be delivered to all subsequent purchasers of Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement or Prospectus Supplements.

## **BANK OF MONTREAL**

Bank of Montreal, a chartered bank subject to the provisions of the *Bank Act* (Canada) (the "Bank Act"), was founded in 1817 and is Canada's oldest chartered bank. The head office is at 129 rue Saint-Jacques, Montreal, Québec, H2Y 1L6, and the executive offices are located at 100 King Street West, 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 October 31, 2009 of approximately \$388.5 billion.

## **DESCRIPTION OF DEBT SECURITIES**

The following describes certain general terms and provisions of the Debt Securities. The particular terms and provisions of Debt Securities offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply to such Debt Securities, will be described in such Prospectus Supplement.

The Debt Securities will be direct unsecured obligations of the Bank, constituting subordinated indebtedness for the purposes of the Bank Act, ranking equally and rateably with all other subordinated indebtedness of the Bank from time to time issued and outstanding. In the event of the insolvency or winding-up of the Bank, the subordinated indebtedness of the Bank, including the Debt Securities, will be subordinate in right of payment to the prior payment in full of the deposit liabilities of the Bank and all other liabilities of the

Bank except those which by their terms rank equally in right of payment with, or are subordinate to, such subordinated indebtedness.

**The Debt Securities will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act*.**

The Debt Securities will be issued under one or more indentures (each, a “Trust Indenture”), in each case between the Bank and a financial institution to which the *Trust and Loan Companies Act* (Canada) applies or a financial institution organized under the laws of any province of Canada and authorized to carry on business as a trustee (each, a “Trustee”). The statements made below relating to any Trust Indenture and the Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof, are not complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Trust Indenture.

Each Trust Indenture may provide that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by the Bank. Reference is made to the Prospectus Supplement which accompanies this Prospectus for the terms and other information with respect to the Debt Securities being offered thereby, including: (i) the designation, aggregate principal amount and authorized denominations of the Debt Securities; (ii) the currency for which the Debt Securities may be purchased and the currency in which the principal and any interest is payable (in either case, if other than Canadian dollars); (iii) the percentage of the principal amount at which the Debt Securities will be issued; (iv) the date or dates on which the Debt Securities will mature; (v) the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any); (vi) the dates on which such interest will be payable and the record dates for such payments; (vii) the Trustee under the Trust Indenture pursuant to which the Debt Securities are to be issued; (viii) any redemption term or terms under which such Debt Securities may be defeased; (ix) whether the Debt Securities are to be issued in registered form, “book-entry only” form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof; (x) any exchange or conversion terms; (xi) the ratings, if any, issued by rating agencies; and (xii) any other specific terms.

Unless otherwise specified in the Prospectus Supplement which accompanies this Prospectus, principal, premium (if any) and interest payable on Debt Securities are to be payable at any branch in Canada of the Bank provided that such payments may also be made at the option of the Bank by electronic or wire transfer or, by cheque mailed, delivered or otherwise transferred to the persons in whose names the Debt Securities are registered.

Debt Securities may, at the option of the Bank, be issued in fully registered form, in bearer form or in “book-entry only” form. See “Book-Entry Only Securities” below. Debt Securities in registered form will be exchangeable for other Debt Securities of the same series and tenor, registered in the same name, for the same aggregate principal amount in different authorized denominations and will be transferable at any time or from time to time at the corporate trust office of the Trustee for the Debt Securities. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

## **DESCRIPTION OF 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 551,715,904 were outstanding as at October 31, 2009. The holders of Common Shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the holders of the preferred shares of the Bank. After payment to the holders of preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of Common Shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof.

## DESCRIPTION OF PREFERRED SHARES

The following describes certain general terms and provisions of the Preferred Shares. The particular terms and provisions of a series of Preferred Shares offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

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

#### *Issuable in Series*

The Class A Preferred Shares may be issued, from time to time, in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors of the Bank may determine by resolution. Currently, there are no outstanding Class A Preferred Shares.

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

#### *Creation and Issue of Shares*

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of the Class A Preferred Shares, create any other class of shares ranking equal with or superior to the Class A Preferred Shares. In addition, the Bank may not, without the prior approval of the holders of the Class A Preferred Shares as a class given as specified below under “Shareholder Approvals” (in addition to such approvals as may be required by the Bank Act or any other legal requirement): (i) create or issue any shares ranking in priority to the Class A Preferred Shares; or (ii) create or issue any additional series of Class A Preferred Shares or any shares ranking *pari passu* with the Class A Preferred Shares, unless at the date of such creation or issuance all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative Class A Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Class A Preferred Shares then issued and outstanding.

#### *Voting Rights*

The holders of the Class A Preferred Shares are not entitled to any voting rights as a class except as provided herein or by law.

#### *Shareholder Approvals*

Any approval to be given by the holders of the Class A 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 A Preferred Shares at which a majority of the outstanding Class A 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 Class B Preferred Shares as a Class**

#### *Issuable in Series*

The Class B Preferred Shares may be issued, from time to time, in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors of the Bank may determine by resolution.

The Class B Preferred Shares of each series rank on parity with the 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 ranking junior to the Class A Preferred Shares and the Class B Preferred Shares with

respect to the payment of dividends and in the distribution of property in the event of the liquidation, dissolution or winding-up of the Bank.

### ***Creation and Issue of Shares***

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of the Class B Preferred Shares, create any other class of shares ranking equal with or superior to the Class B Preferred Shares. In addition, the Bank may not, without the prior approval of the holders of the Class B Preferred Shares as a class given as specified below under “Shareholder Approvals” (in addition to such approvals as may be required by the Bank Act or any other legal requirement): (i) create or issue any shares ranking in priority to the Class B Preferred Shares; or (ii) create or issue any additional series of Class B Preferred Shares or any shares ranking *pari passu* with the Class B Preferred Shares, unless at the date of such creation or issuance all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative Class B Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Class B Preferred Shares then issued and outstanding. Currently, there are no outstanding Class B Preferred Shares which carry the right to cumulative dividends.

### ***Voting Rights***

The holders of the Class B Preferred Shares are not entitled to any voting rights as a class except as provided herein or by law.

### ***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.

## **BOOK-ENTRY ONLY SECURITIES**

Securities issued in “book-entry only” form must be purchased, transferred or redeemed through participants (“Participants”) in the depository service of CDS Clearing and Depository Services Inc. or a successor (“CDS”) or its nominee. Each of the underwriters, dealers or agents, as the case may be, named in an accompanying Prospectus Supplement will be a Participant. On the closing of a book-entry only offering, the Bank will cause a global certificate or certificates representing the aggregate number of Securities subscribed for under such offering to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Securities 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 Securities will receive a customer confirmation of purchase from the registered dealer from which the Securities are purchased in accordance with the practices and procedures of such 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 Securities. Reference in this Prospectus to a holder of Securities means, unless the context otherwise requires, the owner of the beneficial interest in the Securities.

If the Bank determines, or CDS notifies the Bank in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Securities and the Bank is unable to locate a qualified successor, or if the Bank at its option elects, or is required by law, to terminate the book-entry system, then the Securities will be issued in fully registered form to holders or their nominees.

### ***Transfer, Conversion or Redemption of Securities***

Transfer of ownership, conversion or redemptions of Securities will be effected through records maintained by CDS or its nominee for such Securities with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Holders who desire to purchase, sell or otherwise transfer ownership of or other interests in the Securities may do so only through Participants.

The ability of a holder to pledge a Security or otherwise take action with respect to such holder's interest in a Security (other than through a Participant) may be limited due to the lack of a physical certificate.

### ***Payments and Notices***

As applicable, any payment of principal, redemption, dividend and interest on a Security will be made by the Bank to CDS or its nominee, as the case may be, as the registered holder of the Security and the Bank understands that such payments will be credited by CDS or its nominee in the appropriate amounts to the relevant Participants. Payments to holders of Securities of amounts so credited will be the responsibility of the Participants.

As long as CDS or its nominee is the registered holder of the Securities, CDS or its nominee, as the case may be, will be considered the sole owner of the Securities for the purposes of receiving notices or payments on the Securities. In such circumstances, the responsibility and liability of the Bank in respect of notices or payments on the Securities is limited to giving or making payment of any principal, redemption, dividend and interest due on the Securities to CDS or its nominee.

Each holder must rely on the procedures of CDS and, if such holder is not a Participant, on the procedures of the Participant through which such holder owns its interest, to exercise any rights with respect to the Securities. The Bank understands that under existing policies of CDS and industry practices, if the Bank requests any action of holders or if a holder desires to give any notice or take any action which a registered holder is entitled to give or take with respect to the Securities, CDS would authorize the Participant acting on behalf of the holder to give such notice or to take such action, in accordance with the procedures established by CDS or agreed to from time to time by the Bank, any Trustee and CDS. Any holder that is not a Participant must rely on the contractual arrangement it has directly, or indirectly through its financial intermediary, with its Participant to give such notice or take such action.

The Bank, the underwriters, dealers or agents and any Trustee identified in an accompanying Prospectus Supplement, as applicable, will not have any liability or responsibility for: (i) records maintained by CDS relating to beneficial ownership interest in the Securities held by CDS or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interest; or (iii) any advice or representation made by or with respect to CDS and contained herein or in any Trust Indenture relating to the rules and regulations of CDS or any action to be taken by CDS or at the directions of the Participants.

### **BANK ACT RESTRICTIONS AND APPROVALS**

Under the Bank Act, the Bank, with the prior consent of the Superintendent, may redeem or purchase any of its shares unless there are reasonable grounds for believing that the Bank is, or the redemption or purchase 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. No such direction to the Bank has been made to date.

## **ADDITIONAL RESTRICTIONS ON DECLARATION OF DIVIDENDS**

Pursuant to agreements made between the Bank, BNY Trust Company of Canada and BMO Capital Trust (a subsidiary of the Bank) (the “Trust”), the Bank has covenanted with the holders of the outstanding Capital Trust Securities of the Trust (the “BMO BOaTS”) that, if the Trust fails to pay in full a required distribution on any series of the BMO BOaTS, the Bank will refrain from declaring dividends of any kind on its Common Shares or Preferred Shares until during or after the month commencing immediately after the third month (with respect to the BMO BOaTS — Series A, B and C), or fourth month (with respect to the BMO BOaTS — Series D and E), in which the Bank ordinarily declares dividends from time to time on the Common Shares or the Preferred Shares, unless the Trust first pays the required distribution (or the unpaid portion thereof) to the respective holders of BMO BOaTS. In addition, the Bank has also covenanted that if the interest is not paid in cash on any outstanding 10.221% BMO Tier 1 Notes — Series A due December 31, 2107 (“BMO T1Ns — Series A”) issued by BMO Capital Trust II, the Bank will not pay dividends on its Common Shares or Preferred Shares for a specified period of time.

## **RESTRAINTS ON BANK SHARES UNDER THE BANK ACT**

The Bank Act contains restrictions on the issue, transfer, acquisition and beneficial ownership of all shares of a chartered bank. The following is a summary of such restrictions. No person shall be a major shareholder of a bank if such bank has equity of \$8 billion or more (which would include the Bank). A person is a major shareholder of a bank where: (i) the aggregate shares of any class of voting shares owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

In addition, the Bank Act prohibits banks, including the Bank, from transferring or issuing shares of any class to Her Majesty in right of Canada or of a province, an agent of Her Majesty, a foreign government or an agent of a foreign government.

## **CHANGES TO SHARE CAPITAL AND SUBORDINATED INDEBTEDNESS**

On December 15, 2009, the Bank announced its intention to redeem, on January 21, 2010, all of the Bank’s 4.00% Debentures, Series C MTN First Tranche, due 2015 (the “Series C Debentures”), in an aggregate principal amount of \$500,000,000.

## **EARNINGS COVERAGE RATIOS**

The following consolidated financial ratios for the Bank, which are calculated for the 12 months ended October 31, 2009, reflect the full year impact of the redemption of \$250 million 5.25% Non-cumulative Class B Preferred Shares, Series 6 on November 25, 2008, the issuance of \$150 million 6.5% Non-Cumulative 5 year rate-reset Class B Preferred Shares, Series 18 on December 11, 2008, the issuance of BMO T1Ns — Series A on December 18, 2008, the maturity of \$140 million 10.85% Debentures, Series 12 on December 20, 2008, the issuance of \$275 million 6.5% Non-Cumulative 5 year rate reset Class B Preferred Shares, Series 21 on March 20, 2009 and the issuance of \$400 million 5.4% Non-Cumulative 5 year rate-reset Class B Preferred



Shares, Series 23 on June 19, 2009, but do not reflect (i) the issue of any Securities under this Prospectus or (ii) the proposed redemption by the Bank of the Series C Debentures:

	<u>October 31, 2009</u>
Grossed up dividend coverage on Class B Preferred Shares, Series 5, 10, 13, 14, 15, 16, 18, 21 and 23 <sup>(1)</sup> . . . . .	14.95 times
Interest coverage on subordinated indebtedness <sup>(2)</sup> , Capital Trust Securities, Series A, B and C <sup>(3)</sup> and BMO T1Ns — Series A <sup>(4)</sup> . . . . .	7.69 times
Interest and grossed up dividend coverage on subordinated indebtedness <sup>(2)</sup> , Class B Preferred Shares, Capital Trust Securities, Series A, B and C and BMO T1Ns — Series A <sup>(4)</sup> . . . . .	5.08 times

Notes:

- (1) As at October 31, 2009, there were no Class A Preferred Shares outstanding.
- (2) Includes \$800 million of 5.75% Subordinated Notes due 2022 issued by BMO Subordinated Notes Trust.
- (3) For more information on the classification of Capital Trust Securities, please refer to Note 19 of the audited consolidated financial statements of the Bank for the year ended October 31, 2009 incorporated by reference in this Prospectus.
- (4) Includes \$450 million of BMO T1Ns — Series A issued by BMO Capital Trust II. For more information on the classification of BMO T1Ns — Series A, please refer to Note 19 of the audited consolidated financial statements of the Bank for the year ended October 31, 2009 incorporated by reference in this Prospectus.

In calculating the dividend and interest coverages, foreign currency amounts have been converted to Canadian dollars using rates of exchange as at the end of each month. For the 12 month period ending October 31, 2009, the average of such exchange rates was \$1.1657 per US\$1.00.

The Bank’s dividend requirements on all of its preferred shares, and adjusted to a before-tax equivalent using an effective tax rate of 10.45%, amounted to \$154.44 million for the 12 months ended October 31, 2009. The Bank’s interest requirements for its long term debt for the 12 months ended October 31, 2009 amounted to \$300.16 million. The Bank’s earnings before interest and income tax for the 12 months ended October 31, 2009 amounted to \$2,308.27 million, which is 5.08 times the Bank’s aggregate dividend and interest requirements for this period.

### PLAN OF DISTRIBUTION

The Bank may sell Securities to or through underwriters or dealers purchasing as principal, and also may sell Securities to one or more purchasers directly through applicable statutory exemptions or through agents. Debt Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

A Prospectus Supplement will set forth the terms of any offering of Securities, including the name or names of any underwriters or agents involved in the offering and sale of the Securities, the initial public offering price, the proceeds to the Bank, any underwriting discount or commission or discount or commission to be paid to any agents and any discounts, concessions or commissions allowed or reallocated or paid by any underwriters to other dealers. Unless otherwise indicated in the Prospectus Supplement, any agent is acting on a “best efforts” basis for the period of its appointment.

If underwriters are used in the sale, the Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale, at market prices prevailing at the time of sale or at prices related to such prevailing market prices. The obligations of the underwriters to purchase such Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Securities offered by the Prospectus Supplement if any of such Securities are purchased. Any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time. In particular, in connection with any offering of the Securities (unless otherwise specified in a Prospectus Supplement), after the

underwriters have made a reasonable effort to sell all of the Securities at the initial public offering price disclosed in a Prospectus Supplement, the public offering price may be decreased, and further changed from time to time, by the underwriters to an amount not greater than the initial public offering price disclosed in the Prospectus Supplement and, in such case, the compensation realized by the underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Securities is less than the gross proceeds paid by the underwriters to the Bank.

The Securities may also be sold directly by the Bank at such prices and upon such terms as agreed to by the Bank and the purchaser or through agents designated by the Bank from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Bank to such agent will be set forth, in the Prospectus Supplement.

The Bank may agree to pay the underwriters a commission for various services relating to the issue and sale of any Securities offered hereby. Any such commission will be paid out of the general corporate funds of the Bank. Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Bank to indemnification by the Bank against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof.

In connection with any offering of the Securities (unless otherwise specified in a Prospectus Supplement), the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. These transactions may be commenced, interrupted or discontinued at any time.

The Securities to be issued hereunder have not been, and will not be, registered under the U.S. Securities Act and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act) except in certain transactions exempt from the requirements of the U.S. Securities Act.

## **RISK FACTORS**

Investment in the Securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any Securities, investors should consider carefully the risks set out herein and incorporated by reference in this Prospectus (including subsequently filed documents incorporated by reference) and those described in a Prospectus Supplement relating to a specific offering of Securities. Prospective investors should consider the categories of risks identified and discussed in the Management's Discussion and Analysis incorporated herein by reference including but not limited to credit and counterparty risk, market risk, liquidity and funding risk, operational risk, business risk, reputation risk and other factors that may affect the Bank's results.

## **USE OF PROCEEDS**

Unless otherwise specified in a Prospectus Supplement, the net proceeds to the Bank from the sale of the Securities will be added to the general funds of the Bank and utilized for general banking purposes.

## **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement, certain legal matters relating to the Securities offered by a Prospectus Supplement will be passed upon, on behalf of the Bank, by Osler, Hoskin & Harcourt LLP. As at January 11, 2010, partners and associates of Osler, Hoskin & Harcourt LLP beneficially owned, directly or indirectly, less than 1% of any issued and outstanding securities of the Bank or any associates or affiliates of the Bank.

## **PURCHASER'S STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price 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 adviser.

**CERTIFICATE OF THE BANK**

Dated: January 11, 2010

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada.

(Signed) WILLIAM A. DOWNE  
President and Chief Executive Officer

(Signed) RUSSEL C. ROBERTSON  
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) DAVID GALLOWAY  
Director

(Signed) BRUCE MITCHELL  
Director

**APPENDIX “A”**  
**AUDITORS’ CONSENT**

To the Board of Directors of Bank of Montreal

We have read the short form base shelf prospectus of Bank of Montreal (the “Bank”) dated January 11, 2010 relating to the issue of up to \$8,000,000,000 of Debt Securities (subordinated indebtedness), Common Shares and Class A and B Preferred Shares (the “Prospectus”). We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned Prospectus, of: (i) our report to the shareholders of the Bank on the consolidated balance sheets of the Bank as at October 31, 2009 and October 31, 2008 and the consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the years then ended; and (ii) our report on the effectiveness of internal control over financial reporting of the Bank as of October 31, 2009. Our reports are dated November 24, 2009.

(Signed) KPMG LLP  
Chartered Accountants, Licensed Public Accountants

Toronto, Canada  
January 11, 2010