

## INFORMATION STATEMENT DATED NOVEMBER 28, 2011

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



### **BANK OF MONTREAL PROTECTED DEPOSIT NOTES, ADVANTAGE Y.I.E.L.D.<sup>®</sup> CAD (3 Year), BHPB SERIES 21**

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**PRICE: \$100 PER DEPOSIT NOTE**

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The Bank of Montreal Protected Deposit Notes, Advantage Y.I.E.L.D. CAD (3 Year), BHPB Series 21 (the "Deposit Notes") issued by Bank of Montreal are a principal protected product that will mature on December 22, 2014 ("Maturity"). At Maturity, a holder will be entitled to receive the deposit amount of \$100 in respect of each of the holder's Deposit Notes. In addition, on or about the date in 2012 and 2013 that is the anniversary of the closing date and at Maturity, a holder will be entitled to receive an annual interest amount, if any, based on the price performance of an equally-weighted notional portfolio of securities consisting of common shares and units, as applicable, (the "Benchmark Portfolio") of the following 10 Canadian issuers, except in certain special circumstances as described herein:

Barrick Gold Corporation  
Brookfield Office Properties Inc.  
Cameco Corporation  
Emera Incorporated  
Enbridge Inc.

George Weston Limited  
The Jean Coutu Group (PJC) Inc.  
Metro inc.  
Power Corporation of Canada  
Shaw Communications Inc.

The closing of this offering is scheduled to occur on or about December 21, 2011.

BMO Nesbitt Burns Inc. is the selling agent (the "Selling Agent") and a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited which, in turn, is an indirect majority-owned subsidiary of Bank of Montreal. **Consequently, Bank of Montreal is a related issuer of the Selling Agent under applicable securities legislation.** See "Plan of Distribution".

Bank of Montreal has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the description of the Deposit Notes are true and accurate in all material respects. All information in this Information Statement relating to the securities in the Benchmark Portfolio and the issuers of such securities has been obtained from publicly available sources. As such, none of Bank of Montreal, the Selling Agent, the Manager or the Calculation Agent assumes any responsibility for the accuracy, reliability or completeness of such information. Bank of Montreal makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of information obtained from such publicly available sources. Furthermore, Bank of Montreal makes no recommendation concerning the securities, the issuers, equity securities as an asset class or the suitability of investing in securities generally or the Deposit Notes in particular. In connection with the issue and sale of Deposit Notes by Bank of Montreal, no person is authorized to give any information or to make any representation not contained in this Information Statement and Bank of Montreal does not accept any responsibility for any information not contained herein.

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“BMO (M-bar roundel symbol)”, “BMO” and “BMO Capital Markets” are registered trade-marks of Bank of Montreal. “Nesbitt Burns” and “Advantage Y.I.E.L.D.” are registered trade-marks of BMO Nesbitt Burns Corporation Limited used under license.

## SUMMARY OF THE OFFERING

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

- Issuer:** We will issue the Bank of Montreal Protected Deposit Notes, Advantage Y.I.E.L.D. CAD (3 Year), BHPB Series 21 (the "Deposit Notes").
- Subscription Price:** The price for each Deposit Note is \$100 (the "Deposit Amount").
- Minimum Subscription:** You must invest a minimum of \$100,000 (1,000 Deposit Notes). We may change the minimum subscription at our discretion.
- Closing Date:** The Deposit Notes will be issued on or about December 21, 2011 (the "Closing Date").
- Maturity Date:** The Deposit Notes will mature on December 22, 2014. The term of the Deposit Notes is approximately 3 years.
- Offering:** This offering has been developed to provide you with (i) payment at maturity of the Deposit Amount per Deposit Note, and (ii) annual interest payments, if any, based on the price performance of an equally-weighted notional portfolio of securities (the "Benchmark Portfolio") set out below under the heading "Benchmark Portfolio" (except in certain special circumstances described herein). See "Note Program" and "Special Circumstances".
- Interest Payments:** Annual interest, if any, on the Deposit Notes will be payable on or about the date in 2012 and 2013 that is the anniversary of the Closing Date (or if any such anniversary is not a business day, then on the first following business day) and at maturity.
- The amount of annual interest, if any, payable to you on an interest payment date will be determined in accordance with a formula referred to in this Information Statement as the Interest Rate Formula. This annual interest amount will not exceed 6% per Deposit Amount (and may be 0%) and will be based on a simple average of the return of each security in the Benchmark Portfolio on a date of calculation approximately three business days before the interest payment date. The simple average of the return of each security in the Benchmark Portfolio depends on the price performance (adjusted as indicated below) of each security in the Benchmark Portfolio measured from the Closing Date to the applicable date of calculation. If the price performance of a security is positive, then for the purpose of the Interest Rate Formula, the return of the security is deemed to be 6% regardless of the actual price performance of the security. If the price performance of a security is zero or negative, the actual price performance of the security is used for the purpose of the Interest Rate Formula, subject to a lower limit of negative 15%.
- Accordingly, depending on the price performance of the securities in the Benchmark Portfolio, the amount of interest, if any, you receive on an interest payment date could be as high as 6% of the Deposit Amount and may be zero. Interest, if any, will not reflect any dividends or distributions declared on the securities in the Benchmark Portfolio. See "Note Program – Interest Payments" and "Note Program – Interest Rate Formula".
- Payment at Maturity:** For each Deposit Note you hold at maturity, you will be entitled to receive (i) the Deposit Amount, and (ii) interest, if any, at the interest rate determined under the Interest Rate Formula at maturity. See "Note Program – Maturity Payment".

**The amount of interest that may be paid to you during the term of the Deposit Notes will not affect your right to receive the Deposit Amount at maturity.**

**The Benchmark Portfolio:**

The price performance of the securities in the Benchmark Portfolio will determine the amount of interest, if any, you will receive. The Benchmark Portfolio will consist of an equally-weighted proportion of the common shares and units, as applicable, of the 10 Canadian issuers listed below:

Barrick Gold Corporation  
Brookfield Office Properties Inc.  
Cameco Corporation  
Emera Incorporated  
Enbridge Inc.  
George Weston Limited  
The Jean Coutu Group (PJC) Inc.  
Metro inc.  
Power Corporation of Canada  
Shaw Communications Inc.

The securities comprising the Benchmark Portfolio may change in certain circumstances. See “Special Circumstances”.

You will not have, and the Deposit Notes do not represent, any direct or indirect ownership of or entitlement to the securities or the Benchmark Portfolio. As such, you will not have the rights and benefits of a securityholder, including any right to receive dividends or distributions or to vote at or attend meetings of securityholders. See “Benchmark Portfolio”.

**Fees and Expenses of the Offering:**

No fees or expenses will be paid out of the proceeds of this offering of Deposit Notes. No annual fees will be charged to the Benchmark Portfolio. See “Fees and Expenses of the Offering”.

**Secondary Market:**

The Deposit Notes will not be listed on any stock exchange. Moreover, we do not have the right to redeem the Deposit Notes prior to maturity and you do not have the right to require us to redeem (that is, buy or repay) the Deposit Notes prior to maturity. However, BMO Capital Markets will use reasonable efforts to arrange for a secondary market for the sale of Deposit Notes using the FundSERV network. This secondary market is available only for Deposit Notes purchased using the FundSERV network and is the only way that you can sell your Deposit Notes prior to maturity. The price that BMO Capital Markets will pay for Deposit Notes sold by you in the secondary market prior to maturity will be determined by BMO Capital Markets, acting in its sole discretion, and will be based on factors described under “Secondary Market”.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the secondary market price of a Deposit Note. In particular, you should realize that any trading price for the Deposit Notes: (a) may have a non-linear sensitivity to the increases and decreases in the closing prices of the securities in the Benchmark Portfolio (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the closing prices of the securities in the Benchmark Portfolio); and (b) may be substantially affected by changes in interest rates independent of the performance of the securities in the Benchmark Portfolio. If you sell your Deposit Notes prior to maturity, you may receive less than the original principal amount even if the performance of the securities in the Benchmark Portfolio has been positive, and as a result, you may suffer losses.

If you sell a Deposit Note within the first 270 days from the closing of this offering, the proceeds from the sale of the Deposit Note will be reduced by an early trading charge

that will be equal to 1.00% of the Deposit Amount. See “Secondary Market”.

BMO Capital Markets is under no obligation to facilitate or arrange for a secondary market, and such secondary market, if commenced, may be suspended at any time at the sole discretion of BMO Capital Markets, without notice to you. If there is no secondary market, you will not be able to sell your Deposit Notes. The Deposit Notes are intended to be instruments held to maturity with their principal being payable on the maturity date. You should consult your financial advisor on whether it would be more favourable in the circumstances at any time to sell the Deposit Notes on the secondary market, if available, or hold the Deposit Notes until maturity. You should also consult your tax advisor as to the income tax consequences arising from a sale of the Deposit Notes prior to maturity as compared to holding the Deposit Notes until maturity. See “FundSERV” and “Secondary Market”.

**Suitability and  
Appropriateness for  
Investment:**

An investment in the Deposit Notes may be suitable and appropriate for investors who:

- seek a short- to mid-term investment;
- seek principal protection at maturity and are prepared to hold the Deposit Notes to maturity;
- are prepared to receive annual interest, if any, that (i) is based on the price performance of the Benchmark Portfolio and not based on a fixed, floating or other specified interest rate, (ii) is uncertain until determined on the applicable date of calculation, (iii) will not exceed 6% of the Deposit Amount, and (iv) may be zero; and
- are prepared to accept the risks described in this Information Statement.

You should make a decision to invest in the Deposit Notes after carefully considering, with your advisors, the suitability of this investment in light of your investment objectives and the information in this Information Statement. See “Suitability and Appropriateness for Investment”.

**Risk Factors:**

These Deposit Notes may not be suitable for all investors and in deciding whether to invest in Deposit Notes you should take into account various risks associated with such an investment. The following is a summary list of these risks in addition to those described beside the headings “Suitability and Appropriateness for Investment” above and “Consequences of Special Circumstances” below. For a complete description of these risks, please see “Risk Factors” in this Information Statement.

**Non-Conventional Deposit Notes**

The Deposit Notes are not conventional notes or debt securities in that they do not provide you with a return or income stream prior to maturity, or a return at maturity, that is calculated by reference to a specific fixed or floating rate of interest that can be determined before the date on which the Deposit Notes require the particular interest payment to be calculated. The return on the Deposit Notes, unlike that on many deposit liabilities of Canadian chartered banks, is uncertain and the Deposit Notes could provide no return.

**Interest May Not Be Payable**

It is possible that you may not receive any interest on your Deposit Notes. Whether you receive any interest, and if so, how much interest, will depend on the results of applying the Interest Rate Formula, described beside the heading “Interest Payments” above.

**Risk Factors Relating to Securities and the Issuers**

Certain risk factors applicable to investors who invest directly in securities in the Benchmark Portfolio are also applicable to an investment in Deposit Notes. For a full description of these risk factors you should consult the disclosure documents made

publicly available by each issuer at [www.sedar.com](http://www.sedar.com).

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

There is currently no market through which the Deposit Notes may be sold and it is possible that no such market will be arranged.

### **Legislative, Regulatory and Administrative Changes**

Changes in laws, regulations or administrative practices, including with respect to taxation, could have an impact on you.

### **Conflicts of Interest**

In the course of normal business operations, we and BMO Capital Markets may hold interests linked to the issuers of the securities in the Benchmark Portfolio or enter into other business dealings with these issuers. If we take any such actions, we and BMO Capital Markets will not necessarily take into account the effect, if any, that such actions could have on the Deposit Notes or the amount of interest that may be payable on the Deposit Notes. Furthermore, BMO Capital Markets, which has undertaken to use reasonable efforts to arrange for a secondary market, is an affiliate of Bank of Montreal.

### **Credit Rating**

There is no assurance that the Deposit Notes, if rated, would receive the same rating as our other deposit liabilities.

### **Credit Risk**

The likelihood that you will receive all the payments owing to you under the Deposit Notes will depend on our financial health and creditworthiness.

### **No Deposit Insurance**

Unlike conventional bank deposits, the Deposit Notes are not insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure that depositors receive payment of all or a portion of their deposits if the deposit taking financial institution becomes insolvent.

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

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

### **No Independent Calculation**

We will not retain an independent person to make or confirm the determinations and calculations made for the Deposit Notes.

### **No Ownership of Securities or the Benchmark Portfolio**

You will have no rights of ownership in the Benchmark Portfolio or any securities included in it. The Deposit Notes do not represent a substitute for an investment in the securities included in the Benchmark Portfolio.

### **Consequences of Special Circumstances:**

In certain circumstances, BMO Capital Markets may, as it determines appropriate, (i) adjust the components or variables in the Interest Rate Formula, (ii) defer the timing of the calculations of interest, (iii) change the securities in the Benchmark Portfolio, or (iv) estimate the interest under a Deposit Note that when paid will extinguish the obligation of Bank of Montreal to pay interest under a Deposit Note. See “Special Circumstances” for a discussion of these circumstances.

### **Amendments:**

We may amend the terms of the Deposit Notes after they have been issued without your consent if we and BMO Capital Markets agree that the amendment would not materially and adversely affect your interests. In all other cases, amendments must be approved by

the votes of holders representing at least two-thirds of the outstanding aggregate Deposit Amounts of the Deposit Notes represented at a meeting of holders for the purpose of considering such amendment. See “Description of the Deposit Notes – Amendments to the Global Note”.

**Investor’s Right to Cancel:**

You may cancel an order to purchase a Deposit Note (or cancel its purchase if the Deposit Note has been issued) by providing instructions to us through your financial advisor any time up to 48 hours after the later of (i) the day on which the agreement to purchase the Deposit Note is entered into, and (ii) deemed receipt of this Information Statement. See “Description of the Deposit Notes – Investor’s Right to Cancel the Agreement to Purchase a Deposit Note”.

**Date of Agreement:**

If you place an order to purchase a Deposit Note in person or electronically, the agreement to purchase the Deposit Note will be deemed to have been entered into on the third day after the later of (i) the day your purchase order is received, and (ii) five business days after the postmark date, if this Information Statement is provided to you by mail, or the date this Information Statement is actually received by you, if it is provided other than by mail. If an order to purchase a Deposit Note is received by telephone, the agreement to purchase the Deposit Note will be deemed to have been entered into at the time your purchase order is received.

**Eligibility for Investment:**

Unless Canadian law changes, you will be able to hold your Deposit Notes in a trust governed by a tax-free savings account, registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan or deferred profit sharing plan (other than a trust governed by a deferred profit sharing plan to which contributions are made by us or by an employer with which we do not deal at arm’s length within the meaning of the *Income Tax Act* (Canada)).

**Income Tax Considerations:**

This income tax summary is subject to the limitations and qualifications set out under the heading “Income Tax Considerations” in the body of this Information Statement.

In the opinion of McMillan LLP, counsel to Bank of Montreal, interest, if any, on your Deposit Notes will be required to be included in income to the extent received or receivable (for an individual, depending on your regular method for computing income) or accrued (for a corporation).

Provided an extraordinary event has not occurred and while the matter is not free from doubt, a disposition of a Deposit Note prior to maturity should give rise to a capital gain (or capital loss) to the extent your proceeds of disposition, excluding accrued and unpaid interest, if any, exceed (or are less than) the aggregate of your adjusted cost base of the Deposit Note and any reasonable costs of disposition. You should consult your tax advisor with respect to your particular circumstances if you plan to sell a Deposit Note prior to maturity. See “Income Tax Considerations”.

**Rank:**

The Deposit Notes will rank equally with all of our other deposit liabilities. See “Description of the Deposit Notes – Rank”.

**CDIC:**

The Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution. See “Risk Factors – No Deposit Insurance”.

You may request information about the Deposit Notes or another copy of this Information Statement by contacting your local BMO Harris Investment Management Inc. Investment Counsellor at 1-800-844-6442, or calling BMO Capital Markets at 1-866-864-7760 to speak to someone in English and 1-866-529-0017 to speak to someone in French. A copy of this Information Statement is also posted at [www.bmo.com/harrisprivatebanking/what-we-do/banking/services/investment-management/financial-report](http://www.bmo.com/harrisprivatebanking/what-we-do/banking/services/investment-management/financial-report).

During the term of the Deposit Notes, you may inquire as to the net asset value of and the formula for determining interest rates under the Deposit Notes by contacting BMO Harris Investment Management Inc. or BMO Capital Markets at the above numbers.



## DEFINITIONS

In this Information Statement, unless the context otherwise requires:

“**Actual Return**” means, in respect of a Security and the determination of the Interest Rate for an Interest Payment Date, a number (expressed as a percentage) calculated as follows:

$$\text{Actual Return} = \frac{\text{Valuation Price} - \text{Initial Price}}{\text{Initial Price}}$$

“**Alternate Security**” has the meaning ascribed to that term under “Special Circumstances – Substitution Event”;

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

“**Benchmark Portfolio**” means the equally-weighted notional portfolio of Securities in which the Note Program has a notional investment;

“**Book-Entry System**” means the record entry securities transfer and pledge system established and governed by one or more agreements between CDS and CDS Participants pursuant to which the operating rules and procedures for such system are established and administered by CDS, including in relation to CDS;

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

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

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee;

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom CDS effects book-entry transfers and pledges of Deposit Notes under the Book-Entry System;

“**Closing Date**” means on or about December 21, 2011;

“**Closing Price**” means, in respect of a Security, the official closing price of that Security as announced by the relevant Exchange, provided that, if on or after the Closing Date such Exchange materially changes the time of day at which such official closing price is determined or fails to announce such official closing price, the Calculation Agent may thereafter deem the Closing Price to be the price of that Security as of the time of day used by such Exchange to determine the official closing price prior to such change or failure to announce;

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

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

“**DBRS**” means DBRS Limited;

“**Deposit Amount**” means \$100 per Deposit Note;

“**Deposit Notes**” means the Bank of Montreal Protected Deposit Notes, Advantage Y.I.E.L.D. CAD (3 Year), BHPB Series 21 issued by Bank of Montreal;

“**Early Trading Charge**” means the early trading charge per Deposit Note, if any, described under “Secondary Market”;

“**Effective Return**” means, in respect of a Security and the determination of the Interest Rate for an Interest Payment Date:

- (i) where the Actual Return of a Security is greater than zero, 6%; and
- (ii) where the Actual Return of a Security is zero or negative, such Actual Return, subject to a lower limit of negative 15%;

“**Estimated Interest**” has the meaning ascribed to that term under “Special Circumstances – Extraordinary Event”;

“**Exchange**” means, (i) in respect of a Security other than an Alternate Security, the exchange or trading system identified under the heading “Benchmark Portfolio” and (ii) in respect of an Alternate Security, the primary exchange or trading system on which such Alternate Security is listed as determined by the Manager; provided in each case that if the Manager, acting in its sole and absolute discretion, determines that such exchange or trading system is no longer the primary exchange for the trading of that Security or Alternate Security, the Manager may designate another exchange or trading system as the Exchange for such Security or Alternate Security;

“**Exchange Business Day**” means, in respect of a Security, any Business Day which is also an Exchange Day on which the Exchange and each Related Exchange for that Security are open for trading;

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

“**Extraordinary Event**” has the meaning ascribed to that term under “Special Circumstances – Extraordinary Event”;

“**FundSERV**” means FundSERV Inc.;

“**FundSERV Notes**” has the meaning given to that term under “FundSERV – Deposit Notes Held Through the Custodian”;

“**Global Note**” has the meaning given to that term under “FundSERV – Deposit Notes Held Through the Custodian”;

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

“**Initial Price**” means, in respect of a Security, the Closing Price of that Security on the Closing Date, provided that, if the Closing Date is not an Exchange Business Day in respect of that Security, then the Initial Price in respect of that Security means the Closing Price of that Security on the first following Exchange Business Day, and subject further to the provisions set out under the heading “Special Circumstances”;

“**Interest**” means (i) the amount of interest, if any, payable by Bank of Montreal on each Interest Payment Date, and (ii) the amount of Estimated Interest, if any, payable by Bank of Montreal;

“**Interest Payment Date**” means on or about the date in 2012 and 2013 that is the anniversary of the Closing Date (provided that if any such anniversary is not a Business Day, then the applicable Interest Payment Date will be the first following Business Day) and the Maturity Date;

“**Interest Rate**” means, for an Interest Payment Date, the rate of interest determined pursuant to the Interest Rate Formula for the Interest Payment Date;

“**Interest Rate Formula**” means, in respect of an Interest Payment Date, the simple average (expressed as a percentage and rounded to two decimal places) of the Effective Return of each Security in the Benchmark Portfolio on the Valuation Date for the applicable Interest Payment Date as described under the heading “Note Program – Interest Rate Formula” and used by the Manager to determine the Interest Rate applicable on each such Interest Payment Date;

“**Issuers**” means the issuers, the common shares and units (as applicable) of which are notionally held from time to time in the Benchmark Portfolio, and each is an “Issuer”. Except as described under “Special Circumstances – Substitution Event”, the following 10 Canadian issuers will constitute the Issuers whose Securities are in the Benchmark Portfolio (the TSX ticker symbol for the Securities of the respective Issuers are also listed below):

Issuer	Ticker
Barrick Gold Corporation	ABX
Brookfield Office Properties Inc.	BPO
Cameco Corporation	CCO
Emera Incorporated	EMA
Enbridge Inc.	ENB
George Weston Limited	WN
The Jean Coutu Group (PJC) Inc.	PJC.A
Metro inc.	MRU.A
Power Corporation of Canada	POW
Shaw Communications Inc.	SJR.B

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

“**Maturity**” or “**Maturity Date**” means December 22, 2014;

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

“**Note Program**” means the note program for the Deposit Notes administered by BMO Capital Markets;

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

“**Related Exchange**” means, in respect of a Security, any exchange or trading system on which futures or options relating to that Security are listed from time to time;

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

“**Securities**” means collectively, the common shares and units, as applicable, of the Issuers notionally held from time to time in the Benchmark Portfolio and each is a “Security”, subject to the provisions set out under the heading “Special Circumstances”;

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

“**Subscription Price**” means \$100 per Deposit Note;

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

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

“**Valuation Date**” means, for an Interest Payment Date, the third Business Day immediately preceding such Interest Payment Date, provided that, if such Business Day is not an Exchange Business Day in respect of a Security, then the Valuation Date in respect of that Security will be the first following Exchange Business Day for that Security, and subject further to the provisions set out under the heading “Special Circumstances”;

“**Valuation Price**” means, in respect of a Security and the determination of the Interest Rate for an Interest Payment Date, the Closing Price of that Security on the Valuation Date with respect to that Interest Payment Date; and

“**\$**” means Canadian dollars, unless otherwise specified.

## NOTE PROGRAM

The Note Program provides investors with entitlement to (i) payment of the Deposit Amount per Deposit Note at Maturity, and (ii) payment of annual Interest, if any, on each Interest Payment Date based on the price performance of the Benchmark Portfolio, except in certain special circumstances described under “Special Circumstances”. See “Maturity Payment”, “Interest Payments”, “Interest Rate Formula” and “Special Circumstances”.

### Maturity Payment

The Deposit Notes will mature on the Maturity Date. At Maturity, each Holder will be entitled to receive the Deposit Amount of \$100 per Deposit Note, regardless of the price performance of the Benchmark Portfolio. A Holder will also be entitled to receive annual Interest, if any, at Maturity as discussed below.

### Interest Payments

The annual Interest, if any, payable on a Deposit Note on an Interest Payment Date will be calculated by the Manager in accordance with the following formula:

$$\text{Interest} = \$100.00 \times \text{Interest Rate}$$

As discussed below under “Interest Rate Formula”, the Interest Rate for each Interest Payment Date will be based on the price performance of the Benchmark Portfolio measured from the Closing Date to the Valuation Date for the Interest Payment Date. The maximum amount of Interest per Deposit Note that may be payable on an Interest Payment Date is 6% of the Deposit Amount (regardless of the level of price performance of the Benchmark Portfolio). No Interest will be payable on an Interest Payment Date if the simple average of the Effective Returns (derived from the Interest Rate Formula) is zero or negative. Interest, if any, will not reflect any dividends or distributions declared on the Securities.

Interest, if any, will be paid without any need for an election or any other action by a Holder. However, as described under “Special Circumstances”, (i) the timing and manner of determining Interest may be affected by the occurrence of certain unusual events, (ii) the payment of Interest will be postponed if the determination of any relevant price of a Security used in the calculation of Interest is postponed beyond the applicable Valuation Date, and (iii) Estimated Interest may be determined and paid in extinguishment of the obligation to pay Interest on the occurrence of an Extraordinary Event. See “Special Circumstances”.

### Interest Rate Formula

The Interest Rate for each Interest Payment Date will be determined by the Manager under the Interest Rate Formula as the simple average (expressed as a percentage and rounded to two decimal places) of the Effective Return of each Security in the Benchmark Portfolio on the Valuation Date for the applicable Interest Payment Date (provided no Extraordinary Event has occurred). The Effective Return of a Security depends on the Actual Return of the Security. On an annual basis, the Manager will measure the Actual Return of each Security (expressed as a percentage) on the applicable Valuation Date using the following formula:

$$\text{Actual Return} = \frac{\text{Valuation Price} - \text{Initial Price}}{\text{Initial Price}}$$

If the Actual Return of a Security is positive, the Effective Return of such Security for purposes of the Interest Rate Formula is deemed to be 6% (whether the Actual Return of such Security is 1%, 35% or some other positive percent). If the Actual Return of a Security is zero or negative, the Effective Return of such Security for purposes of the Interest Rate Formula is the Actual Return, subject to a lower limit of negative 15%.

Accordingly, provided no Extraordinary Event has occurred, on an Interest Payment Date a Holder will be entitled to receive interest on a Deposit Note equal to (i) the maximum amount of Interest of 6% of the Deposit Amount if the Closing Price of each Security has increased from the Closing Date to the applicable Valuation Date, (ii) 0% of the Deposit Amount, if the simple average of the Effective Returns is zero or negative, or (iii) a percentage of the Deposit Amount greater than 0% and less than 6%, if the simple average of the Effective Returns is greater than 0% and the Closing Price of one or more Securities on the applicable Valuation Date is not greater than the Initial Price of such Security.

### Interest Examples

The following examples demonstrate the calculation of Interest on each Interest Payment Date in accordance with the Interest Rate Formula and are included for illustration purposes only. **The examples assume that no special**

circumstances (as described under “Special Circumstances”) have occurred, and are based on hypothetical prices and changes in prices of the Securities from the Closing Date to the applicable Valuation Dates and are not intended as a forecast of future prices and changes in prices of the Securities in the Benchmark Portfolio or as a forecast of any payments of Interest that may be payable during the term of the Deposit Notes.

*Positive Price Performance Example*

Initial Price		Year 1	Year 2	Year 3
Security A	\$ 30.62	\$29.81	\$35.52	\$32.22
Security B	\$ 23.78	\$25.59	\$25.21	\$24.92
Security C	\$ 65.78	\$66.11	\$67.75	\$69.21
Security D	\$ 39.95	\$41.95	\$42.75	\$45.01
Security E	\$ 55.00	\$54.11	\$55.00	\$58.43
Security F	\$ 39.21	\$41.02	\$41.21	\$41.62
Security G	\$ 37.39	\$37.61	\$37.67	\$39.38
Security H	\$ 74.62	\$74.99	\$72.90	\$79.40
Security I	\$ 38.39	\$38.44	\$38.77	\$42.06
Security J	\$ 23.45	\$23.45	\$23.57	\$23.77

Based on the hypothetical Closing Prices of the Securities in the table above, the table below demonstrates the calculation of the Interest Rate on the Interest Payment Date in each year. The calculation for each such Interest Payment Date consists of determining (i) an Actual Return of each Security by comparing the Closing Price of the Security on the Closing Date to the Closing Price of the Security on the applicable Valuation Date, (ii) an Effective Return of each Security equal to 6% for a Security with a positive Actual Return, or the Actual Return of a Security with a negative or zero Actual Return, subject to a lower limit of negative 15%, and (iii) an Interest Rate on the Interest Payment Date equal to the simple average of the Effective Returns of the Securities.

	Year 1		Year 2		Year 3	
	Actual Returns	Effective Returns	Actual Returns	Effective Returns	Actual Returns	Effective Returns
Security A	-2.63%	-2.63%	16.00%	6.00%	5.21%	6.00%
Security B	7.60%	6.00%	6.00%	6.00%	4.78%	6.00%
Security C	0.50%	6.00%	3.00%	6.00%	5.21%	6.00%
Security D	5.00%	6.00%	7.00%	6.00%	12.67%	6.00%
Security E	-1.61%	-1.61%	0.00%	0.00%	6.24%	6.00%
Security F	4.61%	6.00%	5.10%	6.00%	6.15%	6.00%
Security G	0.60%	6.00%	0.75%	6.00%	5.31%	6.00%
Security H	0.50%	6.00%	-2.30%	-2.30%	6.40%	6.00%
Security I	0.12%	6.00%	1.00%	6.00%	9.55%	6.00%
Security J	0.00%	0.00%	0.50%	6.00%	1.35%	6.00%
<b>Average of the Effective Returns</b>		<b>3.78%</b>		<b>4.57%</b>		<b>6.00%</b>
<b>Interest Rate</b>		<b>3.78%</b>		<b>4.57%</b>		<b>6.00%</b>

In the above positive price performance example, a Holder would, in respect of a Deposit Note, be entitled to receive Interest of \$3.78, \$4.57 and \$6.00 respectively, on the three annual Interest Payment Dates, representing a cumulative return of 14.35% and an annually compounded rate of return of 4.75%. In addition, on Maturity, a Holder would be entitled to receive the Deposit Amount of \$100 per Deposit Note.

### Negative Price Performance Example

Initial Price		Year 1	Year 2	Year 3
Security A	\$ 30.62	\$30.54	\$30.47	\$31.40
Security B	\$ 23.78	\$23.22	\$23.02	\$22.53
Security C	\$ 65.78	\$69.17	\$68.08	\$62.07
Security D	\$ 39.95	\$39.84	\$39.84	\$36.50
Security E	\$ 55.00	\$50.27	\$49.72	\$84.70
Security F	\$ 39.21	\$39.14	\$39.01	\$5.88
Security G	\$ 37.39	\$35.52	\$35.15	\$40.96
Security H	\$ 74.62	\$74.62	\$74.81	\$72.20
Security I	\$ 38.39	\$32.50	\$33.69	\$39.30
Security J	\$ 23.45	\$21.11	\$23.30	\$17.27

Based on the hypothetical Closing Prices of the Securities in the table above, the table below demonstrates the calculation of the Interest Rate on the Interest Payment Date in each year. The calculation for each such Interest Payment Date consists of determining (i) an Actual Return of each Security by comparing the Closing Price of the Security on the Closing Date to the Closing Price of the Security on the applicable Valuation Date, (ii) an Effective Return of each Security equal to 6% for a Security with a positive Actual Return, or the Actual Return of a Security with a negative or zero Actual Return, subject to a lower limit of negative 15%, and (iii) an Interest Rate on the Interest Payment Date equal to the simple average of the Effective Returns of the Securities.

	Year 1		Year 2		Year 3	
	Actual Returns	Effective Returns	Actual Returns	Effective Returns	Actual Returns	Effective Returns
Security A	-0.25%	-0.25%	-0.50%	-0.50%	2.54%	6.00%
Security B	-2.34%	-2.34%	-3.20%	-3.20%	-5.24%	-5.24%
Security C	5.15%	6.00%	3.50%	6.00%	-5.64%	-5.64%
Security D	-0.28%	-0.28%	-0.28%	-0.28%	-8.64%	-8.64%
Security E	-8.60%	-8.60%	-9.60%	-9.60%	54.00%	6.00%
Security F	-0.17%	-0.17%	-0.50%	-0.50%	-85.00%	-15.00%
Security G	-5.00%	-5.00%	-6.00%	-6.00%	9.54%	6.00%
Security H	0.00%	0.00%	0.25%	6.00%	-3.24%	-3.24%
Security I	-15.33%	-15.00%	-12.23%	-12.23%	2.36%	6.00%
Security J	-10.00%	-10.00%	-0.63%	-0.63%	-26.34%	-15.00%
<b>Average of the Effective Returns</b>	<b>-3.56%</b>		<b>-2.09%</b>		<b>-2.88%</b>	
<b>Interest Rate</b>	<b>0.00%</b>		<b>0.00%</b>		<b>0.00%</b>	

In the above negative price performance example, a Holder would not be entitled to receive Interest on any Interest Payment Date. However, on Maturity, a Holder would be entitled to receive the Deposit Amount of \$100 per Deposit Note.

### What should be observed from the examples above and the Interest Rate Formula

Holders should observe that, although there is a general relationship between Interest and the future price performance of the Securities, the amount of Interest, if any, actually payable on a Deposit Note will generally depend on the timing and extent of the increases and decreases in the prices of the Securities over the term of the Deposit Notes (except in certain special circumstances described under “Special Circumstances”). Specifically:

- A positive Actual Return on a Security from the Closing Date to the applicable Valuation Date will result in an Effective Return for the Security of 6%. The extent to which the Actual Return is positive will not factor into the Effective Return (or the Interest payable). Further, the full amount of any negative Actual Return on any other Security, subject to a lower limit of negative 15%, will directly and adversely affect the Effective Return on the Security and the Interest payable.
- The maximum Interest Rate for a year is 6% of the Deposit Amount, even if the simple average of the Actual Return of each Security in the Benchmark Portfolio for the relevant period is greater than 6%. Thus, the Interest

Rate on an Interest Payment Date may be less than the simple average of the Actual Return of each Security in the Benchmark Portfolio up to the applicable Valuation Date.

- The maximum aggregate amount of Interest that theoretically may be payable is \$18.00 per Deposit Note comprised of the maximum amount of Interest of \$6.00 in each year.
- In order to receive the maximum amount of Interest of 6% of the Deposit Amount on an Interest Payment Date, the Actual Return of each Security for the applicable period must be greater than zero.
- No Interest will be payable on an Interest Payment Date unless the simple average of the Effective Returns is greater than zero.
- It is very unlikely that investing in the Deposit Notes will offer the same return as a direct investment in the Securities. The Benchmark Portfolio will not include any dividends or distributions declared on the Securities.
- The Deposit Amount of \$100 per Deposit Note will be payable at Maturity regardless of the price performance of the Securities.
- Investing in the Deposit Notes is subject to various risks. See “Risk Factors”.

## **SECONDARY MARKET**

The Deposit Notes will not be listed on any stock exchange. Moreover, Bank of Montreal does not have a right to redeem the Deposit Notes prior to Maturity and a Holder may not require Bank of Montreal to make such redemption. However, a Holder may endeavour to have Deposit Notes purchased using the FundSERV network “redeemed” using that network on a daily basis. Any such redemption would actually be a sale to BMO Capital Markets in the secondary market. BMO Capital Markets will use reasonable efforts, subject to normal market conditions, to arrange for a secondary market for the sale of Deposit Notes by Holders to BMO Capital Markets using the FundSERV network.

In order to sell a Deposit Note in the secondary market, if available, a Holder must arrange through his or her financial advisor to give notice to BMO Capital Markets either in writing or electronically through FundSERV’s investment fund transaction processing system. See “FundSERV – Sale of FundSERV Notes”. However, BMO Capital Markets is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when commenced, may be suspended at any time at the sole discretion of BMO Capital Markets, without notice. Therefore, there can be no assurance that a secondary market will be available or that such market will be liquid or sustainable. See also “FundSERV” below for details in respect of secondary market trading where the Deposit Notes are held through dealers and other firms that are on the FundSERV network. The sale of a Deposit Note to BMO Capital Markets will be effected at a price equal to (i) the bid price for the Deposit Note, determined by BMO Capital Markets in its sole discretion, minus (ii) any applicable Early Trading Charge as set out below.

The Deposit Notes are intended to be instruments held to Maturity with their principal being payable on the Maturity Date. As a result, sale of the Deposit Notes prior to the Maturity Date may result in a bid price that is less than the Deposit Amounts of the Deposit Notes. The bid price of a Deposit Note at any time will be determined by BMO Capital Markets, acting in its sole and absolute discretion, and will be dependent upon a number of factors, which may include, among other things: (i) how much the Closing Prices of Securities have increased or decreased since the Closing Date and their performance up to such time; (ii) the fact that the Deposit Amount of \$100 per Deposit Note is payable on the Maturity Date regardless of both the Closing Price or performance of any Security at any time and the aggregate performance of the Securities up to such time; (iii) the fact that any Interest on an Interest Payment Date will not exceed 6% of the Deposit Amount; and (iv) a number of other interrelated factors, including, without limitation, the correlation and volatility of the prices of the Securities, prevailing interest rates, the dividend and distribution yields of the Securities and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note: (a) may have a non-linear sensitivity to the increases and decreases in the Closing Prices of the Securities (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the Closing Prices of the Securities); and (b) may be substantially affected by changes in interest rates independent of the performance of the Securities.

If a Holder sells a Deposit Note within the first 270 days from the Closing Date, the proceeds from the sale of the Deposit Note will be reduced by an Early Trading Charge that will be equal to 1.00% of the Deposit Amount.

A Holder should be aware that any valuation price for the Deposit Notes appearing in his or her periodic investment account statements, as well as any bid price quoted to the Holder to sell his or her Deposit Notes, within the first 270 days from the Closing Date, will be before the application of any applicable Early Trading Charge. A Holder wishing to sell a Deposit Note prior to Maturity should consult his or her financial advisor on whether a sale of the Deposit Note will be subject to an

Early Trading Charge and, if so, the amount of the Early Trading Charge. If a Holder sells his or her Deposit Notes prior to Maturity, such Holder may receive less than the Deposit Amount of the Deposit Note even if the performance of the Securities has been positive, and as a result, such Holder may suffer losses.

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

A Holder should consult his or her financial advisor on whether it would be more favourable in the circumstances at any time to sell the Deposit Notes in a secondary market, if available, or hold the Deposit Notes until the Maturity Date. A Holder should also consult his or her tax advisor as to the tax consequences arising from a sale of a Deposit Note prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Income Tax Considerations”.

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

## **SPECIAL CIRCUMSTANCES**

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

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

### **Potential Adjustment Event**

Following the declaration by an Issuer of the terms of any Potential Adjustment Event (as defined below) in respect of Securities of the Issuer that are in the Benchmark Portfolio at the time of such declaration, the Calculation Agent, acting in its sole and absolute discretion, will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will (i) make the corresponding adjustments, if any, to any one or more of the Initial Price of such Security, the formula for calculating the Actual Return or Effective Return of such Security, or any other component or variable relevant to the determination of Interest as the Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the diluting or concentrative effect and (ii) determine the effective date of the adjustments. The Calculation Agent may, but need not, determine any appropriate adjustments by reference to the adjustments in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Security traded on such options exchange. Unless expressly provided below, the Calculation Agent will make no adjustment in respect of any distribution of cash.

“Potential Adjustment Event” means, in respect of a Security, the occurrence of any of the following events, as determined by the Calculation Agent, acting in its sole and absolute discretion:

- (a) a subdivision, consolidation or reclassification of relevant Securities (unless resulting in a Merger Event (as defined below)), or a free distribution or dividend of any such Securities to existing holders by way of bonus, capitalization or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Securities of (i) such Securities, or (ii) other share capital or securities granting the right to payment of dividends, distributions and/or the proceeds of liquidation of the applicable Issuer equally or proportionately with such payments to holders of such Securities, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the applicable Issuer as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend or distribution in respect of such Securities (where the characterization of a dividend or distribution as “extraordinary” will be determined by the Calculation Agent);
- (d) a call by the applicable Issuer in respect of the relevant Securities that are not fully paid;
- (e) a repurchase by the applicable Issuer or any of its subsidiaries of the relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or a combination of cash and securities (other than a repurchase which constitutes a Tender Offer (as defined below));
- (f) in respect of the applicable Issuer, an event that results in any shareholder or unitholder rights, as applicable, being distributed or becoming separated from common shares, units or other securities of the capital stock of such Issuer pursuant



to a shareholder or unitholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred shares, warrants, debt instruments or share or unit rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event will be readjusted upon any redemption or exercise of such rights; or

(g) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities.

### **Merger Event and Tender Offer**

On or after a Merger Date or Tender Offer Date (each as defined below), the Calculation Agent (i) will (A) make adjustment(s), if any, to any one or more of the Initial Price of the relevant Security, the formula for calculating the Actual Return or Effective Return of such Security, or any other component or variable relevant to the determination of Interest as the Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the economic effect on the Deposit Notes of the relevant Merger Event or Tender Offer, which may, but need not, be determined by reference to the adjustments made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Securities traded on such options exchange and (B) determine the effective date of the adjustments, or (ii) if the Calculation Agent determines that no adjustments that it could make under (i) will produce a commercially reasonable result, may deem the relevant Merger Event or Tender Offer to be a Substitution Event subject to the provisions of “Substitution Event” below.

“Merger Event” means, in respect of a Security, any (i) reclassification, reorganization, consolidation or change of the relevant Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) statutory arrangement, consolidation, amalgamation, merger or binding security exchange of the relevant Issuer with or into another entity or person (other than a statutory arrangement, consolidation, amalgamation, merger or binding security exchange in which such Issuer is the continuing entity and which does not result in a reclassification, reorganization, consolidation or change of all of such Securities outstanding), (iii) takeover bid (within the meaning of applicable securities laws), tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Securities of such Issuer that results in a transfer of or an irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by such other entity or person), (iv) statutory arrangement, consolidation, amalgamation, merger or binding security exchange of such Issuer or its subsidiaries with or into another entity in which such Issuer is the continuing entity and which does not result in a reclassification, reorganization, consolidation or change of all such Securities outstanding but results in the outstanding Securities (other than Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Securities immediately following such event (commonly referred to as a “reverse merger”), or (v) sale of all or substantially all assets of the Issuer (or any lease, long term supply agreement or other arrangement having the same economic effect as a sale of all or substantially all assets in the Issuer) in each case if the Merger Date is on or before the date on which the return of such Security is determined.

“Merger Date” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“Tender Offer” means, in respect of a Security, a takeover bid (within the meaning of applicable securities laws), tender offer, exchange offer, solicitation, proposal or other event by any entity or person (including, for greater certainty, an issuer bid) that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding relevant Securities of the applicable Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“Tender Offer Date” means, in respect of a Tender Offer, the date on which the relevant Securities in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

### **Substitution Event**

Upon the Calculation Agent becoming aware of the occurrence of a Substitution Event (as defined below) in respect of a Security or Securities in the Benchmark Portfolio (the “Substituted Security”), the following will apply, effective on a date (the “Substitution Date”) as determined by the Calculation Agent, acting in its sole and absolute discretion:

- (a) any adjustments set out in “Potential Adjustment Event” above in respect of such Security will not apply;
- (b) the Calculation Agent may choose (in its sole and absolute discretion) a new security (the “Alternate Security”) of an issuer listed on a major exchange or market quotation system as a substitute for such Substituted Security;

- (c) such Substituted Security will be deleted from the Benchmark Portfolio and will not be considered as a Security for purposes of determining the Interest payable on or after the Substitution Date;
- (d) the Alternate Security will be a Security in the Benchmark Portfolio, the issuer of such Alternate Security will be the Issuer in respect of such Alternate Security, and the primary exchange or market quotation system on which such Alternate Security is listed will be the Exchange in respect of such Alternate Security; and
- (e) the Calculation Agent, acting in its sole and absolute discretion, will determine the Initial Price of such Alternate Security by taking into account all relevant market circumstances, including the Initial Price of such Substituted Security and the Closing Price or estimated value on the Substitution Date of the Substituted Security and the Closing Price on the Substitution Date of the Alternate Security, and will make adjustments, if any, to any one or more of the formula for calculating the return of such Alternate Security, or any other component or variable relevant to the determination of Interest as the Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the economic effect on the Deposit Notes of the relevant Substitution Event (including adjustments to account for changes in volatility, expected dividends or distributions, stock loan rate or liquidity relevant to the applicable substitution).

Following the Calculation Agent choosing an Alternate Security, the Manager will promptly give details of such substitution and brief details of the Substitution Event to Holders. See “Description of the Deposit Notes – Notices to Holders”. For greater certainty, the Alternate Security chosen by the Calculation Agent may be any security of any issuer, including any securities of an issuer that was the continuing entity in respect of a Merger Event. The Calculation Agent may decide not to choose an Alternate Security as a substitute for a Substituted Security if the Calculation Agent, acting in its sole and absolute discretion, determines that there are no appropriate securities of an issuer listed on a major exchange or market quotation system which offer sufficient liquidity in order for a party to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such securities or to realize, recover or remit the proceeds of any such hedge transaction. See “Special Circumstances – Extraordinary Event” below.

“Substitution Event” means, in respect of a Security, any Issuer Event, Nationalization, Insolvency or Delisting in respect of such Security, or any Merger Event or Tender Offer in respect of such Security that is deemed by the Calculation Agent to be a Substitution Event, in its sole and absolute discretion, or the occurrence and continuation for at least four consecutive applicable Exchange Days of a Market Disruption Event (as defined below) in respect of such Security.

“Issuer Event” means, in respect of a Security, any one or more events, as a result of which, (i) a significant portion of the securities of the applicable Issuer are eliminated or materially varied, (ii) all or a significant portion of the property of the applicable Issuer ceases to be owned by the Issuer, or (iii) the applicable Issuer becomes two or more entities (one of which may be the Issuer), including as a result of a split or division of the Issuer.

“Nationalization” means, in respect of a Security, that all or substantially all such Securities or all or substantially all the assets of the applicable Issuer are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

“Insolvency” means, in respect of a Security, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the applicable Issuer, (i) all the relevant Securities of such Issuer are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Securities of such Issuer become legally prohibited from transferring them.

“Delisting” means, in respect of a Security, that the relevant primary exchange announces that pursuant to the rules of such exchange, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange.

### **Market Disruption Event**

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

However, there will be a limit for postponement of any Valuation Date. If on the fourth Exchange Day following the date originally scheduled as a Valuation Date, such Valuation Date has not occurred, then despite the occurrence of any Market Disruption Event in respect of such Security on or after such fourth Exchange Day:

- (i) such fourth Exchange Day will be the Valuation Date in respect of such Security, and
- (ii) where on that fourth Exchange Day a Market Disruption Event in respect of such Security has occurred and is continuing, then the Closing Price of such Security for such Valuation Date used for determining the relevant value of such Security in the calculation of Interest will be a value equal to the Calculation Agent's estimate of the Closing Price of such Security as at such Valuation Date reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the determination of the Actual Return and Effective Return of a Security and consequently the calculation of Interest that may be payable. Where there has been a Market Disruption Event, payment of applicable Interest on an Interest Payment Date will be made within three Business Days after the Actual Returns and Effective Returns of all Securities used in the calculation of the Interest have been determined.

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

- (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Securities on the Exchange(s), or (ii) in futures or options contracts relating to the relevant Securities on any relevant Related Exchange;
- (b) the closure ("Early Closure") on any Exchange Day of the relevant Exchange(s) or any Related Exchange(s) after it has opened for trading but prior to its scheduled closing time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the close of trading on such Exchange Day;
- (c) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Securities on the Exchange(s), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Securities on any relevant Related Exchange;
- (d) the failure on any Exchange Day of the relevant Exchange(s) of the relevant Securities or any Related Exchange to open for trading during its regular trading session;
- (e) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or order of any court or other governmental authority, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other event which has or would have a material adverse effect on a securityholder of an Issuer or in respect of any hedge transaction established in connection with a Security;
- (f) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or a country in which any applicable Exchange or Related Exchange is located;
- (g) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the ability of Bank of Montreal to perform its obligations under the Note Program or for a party generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such Security or to realize, recover or remit the proceeds of any such hedge transaction in respect of such Security or has or would have a material adverse effect on the Canadian economy or the trading of securities generally on any relevant Exchange or Related Exchange; or
- (h) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying or unwinding or disposing of any hedge transaction in connection with a Security or in the cost of realizing, recovering or remitting the proceeds of any such hedge transaction.

### **Extraordinary Event**

If the Calculation Agent determines in its sole and absolute discretion that a Market Disruption Event in respect of a Security has occurred and has continued for at least ten consecutive applicable Exchange Days or that any other Substitution Event in respect of a Security has occurred, and the Calculation Agent has decided not to choose an Alternate Security as a substitute for such Security on the grounds the Calculation Agent has determined that there are no appropriate securities of an issuer listed on a major exchange or market quotation system which offer sufficient liquidity in order for the Calculation Agent to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such securities or to realize, recover or remit the proceeds of any hedge transaction (an “Extraordinary Event”), then the Calculation Agent may, upon notice to the Holders to be given effective on an applicable Exchange Day (the date of such notification being the “Extraordinary Event Notification Date”), elect to estimate the present value, which may be nil, (“Estimated Interest”) as of the Extraordinary Event Notification Date, taking into account all relevant market circumstances, of a right to receive the remaining Interest that, but for such occurrence of the Extraordinary Event, would have been payable on the remaining Interest Payment Dates. Upon such election, the following consequences will arise as of the Extraordinary Event Notification Date:

- (a) any remaining Interest that may otherwise be payable by Bank of Montreal will not be calculated in accordance with the provisions set out in “Note Program – Interest Payments” above;
- (b) Bank of Montreal shall be discharged of all its obligations in respect of any such remaining Interest; and
- (c) the Estimated Interest, if any, will be paid on the seventh Business Day after the Extraordinary Event Notification Date.

In these circumstances, payment of the Deposit Amount will not be accelerated and will remain due and payable on the Maturity Date.

### **FUNDSEV**

Holders may purchase Deposit Notes through dealers and other firms that use the transaction processing system or network operated by FundSEV. The following information about FundSEV and its network is relevant for such Holders. Holders should consult with their financial advisors as to whether their Deposit Notes have been purchased using the FundSEV network and to obtain further information on FundSEV procedures applicable to those Holders.

Where a Holder’s purchase order for Deposit Notes is effected by a dealer or other firm using the FundSEV network, such dealer or other firm may not be able to accommodate a purchase of Deposit Notes through certain registered plans for purposes of the Tax Act. Holders should consult their financial advisors as to whether their orders for Deposit Notes will be made using the FundSEV network and any limitations on their ability to purchase Deposit Notes through registered plans.

### **General Information**

FundSEV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products with an online transaction processing system for such financial products, including the Deposit Notes. FundSEV’s network facilitates the matching of orders to settlement instructions, facilitates reconciliation, aggregates and reports net settlement amounts and distributes settlement instruction information to the financial product distribution channel.

### **Deposit Notes Held Through the Custodian**

All Deposit Notes will initially be issued in the form of a fully registered global deposit note (“Global Note”) that will be deposited with CDS. Deposit Notes purchased using the FundSEV network (“FundSEV Notes”) will also be evidenced by the Global Note. Holders holding FundSEV Notes will therefore have an indirect beneficial interest in the Global Note. The Deposit Notes will be recorded in CDS as being held by BMO Capital Markets (as a direct participant in CDS). BMO Capital Markets in turn will hold the Deposit Notes for the Custodian. The Custodian will record or cause to be recorded respective interests in the FundSEV Notes which recordings will be made as instructed by CDS Participants or non-CDS Participants, as the case may be, using the FundSEV network.

### **Purchase of FundSEV Notes**

In order to purchase FundSEV Notes, the aggregate Subscription Price must be delivered to the Selling Agent in immediately available funds prior to the Closing Date. Despite delivery of such funds, the Selling Agent reserves the right not to accept any offer to purchase FundSEV Notes. If the FundSEV Notes are not issued to the subscriber for any

reason, such funds will be returned without delay to the subscriber. In any event, whether or not the FundSERV Notes are issued, no interest or other compensation will be paid to the subscriber on such funds.

### **Sale of FundSERV Notes**

A Holder wishing to sell FundSERV Notes prior to Maturity is subject to certain procedures and limitations. Any Holder wishing to sell a FundSERV Note should consult with his or her financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. A Holder must sell FundSERV Notes by using the “redemption” procedures of FundSERV’s transaction processing system. A sale or redemption of FundSERV Notes through any other means is not possible. Accordingly, a Holder will not be able to negotiate a sale price for FundSERV Notes. Instead, the financial advisor for the Holder will need to initiate an irrevocable request to “redeem” the FundSERV Note in accordance with the then established procedures of FundSERV. Generally, this will mean the financial advisor will need to initiate the redemption request by 1:00 p.m. (Toronto time, or such other time as may hereafter be established by FundSERV) on a Business Day. Any request received after such time will be deemed to be a request sent and received in respect of the next following Business Day. Sale of a FundSERV Note will be effected at a sale price equal to (i) the bid price for the FundSERV Note determined by BMO Capital Markets, acting in its sole and absolute discretion minus (ii) any applicable Early Trading Charge. A Holder should be aware of the limitations and restrictions surrounding the secondary market. See “Secondary Market”.

A Holder should also be aware that, although the “redemption” procedures of FundSERV’s transaction processing system would be utilized, the FundSERV Notes of the Holder will actually be sold in the secondary market to BMO Capital Markets. In turn, BMO Capital Markets will be able to deal with such FundSERV Notes in its discretion, including, without limitation, selling those FundSERV Notes to other parties at any price or holding them in its inventory.

Holders should also be aware that from time to time such “redemption” mechanism to sell FundSERV Notes may be suspended for any reason without notice, thus effectively preventing Holders from selling their FundSERV Notes. Potential Holders requiring liquidity should carefully consider this possibility before purchasing FundSERV Notes.

The sale price will actually represent BMO Capital Markets’ bid price for the Deposit Notes (i.e., the price it is offering to purchase Deposit Notes in the secondary market) as of the applicable Business Day, less any applicable Early Trading Charge. There is no guarantee that the sale price for any day is the highest bid price possible in any secondary market for the Deposit Notes, but will represent BMO Capital Markets’ bid price generally available to all Holders as at the relevant close of business, including clients of BMO Capital Markets.

A Holder holding FundSERV Notes should realize that in certain circumstances FundSERV Notes may not be transferable to another dealer, if the Holder were to decide to move his or her investment accounts to such other dealer. In that event, the Holder would have to sell the FundSERV Notes pursuant to the procedures outlined above.

## **SUITABILITY AND APPROPRIATENESS FOR INVESTMENT**

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

An investment in the Deposit Notes may be suitable and appropriate for Holders who:

- seek a short- to mid-term investment;
- seek principal protection at Maturity and are prepared to hold the Deposit Notes to Maturity;
- are prepared to receive annual interest, if any, that (i) is based on the price performance of the Benchmark Portfolio and not based on a fixed, floating or other specified interest rate, (ii) is uncertain until determined on the applicable Valuation Date, (iii) will not exceed 6% of the Deposit Amount, and (iv) may be zero; and
- are prepared to accept the risks set out under “Risk Factors”.

## **DESCRIPTION OF THE DEPOSIT NOTES**

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

## **Offering**

The Bank of Montreal Protected Deposit Notes, Advantage Y.I.E.L.D. CAD (3 Year), BHPB Series 21 are being issued by Bank of Montreal with a Subscription Price of \$100 per Deposit Note and a minimum subscription of \$100,000 (1,000 Deposit Notes). The currency of the Offering is Canadian dollars. The maximum size of the Offering is \$10,000,000. Bank of Montreal may change the minimum subscription and the maximum size of the Offering at its discretion.

Bank of Montreal is offering the Deposit Notes through FundSERV's transaction processing system. Subscriptions for Deposit Notes may be made using FundSERV's network under the FundSERV code "JHN 1183" which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all required documents and satisfaction of closing conditions, if any. Funds in respect of all subscriptions shall be payable at the time of subscription.

A Global Note for the full amount of the issue will be issued in registered form to CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Holders and registration of ownership of the Deposit Notes will be made through the Book-Entry System of CDS or through FundSERV's transaction processing system, as applicable. The Deposit Notes may not be called for redemption by Bank of Montreal prior to Maturity.

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

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

## **Maturity Payment**

Deposit Notes will mature on the Maturity Date, at which time each Holder of a Deposit Note will be entitled to receive, in respect of each Deposit Note, an amount equal to the Deposit Amount and, provided no Extraordinary Event has occurred, payment of annual Interest, if any. See "Description of the Deposit Notes – Settlement of Payments" below.

The amount of Interest that may be payable to each Holder during the term of the Deposit Notes or at Maturity will not affect the right of Holders to receive the Deposit Amount at Maturity.

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

## **Interest Payments**

The amount of Interest that may be payable on an Interest Payment Date will be calculated by BMO Capital Markets using the Interest Rate determined in accordance with the Interest Rate Formula based on the price performance of the Benchmark Portfolio. Such Interest Rate will not exceed 6% per annum of the Deposit Amount and may be zero. In order for a Holder to receive the maximum Interest of 6% per annum of the Deposit Amount on any Interest Payment Date, each Security's Closing Price must have increased over the period from the Closing Date to the applicable Valuation Date. If in respect of any such Interest Payment Date the simple average of the Effective Returns is zero or negative, then the Interest Rate will be zero and no Interest will be payable on such Interest Payment Date. See "Note Program – Interest Rate Formula".

## **Rank**

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

## **Settlement of Payments**

Bank of Montreal will be required to make available to CDS, no later than 10:00 a.m. (Toronto time) on each Interest Payment Date, funds in an amount sufficient to pay the annual payment of Interest, if any, then due under the Deposit Notes.

Bank of Montreal will be required to make available to CDS, no later than 10:00 a.m. (Toronto time) on the Maturity Date, funds in an amount sufficient to pay the amounts due on the Maturity Date under the Deposit Notes. If at Maturity there is a Market Disruption Event, payment of any amount in excess of the aggregate Deposit Amount of the Deposit Notes may be delayed.

All amounts payable in respect of the Deposit Notes will be made available by Bank of Montreal through CDS or its nominee. CDS or its nominee will, upon receipt of any such amount, facilitate payment to the applicable CDS Participants or credit the respective accounts of such CDS Participants, in amounts proportionate to their respective interests as shown on the records of CDS. The Custodian will facilitate payment to non-CDS Participants (or CDS Participants, if applicable) through FundSERV's transaction processing system or credit the respective accounts of such non-CDS Participants (or CDS Participants, if applicable) in amounts proportionate to their respective interests. See "Description of the Deposit Notes – Custodian".

Bank of Montreal expects that payments by CDS Participants and non-CDS Participants to Holders will be governed by standing instructions and customary practices, as is the case with securities or instruments held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such CDS Participants or non-CDS Participants. The responsibility and liability of Bank of Montreal, except in its capacity as Custodian, in respect of Deposit Notes represented by a Global Note is limited to making payment of the amounts due in respect of the Global Note to CDS or its nominee. Neither Bank of Montreal, except in its capacity as Custodian, nor the Manager will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership of the Deposit Notes represented by the Global Note or for maintaining, supervising or reviewing records relating to any such ownership.

Bank of Montreal retains the right, as a condition to payment of amounts at Maturity, to require the surrender for cancellation of any certificate evidencing the Deposit Notes.

### **Book-Entry System**

Each Deposit Note will generally be represented by a Global Note representing the entire issuance of Deposit Notes. Bank of Montreal will issue Deposit Notes evidenced by certificates in definitive form to a particular Holder only in limited circumstances. Both any certificated Deposit Notes in definitive form and any Global Note will be issued in registered form, whereby Bank of Montreal's obligation will run only to the holder named on the face of such note. Definitive Deposit Notes if issued will name Holders or nominees as the owners of the Deposit Notes, and in order to transfer or exchange these definitive Deposit Notes or to receive payment, the Holders or nominees (as the case may be) must physically deliver the Deposit Notes to Bank of Montreal. A Global Note will name a depository or its nominee as the owner of the Deposit Notes, initially to be CDS. (All references to the Deposit Notes and a Deposit Note contained in this Information Statement will include the Global Note unless the context otherwise requires.) Each Holder's beneficial ownership of Deposit Notes will be shown on the records maintained by the Holder's broker/dealer, bank, trust company or other representative that is a participant in the relevant depository or, in certain cases, on the records maintained by the Custodian, as explained more fully below. Interests of participants will be shown on the records maintained by the relevant depository or on the records maintained by the Custodian. Neither Bank of Montreal nor any depository will be bound to see to the execution of any trust affecting the ownership of any Deposit Note or be affected by notice of any equitable interest that may be subsisting with respect to any Deposit Note.

### **Global Note**

Bank of Montreal will issue the registered Deposit Notes on the Closing Date in the form of the fully registered Global Note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in denominations equal to the aggregate Deposit Amounts of the Deposit Notes. Unless and until it is exchanged in whole for Deposit Notes in definitive registered form, the registered Global Note may not be transferred except as a whole by and among the depository, its nominee or any successors of such depository or nominee.

Bank of Montreal anticipates that the following provisions will apply to all arrangements in respect of a depository.

Ownership of beneficial interests in a Global Note will be limited to persons that hold interests directly or indirectly through persons, called "participants", that have accounts with the relevant depository. Upon the issuance of a registered Global Note, the depository will credit, on its book-entry registration and transfer system, the participants' accounts with the respective Deposit Amounts of the Deposit Notes beneficially owned by the participants who shall designate the accounts to be credited with respect to their participation in the distribution of the Deposit Notes. Ownership of beneficial interests in a registered Global Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depository, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depository, or its nominee, is the registered owner of a registered Global Note, that depository or its nominee, as the case may be, will be considered the sole owner or holder of the Deposit Notes represented by the registered Global Note for all purposes. Except as described below, owners of beneficial interests in a registered Global Note will not be entitled to have the Deposit Notes represented by the registered Global Note registered in their names, will not receive or be entitled to receive physical delivery of the Deposit Notes in definitive form and will not be considered the owners or holders of Deposit Notes. Accordingly, each person owning a beneficial interest in a registered Global Note must rely on the procedures of the depository for that registered Global Note and on the procedures of the participant(s) and the Custodian, if any, through which the person owns its interest, to exercise any rights of a Holder. Bank of Montreal understands that under existing industry practices, if Bank of Montreal requests any action of Holders or if an owner of a beneficial interest in a registered Global Note desires to direct or take any action that a Holder is entitled to direct or take in respect of the Deposit Notes, the depository for the registered Global Note would authorize the participants to direct or take that action, and the participants and the Custodian, if any, would authorize beneficial owners owning through them to direct or take that action or would otherwise act upon the instructions of beneficial owners holding through them. See “Description of the Deposit Notes – Custodian”.

Payments on the Deposit Notes represented by a registered Global Note registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the registered Global Note. Neither Bank of Montreal, except in its capacity as the Custodian, nor any agent thereof will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the registered Global Note or for maintaining, supervising or reviewing any records relating to any such ownership interests.

Bank of Montreal expects that the depository for any of the Deposit Notes represented by a registered Global Note, upon receipt of any payment on the Deposit Notes, will immediately credit participants’ accounts in amounts proportionate to their respective interests in that registered Global Note as shown on the records of the depository. See “Description of the Deposit Notes – Settlement of Payments”.

#### **Custodian**

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

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

#### **Definitive Deposit Notes**

If the depository for any of the Deposit Notes represented by a registered Global Note is at any time unwilling or unable to continue to properly discharge its responsibilities as depository, and a successor depository is not appointed by Bank of Montreal within 90 days, Bank of Montreal will issue Deposit Notes in definitive form in exchange for the registered Global Note that had been held by the depository.

In addition, Bank of Montreal may at any time and in its sole discretion decide not to have any of the Deposit Notes represented by one or more registered Global Notes. If Bank of Montreal makes that decision, Bank of Montreal will issue Deposit Notes in definitive form in exchange for all of the registered Global Notes representing the Deposit Notes.

Except in the circumstances described above, beneficial owners of the Deposit Notes will not be entitled to have any portions of such Deposit Notes registered in their name, will not receive or be entitled to receive physical delivery of the Deposit Notes in certificated, definitive form and will not be considered the owners or holders of a Global Note.

Any Deposit Notes issued in definitive form in exchange for a registered Global Note will be registered in the name or names that the depository gives to Bank of Montreal or its agent, as the case may be. It is expected that the depository’s instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the registered Global Note that had been held by the depository.

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



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

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

### **Notices to Holders**

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

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

The Global Note may be amended following the Closing Date without the consent of the Holders by agreement between Bank of Montreal and the Manager if, in the reasonable opinion of Bank of Montreal and the Manager, the amendment would not materially and adversely affect the interests of such Holders. In all other cases, the Global Note may be amended if the amendment is approved by a resolution passed by the favourable votes of Holders representing not less than 66⅔% of the outstanding aggregate Deposit Amounts of the Deposit Notes represented at the meeting of Holders for the purpose of considering the resolution. Each Holder is entitled to one vote per Deposit Note held for the purpose of voting at meetings convened to consider a resolution. The Deposit Notes do not carry the right to vote in any other circumstances.

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

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

An investor will be deemed to have received this Information Statement on the earlier of: (i) the day recorded as the time of sending by the server or other electronic means, if provided by electronic means; (ii) the day recorded as the time of sending by fax machine, if provided by fax; (iii) five Business Days after the postmark date, if provided by mail; and (iv) when it is received.

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

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

## **BENCHMARK PORTFOLIO**

The price performance of the Benchmark Portfolio will affect the amount of Interest, if any, that may be payable to the Holders. Except as described under "Special Circumstances – Substitution Event", the Benchmark Portfolio will consist of an equally-weighted proportion of the Securities of 10 Canadian issuers identified below by name of Issuer and ticker symbol on the TSX (the primary Exchange).

Issuer	Ticker
Barrick Gold Corporation	ABX
Brookfield Office Properties Inc.	BPO
Cameco Corporation	CCO
Emera Incorporated	EMA
Enbridge Inc.	ENB
George Weston Limited	WN
The Jean Coutu Group (PJC) Inc.	PJC.A
Metro inc.	MRU.A
Power Corporation of Canada	POW
Shaw Communications Inc.	SJR.B

## Company Description

**Barrick Gold Corporation** is engaged in the production and sale of gold, as well as related activities such as exploration and mine development.

**Brookfield Office Properties Inc.** is a commercial real estate company, which is engaged in the ownership, development and management of premier commercial office properties in select cities and in the development of residential land.

**Cameco Corporation** is a uranium producer and commercial supplier of conversion services.

**Emera Incorporated** is a Canadian energy holding company which invests in electricity generation, transmission and distribution, as well as gas transmission and energy marketing.

**Enbridge Inc.**'s main business activities are the transportation and distribution of crude oil and natural gas.

**George Weston Limited** engages in the food processing and distribution business. It offers frozen bakery products comprising bread, rolls, and sweet goods; and biscuit products, including wafers, ice-cream cones, cookies, and crackers.

**The Jean Coutu Group (PJC) Inc.** is engaged in pharmacy retailing. It operates a network of 366 franchised stores in Canada located in the provinces of Quebec, New Brunswick and Ontario, under the banners of PJC Jean Coutu, PJC Clinique, PJC Sant and PJC Sant Beaut.

**Metro inc.** is a food and pharmaceutical company. Concentrated in Quebec and Ontario, the company operates a network of approximately 600 supermarkets mainly under the Metro, Metro Plus, Super C and Food Basics banners.

**Power Corporation of Canada** is a diversified management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services, communications and other business sectors.

**Shaw Communications Inc.** is a diversified communications & media company, providing consumers with broadband cable television, high-speed internet, home phone, telecommunications services, satellite direct-to-home services & engaging programming content.

Source: [www.tmx.com](http://www.tmx.com)

All information in this Information Statement relating to the Securities and the Issuers is derived from publicly available sources and is presented in this Information Statement in summary form. As such, none of Bank of Montreal, the Selling Agent, the Manager or the Calculation Agent assumes any responsibility for the accuracy, reliability or completeness of such information, or accepts responsibility for the provision of any future information in respect of the Securities or the Issuers, or has any duty or obligation to update such information up to or after the Closing Date. A Holder may obtain further information about the Securities and the Issuers by consulting documents made publicly available by each Issuer at [www.sedar.com](http://www.sedar.com). This internet address is included in this Information Statement as an inactive textual reference only.

The Issuers whose securities are in the Benchmark Portfolio may change in certain circumstances. However, the Benchmark Portfolio will always consist of securities of different Issuers. See "Special Circumstances". Notice will be given to the Holders if the composition of the Benchmark Portfolio changes. See "Description of the Deposit Notes – Notices to Holders".

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

No fees or expenses will be paid out of the proceeds of this Offering of Deposit Notes. No annual fees will be charged to the Benchmark Portfolio.

## **RISK FACTORS**

An investment in Deposit Notes is subject to certain risk factors that prospective investors should carefully consider before acquiring Deposit Notes, including the following risk factors:

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

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

The Deposit Amount is repaid only if the Deposit Notes are held at Maturity. Any Interest payable on an Interest Payment Date will be paid to Holders based on the price performance of the Benchmark Portfolio. Therefore, an investment in the Deposit Notes is only suitable for investors prepared to assume risks with an investment whose return is based on the price performance of the Benchmark Portfolio. The Deposit Notes are not suitable investments for investors who need or expect any return or a specific return on investment. See “Suitability and Appropriateness for Investment”.

### **Non-Conventional Deposit Notes**

The Deposit Notes are not conventional notes or debt instruments. The Deposit Notes do not provide Holders with a return or income stream prior to Maturity, or a return at Maturity, that is calculated by reference to a specific fixed or floating rate of interest that can be determined prior to the Valuation Date for the applicable Interest Payment Date. The return on the Deposit Notes, unlike that on many deposit liabilities of Canadian chartered banks, is uncertain in that the Deposit Notes could provide no yield.

### **Interest May Not Be Payable**

Interest, if any, that may be payable on the Deposit Notes on an Interest Payment Date is based on the simple average of the respective Effective Returns (each of which may be positive, zero or negative and is subject to an upper limit of 6% per annum and a lower limit of negative 15% per annum) of the Securities in the Benchmark Portfolio. A Holder's exposure under the Deposit Notes to the Benchmark Portfolio is not the same as an investment in the Securities held for the full term to Maturity. Interest, if any, will not reflect any dividends or distributions declared on the Securities. A Holder should realize that in addition to there being a lower limit of negative 15% on the percentage decrease in determining the price performance of a Security, the Effective Return of a Security will be capped at 6% per annum regardless of the actual percentage increase in the Closing Price of the Security. Accordingly, while the maximum annual Interest a Holder is entitled to receive on an Interest Payment Date is 6% of the Deposit Amount regardless of the level of price performance of the Benchmark Portfolio, it is possible that a Holder may not be entitled to any Interest on an applicable Interest Payment Date. See “Note Program – Interest Rate Formula”.

### **Risk Factors Relating to Securities and the Issuers**

The amount of Interest, if any, payable on the Deposit Notes is generally based on the price performance of Securities in the Benchmark Portfolio. Accordingly, certain risk factors applicable to investors who invest directly in Securities are also applicable to an investment in Deposit Notes to the extent that such risk factors could adversely affect the price performance of the Securities.

Investors should recognize that it is impossible to know whether the price of Securities at any time will rise or fall. The price of Securities in the Benchmark Portfolio will be influenced by the outlook for the applicable Issuer and by general economic, industry and market trends. When the economy is strong, the outlook for many issuers will be good, and the price of equity investments will generally rise. On the other hand, the price of equity investments usually declines with a general economic or industry downturn.

This is not a complete description of the risks applicable to the Securities and the Issuers. For a description of the risks applicable to the Issuers and Securities initially in the Benchmark Portfolio, an investor may consult documents made publicly available by each Issuer at [www.sedar.com](http://www.sedar.com).

## **Secondary Trading of Deposit Notes**

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

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

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

A Holder who sells Deposit Notes in the secondary market may receive less than the Deposit Amount.

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

- how much the Closing Prices of Securities have increased or decreased since the Closing Date and their performance up to such time;
- the fact that the Deposit Amount of \$100 per Deposit Note is payable on the Maturity Date regardless of both the Closing Price or performance of any Security at any time and the aggregate performance of the Securities up to such time;
- the fact that annual Interest, if any, will not exceed 6% of the Deposit Amount; and
- a number of other interrelated factors, including, without limitation, the correlation and volatility of the prices of the Securities, prevailing interest rates, the dividend and distribution yields of the Securities and the time remaining to the Maturity Date.

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

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

## **Legislative, Regulatory and Administrative Changes**

Changes in laws, regulations or administrative practices could have an impact on Holders, including changes, if any, as a result of a current review by the CRA of its administrative practice in relation to the relevance of a secondary market for debt obligations such as the Deposit Notes in determining whether there is a deemed annual accrual of interest on such debt obligations.

## **Conflicts of Interest**

Each of Bank of Montreal, BMO Capital Markets, whether in its capacity as Selling Agent, Calculation Agent or Manager and any of their respective affiliates, may from time to time, in the course of its normal business operations, hold interests linked to the Issuers or hold securities of, extend credit to or enter into other business dealings with the Issuers, including under hedging arrangements relating to the Deposit Notes. Each has agreed that all such actions taken by it shall be taken based on normal commercial criteria in the particular circumstances. Such actions may not take into account the effect, if any, of such actions on the Deposit Notes or the amount of Interest that may be payable on the Deposit Notes. Furthermore, BMO Capital Markets, which has undertaken to use reasonable efforts to arrange for a secondary market, is an affiliate of Bank of Montreal.

## **Credit Rating**

The Deposit Notes have not been rated. As of the date of this Information Statement, the deposit liabilities of Bank of Montreal with a term to maturity of more than one year are rated AA by DBRS, A+ by S&P and Aa2 by Moody's. There

can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as the conventional deposit liabilities of Bank of Montreal. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

### **Credit Risk**

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

### **No Deposit Insurance**

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

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

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

### **Special Circumstances**

If a Market Disruption Event occurs on a day on which the Closing Price of a Security is to be determined for calculating Interest, the determination of that price (and, if applicable, the payment of that Interest, if any) may be delayed. Fluctuations in the Closing Price of the Security may occur in the interim. In certain unusual circumstances, the Calculation Agent may estimate the Closing Price of a Security or determine the amount of Interest, if any, that may be payable to Holders in an alternate manner. See “Special Circumstances”.

In the case of a Substitution Event, the Calculation Agent may choose a security of another issuer as a substitute for a Substituted Security. In other circumstances, such as a stock split or extraordinary dividend or distribution in respect of a Security, the Calculation Agent may adjust the Initial Price of such Security, the formula for calculating the Actual Return or Effective Return of such Security, or any other component or variable relevant to the determination of the amount of Interest to account for those circumstances. Adjustments made to a component or variable relevant to the determination of the amount of Interest or to the composition of the Benchmark Portfolio may have a negative effect on the Actual Return or Effective Return of a Security or on the amount of Interest payable. Following an Extraordinary Event, the Calculation Agent may elect to have Bank of Montreal pay Estimated Interest prior to Maturity in lieu of annual Interest. However, in no event will the Deposit Amount of a Deposit Note be paid prior to the Maturity Date. See “Special Circumstances”.

### **No Independent Calculation**

As part of its responsibilities, the Manager will be solely responsible for computing the Interest Rate in accordance with the Interest Rate Formula based on the price performance of the Securities in the Benchmark Portfolio as determined by the Calculation Agent. No independent calculation agent will be retained to make or confirm the determinations and calculations made by the Calculation Agent or the Manager.

### **No Ownership of Securities or the Benchmark Portfolio**

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

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

## **INCOME TAX CONSIDERATIONS**

In the opinion of McMillan LLP, counsel to Bank of Montreal, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by a Holder (“Initial Holder”) who purchases Deposit Notes only at the time of their issuance. This summary is applicable only to an Initial Holder who, for the purposes of the Tax Act, is, or is deemed to be, a resident of Canada,

deals at arm's length with and is not affiliated with Bank of Montreal, holds Deposit Notes as capital property and is an individual (other than a trust) or a corporation (other than a financial institution as defined in subsection 142.2(1) of the Tax Act).

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

**This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "Regulations") as in force on the date hereof, counsel's understanding of the current administrative and assessing practices of the CRA and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. No assurance can be given that any proposals to amend the Tax Act and the Regulations will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative or assessing practices, whether by legislative, governmental or judicial action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Deposit Notes and does not take into account provincial, territorial or foreign income tax legislation or considerations.**

**This summary is of a general nature only and is not intended to be legal or tax advice to any Holder. Holders should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Deposit Notes, based on their particular circumstances.**

### **Interest**

Interest, if any, will be required to be included in income for a taxation year to the extent received or receivable (for an Initial Holder who is an individual, depending on the method regularly followed by the individual for computing income) or accrued (for an Initial Holder that is a corporation) and not included in computing the Initial Holder's income for a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of Interest as and when required by law and will provide the Initial Holder with a copy of such return.

A Deposit Note is a "prescribed debt obligation" within the meaning of the Tax Act. The rules in the Regulations applicable to a prescribed debt obligation (the "prescribed debt obligation rules") generally require a taxpayer to accrue the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium receivable on the obligation. Based in part on counsel's understanding of the CRA's administrative practice relating to "prescribed debt obligations", there should be no deemed accrual of Interest on the Deposit Notes under the prescribed debt obligation rules. However, counsel understands that the CRA is currently reviewing its administrative practice in relation to the relevance of a secondary market for debt obligations such as the Deposit Notes in determining whether there is a deemed accrual of interest on such debt obligations. See "Risk Factors – Legislative, Regulatory and Administrative Changes".

### **Disposition of Deposit Notes**

In certain circumstances, where an investor assigns or otherwise transfers a debt obligation, the amount of interest accrued on the debt obligation to that time, but unpaid, will be excluded from the proceeds of disposition of the debt obligation and will be required to be included as interest in computing the investor's income for the taxation year in which the transfer occurs, except to the extent that it has been otherwise included in income for the taxation year or a preceding taxation year. Under the terms of the Deposit Notes, where an Initial Holder assigns or otherwise transfers a Deposit Note between a Valuation Date and the ensuing Interest Payment Date, an amount based on the Interest Rate Formula determined on the Valuation Date will be treated as accrued interest to the time of the assignment or transfer. However, where an Initial Holder assigns or otherwise transfers a Deposit Note between an Interest Payment Date and the following Valuation Date and provided an Extraordinary Event has not occurred, there should be no amount that will be treated as accrued interest. See "Income Tax Considerations – Interest".

Provided an Extraordinary Event has not occurred and while the matter is not free from doubt, a disposition or deemed disposition of a Deposit Note prior to Maturity should give rise to a capital gain (or capital loss) to the extent proceeds of disposition, excluding accrued and unpaid Interest, if any, exceed (or are less than) the aggregate of the Initial Holder's adjusted cost base of the Deposit Note and any reasonable costs of disposition. An Initial Holder who disposes of a Deposit Note prior to Maturity should consult a tax advisor with respect to the Initial Holder's particular circumstances. One-half of

a capital gain realized by an Initial Holder must be included in the income of the Initial Holder. One-half of a capital loss realized by an Initial Holder is deductible against the taxable portion of capital gains realized in the year, in the three preceding years or in subsequent years, subject to the rules in the Tax Act.

Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

An Initial Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to a refundable tax of  $6\frac{2}{3}\%$  on certain investment income, including interest and the taxable portion of capital gains.

### **Eligibility for Investment by Registered Plans**

In the opinion of McMillan LLP, counsel to Bank of Montreal, the Deposit Notes will, at the date of issue, be qualified investments under the Tax Act for trusts governed by tax-free savings accounts, registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by Bank of Montreal or an employer with which Bank of Montreal does not deal at arm's length within the meaning of the Tax Act).

Where a Holder's purchase order for Deposit Notes is effected through dealers and other firms that place and clear orders for Deposit Notes using the FundSERV network, such dealers or other firms may not be able to accommodate a purchase of Deposit Notes through certain registered plans. Holders should consult their financial advisors as to whether their orders for Deposit Notes will be made using the FundSERV network and any limitations on their ability to purchase Deposit Notes through registered plans.

## **PLAN OF DISTRIBUTION**

Pursuant to an agreement between Bank of Montreal and the Selling Agent, the Selling Agent has agreed to offer Deposit Notes for sale as agent of Bank of Montreal on a best efforts basis, if, as and when issued by Bank of Montreal. The Deposit Notes are being offered through FundSERV's investment fund transaction processing system. Subscriptions for Deposit Notes may be made through the FundSERV network under the FundSERV code "JHN 1183" which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all required documents and satisfaction of closing conditions, if any. Holders should recognize that, unless they have purchased the Deposit Notes directly through a representative of BMO Nesbitt Burns Inc., they do not have an account with BMO Nesbitt Burns Inc. Funds in respect of all subscriptions shall be payable at the time of subscription. Bank of Montreal will have the sole right to accept offers to purchase Deposit Notes and may reject any proposed purchase of Deposit Notes in whole or in part, and the right is reserved to close the subscription book at any time. The Selling Agent is a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited which, in turn, is an indirect majority-owned subsidiary of Bank of Montreal. **Consequently, Bank of Montreal is a related issuer of the Selling Agent under applicable securities legislation.** The decision to offer the Deposit Notes and the terms of this Offering were negotiated at arm's length between Bank of Montreal and the Selling Agent.

Each Deposit Note will be issued at 100% of its Deposit Amount. There is a maximum issue size of \$10,000,000 of Deposit Notes. Bank of Montreal may change the maximum size of the Offering at its discretion. No fees or expenses will be paid out of the proceeds of this Offering of Deposit Notes. No annual fees will be charged to the Benchmark Portfolio. The Selling Agent may form a sub-agency group including other qualified selling members. While the Selling Agent has agreed to use its best efforts to sell the Deposit Notes offered hereby, the Selling Agent will not be obligated to purchase any Deposit Notes that are not sold. For greater certainty, BMO Capital Markets may purchase Deposit Notes offered hereby as principal.

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

The closing of this Offering is scheduled to occur on the Closing Date.

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

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

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

A Global Note for the aggregate principal amount of the Offering will be issued in registered form to CDS and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Holders under any circumstances and registration of interests in and transfer of Deposit Notes will be made through the Book-Entry System of CDS or through FundSERV's transaction processing system, as applicable. See "Description of the Deposit Notes – Book-Entry System".

No Deposit Notes will be sold to U.S. Persons, as defined in Regulation S of the United States *Securities Act* of 1933, as amended. In connection with the issue and sale of the Deposit Notes by Bank of Montreal, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the Global Note and Bank of Montreal does not accept responsibility for any information not contained herein. This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Deposit Notes or the distribution of this Information Statement in the United States or to U.S. Persons (as defined in Regulation S of the United States *Securities Act* of 1933, as amended) or in any jurisdiction outside Canada where any action is required.

*An investor may request information about the Deposit Notes or another copy of this Information Statement by contacting the local BMO Harris Investment Management Inc. Investment Counsellor at 1-800-844-6442, or calling BMO Capital Markets at 1-866-864-7760 to speak to someone in English and 1-866-529-0017 to speak to someone in French. A copy of this Information Statement is also posted at [www.bmo.com/harrisprivatebanking/what-we-do/banking/services/investment-management/financial-report](http://www.bmo.com/harrisprivatebanking/what-we-do/banking/services/investment-management/financial-report).*

*During the term of the Deposit Notes, an investor may inquire as to the net asset value of and the Interest Rate Formula under the Deposit Notes by contacting BMO Harris Investment Management Inc. or BMO Capital Markets at the above numbers.*