

## INFORMATION STATEMENT DATED OCTOBER 18, 2017

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



### **BANK OF MONTREAL COVERED CALL CANADIAN BANKS ETF MINIMUM COUPON PRINCIPAL PROTECTED DEPOSIT NOTES, SERIES 13**

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

Minimum Subscription: \$2,000 (20 Deposit Notes)

The Bank of Montreal Covered Call Canadian Banks ETF Minimum Coupon Principal Protected Deposit Notes, Series 13 (the "Deposit Notes") issued by Bank of Montreal are a principal protected product that will mature on December 2, 2024 ("Maturity"). The closing of this offering is scheduled to occur on or about December 6, 2017 (the "Closing Date").

At Maturity, a holder will receive the deposit amount of \$100.00 (the "Deposit Amount") in respect of each of the holder's Deposit Notes plus a variable return, if any, that will be determined based on the price performance of the BMO Covered Call Canadian Banks ETF (the "Reference ETF"), except in certain circumstances as described herein. The Reference ETF is managed by BMO Asset Management Inc. (the "Fund Manager") and is designed to provide exposure to a portfolio of Canadian banks while earning call option premiums.

The variable return for each Deposit Note at Maturity, if any, will equal \$100.00 multiplied by 100% (the "Participation Rate") of the percentage change (if positive) of the closing price of the units of the Reference ETF (the "Units") from the Closing Date to and including the fifth (5<sup>th</sup>) Business Day prior to Maturity. See "Note Program — Variable Return".

In addition, on or about December 6 of each year during the term of the Deposit Notes beginning on December 6, 2018 and ending at Maturity (or, if any such day is not a Business Day, the next Business Day), a holder will be entitled to receive coupon payments of 0.75% per annum ("Coupon Payments"). This means that a holder will receive an amount of \$0.75 per Deposit Note on each coupon payment date.

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

This Information Statement has been prepared for the sole purpose of assisting prospective investors in making an investment decision with respect to the Deposit Notes only. This Information Statement relates only to the Deposit Notes offered hereby and does not relate to the Fund Manager, the Reference ETF, any of the securities held by the Reference ETF or any issuers of such securities. Bank of Montreal has taken reasonable care to ensure that the facts in this Information Statement with respect to the description of the Deposit Notes are true and accurate in all material respects. All information in this Information Statement relating to the Fund Manager and the Reference ETF has been derived solely 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 or has any obligation or responsibility for the provision of future information in respect of the Fund Manager and the Reference ETF. Bank of Montreal makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of information obtained from third parties, including information obtained from public disclosure prepared by the Fund Manager. Furthermore, Bank of Montreal makes no recommendation concerning the Fund Manager, the Reference ETF, the Units, exchange-traded funds as an asset class or the suitability of investing in the Reference ETF, securities generally or the Deposit Notes in particular. In connection with the issue and sale of Deposit Notes by Bank of Montreal, no person

is authorized to give any information or to make any representation not contained in this Information Statement and Bank of Montreal does not accept any responsibility for any information not contained herein. Investors shall have no recourse against Bank of Montreal, the Selling Agent, the Manager or the Calculation Agent or any of their respective affiliates or associates in connection with any information about and/or relating to the Fund Manager, the Reference ETF, any of the securities held by the Reference ETF or any issuers of such securities.

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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 a prospective investor may need to make a decision as to whether to purchase any Deposit Notes. For more detailed and complete information prospective investors should please refer to the body of this Information Statement. In this summary, “\$” refers to Canadian dollars, unless otherwise specified, and “BMO Capital Markets” refers to a company owned by Bank of Montreal called BMO Nesbitt Burns Inc. and any of its affiliates.

<b>Issue:</b>	Bank of Montreal Covered Call Canadian Banks ETF Minimum Coupon Principal Protected Deposit Notes, Series 13 (the “Deposit Notes”).
<b>Issuer:</b>	Bank of Montreal.
<b>Subscription Price:</b>	The price for each Deposit Note is \$100.00 (the “Deposit Amount”).
<b>Minimum Subscription:</b>	Investors must invest a minimum of \$2,000.00 (20 Deposit Notes). Bank of Montreal reserves the right to change the minimum investment amount in its sole and absolute discretion.
<b>Issue Size:</b>	The maximum issue size is \$20,000,000.00. Bank of Montreal reserves the right to change the maximum issue size of the offering in its sole and absolute discretion.
<b>Closing Date:</b>	The Deposit Notes will be issued on or about December 6, 2017 (the “Closing Date”).
<b>Maturity Date:</b>	The Deposit Notes will mature on December 2, 2024 (“Maturity” or the “Maturity Date”). The term of the Deposit Notes is approximately 7 years.
<b>Offering:</b>	<p>This offering has been designed to provide investors with (i) coupon payments of 0.75% per annum payable annually during the term of the Deposit Notes (each a “Coupon Payment”), (ii) payment at Maturity of the Deposit Amount per Deposit Note, and (iii) payment at Maturity of an amount of Variable Return (as defined below), if any, based on the price performance of the units of the BMO Covered Call Canadian Banks ETF as set out below under “Payment at Maturity”. See “Note Program”.</p> <p>The Deposit Notes are Canadian dollar deposits. All amounts owing on the Deposit Notes will be paid in Canadian dollars.</p>
<b>Coupon Payments:</b>	Subject to the occurrence of certain special circumstances, Coupon Payments of 0.75% per annum on the Deposit Amount will be paid annually on or about December 6, 2018, December 6, 2019, December 4, 2020, December 6, 2021, December 6, 2022, December 6, 2023 and at Maturity. See “Note Program — Coupon Payments”.
<b>Payment at Maturity:</b>	<p>Subject to the occurrence of certain special circumstances, for each Deposit Note held at Maturity, an investor will receive (i) the Deposit Amount, (ii) the Coupon Payment payable at Maturity, and (iii) a Variable Return, if any, based on the price performance of the Reference ETF.</p> <p>More specifically, the variable return per Deposit Note, if any, is \$100.00 multiplied by 100% of the percentage change (if positive) of the Closing Price (as defined below) from the Closing Date to and including the fifth (5<sup>th</sup>) Business Day prior to Maturity (the “Final Valuation Date”) (the “Variable Return”).</p> <p>If the percentage change in the Closing Price measured from the Closing Date to the Final Valuation Date is zero or negative, no Variable Return will be payable on the Deposit Notes. The Variable Return, if any, will not reflect any dividends or distributions declared on the Units. Beneficial holders of Deposit Notes (each a “Holder”) cannot elect to receive any payments prior to Maturity. No Variable Return or distributions will be paid during the term of the Deposit Notes other than the Coupon Payments. It is</p>

possible that no return will be payable on the Deposit Notes other than the Coupon Payments. See “Note Program — Maturity Payment” and “Note Program — Variable Return”.

**The Reference ETF:**

The price performance of the Reference ETF will determine the amount of Variable Return, if any, an investor will receive at Maturity. The Reference ETF may change in certain circumstances. See “Special Circumstances”.

The BMO Covered Call Canadian Banks ETF (ZWB: TSX) is designed to provide exposure to a portfolio of Canadian banks while earning call option premiums. The Reference ETF invests in securities of Canadian banks, and dynamically writes covered call options. The call options are written out of the money and selected based on analysing the option’s implied volatility. The option premium provides limited downside protection. The underlying portfolio is rebalanced and reconstituted semi-annually in June and December, and options are rolled forward upon expiry. In addition, as the Reference ETF is a fund of funds, the management fees charged are reduced by those accrued in the underlying funds.

An investment in the Deposit Notes does not represent a direct or indirect investment in the Reference ETF, any of the securities held by the Reference ETF or any issuers of such securities.

The price performance of the Reference ETF will be used solely as a reference to calculate the amount payable on the Deposit Notes at Maturity. Holders will not have, and the Deposit Notes do not represent any direct or indirect ownership of, or entitlement to, the Units, the Reference ETF, any of the securities held by the Reference ETF or any issuers of such securities. As such, Holders will not have the rights and benefits of a security holder who has invested directly in the Units, including any right to receive dividends or distributions or to vote at or attend meetings of security holders.

As of October 11, 2017, the Reference ETF had a dividend or distribution yield of 4.92% (*Source: BMO*). As of October 11, 2017 the Reference ETF had net assets of approximately \$1.62 billion. The Variable Return, if any, will not reflect the payment of any distributions or dividends declared on the Units or on the securities in which the Reference ETF invests.

**Fund Manager:**

BMO Asset Management Inc. is the manager of the Reference ETF.

**Fees and Expenses of the Offering:**

\$2.50 (2.50% of the Subscription Price) per Deposit Note will be paid out of the proceeds of this offering to BMO Nesbitt Burns Inc. for its services as selling agent (the “Selling Agent”). The Selling Agent will pay all or a portion of this fee to sub-agency groups including other qualified selling members for selling the Deposit Notes.

**Fees and Expenses Associated with the Reference ETF:**

The Closing Price is used to determine the Variable Return on the Deposit Notes. The Closing Price will be affected by (i) management fees and other ongoing expenses reflected in the expense ratio of the Reference ETF, which, as of December 31, 2016, was 0.72%, and (ii) transaction costs of the Reference ETF, including brokerage commissions payable on the purchase and sale of the securities held by the Reference ETF. See “Fees and Expenses Associated with the Reference ETF”.

**Listing and Secondary Market:**

The Deposit Notes will not be listed on any stock exchange or marketplace. Moreover, Bank of Montreal does not have the right to redeem (that is, buy or repay) the Deposit Notes prior to Maturity and Holders do not have the right to require Bank of Montreal to redeem the Deposit Notes prior to Maturity. However, BMO Capital Markets will use reasonable efforts, under normal market conditions, to arrange for a daily secondary market for the sale of Deposit Notes through the order entry system operated by Fundserv, but reserves the right to elect not to do so in the future, in its sole and

absolute discretion, without prior notice to Holders. This secondary market is available only for Deposit Notes purchased using the Fundserv network and is the only way that Holders can sell their Deposit Notes prior to Maturity. The sale of Deposit Notes using the Fundserv network carries certain restrictions, including selling procedures that require an irrevocable sale order to be initiated at a price that will not be known prior to placing such sale order. The price that BMO Capital Markets will pay to a Holder prior to Maturity will be determined by BMO Capital Markets, acting in its sole and absolute discretion, and will be based on factors described under “Secondary Market”.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the secondary market price of a Deposit Note. In particular, Holders should realize that any trading price for the Deposit Notes (a) may have a non-linear sensitivity to the increases and decreases in the Closing Price (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 Price); and (b) may be substantially affected by changes in interest rates independent of the price performance of the Reference ETF. If a Holder sells such Holder’s Deposit Notes prior to Maturity, such Holder may receive less than the Deposit Amount even if the price performance of the Reference ETF has been positive and, as a result, such Holder may suffer losses.

If a Holder sells a Deposit Note within the first 720 days from the Closing Date, the proceeds from the sale of the Deposit Note will be reduced by an Early Trading Charge that will be equal to the applicable percentage of the Deposit Amount, as set out in the table below. See “Secondary Market”.

<b>If Sold Within</b>	<b>Early Trading Charge</b>
0 - 90 days	3.50%
91 - 180 days	3.10%
181 - 270 days	2.70%
271 - 360 days	2.30%
361 - 450 days	1.90%
451 - 540 days	1.50%
541 – 630 days	1.00%
631 – 720 days	0.50%
Thereafter	Nil

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 and absolute discretion of BMO Capital Markets, without notice to Holders. If there is no secondary market, a Holder will not be able to sell such Holder’s Deposit Notes. The Deposit Notes are intended to be instruments held to Maturity with their principal being payable on the Maturity Date. A Holder should consult such Holder’s 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. See “Fundserv” and “Secondary Market”.

**Suitability and Appropriateness for Investment:**

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

- invest in a mid to long-term investment that provides annual Coupon Payments;
- receive the Deposit Amount and the final Coupon Payment only at Maturity;
- receive a Variable Return, if any, at Maturity that (i) is based on the price performance of the Reference ETF and is not based on a fixed, floating or other specified interest rate, (ii) is uncertain until the Final Valuation Date, and (iii) may be zero;
- waive the aggregate dividend or distribution yield provided by the Units, representing approximately 39.96% over the 7 year term of the Deposit Notes, assuming the dividend or distribution yield of the Units remains constant at 4.92% each year and assuming dividends and distributions are reinvested in the Units; and
- accept the risks described in this Information Statement, including the risks associated with the price performance of the Reference ETF.

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

**Risk Factors:**

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

**Non-Conventional Deposit Notes**

The Deposit Notes are not conventional instruments or debt securities in that, other than the Coupon Payments, they do not provide a Holder 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 and the Deposit Notes could provide no return other than the Coupon Payments.

**Variable Return May Not Be Payable**

Holders may not receive a Variable Return on their Deposit Notes. Whether Holders receive a Variable Return and, if so, how much of a Variable Return, will depend on the price performance of the Reference ETF as described beside "Payment at Maturity" above.

**Variable Return May Be Limited**

Since the Variable Return for each Deposit Note, if any, will equal \$100.00 multiplied by 100% of the percentage change, if positive, in the Closing Price from the Closing Date to and including the Final Valuation Date, a Holder's exposure under the Deposit Notes to the Reference ETF is not the same as an investment in the Units and therefore the Variable Return that



may be payable at Maturity may be less than the return realized from a direct investment in the Units. In addition, the Variable Return that may be paid will not reflect any dividends or distributions declared on the Units.

#### **Risk Factors Relating to the Reference ETF**

The Variable Return, if any, payable on the Deposit Notes is based on the price performance of the Reference ETF. Accordingly, certain risk factors applicable to investors who invest directly in the Reference ETF are also applicable to an investment in the Deposit Notes to the extent that such risk factors could adversely affect the price performance of the Reference ETF.

Holders should recognize that it is impossible to know whether the price of the Units at any time will rise or fall. The price of the Units will be influenced by the outlook for the securities held by the Reference ETF and by general economic, industry and market trends. These factors are beyond the control of Bank of Montreal. Historical price levels of the Units should not be considered as an indication of the future price performance of the Reference ETF.

The investments to which the Reference ETF has exposure are concentrated in the regional Canadian banking sector. Accordingly, market conditions that adversely affect one or more issuers in the Canadian banking sector are more likely to adversely affect other issuers represented in the Canadian banking sector. The Reference ETF is subject to various risks including those associated with making investments in regional Canadian banking sector issuers. Regional Canadian banking sector issuers may be adversely affected by a variety of worldwide economic, financial and political factors, including, without limitation, changes in exchange rates, interest rates, economic conditions, tax treatment, governmental regulation and intervention and events in the regions in which such issuers operate. Furthermore, the return on the Notes could be adversely affected by the political, economic, financial and other factors that influence the equities market generally.

This is not a complete description of the risks applicable to the Reference ETF. For a description of the risks applicable to the Reference ETF, an investor should consult the disclosure documents made publicly available by the Reference ETF at <http://www.bmo.com/gam/ca/advisor/products/etfs>.

None of Bank of Montreal, BMO Capital Markets or their respective affiliates or associates have performed any due diligence investigation or review of the Reference ETF and information relating to Reference ETF was derived from and based solely upon publicly available sources and its accuracy cannot be guaranteed.

#### **Dependence on Management of the Reference ETF**

The success of the Reference ETF depends on the skill and acumen of the management and portfolio management teams of the Fund Manager and any portfolio sub-advisors appointed by the Fund Manager. There can be no assurance that: (a) the investment objectives of the Reference ETF will be realized; (b) the investment strategies of the Reference ETF will prove successful; (c) the Reference ETF can avoid losses; or (d) the Fund Manager's management of the Reference ETF will generate positive returns for the Reference ETF.

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

There is currently no market through which the Deposit Notes may be sold and it is possible that no such market will be arranged. Sale of a Deposit Note prior to Maturity may result in a loss even if the price performance of the Reference ETF has been positive.

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

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

### **Conflicts of Interest**

The Fund Manager or any of its affiliates may invest in securities and may conduct business in competition with the Reference ETF or the Deposit Notes. The investment objectives and policies relating to other entities and activities in which the Fund Manager and its affiliates are involved may not be consistent with the investment objectives and strategies of the Reference ETF. The Fund Manager may exercise its discretion so as to effect a financial or other objective of a particular investment fund or portfolio or of the Fund Manager, as manager of a particular fund or portfolio, in a manner that may not take into consideration the best interests of the Reference ETF or the Holders. As a result of the foregoing, the Fund Manager and its affiliates may have conflicts of interest in allocating their time between the Reference ETF and other entities, and in allocating investments among the Reference ETF and other entities, including those in which the Fund Manager and its respective affiliates may have a greater financial interest.

In the course of normal business operations, Bank of Montreal and BMO Capital Markets may hold interests linked to the Reference ETF or the securities held by the Reference ETF. In addition, BMO Capital Markets, which has undertaken to use reasonable efforts to provide a secondary market, is an affiliate of Bank of Montreal. Conflicts may also arise because Bank of Montreal may engage in trading activities related to the Reference ETF or the securities held by the Reference ETF that are not for the account of Holders or on their behalf which may present a conflict between the Holders' interest in the Deposit Notes and the interests that Bank of Montreal will have in their proprietary accounts in facilitating transactions. Such trading activities could be adverse to the interests of the Holders. Subsidiaries of Bank of Montreal have published, and in the future expect to publish, research reports with respect to the Reference ETF and the securities held by the Reference ETF. This research is modified from time to time and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Deposit Notes. If Bank of Montreal or BMO Capital Markets take any such actions, Bank of Montreal and BMO Capital Markets will not necessarily take into account the effect, if any, that such actions could have on the Deposit Notes or the Variable Return that may be payable on the Deposit Notes.

BMO Asset Management Inc., an affiliate of Bank of Montreal, manages and administers the Reference ETF. BMO Asset Management Inc. will have no obligation to consider a Holder's interests in taking any actions that might affect the value of the Deposit Notes.

### **Credit Rating**

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

### **Credit Risk**

The likelihood that a Holder will receive all the payments owing under the Deposit Notes will depend on the financial health and creditworthiness of Bank of Montreal.

### **No Deposit Insurance**

Unlike conventional bank deposits, the Deposit Notes are not insured under the *Canada Deposit Insurance Corporation Act* or any other deposit

insurance regime designed to ensure that depositors receive payment of all or a portion of their deposits if the deposit taking financial institution becomes insolvent.

**Canadian Investor Protection Fund**

There is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund.

**No Independent Calculation**

Bank of Montreal has no obligation to retain an independent person to make or confirm the determinations and calculations made for the Deposit Notes.

**No Ownership of the Units or the Securities held by the Reference ETF**

Holder will have no rights of ownership in the Units or the securities held by the Reference ETF.

**Consequences of Special Circumstances:**

In certain circumstances, BMO Capital Markets may, as it determines appropriate, (i) adjust the components or variables in calculating the Variable Return, if any, (ii) defer the timing of the determination of the Closing Price or the calculation of the Variable Return, if any, (iii) replace the Reference ETF with another exchange-traded fund managed by the Fund Manager (or its successors and assigns), or (iv) on the occurrence of an Extraordinary Event, instead of paying any remaining Coupon Payments and the Variable Return, if any, at Maturity, pay the estimated present value on the occurrence of the Extraordinary Event of such Coupon Payments and the Variable Return, if any, that would have been payable at Maturity if the Extraordinary Event had not occurred. See “Special Circumstances” for a discussion of these circumstances.

**Amendments:**

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

**Investor’s Right to Cancel:**

An investor may cancel an order to purchase a Deposit Note (or cancel its purchase if the Deposit Note has been issued) by providing instructions to Bank of Montreal through such investor’s 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 an investor places an order to purchase a Deposit Note in person or electronically, the agreement to purchase the Deposit Note will be deemed to have been entered into on the third day after the later of (i) the day such purchase order is received, and (ii) five Business Days after the postmark date, if this Information Statement is provided to such investor by mail, or the date this Information Statement is actually received by such 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 the Deposit Note will be deemed to have been entered into at the time such purchase order is received.

**Eligibility for Investment:**

Unless Canadian law changes, a holder who purchases the Deposit Notes only at the time of issuance (an “**Initial Holder**”) will be able to hold Deposit Notes in a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan,

registered disability savings plan, tax-free savings account or deferred profit sharing plan (other than a trust governed by a deferred profit sharing plan to which contributions are made by Bank of Montreal or by an employer with which Bank of Montreal does not deal at arm's length within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**")).

**Certain Canadian Federal Income Tax Considerations:**

This income tax summary applies to an Initial Holder who is resident in Canada and is subject to the limitations and qualifications set out under "Certain Canadian Federal Income Tax Considerations" in the body of this Information Statement.

In the opinion of Torys LLP, counsel to Bank of Montreal, an Initial Holder will be required to include a Coupon Payment as interest on Deposit Notes in income for the taxation year in which the Coupon Payment is received or became receivable (depending on the method regularly followed by the Initial Holder in computing income) to the extent such amount was not included in computing the Initial Holder's income for a preceding taxation year. An Initial Holder who holds a Deposit Note on the Maturity Date will be required to include in income for the taxation year which includes the Maturity Date, the amount, if any, by which the payment at Maturity exceeds the Deposit Amount. Generally, based in part on counsel's understanding of the Canada Revenue Agency's administrative practice, an Initial Holder should not have to report any amount in respect of Deposit Notes, other than a Coupon Payment, in the Initial Holder's tax return for any taxation year ending before the year in which the Deposit Notes mature or are disposed of, as the case may be, provided an Extraordinary Event Notification Date has not arisen. However, 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.

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

**Rank:** The Deposit Notes will rank equally with all other deposit liabilities of Bank of Montreal. 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.

Prospective investors may request information about the Deposit Notes or another copy of this Information Statement by 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.bmosp.com](http://www.bmosp.com).

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

## DEFINITIONS

In this Information Statement, unless the context otherwise requires:

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

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

“**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 December 6, 2017;

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

“**Coupon Payment**” means the payment of 0.75% per annum of the Deposit Amount (or \$0.75 per Deposit Note) to be made to Holders on each Coupon Payment Date;

“**Coupon Payment Date**” means on or about December 6, 2018, December 6, 2019, December 4, 2020, December 6, 2021, December 6, 2022, December 6, 2023 and the Maturity Date. If any scheduled Coupon Payment Date is not a Business Day, then the Coupon Payment to be made to Holders on such day will be paid on the immediately following Business Day and no interest or other compensation will be paid in respect of such adjustment;

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

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

“**DBRS**” means DBRS Limited;

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

“**Deposit Notes**” means the Bank of Montreal Covered Call Canadian Banks ETF Minimum Coupon Principal Protected Deposit Notes, Series 13 issued by Bank of Montreal;

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

“**ETF Return**” means the percentage change in the Closing Price measured from the Issue Date to the applicable Valuation Date, and calculated using the following formula:

$$\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$$

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

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

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

“**Final Price**” means the Closing Price on the Final Valuation Date, provided that, if the Final Valuation Date is not an Exchange Business Day, then the Final Price means the Closing Price on the immediately preceding Exchange Business Day, and subject further to the provisions set out under “Special Circumstances – Market Disruption Event”;

“**Final Valuation Date**” means the date that is five (5) Business Days prior to the Maturity Date or, if such Business Day is not an Exchange Business Day, the immediately preceding Exchange Business Day, subject to the provisions set out under “Special Circumstances – Market Disruption Event”;

“**Fund Manager**” means BMO Asset Management Inc.;

“**Fundserv**” means Fundserv Inc.;

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

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

“**Initial Price**” means the Closing Price on the Closing Date, provided that, if the Closing Date is not an Exchange Business Day, then the Initial Price means the Closing Price on the immediately preceding Exchange Business Day, and subject further to the provisions set out under “Special Circumstances”;

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

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

“**Maturity**” or “**Maturity Date**” means December 2, 2024;

“**Merger Event**” has the meaning ascribed thereto under “Special Circumstances – Merger Event and Tender Offer”;

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

“**Note Program**” means the Bank of Montreal Covered Call Canadian Banks ETF Minimum Coupon Principal Protected Deposit Notes, Series 13 note program administered by BMO Capital Markets;

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

“**Participation Rate**” means 100%;

“**Potential Adjustment Event**” has the meaning ascribed thereto under “Special Circumstances – Potential Adjustment Event”;

“**Reference ETF**” means BMO Covered Call Canadian Banks ETF;

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

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

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

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

“**Substitution Event**” has the meaning ascribed thereto under “Special Circumstances – Substitution Event”;

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

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

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

“**Units**” means units of the Reference ETF;

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

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

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

## NOTE PROGRAM

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

### Coupon Payments

Coupon Payments of 0.75% per annum on the Deposit Amount will be paid annually on or about December 6, 2018, December 6, 2019, December 4, 2020, December 6, 2021, December 6, 2022, December 6, 2023 and the Maturity Date. If any scheduled Coupon Payment Date is not a Business Day, then the Coupon Payment to be made to Holders on such day will be paid on the immediately following Business Day and no interest or other compensation will be paid in respect of such adjustment.

### Maturity Payment

The Deposit Notes will mature on the Maturity Date. At Maturity, each Holder will be entitled to receive the Deposit Amount of \$100.00 per Deposit Note and the Coupon Payment payable, regardless of the price performance of the Reference ETF, and the Variable Return, if any, as described below.

### Variable Return

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

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

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

**The formula above provides for a Variable Return, if any, equal to the Deposit Amount multiplied by 100% of the ETF Return. No Variable Return will be payable unless the ETF Return is greater than zero. Accordingly, a Holder may not receive any Variable Return. A Holder should be aware that the Variable Return will not take into account any dividends or distributions paid on the Units.**

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

### Return Profile and Variable Return Examples

The return profile and examples below are provided for illustration purposes only. The return profile demonstrates the Variable Return that may be payable on the Deposit Notes based on a specific ETF Return determined on the Final Valuation Date.

All examples assume that a Holder has purchased a Deposit Note with an aggregate principal amount of \$100.00, that a Holder holds the Deposit Notes until Maturity and that no Extraordinary Event or Market Disruption Event has occurred during the term of the Deposit Notes. The ETF Returns used to illustrate the two different scenarios are hypothetical and are not estimates or forecasts of expected changes in the Closing Price of the Reference ETF from the Closing Date to and including the Final Valuation Date.

The calculation of the Variable Return would involve determining the ETF Return by comparing the Final Price to the Initial Price. The Variable Return, if any, will be equal to the Deposit Amount multiplied by 100% of the ETF Return, if positive.





The blue line represents the range of possible ETF Returns on the Final Valuation Date. The red line represents the range of potential Variable Return amounts for one Deposit Note.

**Scenario 1 – Negative ETF Return**

Initial Price: \$17.87

Final Price: \$14.36

ETF Return:  $(14.36 - 17.87) \div 17.87 = -19.64\%$

Variable Return: \$0.00

In the example above, the ETF Return is negative. As a result, the Variable Return is zero and a Holder would not receive any Variable Return at Maturity, but would receive the final Coupon Payment of \$0.75 per Deposit Note and the Deposit Amount. The Coupon Payments totalling \$5.25 per Deposit Note over the term of the Deposit Notes represent a cumulative return of \$5.25 per Deposit Note and an annually compounded rate of return of 0.75%.

**Scenario 2 – Positive ETF Return**

Initial Price: \$17.87

Final Price: \$27.20

ETF Return:  $(27.20 - 17.87) \div 17.87 = 52.21\%$

Variable Return:  $\text{Deposit Amount} \times \text{Participation Rate} \times \text{ETF Return}$

Variable Return:  $\$100.00 \times 100\% \times 52.21\%$

Variable Return: \$52.21

In the example above, a Holder would receive a Variable Return of \$52.21 at Maturity, and would also receive the final Coupon Payment of \$0.75 per Deposit Note and the Deposit Amount. Together with Coupon Payments totalling \$5.25 per Deposit Note over the term of the Deposit Notes, this represents a cumulative return of \$57.46 per Deposit Note and an internal rate of return of 6.82%.

**SECONDARY MARKET**

The Deposit Notes will not be listed on any stock exchange or marketplace. Moreover, Bank of Montreal does not have a right to redeem the Deposit Notes prior to Maturity and a Holder may not require Bank of Montreal to redeem the Deposit Notes prior to Maturity. However, 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. BMO Capital Markets will use reasonable efforts, under normal market conditions, to arrange for a daily secondary market for the sale of Deposit Notes by Holders to BMO Capital Markets through the order entry system operated by Fundserv, but reserves the right to elect not to do so in the future, in its sole and absolute discretion, without prior notice to Holders.

In order to sell a Deposit Note in the secondary market, if available, a Holder must arrange through his or her financial advisor to give notice to BMO Capital Markets either in writing or electronically through Fundserv’s investment fund transaction processing system. The sale of Deposit Notes using the Fundserv network carries certain restrictions, including selling procedures that require an irrevocable sale order to be initiated at a price that will not be known prior to placing such sale order. 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 and absolute discretion of BMO Capital Markets, without notice. Therefore, there can be no assurance that a secondary market will be available or that such market will be liquid or sustainable. See also “Fundserv” below for details in respect of secondary market trading where the Deposit Notes are held through dealers and other firms that are on the Fundserv network. The sale of a Deposit Note to BMO Capital Markets will be effected at a price equal to (i) the bid price for the Deposit Note, determined by BMO Capital Markets in its sole and absolute discretion, minus (ii) any applicable Early Trading Charge as set out below.

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

If a Holder sells a Deposit Note within the first 720 days from the Closing Date, the proceeds from the sale of the Deposit Note will be reduced by an Early Trading Charge that will be equal to the applicable percentage of the Deposit Amount, as set out in the following table:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0 - 90 days	3.50%
91 - 180 days	3.10%
181 - 270 days	2.70%
271 - 360 days	2.30%
361 - 450 days	1.90%
451 - 540 days	1.50%
541 – 630 days	1.00%
631 – 720 days	0.50%
Thereafter	Nil

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 720 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 price performance of the Reference ETF has been positive and, as a result, such Holder may suffer losses.

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

A Holder should consult his or her 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.

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

## **SPECIAL CIRCUMSTANCES**

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

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

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

### **Potential Adjustment Event**

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

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

- (a) a subdivision, consolidation or reclassification of the Units (unless resulting in a Merger Event), or a free distribution or dividend of Units to existing holders thereof by way of bonus, capitalization or similar issue;
- (b) a distribution, issue or dividend to existing holders of Units of (i) Units, or (ii) other share capital or securities granting the right to payment of dividends, distributions and/or the proceeds of liquidation of the Reference ETF equally or proportionately with such payments to holders of Units, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference ETF as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend or distribution in respect of Units (where the characterization of a dividend or distribution as “extraordinary” will be determined by the Calculation Agent); or
- (d) any other event that may have a diluting or concentrative effect on the theoretical value of the Units.

### **Merger Event**

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

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

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

### **Substitution Event**

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

- (a) any adjustments set out in “Potential Adjustment Event” above in respect of the Units will not apply;
- (b) the Calculation Agent may choose (in its sole and absolute discretion) a new security (the “Alternate Security”) of another exchange-traded fund managed by the Fund Manager or its successors and assigns listed on a major exchange or market quotation system as a substitute for the Units;
- (c) the Units will not be used for purposes of determining the Variable Return payable on or after the Substitution Date;
- (d) the Alternate Security will replace the Units, the issuer of such Alternate Security will replace the Reference ETF, and the primary exchange or market quotation system on which such Alternate Security is listed will be the Exchange in respect of such Alternate Security; and
- (e) the Calculation Agent, acting in its sole and absolute discretion, will determine the Initial Price of such Alternate Security by taking into account all relevant market circumstances, including the Initial Price of the Units and the Closing Price or estimated value on the Substitution Date of the Units and the Closing Price on the Substitution Date of the Alternate Security, and will make adjustments, if any, to any one or more of the formula for calculating the return of such Alternate Security, or any other component or variable relevant to the determination of the Variable Return as the Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the economic effect on the Deposit Notes of the relevant Substitution Event (including adjustments to account for changes in volatility, expected dividends or distributions, stock loan rate or liquidity relevant to the applicable substitution).

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

“Substitution Event” means, in respect of the Units, any Nationalization, Insolvency or Delisting in respect of the Units, or any Merger Event in respect of the Units that is deemed by the Calculation Agent to be a Substitution Event, in its sole and

absolute discretion, or the occurrence and continuation for at least four consecutive applicable Exchange Days of a Market Disruption Event (as defined below) in respect of the Units.

“Nationalization” means, in respect of the Units, that all or substantially all of the Units or all or substantially all of the assets of the Reference ETF are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

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

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

### **Market Disruption Event**

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

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

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

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

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

- (a) any failure of trading to commence, or the permanent discontinuation of trading or any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise (i) relating to the Units, or (ii) in futures or options contracts relating to the Units on any relevant Related Exchange;
- (b) the closure on any Exchange Business Day of the Exchange or Related Exchange after it has opened for trading but prior to its scheduled closing time unless such earlier closing time is announced by the Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Exchange or Related Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be submitted for entry in the Exchange or Related Exchange system for execution at the close of trading on such Exchange Business Day;
- (c) any event (other than an event described in (b) 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 Units on the Exchange, or (ii) any futures or options contracts relating to the Units on a relevant Related Exchange;

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

#### **Extraordinary Event**

If one of the events lists in the definition of "Extraordinary Event" (defined below) occurs, then the Manager and the Calculation Agent may, upon notice to the Holders to be given effective on an applicable Exchange Day (the date of such notification being the "Extraordinary Event Notification Date"), elect to estimate the present value, which may be nil, (the "Variable Return Early Payment Amount") as of the Extraordinary Event Notification Date, taking into account all relevant market circumstances, of a right to receive payment of the remaining Coupon Payment and any Variable Return that, but for such occurrence of the Extraordinary Event, would have been payable on any remaining Coupon Payment Dates and the Maturity Date. Upon the Calculation Agent making such an election, the following consequences will arise as of the Extraordinary Event Notification Date:

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

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

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

**“Extraordinary Event”** means, in respect of the Reference ETF,

- (a) any of the following events that occurs after the Closing Date and prior to Maturity where the Calculation Agent, acting in its sole and absolute discretion, has determined in good faith that such event constitutes an “Extraordinary Event”:
- (i) the winding-up, dissolution or liquidation of the Reference ETF or other cessation of trading of any units of the Reference ETF;
  - (ii) the Fund Manager or any affiliate of the Fund Manager ceases to act as the investment adviser of the Reference ETF;
  - (iii) the investment objectives, investment restrictions or investment policies of the Reference ETF or any units of the Reference ETF are modified (except where such modification is of a formal, minor or technical nature);
  - (iv) a material modification (other than any modifications referred to in (iii) above) of the terms and conditions relating to the Reference ETF or any units of the Reference ETF (including, but not limited to, a material modification of the constating documents of the Reference ETF) or the occurrence of any event or change having a material adverse effect on the Reference ETF or any units of the Reference ETF (including, in respect of the Reference ETF, but not limited to, the interruption, breakdown or suspension for a significant period of time of the calculation or publication of the net asset value per unit);
  - (v) the non-execution or partial-execution by the Reference ETF of a subscription, redemption or exchange order given by an investor in any units of the Reference ETF or a refusal to transfer any of the units of the Reference ETF to an eligible transferee except where such non-execution, partial execution or refusal is the result of circumstances beyond the control of the Reference ETF;
  - (vi) any mandatory redemption or other reduction (actual or potential as determined by the Calculation Agent in its sole discretion) in the number of the units held by any holder of such units of the Reference ETF for any reason beyond the control of such holder;
  - (vii) any failure by the Fund Manager to calculate or publish the daily official net asset value per unit within five (5) Business Days after the relevant valuation date except as provided in the case of a suspension of the determination of the net asset value per unit of the Reference ETF in accordance with the provisions set out in the constating documents of the Reference ETF;
  - (viii) the Reference ETF imposes in whole or part any restriction, charge or fee in respect of a redemption, exchange or subscription of any units of the Reference ETF by any holder thereof (other than any fee applicable to a holder of the units of the Reference ETF as at the Closing Date), including, without limitation, a short-term trading fee imposed by the manager of the Reference ETF and paid to such Reference ETF that is different from the short-term trading fees charged by the manager of the Reference ETF generally as of the date hereof or that is applied differently than it would be applied as of the date hereof;
  - (ix) any relevant activities of or in relation to the Reference ETF, the Fund Manager or its portfolio advisor are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof;
  - (x) a relevant authorization or licence is revoked or is under review by a competent authority in respect of the Reference ETF or the Fund Manager;
  - (xi) any change in or in the official interpretation or administration of any laws or regulation relating to taxation that has or is likely to have a material adverse effect on any unitholder of the Reference ETF or in respect of any hedge established in connection with the Offering;
  - (xii) a party is unable to effectively acquire, establish, re-establish, substitute, maintain, unwind or dispose of any hedging transaction in connection with the Offering or to realize, recover or remit the proceeds of any such hedging transaction;
  - (xiii) an increase in the cost of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction in connection with the Offering; or

- (xiv) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other event, (1) it would become unlawful for any unitholder of the Reference ETF to hold, purchase, exchange, redeem or sell any units, (2) the cost of investing in any units would materially increase, other than ordinary course increases in the market value of the units of the Reference ETF, or (3) a unitholder of the Reference ETF would be subject to a material loss as a result of holding any units of the Reference ETF;
- (b) the Calculation Agent determines in its sole and absolute discretion that a Market Disruption Event has occurred and has continued for at least ten (10) consecutive Exchange Days, or that any other Substitution Event has occurred, and the Calculation Agent has decided not to choose an issuer of an Alternate Security as a substitute for the Reference ETF on the grounds the Calculation Agent has determined that there is no other appropriate securities which offer sufficient liquidity in order for the Calculation Agent to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such securities or to realize, recover or remit the proceeds of any such hedge transaction; or
- (c) there is any change or proposed change in applicable law (or the interpretation or administration thereof) that, in the opinion of the Calculation Agent, acting reasonably, would have a significant adverse effect to Holders regarding the market price, value, marketability or return payable with respect to the Notes.

### **FUNDSERV**

Holders may purchase Deposit Notes through dealers and other firms that facilitate purchase and related settlement through the order entry system 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 instructions 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.

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

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

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

## **SUITABILITY AND APPROPRIATENESS FOR INVESTMENT**

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

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

- invest in a mid to long-term investment that provides annual Coupon Payments;
- receive the Deposit Amount and the final Coupon Payment only at Maturity;
- receive a Variable Return at Maturity that (i) is based on the price performance of the Reference ETF and is not based on a fixed, floating or other specified interest rate, (ii) is uncertain until the Final Valuation Date, and (iii) may be zero;
- waive the aggregate dividend or distribution yield provided by the Units, representing approximately 39.96% over the 7 year term of the Deposit Notes, assuming the dividend or distribution yield remains constant at 4.92% each year and assuming dividends and distributions are reinvested in the Units; and
- accept the risks set out under “Risk Factors”, including the risks associated with the price performance of the Reference ETF.

## **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 Covered Call Canadian Banks ETF Minimum Coupon Principal Protected Deposit Notes, Series 13 are being issued by Bank of Montreal with a Subscription Price of \$100 per Deposit Note and a minimum subscription of \$2,000 (20 Deposit Notes). The currency of the Offering is Canadian dollars. The maximum size of the Offering is \$20,000,000. Bank of Montreal reserves the right to change the maximum size of the Offering at and in its sole and absolute 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 "JHN2113" which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all required documents and satisfaction of closing conditions, if any. Funds in respect of all subscriptions shall be payable at the time of subscription.

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

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

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

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

## Coupon Payments

Provided no Extraordinary Event has occurred, Coupon Payments of 0.75% per annum on the Deposit Amount will be paid annually on or about December 6 of each year after the Closing Date, with the first Coupon Payment to be made on or about December 6, 2018 and the final Coupon Payment to be made at Maturity. If any scheduled Coupon Payment Date is not a Business Day, then the Coupon Payment to be made to Holders on such day will be paid on the immediately following Business Day and no interest or other compensation will be paid in respect of such adjustment.

## Maturity Payment

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

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

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

## Variable Return

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

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

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

### **Rank**

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

### **Settlement of Payments**

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

Bank of Montreal will be required to make available to CDS, no later than 10:00 a.m. (Toronto time) on the Maturity Date, funds in an amount sufficient to pay the amounts due on the Maturity Date under the Deposit Notes.

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

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

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.

Neither Bank of Montreal nor CDS (or 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.

### **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 definitive 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.

## **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 Amount 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.

Each person owning a beneficial interest in a registered Global Note must rely on the procedures of the depository for that registered Global Note and on the procedures of the participant(s) and the Custodian, if any, through which the person owns its interest, to exercise any rights of a Holder. Bank of Montreal understands that under existing industry practices, if Bank of Montreal requests any action of Holders or if an owner of a beneficial interest in a registered Global Note desires to direct or take any action that a Holder is entitled to direct or take in respect of the Deposit Notes, the depository for the registered Global Note would authorize the participants to direct or take that action, and the participants and the Custodian, if any, would authorize beneficial owners owning through them to direct or take that action or would otherwise act upon the instructions of beneficial owners holding through them. See “Description of the Deposit Notes — Custodian”.

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

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

## **Custodian**

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

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

## **Definitive Deposit Notes**

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

In addition, Bank of Montreal may at any time and in its sole and absolute 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 Early Payment Amount on a Deposit Note prior to the Maturity Date, to mark on the Deposit Note that the remaining Coupon Payments and the Variable Return, if any, have been paid in full or in part (as the case may be), or, in the case of payment of all Coupon Payments, the Variable Return and the Deposit Amount, or the Variable Return Early Payment Amount and the Deposit Amount (as the case may be), under the Deposit Note in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

#### **Notices to Holders**

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

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

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

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

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

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

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

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

## THE REFERENCE ETF

All information in this Information Statement relating to the BMO Covered Call Canadian Banks ETF is derived solely from publicly available sources and is presented in this Information Statement in summary form. As such, none of Bank of Montreal, the Selling Agent, the Manager or the Calculation Agent assumes any responsibility for the accuracy, reliability or completeness of such information, or accepts responsibility for the provision of any future information in respect of the Reference ETF or has any duty or obligation to update such information up to or after the Closing Date. A Holder may obtain further information about the Reference ETF by consulting documents made publicly available by the Reference ETF at <http://bmo.com/gam/ca/advisor/products/etfs>. The content of this website is not incorporated by reference in, and does not form part of, this Information Statement.

### General Description

The BMO Covered Call Canadian Banks ETF (ZWB: TSX) is designed to provide exposure to a portfolio of Canadian banks while earning call option premiums. The Reference ETF invests in securities of Canadian banks, and dynamically writes covered call options. The call options are written out of the money and selected based on analysing the option's implied volatility. The option premium provides limited downside protection. The underlying portfolio is rebalanced and reconstituted semi-annually in June and December, and options are rolled forward upon expiry. In addition, as the Reference ETF is a fund of funds, the management fees charged are reduced by those accrued in the underlying funds.

An investment in the Deposit Notes does not represent a direct or indirect investment in the Reference ETF, any of the securities held by the Reference ETF or any issuers of such securities. Holders have no right or entitlement to the dividends or distributions paid on the units of the Reference ETF or the securities held by the Reference ETF. As of October 11, 2017, the Reference ETF had a dividend or distribution yield of 4.92% representing an aggregate dividend yield of approximately 39.96% compounded annually over the term of the Notes (assuming the dividend yield remains constant). As of October 11, 2017 the Reference ETF had net assets of approximately \$1.62 billion.

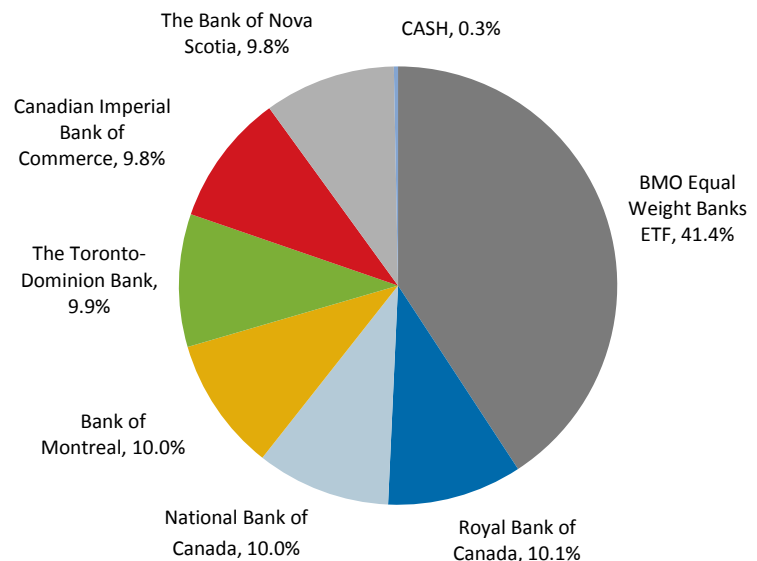
The Fund Manager has no obligation or liability in connection with the administration, marketing or trading of the Deposit Notes. The Fund Manager is not responsible for and has not participated in the determination of the structuring, timing, pricing or number of Deposit Notes to be issued. The Fund Manager does not have any responsibility or liability with respect to accuracy, reliability or completeness of any of the information contained in this Information Statement and has no obligation or liability in connection with the administration, marketing or trading of the Deposit Notes.

### Constituents of the Reference ETF

The composition of the Reference ETF as at October 11, 2017 is set out below. The historical composition of the Reference ETF does not necessarily reflect the composition of the Reference ETF in the future.

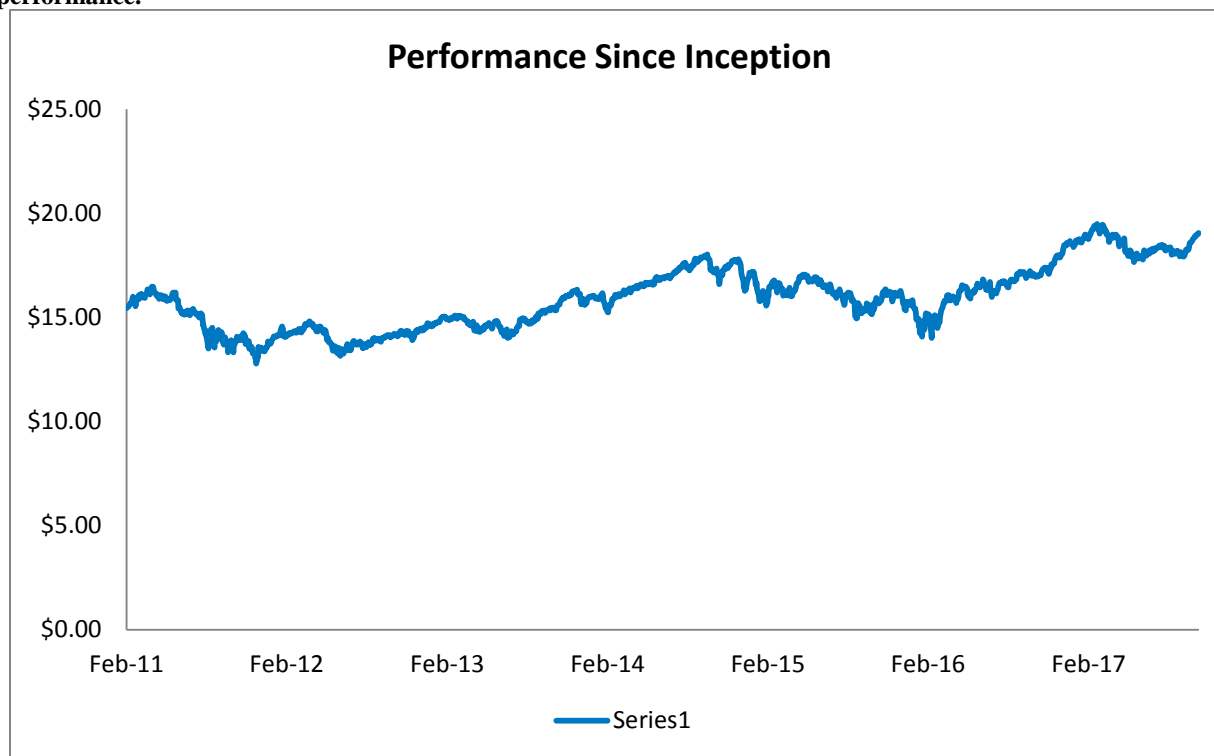
<u>Holdings</u>	<u>Weight</u>
BMO Equal Weight Banks ETF	41.4%
Royal Bank of Canada	10.1%
National Bank of Canada	10.0%
Bank of Montreal	10.0%
The Toronto-Dominion Bank	9.9%
Canadian Imperial Bank of Commerce	9.8%
The Bank of Nova Scotia	9.8%
Cash	0.3%

Source: BMO



### Historical Reference ETF Data

The graph below illustrates the price performance of the Reference ETF for the period beginning on February 3, 2011 and ending on October 11, 2017. **Past price performance of the Reference ETF is not indicative of future price performance.**



The price performance of the Reference ETF shown above does not take into account dividends and/or distributions paid on the Units. The average dividend or distribution yield on October 11, 2017 was 4.92%, representing a dividend or distribution yield of approximately 39.96% compounded annually over the term of the Deposit Notes, assuming the dividend or distribution yield remains constant and dividends and distributions are reinvested in the Units.

### FEES AND EXPENSES OF THE OFFERING

A fee of \$2.50 (2.50% of the Subscription Price) per Deposit Note will be paid out of the proceeds of the Offering on or about the Closing Date to the Selling Agent. The Selling Agent will pay all or a portion of this amount to sub-agency groups including other qualified selling members for selling the Deposit Notes.

### FEES AND EXPENSES ASSOCIATED WITH THE REFERENCE ETF

The Closing Price is used to determine the Variable Return on the Deposit Notes. The Closing Price will be affected by (i) management fees and other ongoing expenses reflected in the expense ratio of the Reference ETF, which, as of December 31, 2016, was 0.72%, and (ii) transaction costs of the Reference ETF, including brokerage commissions payable on the purchase and sale of the securities held by the Reference ETF.

### RISK FACTORS

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

### Suitability of Deposit Notes for Investment

An investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor, whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. Neither Bank

of Montreal nor BMO Capital Markets, including in its capacity as Selling Agent, Manager and Calculation Agent, makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

The return on the Deposit Notes, unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that, if the Reference ETF does not generate positive returns, the Deposit Notes could produce no return on a Holder's original investment other than the Coupon Payments. There is no assurance that the Reference ETF will generate positive returns. It is possible that at Maturity a Holder will only receive the Deposit Amount and the final Coupon Payment. The Deposit Notes are designed for investors with a mid to long-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 Variable Return, if any, is based on the price performance of the Reference ETF and could be zero. The Deposit Amount is only repaid if the Deposit Notes are held to Maturity. The Deposit Notes are not conventional indebtedness. Other than the Coupon Payments, they could produce no return. Therefore, the Deposit Notes are not suitable investments for investors who need or expect a return on investment in addition to the Coupon Payments. In addition, the Deposit Notes are not a suitable investment for a prospective investor who does not understand their terms or the risks involved in holding the Deposit Notes.

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

The Deposit Notes are not conventional instruments or debt securities. Other than the Coupon Payments, 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 return other than the Coupon Payments.

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

The Variable Return payable under the Deposit Notes, if any, is uncertain and is based on the price performance of the Reference ETF, which will not include any dividends or distributions declared on the Units. Accordingly, an investment in the Deposit Notes will not track a direct investment in the Reference ETF or the securities held by the Reference ETF and Holders will not have any ownership interest or related rights (including, without limitation, any voting rights or rights to receive dividends or distributions) in the Units or the securities held by the Reference ETF. There is a possibility that no Variable Return will be payable, with the result that a Holder may only receive the Deposit Amount and the final Coupon Payment at Maturity. In all cases, however, Holders will be entitled to receive the Deposit Amount and the final Coupon Payment at Maturity. See "Note Program — Variable Return".

### **Variable Return May Be Limited**

Since the Variable Return, if any, will equal \$100.00 multiplied by 100% of the ETF Return (if positive) from the Closing Date until the Final Valuation Date, a Holder's exposure under the Deposit Notes to the Reference ETF is not the same as an investment in the Units and therefore the Variable Return that may be payable at Maturity may be less than the return realized from a direct investment in the Units. If the ETF Return is zero or negative no Variable Return will be payable. In addition, the Variable Return that may be paid will not reflect any dividends or distributions declared on the Units.

### **Risk Factors Relating to the Reference ETF**

The Variable Return, if any, payable on the Deposit Notes is based on the price performance of the Reference ETF. Accordingly, certain risk factors applicable to investors who invest directly in the Reference ETF are also applicable to an investment in the Deposit Notes to the extent that such risk factors could adversely affect the price performance of the Reference ETF. Such risk factors may include the following: (i) the underlying securities in which the Reference ETF invests may fluctuate in accordance with changes in the financial condition of the issuers of those securities, general and global market conditions; (ii) the Reference ETF may trade below, at or above its net asset value, which will fluctuate with changes in the market value of the Reference ETF's holdings; (iii) the Reference ETF may invest more of its net assets in one or more companies than is permitted for actively managed mutual funds, resulting in increased liquidity risk of the Reference ETF affecting the Reference ETF's ability to satisfy redemption requests and also resulting in lower diversification of the Reference ETF and an increase in the general risk of equity investments and the volatility of the Reference ETF's net asset value; (iv) if the Reference ETF engages in securities lending, it would be exposed to the risk of loss should a borrower default on its obligations; (v) if the Reference ETF invests in derivatives from time to time, it may expose the Reference ETF to the possibility that it will be unable to close out derivatives positions, that it will suffer losses due to the credit risk that its counterparties may be unable to meet their obligations and that its use of derivatives will be ineffective; (vi) tax rules affecting the taxation of the Reference ETF or the underlying securities of the Reference ETF may change; (vii) certain securities or derivatives held by the Reference ETF may be illiquid, which may prevent the



Reference ETF from being able to limit its losses or realize gains; (viii) the Reference ETF may not be able to repay amounts borrowed if it is unable to collect distributions from an issuer of an underlying security; (ix) currency forward transactions entered into by the Reference ETF, if any, to hedge its exposure to foreign currency may not be effective and will expose the Reference ETF to the risk of investing in derivatives; and (x) some or all of the securities held by the Reference ETF may be cease traded which may result in the Reference ETF suspending the right to redeem units of the Reference ETF for cash.

An investor should recognize that it is impossible to know whether the price of the Units at any time will rise or fall. The price of the Units will be influenced by the outlook for the securities held by the Reference ETF and by general economic, industry and market trends. These factors are beyond the control of Bank of Montreal. Historical price levels of the Units should not be considered as an indication of the future price performance of the Reference ETF.

The investments to which the Reference ETF has exposure are concentrated in the regional Canadian banking sector. Accordingly, market conditions that adversely affect one or more issuers in the Canadian banking sector are more likely to adversely affect other issuers represented in the Canadian banking sector. The Reference ETF is subject to various risks including those associated with making investments in regional Canadian banking sector issuers. Regional Canadian banking sector issuers may be adversely affected by a variety of worldwide economic, financial and political factors, including, without limitation, changes in exchange rates, interest rates, economic conditions, tax treatment, governmental regulation and intervention and events in the regions in which such issuers operate. Furthermore, the return on the Notes could be adversely affected by the political, economic, financial and other factors that influence the equities market generally.

This is not a complete description of the risks applicable to the Reference ETF. For a description of the risks applicable to the Reference ETF, an investor should consult the disclosure documents made publicly available by the Reference ETF at <http://www.bmo.com/gam/ca/advisor/products/etfs>.

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

### **Dependence on Management of the Reference ETF**

The success of the Reference ETF depends on the skill and acumen of the management and portfolio management teams of the Fund Manager and any portfolio sub-advisors appointed by the Fund Manager. These individuals will not devote all of their time to the business of the Reference ETF. If these individuals should cease to participate in the business of the Reference ETF, the ability of the Reference ETF to select attractive investments and manage its portfolio could be severely impaired. There can be no assurance that: (a) the investment objectives of the Reference ETF will be realized; (b) the investment strategies of the Reference ETF will prove successful; (c) the Reference ETF can avoid losses; or (d) the Fund Manager's management of the Reference ETF will generate positive returns for the Reference ETF. Past performance of the Fund Manager is not indicative of future returns.

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

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

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

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

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

The Deposit Amount is repaid by Bank of Montreal only at Maturity. There is no assurance that any premium that may have been paid by a Holder having purchased Deposit Notes in the secondary market will be repaid. The price that BMO

Capital Markets will pay to a Holder for a Deposit Note prior to Maturity will be determined by BMO Capital Markets, acting in its sole discretion, and will be based on, among other things:

- whether the Closing Price has increased or decreased since the Closing Date and by how much;
- the fact that the Deposit Amount is payable on the Maturity Date regardless of the Closing Price or price performance of the Reference ETF at any time and up to such time; and
- a number of other interrelated factors, including, without limitation, the correlation of the prices of securities held by the Reference ETF and volatility of the Units, prevailing interest rates, the dividend or distribution yields of the Units 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 Price of the Reference ETF (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 Price); and (b) may be substantially affected by changes in interest rates independent of the price performance of the Reference ETF. 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**

The Fund Manager or any of its affiliates may invest in securities and may conduct business in competition with the Reference ETF or the Deposit Notes. The investment objectives and policies relating to other entities and activities in which the Fund Manager and its affiliates are involved may not be consistent with the investment objectives and strategies of the Reference ETF. The Fund Manager may exercise its discretion so as to effect a financial or other objective of a particular investment fund or portfolio or of the Fund Manager, as manager of a particular fund or portfolio, in a manner that may not take into consideration the best interests of the Reference ETF or the holders of the Deposit Notes. As a result of the foregoing, the Fund Manager and its affiliates may have conflicts of interest in allocating their time and activity between the Reference ETF and other entities and activities, and in allocating investments among the Reference ETF and other entities and activities, including those in which the Fund Manager and its respective affiliates may have a greater financial interest.

In the course of its normal business operations, Bank of Montreal and BMO Capital Markets may hold interests linked to the Reference ETF or hold securities of, extend credit to or enter into other business dealings with the Fund Manager, the Reference ETF or one or more of the companies whose securities are held by the Reference ETF, including under hedging arrangements relating to the Deposit Notes. In addition, BMO Capital Markets, which has undertaken to use reasonable efforts to provide a secondary market, is an affiliate of Bank of Montreal. Each of Bank of Montreal and BMO Capital Markets has agreed that all such actions taken by it shall be taken based on normal commercial criteria in the particular circumstances.

Conflicts may also arise because Bank of Montreal and/or its affiliates may engage in trading activities related to the Reference ETF or the issuers whose securities are held by the Reference ETF that are not for the account of Holders or on their behalf. These trading activities may present a conflict between the Holders' interest in the Deposit Notes and the interests that Bank of Montreal and/or its affiliates will have in their proprietary accounts in facilitating transactions, including block trades and options and other derivatives transactions, for their customers and in accounts under their management. These trading activities could be adverse to the interests of the Holders. Moreover, subsidiaries of Bank of Montreal (including BMO Capital Markets) have published, and in the future expect to publish, research reports with respect to the Reference ETF and securities that are held by the Reference ETF. This research is modified from time to time and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Deposit Notes. The foregoing actions by Bank of Montreal, BMO Capital Markets and their respective affiliates may not take into

account the effect, if any, of such actions on the Deposit Notes or the Variable Return that may be payable on the Deposit Notes.

BMO Asset Management Inc., an affiliate of Bank of Montreal, manages and administers the Reference ETF. BMO Asset Management Inc. will have no obligation to consider a Holder's interests in taking any actions that might affect the value of the Deposit Notes.

### **Credit Rating**

The Deposit Notes have not been rated. As of the date of this Information Statement, the deposit liabilities of Bank of Montreal with a term to Maturity of more than one year are rated "AA" by DBRS, "A+" by S&P and "A1" by Moody's. There can be no assurance that, if the Deposit Notes were rated by these rating agencies, they would have the same rating as the conventional deposit liabilities of Bank of Montreal. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

### **Credit Risk**

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

### **No Deposit Insurance**

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

### **Canadian Investor Protection Fund**

There is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund. A Holder should consult a financial advisor on whether the Holder's investment in the Deposit Notes is eligible for protection in light of such Holder's particular circumstances.

### **Special Circumstances**

If a Market Disruption Event occurs on a day on which the Closing Price is to be determined for calculating the Variable Return, the determination of that price (and possibly any subsequent payment of that Variable Return, if any) may be delayed. Fluctuations in the Closing Price may occur in the interim. In certain unusual circumstances, the Calculation Agent may estimate the Closing Price, replace the Units with a new security or determine the amount of the Variable Return, if any, that may be payable to Holders in an alternate manner. However, in no event will the Deposit Amount be paid prior to the Maturity Date. See "Special Circumstances".

In certain circumstances, such as a Substitution Event, the Calculation Agent may replace the Reference ETF with the security of another large issuer as chosen by the Calculation Agent. In other circumstances, the Calculation Agent may adjust any one or more of the Initial Price, the formula for calculating the ETF Return, or any other component or variable relevant to the determination of any Variable Return to account for those circumstances. Adjustments made to a component or variable relevant to the determination of the amount of Variable Return may have a negative effect on the ETF Return or on the amount of the Variable Return payable.

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 (10<sup>th</sup>) Business Day after the Extraordinary Event Notification Date and no other variable return will be payable to Holders. In these circumstances, payment of the Deposit Amount will not be paid until 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 price performance of the Reference ETF as determined by the Calculation Agent. Bank of Montreal has no obligation to retain an independent person to make or confirm the determinations and calculations made for the Deposit Notes.

### **No Ownership of the Units or the Securities Held by the Reference ETF**

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

Owning the Deposit Notes is different from owning units of the Reference ETF. The Deposit Notes do not represent a substitute for an investment in the Units.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Torys LLP, counsel to Bank of Montreal, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by an Initial Holder. This summary is applicable only to an Initial Holder who is an individual (other than a trust) and, 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 and holds Deposit Notes as capital property.

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

### **Coupon Payments**

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

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

### **Variable Return**

A Deposit Note is a "prescribed debt obligation" within the meaning of the Tax Act. The rules 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 a 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 Early Payment Amount will generally be required to be included in the Initial Holder's income in the taxation year that includes the date such amount was determined, except to the extent otherwise included in income for the taxation year or a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of any such amount as and when required by law and will provide the Initial Holder with a copy of such return.

### **Disposition of Deposit Notes**

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

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

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

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

In the opinion of Torys 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 by an employer with which Bank of Montreal does not deal at arm's length within the meaning of the Tax Act).

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

## **PLAN OF DISTRIBUTION**

Pursuant to an agreement between Bank of Montreal and the Selling Agent, the Selling Agent has agreed to offer Deposit Notes for sale as agent of Bank of Montreal on a best efforts basis, if, as and when issued by Bank of Montreal. Investors will subscribe for Deposit Notes by placing their orders with the Selling Agent or sub-agency groups including other qualified selling members. The Deposit Notes are being offered through Fundserv's transaction processing system. Subscriptions for Deposit Notes may be made through the Fundserv network under the Fundserv code "JHN2113" which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all required documents and satisfaction of closing conditions, if any. Holders should recognize that, unless they have purchased the Deposit Notes directly through a representative of BMO Nesbitt Burns Inc., they do not have an account

with BMO Nesbitt Burns Inc. Funds in respect of all subscriptions shall be payable at the time of subscription. Bank of Montreal will have the sole right to accept offers to purchase Deposit Notes and may reject any proposed purchase of Deposit Notes in whole or in part. Bank of Montreal reserves the right to allot the Deposit Notes to investors in an amount less than that subscribed for by an investor and/or to close the subscription book or discontinue accepting subscriptions at any time without notice.

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

Each Deposit Note will be issued at 100% of its Deposit Amount. There is a maximum issue size of \$20,000,000.00 of Deposit Notes. Bank of Montreal may change the maximum size of the Offering at its discretion. A fee of \$2.50 (2.50% of the Subscription Price) per Deposit Note will be paid out of the proceeds of the Offering on or about the Closing Date to the Selling Agent. The Selling Agent will pay all or a portion of this amount to sub-agency groups including other qualified selling members for selling the Deposit Notes. While the Selling Agent has agreed to use its best efforts to sell the Deposit Notes offered hereby, the Selling Agent will not be obligated to purchase any Deposit Notes that are not sold. For greater certainty, BMO Capital Markets may purchase Deposit Notes offered hereby as principal.

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

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

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

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

A Global Note for the aggregate principal amount of the Offering will be issued in registered form to 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".

The Deposit Notes have not been and will not be registered under the U.S. Securities Act. No Deposit Notes may or will be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the U.S. Securities Act). In connection with the issue and sale of the Deposit Notes by Bank of Montreal, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement 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 U.S. Securities Act) or in any jurisdiction outside Canada where any action is required.

#### **ADDITIONAL INFORMATION**

An investor may request information about the Deposit Notes or another copy of this Information Statement by 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.bmosp.com](http://www.bmosp.com).