

## INFORMATION STATEMENT DATED JANUARY 5, 2010

*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 DEPOSIT NOTES, S&P/TSX 60 CLASS, SERIES 8**

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

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The Bank of Montreal Deposit Notes, S&P/TSX 60 Class, Series 8 (the "Deposit Notes") issued by Bank of Montreal are principal protected deposit notes that will mature on February 4, 2013 ("Maturity"). The closing of this offering is scheduled to occur on or about February 3, 2010. At Maturity, a holder will be entitled to receive the deposit amount of \$100 for each of the holder's Deposit Notes plus a variable return, if any, that will be determined based on the performance of the S&P/TSX 60 Index (the "Benchmark Index"), except in certain special circumstances.

The variable return at Maturity, if any, will equal the sum of each percentage change in the closing level of the Benchmark Index over three successive twelve-month periods with each percentage change being subject to a maximum of 10%. Accordingly, the variable return at Maturity cannot exceed 30% (equivalent to an annual compounded rate of return of 9.14%). Subject to certain exceptions, neither the variable return nor any distributions will be paid prior to Maturity. See "Special Circumstances".

BMO Nesbitt Burns Inc. is the selling agent (the "Selling Agent") and is a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited which is, in turn, 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 Benchmark Index 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 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 Benchmark Index, the securities included in the Benchmark Index, 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 such information.

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## 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 Deposit Notes, S&P/TSX 60 Class, Series 8 (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 February 3, 2010.
- Maturity Date:** The Deposit Notes will mature on February 4, 2013. The term of the Deposit Notes is approximately three (3) years.
- Offering:** The Deposit Notes have been developed to provide you with payment at maturity of the Deposit Amount and a potential variable return based on the performance of the S&P/TSX 60 Index. See "Note Program".
- Payment at Maturity:** Subject to the occurrence of certain special circumstances, for each Deposit Note you hold at maturity, you will receive (i) the Deposit Amount and (ii) a variable return, if any. See "Note Program – Maturity Payment".
- More specifically, the variable return per Deposit Note, if any, is equal to the sum of each percentage change in the closing level of the benchmark index over three successive twelve-month periods. Each percentage change cannot exceed 10% and may be zero or negative. Accordingly, the variable return at maturity cannot exceed 30% (equivalent to an annual compounded rate of return of 9.14%). You should be aware that while each percentage change cannot exceed 10%, there is no limit on a negative percentage change, for a twelve-month period. You cannot elect to receive any payments prior to maturity. Subject to certain exceptions, neither the variable return nor any distributions will be paid during the term of the Deposit Notes. See "Note Program – Maturity Payment", "Note Program – Variable Return" and "Special Circumstances – Extraordinary Event".
- The Benchmark Index:** The benchmark index is the S&P/TSX 60 Index (which includes 60 leading issuers in leading industries of the Canadian economy). For more details on the benchmark index please refer to the information made publicly available by Standard & Poor's at <http://www2.standardandpoors.com>.
- The securities included in the index may change from time to time.
- You will not have, and the Deposit Notes do not represent, any direct or indirect ownership of or entitlement to the securities included in the benchmark index. As such, you will not have 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 Index".
- Fees and Expenses of the Offering:** No expenses will be paid out of the proceeds of this offering. 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 to BMO Capital Markets 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 you for your Deposit Notes 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".
- If you sell your Deposit Notes prior to maturity, you may receive less than the Deposit Amount even if the performance of the benchmark index has been positive, and as a result, you may suffer losses.

If you sell a Deposit Note within the first 365 days from the closing of this offering, the proceeds from the sale of the Deposit Note will be reduced by an early trading charge equal to 1.50% 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 repayable at maturity. 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”.

**Consequences of Special Circumstances:**

In certain circumstances, BMO Capital Markets may, as it determines appropriate, (i) adjust the method, components or variables in calculating the variable return, (ii) defer the timing of the calculation of the variable return, (iii) estimate the closing level of the benchmark index at the end of a valuation period, (iv) replace the benchmark index with another comparable index, or (v) estimate and pay prior to maturity the amount of the variable return, if any, under a Deposit Note that when paid will extinguish the obligation of Bank of Montreal to pay the variable return, if any, under a Deposit Note. See “Special Circumstances” for a discussion of these circumstances.

**Suitability and Appropriateness for Investment:**

The Deposit Notes may be a suitable and appropriate investment for you if you:

- are prepared to invest for the short- to mid-term;
- are seeking principal protection at maturity and are prepared to hold the Deposit Notes to maturity;
- are prepared to receive a return at maturity that (i) is based on the performance of the benchmark index, (ii) cannot exceed 30%, (iii) is not based on a fixed, floating or other specified interest rate, (iv) is uncertain until maturity, and (v) 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”.

**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, if you hold Deposit Notes at maturity, you will be required to include in your income the amount, if any, by which the payment at maturity exceeds the amount you deposited with us. Generally, based in part on counsel’s understanding of the Canada Revenue Agency’s administrative practice, you should not have to report any amount in respect of the variable return, if any, in your tax return for any taxation year ending before the year in which the Deposit Notes mature provided an extraordinary event has not occurred. Counsel understands that the Canada Revenue Agency 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.

Provided an extraordinary event has not occurred and while the matter is not free from doubt, an amount received by you on a disposition of a Deposit Note prior to the final valuation date should give rise to a capital gain (or capital loss) to you 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 such 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”.

**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, an amendment must be approved by the votes of holders of at least two-thirds of the outstanding Deposit Notes represented at a meeting held to consider the 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.

**Risk Factors:** These Deposit Notes may not be suitable for all investors and in deciding whether to invest in the Deposit Notes you should take into account various risks associated with such an investment. The following list is a summary of these risks in addition to those described above beside the headings “Consequences of Special Circumstances” and “Suitability and Appropriateness for Investment”. 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 fixed or floating rate of interest that can be determined before the maturity date. 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.

#### **Variable Return May Not Be Payable and is Limited**

It is possible that you may not receive a variable return on your Deposit Notes. Whether you receive a variable return, and if so, how much of a variable return, will depend on the performance of the benchmark index as described beside the heading “Payment at Maturity” above.

The amount of variable return, if any, paid to you on maturity may not mirror the performance of the benchmark index since in determining variable return, the percentage change in the closing level of the benchmark index for a twelve-month period cannot exceed 10% and may be zero or negative. Accordingly, the variable return per Deposit Note at maturity, if any, cannot exceed 30% of the Deposit Amount. While each percentage change over a twelve-month period cannot exceed 10%, there is no limit on the negative percentage change.

### **Risks Relating to the Benchmark Index**

Certain risk factors applicable to investors in a security with exposure to the benchmark index are also applicable to an investment in the Deposit Notes.

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

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

### **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 securities included in the benchmark index 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 variable return that may be payable on the Deposit Notes. Furthermore, BMO Capital Markets, which has undertaken to use reasonable efforts to arrange for a secondary market, is an affiliate of Bank of Montreal.

### **Credit Rating**

There is no assurance that the Deposit Notes, if rated, would receive the same rating as 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 in respect of the Deposit Notes.

### **No Ownership of the Benchmark Index or Securities Included in the Benchmark Index**

You will have no rights of ownership in the benchmark index or any of the securities included in the benchmark index.

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.bmoharrisprivatebanking.com/InvestmentManagement/reports.asp](http://www.bmoharrisprivatebanking.com/InvestmentManagement/reports.asp).

During the term of the Deposit Notes, you may inquire about the net asset value of the Deposit Notes and the method for determining the variable return of 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:

“**Benchmark Index**” means the S&P/TSX 60 Index, subject to certain special circumstances described under “Special Circumstances”;

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

“**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 or a Sunday or a 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 February 3, 2010;

“**Closing Level**” means, on any Exchange Business Day, the closing value of the Benchmark Index at the end of such Exchange Business Day, as published by S&P at <http://www2.standardandpoors.com> or successor site, subject to certain special circumstances described under “Special Circumstances”;

“**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 Deposit Notes, S&P/TSX 60 Class, Series 8 issued by Bank of Montreal;

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

“**Effective Percentage Change**” means, in respect of a Valuation Period, the lesser of (i) the Percentage Change for such Valuation Period, and (ii) 10%;

“**Exchange**” means, for the Benchmark Index, the exchange or trading system from which prices are derived for use in the calculation of the Closing Level from time to time, subject to certain special circumstances described under “Special Circumstances”;

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

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

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

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

“**Final Valuation Date**” means the third Business Day prior to Maturity or, if such Business Day is not an Exchange Business Day, the immediately preceding Exchange Business Day;

“**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;

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

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

- (a) any failure of trading to commence, or the permanent discontinuation of trading, or any suspension of or limitation on trading of (i) the Benchmark Index, or (ii) securities that comprise 20% or more of the level or value of the Benchmark Index on a relevant Exchange, or (iii) any futures or options contracts relating to the Benchmark Index on a relevant Related Exchange, whether by reason of movements in price exceeding limits permitted by a relevant Exchange or Related Exchange or otherwise;
- (b) a Price Source Disruption;
- (c) the closure on any Exchange Business Day for the Benchmark Index of a relevant Exchange or Related Exchange prior to its scheduled closing time unless such earlier closing time is announced by such Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day, and (ii) the deadline for orders to be submitted for entry in the Exchange or Related Exchange system for execution at the close of trading on such Exchange Business Day;
- (d) any event (other than an event described in (c) above) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) the Benchmark Index on a relevant Exchange, or (ii) any futures or options contracts relating to the Benchmark Index on a relevant Related Exchange;
- (e) the failure on any Exchange Day for the Benchmark Index of a relevant Exchange or Related Exchange to open for trading during its regular trading session;
- (f) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or any order of any court or other governmental or regulatory authority or any issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described or any other event that (as determined by the Calculation Agent) makes or would make it unlawful or impracticable for Bank of Montreal to perform its obligations under the Deposit Notes or for dealers generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Benchmark Index or to realize or remit the proceeds of any hedge transaction in respect of the Benchmark Index or otherwise has or would have a material adverse effect on the Benchmark Index or a holder of an investment with exposure thereto or in respect of any hedge transaction in respect of the Benchmark Index;
- (g) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, that (as determined by the Calculation Agent) has a material adverse effect on the financial markets of Canada or of a country in which a relevant Exchange or Related Exchange is located;
- (h) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) that (as determined by the Calculation Agent) has or would have a material adverse effect on the ability of Bank of Montreal to perform its obligations under the Deposit Notes or of dealers generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Benchmark Index or to realize, recover or remit the proceeds of any hedge transaction in respect of the Benchmark Index, or a material adverse effect on the economy of Canada or of a country in which a relevant Exchange or Related Exchange is located or the trading of the Benchmark Index or futures or options contracts relating to the Benchmark Index generally on a relevant Exchange or Related Exchange; or
- (i) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying, unwinding or disposing of any hedging transaction in respect of the Benchmark Index or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction;



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

“**Maturity**” and “**Maturity Date**” mean February 4, 2013;

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

“**New Benchmark Index**” has the meaning given to that term under “Special Circumstances – Discontinuance or Modification of the Benchmark Index”;

“**Note Program**” means the Bank of Montreal Deposit Notes, S&P/TSX 60 Class, Series 8 note program administered by BMO Capital Markets;

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

“**Percentage Change**” means, in respect of a Valuation Period, the percentage change (rounded to two decimal places) in the Closing Level, whether positive, negative or zero, from the first day of the Valuation Period to the last day of such Valuation Period, subject to certain special circumstances as described under “Special Circumstances”;

“**Price Source**” means, for the Benchmark Index, the announcement by S&P or the Exchange reporting the Closing Level (or the information necessary for determining the Closing Level), subject to certain special circumstances as described under “Special Circumstances”;

“**Price Source Disruption**” means, for the Benchmark Index, the failure of the Price Source for the Benchmark Index to announce the Closing Level (or the information necessary for determining the Closing Level), or the temporary or permanent discontinuance or unavailability of the Price Source;

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

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

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

“**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 or its successor;

“**Valuation Date**” means any day on which the Closing Level of the Benchmark Index is scheduled to be determined for calculating the Variable Return, or any other day on which the Closing Level of the Benchmark Index is required to be determined;

“**Valuation Periods**” means three successive periods from and including February 3 of each year beginning on the Closing Date to and including February 3 of the following year; provided that (i) if the Closing Date is not February 3, 2010, the first such period shall begin on (and include) the Closing Date, (ii) the third such period shall end on (and include) the Final Valuation Date, and (iii) if the first or last day of any Valuation Period is not an Exchange Business Day, such day shall be deemed to be the immediately preceding Exchange Business Day;

“**Variable Return**” means, on a per Deposit Note basis, an amount equal to the Deposit Amount multiplied by the sum of the Effective Percentage Changes for each Valuation Period, provided that the Variable Return shall not be less than zero;

“**Variable Return Early Payment Amount**” has the meaning given to that term under “Special Circumstances – Extraordinary Event”;

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

## NOTE PROGRAM

The Note Program provides Holders with entitlement to (i) payment of the Deposit Amount at Maturity, and (ii) payment of a Variable Return, if any, at Maturity based on the performance of the Benchmark Index.

### Maturity Payment

Each Deposit Note matures on February 4, 2013. At Maturity, each Holder will be entitled to receive the Deposit Amount, regardless of the performance of the Benchmark Index. A Holder will also be entitled to receive the Variable Return, if any, at Maturity.

### Variable Return

The Variable Return, if any, payable on the Maturity Date will be based on the performance of the Benchmark Index (which will not include any dividends or distributions declared on the securities included in the Benchmark Index) and will be determined by the Calculation Agent in an amount per Deposit Note equal to the Deposit Amount multiplied by the sum of the Effective Percentage Changes for each Valuation Period, provided that the Variable Return shall not be less than zero.

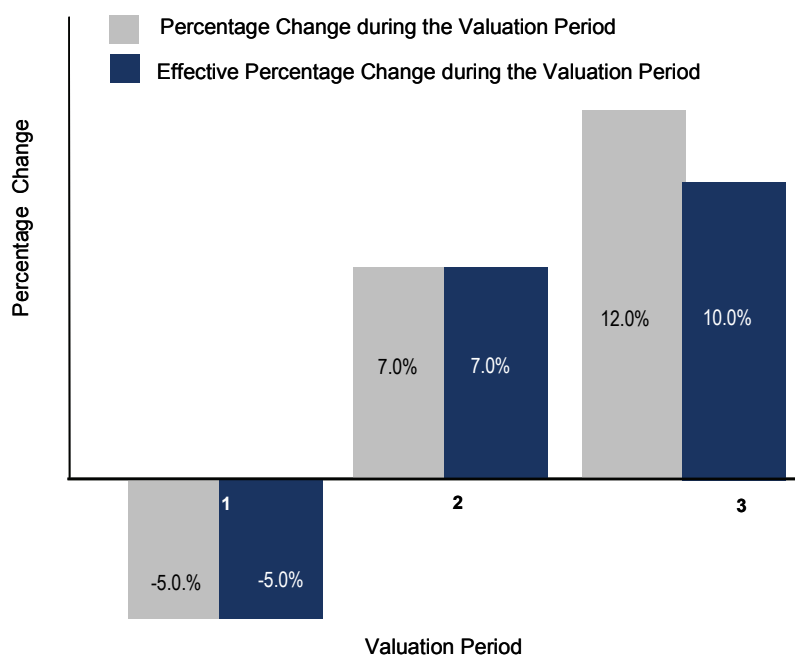
**There is a possibility that a Holder may not receive any Variable Return. No Variable Return will be payable unless the sum of the Effective Percentage Changes for each Valuation Period is greater than zero. For purposes of determining the Variable Return, the maximum Effective Percentage Change for each Valuation Period is 10% regardless of the actual Percentage Change for that period. Accordingly, the Variable Return at Maturity, if any, cannot exceed 30% (equivalent to an annual compounded rate of return of 9.14%) of the Deposit Amount. Each Effective Percentage Change may be zero or negative, without any limit on negative percentage change during each Valuation Period.**

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

### Variable Return Examples

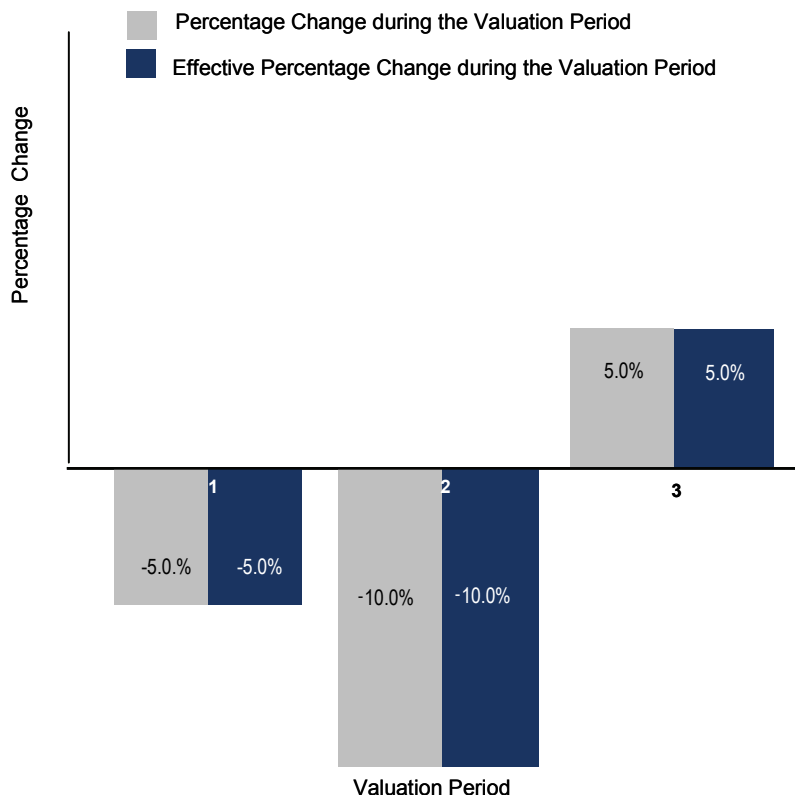
The following examples are included for illustration purposes only. **The examples are based on hypothetical Percentage Changes for each Valuation Period and are not intended as a forecast of any Percentage Change or Effective Percentage Change, or as a forecast of any Variable Return payable on the Deposit Notes.** The calculation of the Variable Return would involve determining (i) an Effective Percentage Change of the Benchmark Index in each Valuation Period equal to the lesser of 10% and the Percentage Change of the Benchmark Index during the Valuation Period (which could be positive, zero or negative) and (ii) the sum of the Effective Percentage Changes for all Valuation Periods, provided that the Variable Return shall not be less than zero.

#### *Positive Performance Example*



In the above positive performance example, a Holder would, in respect of a Deposit Note, receive a Variable Return of \$12 (12% of the Deposit Amount, being the sum of the Effective Percentage Changes of -5.0%, +7.0% and +10.0%), representing a 3.85% annual compounded rate of return. In addition, at Maturity, a Holder would be entitled to receive an amount in respect of each Deposit Note equal to the Deposit Amount of \$100 which is payable regardless of the performance of the Benchmark Index. Therefore, at Maturity, the Holder would be entitled to receive a total of \$112.

*Negative Performance Example*



In the above negative performance example, a Holder would not receive any Variable Return as the sum of the Effective Percentage Changes (-5.0%, -10.0% and +5.0%) is less than zero. However, at Maturity, a Holder would be entitled to receive an amount in respect of each Deposit Note equal to the Deposit Amount of \$100 which is payable regardless of the performance of the Benchmark Index.

***What should be observed from the examples above***

Holders should observe that the Variable Return, if any, is based on the Effective Percentage Changes for each Valuation Period from the Closing Date to the Final Valuation Date. Specifically,

- The Variable Return is the sum of the Effective Percentage Changes for all Valuation Periods, where the Effective Percentage Change for each Valuation Period cannot exceed 10% and may be zero or negative, without any limitation on the negative percentage change.
- The maximum Variable Return that theoretically may be payable is \$30 per Deposit Note (comprised of the sum of the maximum Effective Percentage Changes).
- For purposes of calculating the Variable Return, a positive Effective Percentage Change in one Valuation Period may be offset in whole or in part by negative Effective Percentage Changes in other Valuation Periods.
- The Deposit Amount will be payable on Maturity regardless of the performance of the Benchmark Index and the aggregate Effective Percentage Changes up to such time.
- 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 redeem the Deposit Notes prior to Maturity. 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. Assuming such a secondary market has been arranged by BMO Capital Markets, Deposit Notes purchased using the FundSERV network may be “redeemed” using that network on a daily basis. Any such redemption would actually be a sale to BMO Capital Markets in the secondary market.

In order to sell a Deposit Note, 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 “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 repayable at Maturity. As a result, the sale of a Deposit Note prior to the Maturity Date may result in a bid price that is less than the Deposit Amount. 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 Level has increased or decreased since the Closing Date; (ii) the fact that the Deposit Amount is payable on the Maturity Date regardless of the performance of the Benchmark Index; (iii) the fact that the Effective Percentage Change cannot exceed 10% in any Valuation Period; (iv) the fact that, for purposes of calculating the Variable Return, a positive Effective Percentage Change in one Valuation Period may be offset in whole or in part by negative Effective Percentage Changes in other Valuation Periods; and (v) a number of other interrelated factors, including, without limitation, the volatility of the Benchmark Index, prevailing interest rates 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 increases and decreases in the Closing Level (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the Closing Level); and (b) may be substantially affected by changes in interest rates independent of performance of the Benchmark Index.

If a Holder sells a Deposit Note within the first 365 days from the Closing Date, the proceeds from the sale of the Deposit Note will be reduced by an Early Trading Charge equal to 1.50% 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 365 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 even if the performance of the Benchmark Index has been positive, and as a result, such Holder may suffer losses.

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

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 for the Deposit Notes made by the Calculation Agent or the Manager will, absent manifest error, be final and binding on Bank of Montreal and 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 willful misconduct.

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

If (i) the Closing Level is not calculated and/or announced by S&P on any Exchange Business Day from the Closing Date to and including the Final Valuation Date but is calculated and/or announced by a successor source, or (ii) the Benchmark Index is replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Benchmark Index, then the Benchmark Index will be deemed to be the index so calculated and/or announced by the successor source or that successor index, as applicable, and the Variable Return will be calculated by reference to the successor source or the successor index, as applicable.

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

- (i) on or prior to any Valuation Date, S&P announces that it will make a material change in the formula for or the method of calculating the Benchmark Index or in any other way materially modifies the Benchmark Index (other than a modification prescribed in that formula or method to maintain the Benchmark Index in the event of changes to the constituent securities and other routine events) or permanently cancels the Benchmark Index and no successor index exists; or
- (ii) on any Valuation Date, S&P fails to determine and/or announce the Closing Level,

then the Calculation Agent may (A) determine if such a Material Index Change has a material effect on the calculation of the Variable Return and, if so, calculate the Variable Return using, in lieu of an announced level or value for the Benchmark Index, the level or value for the Benchmark Index as at such Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating the Benchmark Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised the Benchmark Index immediately prior to such Material Index Change, or (B) determine, in its sole and absolute discretion, if another comparable index exists that (1) is reasonably representative of the securities which were represented by the Benchmark Index and (2) may be as efficiently and economically hedged by dealers in such securities as was the Benchmark Index. If the Calculation Agent determines that such other comparable index exists, then such other comparable index (the “New Benchmark Index”) shall replace the Benchmark Index as of the date of such determination. Upon any such replacement (a “Replacement Event”), the New Benchmark Index shall be deemed to be the Benchmark Index for purposes of determining the Variable Return and the Calculation Agent shall, as soon as practicable after such Replacement Event, make adjustments to the method for calculating the Percentage Changes or Effective Percentage Changes of the New Benchmark Index, or any other component or variable relevant to the determination of the Variable Return. Adjustments will be made in such a way as the Calculation Agent determines appropriate, in its sole and absolute discretion, to account for the performance of the Benchmark Index up to the occurrence of such Replacement Event and the subsequent performance of the New Benchmark Index in replacement thereof. Upon any Replacement Event and the making of any such adjustment, the Calculation Agent shall promptly give notice and brief details thereof to the Holders.

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

### **Market Disruption Event**

If the Calculation Agent, acting in its sole and absolute discretion, determines that a Market Disruption Event has occurred and is continuing on any day that but for that event would be the final day of a Valuation Period, then the Percentage Change and, if applicable, the Variable Return will be calculated (and the applicable Closing Level will be determined) on the basis that the final day of such Valuation Period will be postponed to the next Exchange Business Day on which there is no Market Disruption Event.

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

- (i) such fourth Exchange Day will be the final day of such Valuation Period; and

- (ii) where on that fourth Exchange Day a Market Disruption Event has occurred and is continuing, then the Closing Level used in the calculation of the Percentage Change for the relevant Valuation Period and, if applicable, the Variable Return will be a value equal to the Calculation Agent's estimate of the Closing Level as at the final day of the relevant Valuation Period reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the determination of the Percentage Change and consequently the calculation of the Variable Return that may be payable. Where there has been a Market Disruption Event in respect of the last Valuation Period, the Variable Return will be paid within three Business Days after the Percentage Change used in the calculation of the Variable Return has been determined.

### **Extraordinary Event**

If the Calculation Agent determines in its sole and absolute discretion that a Market Disruption Event has occurred and has continued for at least eight consecutive Exchange Days or that a Material Index Change in respect of the Benchmark Index has occurred and in relation thereto the Calculation Agent has determined not to choose a New Benchmark Index as a substitute for the Benchmark Index (on the grounds the Calculation Agent has determined that there is no comparable index traded on a major exchange or market quotation system that offers sufficient liquidity in order for the Calculation Agent to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such index or to realize, recover or remit the proceeds of any hedge transaction) (in either case an "Extraordinary Event"), then the Manager and the Calculation Agent may, upon notice to the Holders to be given effective on a Business Day (the date of such notification being the "Extraordinary Event Notification Date"), elect to estimate the present value, which may be nil, (the "Variable Return Early Payment Amount") as of the Extraordinary Event Notification Date, taking into account all relevant market circumstances including, without limitation, the remaining term to Maturity, the volatility of the Benchmark Index and interest rates as of such date, of a right to receive payment of such Variable Return that, but for such occurrence of the Extraordinary Event, may have been payable at Maturity. Upon such election, the following consequences will arise as of the Extraordinary Event Notification Date:

- (a) The Variable Return that may otherwise be payable by Bank of Montreal will not be calculated in accordance with the provisions set out in "Note Program – Variable Return" above;
- (b) The Variable Return Early Payment Amount will be determined as of the Extraordinary Event Notification Date, whether or not any Extraordinary Event is continuing on such date; and
- (c) Bank of Montreal shall be discharged of all its obligations in respect of any Variable Return. Payment of the Variable Return Early Payment Amount, if any, per Deposit Note will be made on the tenth Business Day after the Extraordinary Event Notification Date. Upon such payment, the Holder's right to receive any Variable Return per Deposit Note will be extinguished.

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

## **FUNDSEV**

Holders may purchase Deposit Notes through dealers and other firms that use the transaction processing system or network operated by FundSERV. The following information about FundSERV 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 FundSERV network and to obtain further information on FundSERV procedures applicable to those Holders.

Where a Holder's purchase order for Deposit Notes is effected by a dealer or other firm using the FundSERV 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 FundSERV network and any limitations on their ability to purchase Deposit Notes through registered plans.

### **General Information**

FundSERV 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. FundSERV'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 FundSERV network (“FundSERV Notes”) will also be evidenced by the Global Note. Holders holding FundSERV 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 FundSERV Notes which recordings will be made as instructed by CDS Participants or non-CDS Participants, as the case may be, using the FundSERV network.

### **Purchase of FundSERV Notes**

In order to purchase FundSERV 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 FundSERV Notes. If the FundSERV 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. Investors 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.

The Deposit Notes may be suitable and appropriate for Holders who:

- are prepared to invest for the short- to mid-term;
- are seeking principal protection at Maturity and are prepared to hold the Deposit Notes to Maturity;

- are prepared to receive a return at Maturity that (i) is based on the performance of the Benchmark Index, (ii) cannot exceed 30%, (iii) is not based on a fixed, floating or other specified interest rate, (iv) is uncertain until Maturity, and (v) may be zero; and
- are prepared to accept the risks described in this Information Statement.

## **DESCRIPTION OF THE DEPOSIT NOTES**

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

### **Offering**

The Bank of Montreal Deposit Notes, S&P/TSX 60 Class, Series 8 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 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 1069" 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 are 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. 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.

### **Variable Return**

The Variable Return, if any, on the Deposit Notes will depend on the performance of the Benchmark Index, subject to certain special circumstances as described under "Special Circumstances".

### **Rank**

The Deposit Notes will constitute direct unconditional obligations of Bank of Montreal. The Deposit Notes will be issued on an unsubordinated basis and will rank *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 the Maturity Date, funds in an amount sufficient to pay the amounts due on the Maturity Date under the Deposit Notes.

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 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. Bank of Montreal also expects that payments by participants to owners of beneficial interests in a registered Global Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of those participants.

### **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 ninety 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 the Variable Return on a Deposit Note prior to the Maturity Date, to mark on the Deposit Note that the Variable Return has been made in full or in part (as the case may be), or, in the case of payment of the Variable Return and the Deposit Amount of the Deposit Note in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

### **Notices to Holders**

If notice is required to be given to Holders it will be validly given if published once in a French language Canadian newspaper and in the national edition of an English language Canadian newspaper, or if communicated to the Holders 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 the 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 an amendment is approved by a resolution passed by the favourable votes of Holders representing not less than 66 $\frac{2}{3}$ % of the outstanding aggregate Deposit 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 Deposit Amount and any fees relating to the purchase that have been paid by the investor. 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 INDEX**

The following is a summary of the material attributes and characteristics of the Benchmark Index.

The Benchmark Index represents the large cap universe for Canada. Offering exposure to 60 large, liquid Canadian companies, this index is the basis for the most highly traded futures contract in Canada. The Benchmark Index also represents the Canadian component of the S&P Global 1200 index.

The Benchmark Index is maintained by the S&P Canadian Index Committee, whose members include representatives from both S&P and the TSX. It follows a set of published guidelines and policies that provide the transparent methodologies used to maintain the index.

For more information on the Benchmark Index, please refer to the information made publicly available by S&P at <http://www2.standardandpoors.com>.

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

No expenses will be paid out of the proceeds of this offering.

## **RISK FACTORS**

An investment in Deposit Notes is subject to certain risk factors that prospective investors should carefully consider before acquiring Deposit Notes, including 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 return on the Deposit Notes, if any, unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that, if the Closing Level of the Benchmark Index does not rise the Deposit Notes could produce no return on a Holder's original investment. There is no assurance that the Closing Level of the Benchmark Index will rise. It is possible that at Maturity a Holder will only be entitled to receive the Deposit Amount. The Deposit Notes are designed for investors with a short- to mid-term investment horizon who are prepared to hold the Deposit Notes to Maturity; an investment in the Deposit Notes is only suitable for investors prepared to assume the risks of an investment whose return at Maturity, if any, is based on the performance of the Benchmark Index and cannot exceed 30%. The Deposit Amount is only repaid if the Deposit Notes are held to Maturity. The Deposit Notes are not conventional indebtedness. They do not have a fixed yield and could produce no yield at Maturity.

Therefore, the Deposit Notes are not suitable investments for investors who need or expect any return or a specified return on 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 Final Valuation 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.

### **Variable Return May Not Be Payable and is Limited**

The Variable Return payable, if any, is uncertain and is based on the performance of the Benchmark Index. There is a possibility that no Variable Return will be payable due to negative Effective Percentage Changes in one or more Valuation Periods, with the result that a Holder may only be entitled to receive the Deposit Amount at Maturity. In all cases, however, Holders will be entitled to receive the Deposit Amount at Maturity.

Although the determination of the Variable Return is a function of the performance of the Benchmark Index, the Variable Return, if any, paid to a Holder at Maturity may not mirror the performance of the Benchmark Index since the Effective Percentage Change for each Valuation Period will be subject to a maximum of 10%. Accordingly, the Variable Return at Maturity, if any, cannot exceed 30% (equivalent to an annual compounded rate of return of 9.14%) of the Deposit Amount. Holders should be aware that while the Effective Percentage Change cannot exceed 10%, there is no limit on negative percentage change during each Valuation Period.

### **Risks Relating to the Benchmark Index**

The amount of Variable Return, if any, is based on the Closing Levels of the Benchmark Index. Accordingly, certain risk factors applicable to investors who invest in a security with exposure to the Benchmark Index are also applicable to an investment in the Deposit Notes to the extent that such risk factors could adversely affect the Closing Levels.

Investors should recognize that it is impossible to know whether the Closing Level at any time will rise or fall. The Closing Level will be influenced by the prices of the securities in the Benchmark Index, which are affected by general macroeconomic conditions and other factors. The prices of the securities may be volatile and historical prices are not necessarily accurate predictors of future prices.

All information in this Information Statement relating to the Benchmark Index has been obtained from publicly available sources. As such, none of Bank of Montreal, the Selling Agent, the Manager, the Calculation Agent or any investment dealer, broker or agent selling the Deposit Notes assumes any responsibility for the accuracy or completeness of such information. No person makes any assurances, representations or warranties with respect to the accuracy, reliability or completeness of information obtained from third parties. Furthermore, Bank of Montreal and BMO Capital Markets make no recommendation concerning the Benchmark Index, equity securities as an asset class or the suitability of investing in securities generally or the Deposit Notes in particular.

### **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, even if the performance of the Benchmark Index has been positive and, as a result, could incur a loss in respect of such sale.

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 sold in the secondary market 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 Level has increased or decreased since the Closing Date;

- the fact that the Deposit Amount is payable on the Maturity Date regardless of the performance of the Benchmark Index and the aggregate Effective Percentage Changes up to such time;
- the fact that the Effective Percentage Change cannot exceed 10% in any Valuation Period;
- the fact that, for purposes of calculating the Variable Return, a positive Effective Percentage Change in one Valuation Period may be offset in whole or in part by negative Effective Percentage Changes in other Valuation Periods; and
- a number of other interrelated factors, including, without limitation, the volatility of the Benchmark Index, prevailing interest rates 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 Level (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the Closing Level); and (b) may be substantially affected by changes in interest rates independent of performance of the Benchmark Index. 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 of the securities included in the Benchmark Index, extend credit to or enter into other business dealings with such 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 Variable Return that may be payable on the Deposit Notes. Furthermore, BMO Capital Markets, which has undertaken to use reasonable efforts to arrange for a secondary market, is an affiliate of Bank of Montreal.

#### **Credit Rating**

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 Aa1 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 protection under any deposit insurance regime.

#### **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.**

## **Special Circumstances**

If a Market Disruption Event occurs on a day on which the Closing Level is to be determined for calculating an Effective Price Change or the Variable Return, the determination of that price (and, if applicable, the payment of the Variable Return, if any) may be delayed. Fluctuations in the Closing Level may occur in the interim. In certain unusual circumstances, the Calculation Agent may estimate the Closing Level or determine the Closing Level in an alternate manner, or choose a comparable index as a substitute for the Benchmark Index.

If the Calculation Agent determines that an Extraordinary Event has occurred, the Calculation Agent may elect, upon notice to the Holders, to estimate the present value, which may be nil, as of the Extraordinary Event Notification Date, of a right to receive the Variable Return, if any, that, but for such occurrence of the Extraordinary Event, would have been payable on Maturity. Upon such election, the Variable Return Early Payment Amount, if any, will be paid on the tenth Business Day after the Extraordinary Event Notification Date and no other variable return will be payable to Holders. However, in no event will the Deposit Amount be paid prior to the Maturity Date. See "Special Circumstances".

## **No Independent Calculation**

As part of its responsibilities, the Manager will be solely responsible for computing the Variable Return based on the performance of the Benchmark Index 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 the Benchmark Index or Securities Included in the Benchmark Index**

The Deposit Notes will not entitle a Holder to any direct or indirect ownership of, entitlement to, or interest in the Benchmark Index or any of the securities included in the Benchmark Index. As such, a Holder will not be entitled to the rights and benefits of a holder with a direct investment in the securities comprising the Benchmark Index, including any right to receive dividends or distributions or to vote at or attend meetings of securityholders. Owning the Deposit Notes is different from directly investing in the securities included in the Benchmark Index. The Deposit Notes do not represent a substitute for a direct investment in the securities included in the Benchmark Index.

## **INCOME TAX CONSIDERATIONS**

In the opinion of McMillan LLP, counsel to Bank of Montreal, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by a Holder who purchases Deposit Notes only at the time of their issuance. This summary is applicable only to a 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 a Holder unless: (i) the Holder holds such Deposit Notes in the course of carrying on or otherwise as part of a business of trading or dealing in or buying and selling securities; or (ii) the Holder acquired such Deposit Notes as an adventure in the nature of trade. Certain 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 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 of this Information Statement, 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, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.**

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

## **Variable 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 the Variable Return on the Deposit Notes under the prescribed debt obligation rules prior to the Final Valuation Date, provided that Bank of Montreal has not given notice of the payment of the Variable Return Early Payment Amount following an Extraordinary Event. 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”.

If an Extraordinary Event occurs and Bank of Montreal has given notice of the payment of a Variable Return Early Payment Amount, the amount of any Variable Return Early Payment Amount will generally be required to be included in the Holder’s income in the taxation year that includes the date such amount was determined. Bank of Montreal will file an information return with the CRA in respect of any such amount to be included in a Holder’s income and will provide the Holder with a copy of such return.

## **Disposition of Deposit Notes**

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

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 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 that taxation year or a preceding taxation year. Under the terms of the Deposit Notes, there should be no amount that will be treated as accrued interest on an assignment or transfer of a Deposit Note prior to the Final Valuation Date, unless Bank of Montreal has given a notice of the payment of a Variable Return Early Payment Amount following an Extraordinary Event. See “Income Tax Considerations – Variable Return”.

Provided an Extraordinary Event has not occurred and while the matter is not free from doubt, an amount received on a disposition or deemed disposition of a Deposit Note by a Holder prior to the Final Valuation Date should give rise to a capital gain (or capital loss) to the extent the Holder’s proceeds of disposition, excluding accrued and unpaid interest, if any, exceed (or are less than) the aggregate of the Holder’s adjusted cost base of the Deposit Note and any reasonable costs of disposition. A Holder who disposes of a Deposit Note prior to Maturity should consult his or her tax advisor with respect to his or her particular circumstances.

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

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

A 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).

## 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 1069" 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 for all subscriptions are 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 subscription for 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 is, in turn, 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 will be charged to the Benchmark Index. 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, 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 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.bmoharrisprivatebanking.com/InvestmentManagement/reports.asp](http://www.bmoharrisprivatebanking.com/InvestmentManagement/reports.asp).*

*During the term of the Deposit Notes, an investor may inquire about the net asset value of and the method for determining the Variable Return of the Deposit Notes by contacting BMO Harris Investment Management Inc. or BMO Capital Markets at the above numbers.*