

## INFORMATION STATEMENT DATED OCTOBER 31, 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 these Deposit Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Deposit Notes. No securities commission or similar authority in Canada has in any way passed upon the merits of the Deposit Notes offered hereunder and any representation to the contrary is an offence. The Deposit Notes offered under this Information Statement have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any State securities laws and may not be offered for sale or sold in the United States or to United States persons.



### **BANK OF MONTREAL CANADIAN GROWERS INDEX LINKED PRINCIPAL PROTECTED DEPOSIT NOTES, SERIES 18 (F-CLASS)**

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

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

The Bank of Montreal Canadian Growers Index Linked Principal Protected Deposit Notes, Series 18 (F-Class) (the "Deposit Notes") issued by Bank of Montreal are a principal protected product that will mature on December 9, 2024 ("Maturity"). The closing of this offering is scheduled to occur on or about December 13, 2017 (the "Closing Date").

At Maturity, a holder will receive the deposit amount of \$100 (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 performance of the BMO Canadian Growers Index (the "Index") over the term of the Deposit Notes.

The variable return for each Deposit Note at Maturity, if any, will equal \$100 multiplied by 160% (the "Participation Rate") of the percentage change, if positive, in the level of the Index from the Closing Date to and including the fifth (5<sup>th</sup>) Business Day prior to Maturity. See "Note Program – Variable Return".

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 the Index and does not relate to the securities comprising the Index (the "Index Components") or the issuers of such Index Components. 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. None of Bank of Montreal, the Selling Agent, the Manager or the Index Calculation Agent assumes any responsibility for the provision of future information in respect of the Index Components or the issuers of the Index Components. Bank of Montreal makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of information obtained from such publicly available sources. Furthermore, Bank of Montreal makes no recommendation concerning the Index, the Index Components, or the issuers of the Index Components, equity securities as an asset class or the suitability of investing in securities generally or the Deposit Notes in particular. In connection with the issue and sale of Deposit Notes by Bank of Montreal, no person is authorized to give any information or to make any representation not contained in this Information Statement and Bank of Montreal does not accept any responsibility for any information not contained herein. Investors shall have no recourse against Bank of Montreal, the Selling Agent, the Manager, the Index Calculation Agent or any of their respective affiliates or associates in connection with any information about and/or relating to the Index, the Index Components or the issuers of the Index Components.

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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 and the appendices thereto. 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.

**Issue:** Bank of Montreal Canadian Growers Index Linked Principal Protected Deposit Notes, Series 18 (F-Class) (the “Deposit Notes”).

**Issuer:** Bank of Montreal.

**Subscription Price:** The price for each Deposit Note is \$100 (the “Deposit Amount”).

**Minimum Subscription:** Investors must invest a minimum of \$2,000 (20 Deposit Notes). Bank of Montreal reserves the right to change the minimum investment amount in its sole and absolute discretion.

**Issue Size:** The maximum issue size is \$20,000,000. Bank of Montreal reserves the right to change the maximum size in its sole and absolute discretion.

**Closing Date:** The Deposit Notes will be issued on or about December 13, 2017 (the “Closing Date”).

**Maturity Date:** The Deposit Notes will mature on December 9, 2024 (“Maturity” or the “Maturity Date”). The term of the Deposit Notes is approximately 7 years.

**Offering:** This offering has been designed to provide investors with payment at Maturity of (i) the Deposit Amount per Deposit Note, and (ii) an amount of Variable Return (as defined below), if any, based on the performance of the BMO Canadian Growers Index (the “Index”) as set out below under “Payment at Maturity”. See “Note Program”.

The Deposit Notes are Canadian dollar deposits. All amounts owing on the Deposit Notes will be paid in Canadian dollars.

**Payment at Maturity:** Subject to the occurrence of certain special circumstances, for each Deposit Note held at Maturity, an investor will receive (i) the Deposit Amount, and (ii) a Variable Return, if any, based on the performance of the Index.

More specifically, the variable return per Deposit Note, if any (the “Variable Return”), is \$100 multiplied by 160% of the percentage change (if positive) in the level of the Index from the Closing Date to and including the fifth (5<sup>th</sup>) Business Day prior to Maturity (the “Final Valuation Date”).

If the percentage change in the level of the Index 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 dividends and distributions declared and paid on components of the Index. 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. It is possible that no Variable Return will be payable on the Deposit Notes. See “Note Program – Maturity Payment” and “Note Program – Variable Return”.

**The Index:** The performance of the Index will determine the amount of Variable Return, if any, an investor will receive at Maturity. The Index may change in certain circumstances. See “Special Circumstances” in Appendix B.

## **Overview**

The BMO Canadian Growers Index is a proprietary index that seeks to provide exposure to 15 equally weighted securities (“Index Components”) of issuers, other than Bank of Montreal, with a market capitalization of at least \$1 billion that are members of the Banks, Telecommunication Services or Utilities industry groups of the S&P/TSX Composite Index (“Eligible Securities”), except in certain special circumstances as described herein. More information about the S&P/TSX Composite Index can be found at [ca.spindices.com/indices/equity/sp-tsx-composite-index](http://ca.spindices.com/indices/equity/sp-tsx-composite-index).

The Index is a notional portfolio that tracks the price return of the Index Components. The Index may change in certain circumstances. See “Special Circumstances” in Appendix B.

**The Index is described as a “notional” or “hypothetical” portfolio of assets because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Index merely references certain Index Components, the performance of which will be used as a reference point for calculating the Index Level.**

## **Index Composition and Adjustment**

The Index was established on February 22, 2017 (the “Start Date”) and will be adjusted monthly to reflect the 15 highest dividend growth Eligible Securities on an equally weighted basis which, for greater certainty, will exclude the common shares of Bank of Montreal. The Index Components comprising the Index were determined on the Start Date and will be adjusted on the first Index Business Day of each month during the term of the Deposit Notes (each such day, including the Start Date, an “Index Adjustment Date”). On the last Index Business Day of the month immediately preceding each Index Adjustment Date, the Index Calculation Agent will rank each Eligible Security then represented in the S&P/TSX Composite Index based on its Trailing Twelve-month Dividend Growth Rate. The Index Calculation Agent will then select the 15 Eligible Securities having the highest Trailing Twelve-month Dividend Growth Rates to be the Index Components represented in the Index. The Index Components comprising the Index at the close of business on each Index Adjustment Date except the Start Date will be notionally sold and their notionally realized value will be reinvested in the newly selected Index Components on an equally weighted basis. The value of the Index Components will be based on their price return and will not reflect any dividends or distributions on the Index Components. This methodology will result in all, some or none of the Index Components changing from month to month depending on their Trailing Twelve-month Dividend Growth Rates. The common shares of Bank of Montreal will not be included in the Index, regardless of their Trailing Twelve-month Dividend Growth Rate. See “Index Rules” in Appendix A.

**No assurance can be given that this investment strategy will be successful or that the Index will outperform any alternative portfolio or strategy that might be constructed from the Index Components.**

## **Determining the Index Level**

The Index Level on each Index Business Day will be the Index Level on the immediately preceding Index Adjustment Date plus the price return of the Index (which could be negative) since such Index Adjustment Date. The Index Level on any day that is not an Index Business Day will be the Index Level on the immediately preceding Index Business Day. The Index Level will be calculated in compliance with the Index Rules set out in Appendix A and reported by BMO Capital Markets at [www.bmosp.com](http://www.bmosp.com).

The Index Calculation Agent is bound by the Index Rules in determining the Index Level and has no discretion in applying the Index Rules to determine the Index Level except on the occurrence of certain events, as described in Appendix B.

**The Index was established on the Start Date and therefore has very limited history to evaluate its likely performance. Past performance of the Index Components is not indicative of future performance of the Index.**

The average dividend yield of the Index was 4.12% as of October 2, 2017, representing an aggregate dividend yield of approximately 32.63% compounded annually over the term of the Deposit Notes assuming the dividend yield remains constant. An investment in the Deposit Notes does not represent a direct or indirect investment in any of the Index Components that comprise the Index. Holders have no right or entitlement to the dividends or distributions paid on such Index Components. This description is qualified in its entirety by reference to the Index Rules. More details about the Index and the Index Rules, including limitations on the inclusion of the Index Components in the Index and details of the calculation of the Index Level, are set out in “The Index” and in Appendix A.

**Fees and Expenses of the Offering:**

No fees will be paid out of the proceeds of this offering to BMO Nesbitt Burns Inc. for its services as selling agent. The Deposit Notes are available only to investors who participate in programs that already charge a fee for the advice they are receiving (for example, dealer sponsored “fee for service” or wrap programs) or pay their advisor an hourly or annual asset based fee rather than commissions on each transaction and who purchase the Deposit Notes in connection with such programs.

**Fees and Expenses Associated with the Index**

No ongoing fees are payable in respect of the Index, including in connection with the notional sale of and reinvestment in Index Components on each Index Adjustment Date.

**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 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 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 Index Level (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the Index Level); and (b) may be substantially affected by changes in interest rates independent of the performance of the Index. If a Holder sells such Holder’s Deposit Notes prior to Maturity, such Holder may receive less than the Deposit Amount even if the performance of the Index has been positive, and, as a result, such Holder may suffer losses.

No early trading charge will apply to the sale of a Deposit Note at any time after the closing of the Offering.

BMO Capital Markets is under no obligation to facilitate or arrange for a secondary market, and such secondary market, if commenced, may be suspended at any time at the sole discretion of BMO Capital Markets, without notice to you. If there is no secondary market, 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 for the mid to long-term;
- receive the Deposit Amount only at Maturity;
- receive a return, if any, at Maturity that (i) is based on the performance of the Index 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;
- obtain exposure to the Index Components that may be limited by the constraints imposed by the Index Rules and whose performance may not match the performance of a direct investment in the Index Components or any alternative portfolio or strategy that might be constructed from the Index Components;
- waive the aggregate dividend or distribution yield provided by the Index, representing approximately 32.63% over the term of the Deposit Notes, assuming the average dividend or distribution yield of the Index remains constant at 4.12% each year and assuming dividends and distributions are reinvested in the Index Components; and
- accept the risks described in this Information Statement, including the risks associated with the performance of the Index.

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 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.

**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 performance of the Index 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 multiplied by 160% of the percentage change, if positive, in the Index Level from the Closing Date to and including the Final Valuation Date, a Holder’s exposure under the Deposit Notes to the Index is not the same as an investment in the Index Components and therefore the Variable Return that may be payable at Maturity may be less than the return realized from a direct investment in the Index Components.

**Risk Factors Relating to the Index and the Index Components**

The Variable Return, if any, payable on the Deposit Notes is based on the price performance of the Index. Accordingly, certain risk factors applicable to investors who invest directly in the Index Components 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 Index.

The Index follows a proprietary strategy that operates on the basis of the Index Rules. No assurance can be given that the investment strategy on which the Index is based will be successful or that the Index will outperform any alternative strategy that might be employed in respect of the Index Components. Accordingly, potential investors in the Deposit Notes should determine whether the Index Rules are appropriate in light of their individual circumstances and investment objectives.

The Index was established on the Start Date and has very limited history to evaluate its likely performance. Past performance of the Index Components is not indicative of future performance of the Index.

The Index is a notional portfolio of assets. Consequently, Holders of the Deposit Notes will not have any claim against any of the Index Components.

Holders should recognize that BMO Capital Markets, as the sponsor of the Index, has no obligations relating to the Deposit Notes or to Holders.

The performance of the Index is dependent on the performance of 15 Index Components that could change from time to time in accordance with the Index Rules. In particular, the Index Components will be selected each month from the Eligible Securities on the basis of their historical dividend growth rates. The historical dividend growth rate of an Eligible Security will not necessarily be related to its price performance. Holders should recognize that it is impossible to know whether the price of the Index Components at any time will rise or fall. The price of the Index Components will be influenced by the outlook for the applicable issuer and by general economic, industry and market trends. A decrease in the price of the Index Components will adversely affect the Index and may affect the Deposit Notes. Furthermore, increases in the value of some of the Index Components may be offset by declines in the values of other Index Components. These factors are beyond the control of Bank of Montreal. Historical price levels and dividend growth rates of the Index Components should not be considered as an indication of the future performance of the Index Components or the Index. None of Bank of Montreal, BMO Capital Markets or their respective affiliates or associates have performed any due diligence investigation or review of any of the Eligible Securities or the issuers of the Eligible Securities. Prospective investors should undertake an independent investigation to determine if an investment in the Deposit Notes is suitable for them.

The Index Calculation Agent is bound by the Index Rules in determining the Index



Level and, except on the occurrence of certain events, as described in Appendix B, has no discretion in applying the Index Rules to determine the Index Components on each Index Adjustment Date. However, the Index Rules confer on the Index Calculation Agent limited discretion in making certain determinations and calculations from time to time. In addition, the Index Calculation Agent may have to take steps to resolve ambiguities in the Index Rules, including, if necessary, amending the Index Rules. While the Index Calculation Agent will act in good faith and in a commercially reasonable manner with respect to the performance of its obligations and the exercise of its discretion pursuant to the Index Rules, the exercise of such discretion in the making of calculations and determinations may adversely affect the performance of the Index.

All determinations of the Index Calculation Agent in respect of the Index shall be final, conclusive and binding and no person shall be entitled to make any claim in respect thereof against the Index Calculation Agent, any of its affiliates or any of their respective directors, officers, employees, representatives, delegates or agents.

This is not a complete description of the risks applicable to the Index, the Index Components or the issuers of the Eligible Securities. For a description of the risks applicable to the Eligible Securities and their issuers, an investor should consult the publicly available disclosure documents available at [www.sedar.com](http://www.sedar.com). The content of this website is not incorporated by reference in, and does not form part of, this Information Statement. Information about the Index can be found in Appendix A.

#### **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 performance of the Index 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**

In the course of normal business operations, Bank of Montreal and BMO Capital Markets may hold interests linked to the Index Components or enter into other business dealings with the issuers of the Index Components. 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 Index Components 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 some or all of the Index Components. 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 Capital Markets, an affiliate of Bank of Montreal, acts as the Index Calculation Agent and is responsible for calculating and maintaining the Index and developing the guidelines and policies governing its composition and calculation. The Index Calculation Agent has limited discretion in making certain determinations and

calculations in respect of the Index from time to time. The Index Calculation Agent may also amend the rules governing the Index in certain circumstances. While the Index Calculation Agent will act in good faith and in a commercially reasonable manner with respect to the performance of its obligations and the exercise of its discretion pursuant to the Index Rules, the policies and judgments for which the Index Calculation Agent is responsible could have an impact, positive or negative, on the Index Level and the value of the Deposit Notes. The Index Calculation Agent has 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 Index or the Index Components**

Holders will have no rights of ownership in the Index or any Index Components. The Deposit Notes do not represent a substitute for an investment in the Index Components.

**Consequences of Special Circumstances:**

In certain circumstances, the Index Calculation Agent may, as it determines appropriate, (i) choose the Index Components from another equity index or portfolio comparable to the S&P/TSX Composite Index, (ii) adjust the components or variables in calculating the Variable Return, if any, (iii) replace an Index Component with a comparable security, (iv) determine that a security that would otherwise be included in the Index is not an Eligible Security or (v) on the occurrence of an Extraordinary Event, instead of paying the Variable Return, if any, at Maturity, pay the estimated present value on the occurrence of the Extraordinary Event of the Variable Return, if any, that would have been payable at Maturity if the Extraordinary Event had not occurred. See "Special Circumstances" in Appendix B 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”.

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, if an Initial Holder holds Deposit Notes at Maturity, such Initial Holder will be required to include in his or her income 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 the Variable Return, if any, in his or her 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 has not occurred. 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;

“**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;

“**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 13, 2017;

“**Closing Level**” has the meaning ascribed thereto in Appendix A under “Appendix A Definitions”;

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

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

“**DBRS**” means DBRS Limited;

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

“**Deposit Notes**” means the Bank of Montreal Canadian Growers Index Linked Principal Protected Deposit Notes, Series 18 (F-Class) issued by Bank of Montreal;

“**Eligible Security**” has the meaning ascribed thereto in Appendix A under “Appendix A Definitions”;

“**Extraordinary Event**” has the meaning ascribed thereto in Appendix B;

“**Extraordinary Event Notification Date**” has the meaning ascribed thereto in Appendix B;

“**Final Level**” means the Index Level on the Final Valuation Date, provided that, if the Final Valuation Date is not an Index Business Day, then the Final Level will be determined on the immediately preceding Index Business Day, and subject further to the provisions set out in Appendix B;

“**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 Index Business Day, the immediately preceding Index Business Day, subject to the Special Circumstances set out in Appendix B;

“**Fundserv**” means Fundserv Inc.;

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

“**Index**” means the BMO Canadian Growers Index, as further described in this Information Statement under “The Index” and in Appendix A;

“**Index Adjustment Date**” has the meaning ascribed thereto in Appendix A under “Appendix A Definitions”;

“**Index Business Day**” has the meaning ascribed thereto in Appendix A under “Appendix A Definitions”;

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

“**Index Components**” means, collectively, the common shares and units, as applicable, of the Issuers notionally comprising the Index from time to time and each is an “**Index Component**”, subject to the Special Circumstances set out in Appendix B. Further information about the selection and weighting of the Index Components can be found under “The Index” and in Appendix A;

“**Index Determination Date**” has the meaning ascribed thereto in Appendix A under “Appendix A Definitions”;

“**Index Level**” means, in respect of an Index Business Day, the closing level of the Index on that Index Business Day calculated in compliance with the Index Rules set out in Appendix A;

“**Index Return**” means the percentage change in the Index Level from the Closing Date to the Final Valuation Date and rounded to two decimal places, calculated as follows:

$$\text{Index Return} = \frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$$

“**Index Rules**” means the rules governing the constitution and maintenance of the Index, the calculation of the Index Level and other decisions and actions related to the maintenance of the Index as set out in Appendix A;

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

“**Initial Level**” means the Index Level on the Closing Date, provided that if such day is not an Index Business Day, then the Initial Level will be determined on the immediately preceding Index Business Day, subject to the Special Circumstances set out in Appendix B;

“**Issuers**” and “**Issuer**” have the meanings ascribed thereto in Appendix A under “Appendix A Definitions”;

“**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 in Appendix B;

“**Maturity**” or “**Maturity Date**” means December 9, 2024;

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

“**Note Program**” means the Bank of Montreal Canadian Growers Index Linked Principal Protected Deposit Notes, Series 18 (F-Class) 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 160%;

“**Related Exchange**” has the meaning ascribed thereto in Appendix A under “Appendix A Definitions”;

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

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

“**Sponsor**” means BMO Capital Markets;

“**Start Date**” means February 22, 2017, the day the Index was created;

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

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

“**Trailing Twelve-month Dividend Growth Rate**” means, in respect of an Eligible Security and an Index Business Day, the growth rate over one year in the gross dividend per share of the Eligible Security, calculated as the percentage change (rounded to two decimal places) in the current year's dividend per share for the Eligible Security as compared to the prior year's dividend per share for the Eligible Security as reported by Bloomberg on such Index Business Day in the field EQY\_DPS\_GROSS\_1YR\_GROWTH. Dividends per share includes interim and final payments, as well as all abnormal dividends;

“**Valuation Date**” means any day on which the Variable Return, the Index Level or the value of an Index Component is scheduled or required to be determined, including, for greater certainty, the Final Valuation Date, subject to the Special Circumstances set out in Appendix B;

“**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:

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

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

## NOTE PROGRAM

The Note Program provides investors with an entitlement to payment per Deposit Note at Maturity of (i) the Deposit Amount and (ii) a Variable Return, if any, based on the performance of the Index. See “Maturity Payment” and “Variable Return” in this Information Statement and “Special Circumstances” in Appendix B.

### **Maturity Payment**

The Deposit Notes will mature on the Maturity Date. At Maturity, each Holder will be entitled to receive the Deposit Amount of \$100 per Deposit Note, regardless of the performance of the Index, 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 Index Return, which will not reflect the reinvestment of any dividends or distributions declared on the Index Components. The Index Return is the percentage change in the Index Level from the Closing Date to the Final Valuation Date and will be determined by the Index 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:

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

where the Index Return is the percentage change in the Index Level from the Closing Date to the Final Valuation Date determined as follows:

$$\text{Index Return} = \frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$$

**The formula above provides for a Variable Return, if any, equal to the Deposit Amount multiplied by 160% of the Index Return. No Variable Return will be payable unless the Index Return is greater than zero. Accordingly, a Holder may not receive any Variable Return.**

The amount of the Variable Return, if any, will be payable on the Maturity Date unless the Variable Return Early Payment Amount is determined and paid due to an Extraordinary Event as described in Appendix B.

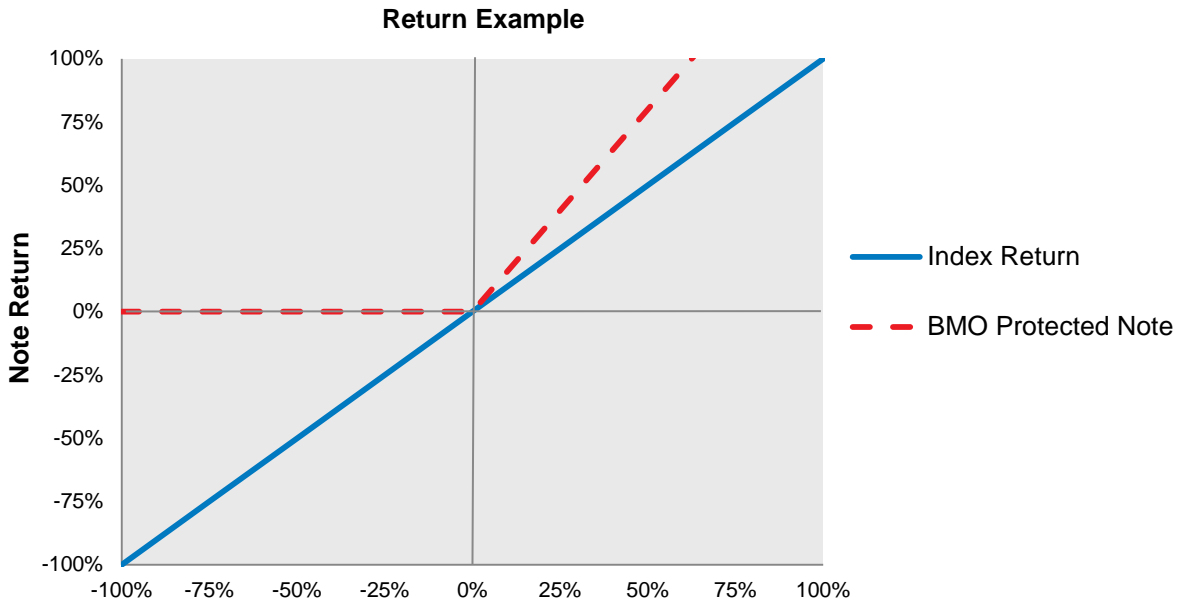
### **Return Profile and Variable Return Examples**

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 Index Return determined on the Final Valuation Date.

Both examples assume that a Holder has purchased a Deposit Note with an aggregate principal amount of \$100, 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 Index Returns used to illustrate the two scenarios are hypothetical and are not estimates or forecasts of expected changes in the Index Level from the Closing Date to and including the Final Valuation Date.

The calculation of the Variable Return would involve determining the Index Return by comparing the Final Level to the Initial Level. The Variable Return, if any, will be equal to the Deposit Amount multiplied by 160% of the Index Return, if positive.

## Return Profile



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

### Scenario 1 – Negative Index Return

Initial Level: 100.00  
Final Level: 85.00  
Index Return:  $(85.00 - 100.00) \div 100.00 = -15.00\%$   
Variable Return: Deposit Amount  $\times$  Participation Rate  $\times$  Index Return  
Variable Return:  $\$100 \times 160\% \times -15.00\%$   
Variable Return:  $\$0.00$

In the example above, the Index 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 Deposit Amount of \$100 per Deposit Note at Maturity.

### Scenario 2 – Positive Index Return

Initial Level: 100.00  
Final Level: 152.00  
Index Return:  $(152.00 - 100.00) \div 100.00 = 52.00\%$   
Variable Return: Deposit Amount  $\times$  Participation Rate  $\times$  Index Return  
Variable Return:  $\$100.00 \times 160\% \times 52.00\%$   
Variable Return:  $\$83.20$

In the example above, at Maturity a Holder would receive a Variable Return of \$83.20, representing a cumulative return of 83.20% and an annually compounded rate of return of 9.03%. In addition, at Maturity, a Holder would receive the Deposit Amount of \$100 per Deposit Note.

## **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 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 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 the bid price for the Deposit Note, determined by BMO Capital Markets in its sole discretion.

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 Index Level 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 Index Level or performance of the Index at any time and up to such time; and (iii) a number of other interrelated factors, including, without limitation, the correlation and volatility of the prices of the Index Components, prevailing interest rates, the dividend and distribution yields of the Index Components 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 Index Level (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the Index Level); and (b) may be substantially affected by changes in interest rates independent of the performance of the Index.

No early trading charge will apply to the sale of a Deposit Note at any time after the closing of the Offering.

**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.

#### 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 the bid price for the Fundserv Note determined by BMO Capital Markets, acting in its sole and absolute discretion. A Holder should be aware of the limitations and restrictions surrounding the secondary market. See "Secondary Market".

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

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

The sale price will actually represent BMO Capital Markets' bid price for the Deposit Notes (i.e., the price it is offering to purchase Deposit Notes in the secondary market) as of the applicable Business Day. 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 for the mid to long-term;
- receive the Deposit Amount only at Maturity;
- receive a return at Maturity, that (i) is based on the performance of the Index 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;
- obtain exposure to the Index Components that may be limited by the constraints imposed by the Index Rules and whose performance may not match the performance of a direct investment in the Index Components or any alternative portfolio or strategy that might be constructed from the Index Components;
- waive the aggregate dividend or distribution yield provided by the Index, representing approximately 32.63% over the term of the Deposit Notes, assuming the average dividend or distribution yield of the Index remains constant at 4.12% each year and assuming dividends and distributions are reinvested in the Index Components; and
- accept the risks set out under "Risk Factors", including the risks associated with the performance of the Index.

### **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 Canadian Growers Index Linked Principal Protected Deposit Notes, Series 18 (F-Class) 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 "JHN5523" 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.

### **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, an amount equal to the Deposit Amount plus the Variable Return, if any. If the Maturity Date does not occur on an Index Business Day, then the payment that Bank of Montreal is obligated to make on such day will be paid on the next following Index 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 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 Index 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 Index Return (which will not reflect the reinvestment of any dividends or distributions declared on the Index Components). There is a possibility that a Holder may not receive any Variable Return. No Variable Return will be payable unless the Index 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 may be affected by the occurrence of certain unusual events. See “Special Circumstances” in Appendix B. Generally stated, the Variable Return, if any, will be payable on the Maturity Date, unless the Variable Return Early Payment Amount is determined and paid due to an Extraordinary Event, as described in Appendix B.

### **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 rateably without any preference or priority.

### **Settlement of Payments**

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

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

such non-CDS Participants (or CDS Participants, if applicable) in amounts proportionate to their respective interests. See “Description of the Deposit Notes – Custodian”.

Bank of Montreal 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 Variable Return, if any, has been paid in full or in part (as the case may be), or, in the case of payment of 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 means 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 66⅔% of the outstanding aggregate Deposit Amount of the Deposit Notes represented at a 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 INDEX**

#### **Overview**

The BMO Canadian Growers Index is a proprietary index that seeks to provide exposure to select components of the S&P/TSX Composite Index. The S&P/TSX Composite is the headline index for the Canadian equity market. Additional information about the S&P/TSX Composite Index can be found at [ca.spindices.com/indices/equity/sp-tsx-composite-index](http://ca.spindices.com/indices/equity/sp-tsx-composite-index).

The BMO Canadian Growers Index consists of 15 Index Components selected from the securities of issuers, other than Bank of Montreal, with a market capitalization of at least \$1 billion that are members of the Banks,

Telecommunication Services or Utilities industry groups of the S&P/TSX Composite Index (each an “Eligible Security”), except in certain special circumstances as described herein.

The Electric Utilities industry comprises companies that produce or distribute electricity and includes both nuclear and non-nuclear facilities. The Gas Utilities industry comprises companies whose main charter is to distribute and transmit natural and manufactured gas. These industries exclude companies primarily involved in gas exploration or production and diversified midstream natural gas companies.

The Telecommunication Services industry group includes companies which are providers of communications and high-density data transmission services primarily through a high bandwidth/fiber-optic cable network, operators of primarily fixed-line telecommunications networks and companies providing both wireless and fixed-line telecommunications services and providers of primarily cellular or wireless telecommunication services, including paging services.

The Banks industry group includes large, geographically diverse banks with a national footprint whose revenues are derived primarily from conventional banking operations, have significant business activity in retail banking and small and medium corporate lending, and provide a diverse range of financial services and commercial banks whose businesses are derived primarily from conventional banking operations and have significant business activity in retail banking and small and medium corporate lending.

The Index is a notional portfolio that tracks the price return of the Index Components. The Index may change in certain circumstances. See “Special Circumstances” in Appendix B.

**The Index is described as a “notional” or “hypothetical” portfolio of assets because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Index merely references certain Index Components, the performance of which will be used as a reference point for calculating the Index Level.**

#### **Index Composition and Adjustment**

The Index was established on the Start Date and will be adjusted monthly to reflect the 15 highest dividend growth rate Eligible Securities on an equally weighted basis.

On each Index Determination Date, the Index Calculation Agent will rank each Eligible Security then represented in the S&P/TSX Composite Index based on its Trailing Twelve-month Dividend Growth Rate. The Index Calculation Agent will then select the 15 Eligible Securities having the highest Trailing Twelve-month Dividend Growth Rates to be the Index Components represented in the Index.

The Index Components comprising the Index at the close of business on each Index Adjustment Date except the Start Date will be notionally sold and their notionally realized value will be reinvested in the newly selected Index Components on an equally weighted basis. The value of the Index Components will be based on their price return and will not reflect any dividends or distributions on the Index Components. This methodology will result in all, some or none of the Index Components changing from month to month depending on their Trailing Twelve-month Dividend Growth Rates. The common shares of Bank of Montreal will not be included in the Index, regardless of their Trailing Twelve-month Dividend Growth Rate. See “Index Rules” in Appendix A.

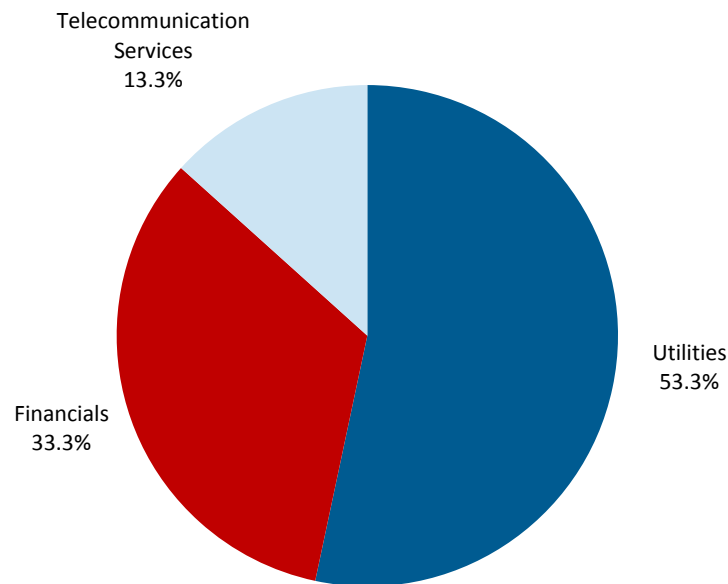
The performance of the Index will be based on the weighted price return of the Index Components and will not reflect any dividends or distributions on the Index Components.

The following table and industry group breakdown chart show the composition of the Index as of October 2, 2017. **The Index composition and industry group breakdown in the future will not necessarily reflect the Index composition and industry group breakdown set out below.**

Name	Trailing Twelve-month Dividend Growth Rate	Market Capitalization (\$ millions)	Industry Group
ATCO LTD. -CLASS I	14.97%	\$5,360.7	Utilities
BROOKFIELD INFRASTRUCTURE PA	11.56%	\$20,261.2	Utilities



ALGONQUIN POWER & UTILITIES	10.90%	\$5,182.4	Utilities
CANADIAN UTILITIES LTD.-A	10.04%	\$10,603.6	Utilities
BORALEX INC. -A	9.26%	\$1,687.3	Utilities
THE TORONTO-DOMINION BANK	8.80%	\$131,253.2	Financials
TELUS CORP.	8.06%	\$26,730.1	Telecommunication Services
EMERA INC.	7.32%	\$10,210.1	Utilities
CANADIAN IMPERIAL BANK OF COMMERCE	6.95%	\$49,291.5	Financials
CAPITAL POWER CORP.	6.90%	\$2,628.8	Utilities
FORTIS INC.	6.67%	\$19,064.3	Utilities
ROYAL BANK OF CANADA	6.25%	\$144,268.4	Financials
THE BANK OF NOVA SCOTIA	5.90%	\$96,509.9	Financials
BCE INC.	5.10%	\$53,246.9	Telecommunication Services
GENWORTH MI CANADA INC.	4.76%	\$3,523.6	Financials



**No assurance can be given that the investment strategy used to construct the Index will be successful or that the Index will outperform any alternative portfolio or strategy that might be constructed from the Index Components.**

**The Index was established on the Start Date and therefore has very limited historical performance data to evaluate its likely performance. Past performance of the Index Components is not indicative of future performance of the Index.** The average dividend yield of the Index was 4.12% as of October 2, 2017, representing an aggregate dividend yield of approximately 32.63% compounded annually over the term of the Deposit Notes assuming the dividend yield remains constant. An investment in the Deposit Notes does not represent a direct or indirect investment in any of the Index Components that comprise the Index. Holders have no right or entitlement to the dividends or distributions paid on such Index Components. Further information about the Index, including the rules for calculating the Index Level, can be found in Appendix A.

#### **Determining the Index Level**

The Index Level on each Index Business Day will be the Index Level on the immediately preceding Index Adjustment Date plus the price return of the Index (which could be negative) since such Index Adjustment Date. The Index Level on any day that is not an Index Business Day will be the Index Level on the immediately preceding Index Business Day. The return on the Index since the previous Index Business Day is the sum of the weighted returns on the Index Components since the previous Index Business Day. The Index Level will be calculated in compliance with the Index Rules and reported by BMO Capital Markets at [www.bmosp.com](http://www.bmosp.com).

The Closing Level of each Index Component, which is used to calculate that Index Component's return, reflects the 'price return' of that Index Component, being changes in the closing price or level of that Index Component but excluding any dividends or distributions declared and paid on the Index Component.

The Index Calculation Agent is bound by the Index Rules in determining the Index Level and, except on the occurrence of certain events, as described in Appendix B, has no discretion in applying the Index Rules to determine the Weights to be applied to the Index Components on each Index Adjustment Date or to change the exposure of the Index to the Index Components on each Index Business Day between Index Adjustment Dates.

None of Bank of Montreal, the Selling Agent, the Manager or the Index Calculation Agent accepts responsibility for the calculation or other maintenance of or any adjustments to an Index Component or the provision of any future information in respect of the Index Components, and the issuer of an Index Component has no duty or obligation to update such information up to or after the Closing Date. Investors in the Deposit Notes should make their own investigation into the Index Components and the issuers of the Index Components.

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

No expenses will be paid out of the proceeds of the Offering to the Selling Agent. The Deposit Notes are available only to investors who participate in programs that already charge a fee for the advice they are receiving (for example, dealer sponsored "fee for service" or wrap programs) or pay their advisor an hourly or annual asset based fee rather than commissions on each transaction and who purchase the Deposit Notes in connection with such programs.

#### **FEES AND EXPENSES ASSOCIATED WITH THE INDEX**

No ongoing fees are payable in respect of the Index, including in connection with the notional sale of and reinvestment in Index Components on each Index Adjustment Date.

#### **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 Index

Calculation Agent, makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

The return on the Deposit Notes, if any, unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that, if the Index does not generate positive returns, the Deposit Notes could produce no return on a Holder's original investment. There is no assurance that the Index will generate positive returns. It is possible that at Maturity a Holder will only receive the Deposit Amount. 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 return, if any, is based on the performance of the Index 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. They do not have a fixed yield and could produce no return at Maturity. Therefore, the Deposit Notes are not suitable investments for investors who need or expect a return on investment. 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. 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.

### **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 Index. An investment in the Deposit Notes will not track a direct investment in the Index Components 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 Index or the Index Components. There is a possibility that no Variable Return will be payable, with the result that a Holder may only receive the Deposit Amount at Maturity. In all cases, however, Holders will be entitled to receive the Deposit Amount at Maturity. See "Note Program – Variable Return".

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

Since the Variable Return, if any, will equal \$100 multiplied by 160% of the Index Return (if positive) from the Closing Date to and including the Final Valuation Date, a Holder's exposure under the Deposit Notes to the Index is not the same as an investment in the Index Components and therefore the Variable Return that may be payable at Maturity may be less than the return realized from a direct investment in the Index Components. If the Index Return is zero or negative no Variable Return will be payable.

### **Risk Factors Relating to the Index and Index Components**

The Variable Return, if any, payable on the Deposit Notes is based on the price performance of the Index. Accordingly, certain risk factors applicable to investors who invest directly in the Index Components 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 Index.

*Risks Relating to the Index:* The Index follows a proprietary strategy that operates on the basis of the Index Rules. In particular, the Index Components will be selected each month from the Eligible Securities on the basis of their historical dividend growth rates. The historical dividend growth rate of an Eligible Security will not necessarily be related to its price performance. A Holder's return on the Deposit Notes may be less than the return a Holder could realize on an alternative investment in the Index Components that is not subject to periodic selection and reweighting. No assurance can be given that the investment strategy on which the Index is based will be successful or that such Index will outperform any alternative strategy that might be employed in respect of the Index Components. Accordingly, potential investors in the Deposit Notes should determine whether the Index Rules are appropriate in light of their individual circumstances and investment objectives.

The Index was established on the Start Date and has very limited history to evaluate its likely performance. Past performance of the Index Components is not indicative of future performance of the Index.

The Index is a notional portfolio of assets. The exposures to the Index Components are purely notional and will exist solely in the records maintained by or on behalf of the Index Calculation Agent. Consequently, Holders of the Deposit Notes will not have any claim against any of the Index Components that comprise the Index.

Holders should recognize that BMO Capital Markets, as the sponsor of the Index, has no obligations relating to the Deposit Notes or to Holders.

*Risks Relating to the Index Components:* The performance of the Index is dependent on the performance of 15 Index Components that could change on each Index Adjustment Date in accordance with the Index Rules.

The Eligible Securities are concentrated in three industry groups and may be considered to be less diversified than a more broadly diversified index. Accordingly, market conditions that adversely affect one or more Eligible Securities or their issuers are more likely to adversely affect other Eligible Securities or their issuers.

The profitability of issuers of Eligible Securities in the Banks industry group depends on, among other things, the availability and cost of capital funds and can fluctuate significantly when interest rates change. Losses resulting from financial difficulties of borrowers can negatively impact such issuers. Similarly, the extensive governmental regulation to which such issuers are subject may affect their profitability.

Issuers in the Telecommunications Services industry group can be adversely affected by competitive pressures, including those arising from rapid technological change, liquidity, cash flow and financing challenges, extensive government regulation, data and cyber security risks, and reliance on a limited number of suppliers.

Many issuers in the Utilities industry group are heavily regulated. Changes in government policy, such as deregulation or reduced government funding, can have a substantial impact on such issuers and the value of individual securities within this industry group. The operational results and financial condition of issuers in the Utilities industry group are especially sensitive to prices for oil, natural gas and electricity. Such prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Fluctuations in such prices could have an adverse effect on the distributions and dividends received from issuers in the Utilities industry group and the value of such issuers' securities.

Holders should recognize that it is impossible to know whether the price of the Index Components at any time will rise or fall. The value of most investments, in particular equity securities, is affected by the outlook for the company that issued the security, and changes in general economic, industry and market trends. These changes may be caused by corporate developments, changes in interest rates, changes in the level of inflation, and other political and economic developments. These changes can affect the price of equity securities which can move up or down, without any predictability. A decrease in the price of the Index Components will adversely affect the Index and may affect the Deposit Notes. Furthermore, increases in the value of some of the Index Components may be offset by declines in the values of other Index Components. These factors are beyond the control of Bank of Montreal. Historical price levels and dividend growth rates of the Index Components should not be considered as an indication of the future performance of the Index Components or the Index. Furthermore, the results that may be obtained from investing in any security or other investment or transaction linked to the Index may be significantly different from the results that could theoretically be obtained from investing in the Index Components. Such differences may arise for a number of reasons.

None of Bank of Montreal, BMO Capital Markets or their respective affiliates or associates have performed any due diligence investigation or review of any of the Eligible Securities, the issuers of the Eligible Securities and their respective industry groups. Any information relating to the Eligible Securities, the issuers of such Eligible Securities and their respective industry groups 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 obligation or responsibility to provide future information about the Eligible Securities, their issuers or their respective industry groups. 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 Eligible Securities, their issuers or their respective industry groups 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.

*Index Calculation Agent Discretion:* The Index Calculation Agent is bound by the Index Rules in determining the Index Level and, except on the occurrence of certain events, as described in Appendix B, has no discretion in applying the Index Rules to determine the Index Components and their respective Weights on each Index Adjustment Date. However, the Index Rules confer on the Index Calculation Agent limited discretion in making certain determinations and calculations from time to time. In addition, the Index Calculation Agent may have to take steps to resolve ambiguities in the Index Rules, including, if necessary, amending the Index Rules. While the Index Calculation Agent will act in good faith and in a commercially reasonable manner with respect to the performance of its obligations and the exercise of its discretion pursuant to the Index Rules, the exercise of such discretion in making calculations and determinations may adversely affect the performance of the Index. All determinations of the Index Calculation Agent in respect of the Index shall be final, conclusive and binding and no person shall be entitled to make any claim in respect thereof against the Index Calculation Agent, any of its affiliates or any of their respective directors, officers, employees, representatives, delegates or agents, who shall be under no obligation to revise any determination or calculation made or action taken for any reason once a determination or calculation is made or action taken by the Index Calculation Agent in respect of the Index.

This is not a complete description of the risks applicable to the Index, the Index Components or the issuers of the Eligible Securities. For a description of the risks applicable to the Eligible Securities and their issuers, an investor should consult the disclosure documents made publicly available by each issuer of the Eligible Securities at [www.sedar.com](http://www.sedar.com). The content of this website is not incorporated by reference in, and does not form part of, this Information Statement. Information about the Index can be found in Appendix A.

### **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 performance of the Index 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 Index Level 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 Level or performance of the Index at any time and up to such time; and
- a number of other interrelated factors, including, without limitation, the correlation and volatility of the prices of the Index Components, prevailing interest rates, the dividend or distribution yields of the Index Components 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 Index Level (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the increases and decreases in the Index Level); and (b) may be substantially affected by changes in interest rates independent of the performance of the Index. Holders may wish to consult their respective financial advisors on

whether it would be more appropriate in the circumstances at any time to sell or to hold their Deposit Notes until Maturity.

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

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

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

### **Conflicts of Interest**

Each of Bank of Montreal, BMO Capital Markets, whether in its capacity as Selling Agent, Index Calculation Agent or Manager and any of their respective affiliates, may from time to time, in the course of its normal business operations, hold interests linked to the Index or the Index Components or hold securities of, extend credit to or enter into other business dealings with the issuers of the Index Components, 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 Index Components 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, if they influence the Index, 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 some or all of the Index Components. 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 Capital Markets, an affiliate of Bank of Montreal, acts as the Index Calculation Agent and is responsible for calculating and maintaining the Index and developing the guidelines and policies governing its composition and calculation. The Index Calculation Agent has limited discretion in making certain determinations and calculations in respect of the Index from time to time, and may amend the Index Rules in certain circumstances, as set out above under "Risk Factors Relating to the Index and Index Components — Index Calculation Agent Discretion". Although the Index Calculation Agent will make all determinations and take all action in relation to the Index acting in good faith and in a commercially reasonable manner, the policies and judgments for which the Index Calculation Agent is responsible could have an impact, positive or negative, on the Index Level and the value of the Deposit Notes. The Index Calculation Agent may also amend the rules governing the Index in certain circumstances as described above under "Risk Factors Relating to the Index and Index Components — Index Calculation Agent Discretion". See Appendix A for further information about the determination of the Index Level.

Although judgments, policies and determinations concerning the Index are made by the Index Calculation Agent, Bank of Montreal, as the parent company of the Index Calculation Agent, ultimately controls the Index Calculation Agent. The Index Calculation Agent has no obligation to consider a Holder's interests in taking any actions that might affect the value of the Deposit Notes. Furthermore, the inclusion of the Index Components in the Index is not an investment recommendation by Bank of Montreal or the Index Calculation Agent of the Index Components or any of the issuers of the Index Components.

### **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**

In the event of the occurrence of certain special circumstances as described under "Special Circumstances" in Appendix B, the Index Calculation Agent may, as it determines appropriate, (i) choose the Index Components from another equity index or portfolio comparable to the S&P/TSX Composite Index, (ii) adjust the components or variables in calculating the Variable Return, (iii) replace an Index Component with a comparable security, (iv) determine that a security that would otherwise be included in the Index is not an Eligible Security or (v) on the occurrence of an Extraordinary Event, instead of paying the Variable Return, if any, at Maturity, determine the Variable Return Early Payment Amount to be paid in extinguishment of the obligation to pay the Variable Return. The Variable Return Early Payment Amount is an estimate of the present value, which may be zero, on the Extraordinary Event Notification Date, of a right to receive the Variable Return, if any, that would have been payable at Maturity if the Extraordinary Event had not occurred. If the Index Calculation Agent makes such an election, the Variable Return Early Payment Amount, if any, will be paid on the tenth (10th) Business Day after the Extraordinary Event Notification Date and no other variable return will be payable to Holders. However, in no event will the Deposit Amount be paid prior to the Maturity Date.

### **No Independent Calculation**

As part of its responsibilities, the Manager will be solely responsible for computing the Variable Return based on the performance of the Index as determined by the Index 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 Index or the Index Components**

The Deposit Notes will not entitle a Holder to any direct or indirect ownership of, entitlement to, or interest in the Index or the Index Components. 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 the Index Components. The Deposit Notes do not represent a substitute for an investment in the Index Components.

## **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 administrative and assessing practices of the CRA and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. No assurance can be given that any proposals to amend the Tax Act and the Regulations will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative or assessing practices, whether by legislative, governmental or judicial action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Deposit Notes, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.**

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

#### **Variable Return**

A Deposit Note is a "prescribed debt obligation" within the meaning of the Tax Act. The rules in the Regulations applicable to a prescribed debt obligation (the "prescribed debt obligation rules") generally require a taxpayer to accrue the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium receivable on the obligation. Based in part on counsel's understanding of the CRA's administrative practice relating to "prescribed debt obligations", there should be no deemed accrual of the Variable Return on the Deposit Notes under the prescribed debt obligation rules prior to the Final Valuation Date, provided that Bank of Montreal has not given notice of the payment of 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 Variable Return 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, of the Variable Return, except to the extent otherwise included in income for the taxation year or a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of any such amount 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 “JHN5523”, 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 of Deposit Notes. Bank of Montreal may change the maximum size of the Offering at its discretion. No expenses will be paid out of the proceeds of the Offering to the Selling Agent. 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 United States Securities Act of 1933, as amended (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).

## APPENDIX A BMO CANADIAN GROWERS INDEX RULES

The Index Rules set out in this Appendix A will govern the constitution and maintenance of the Index, the calculation of the Index Level, and any decisions and actions related thereto. If the Index Rules are inconsistent with any other disclosure in this Information Statement, the Index Rules will prevail to the extent of such inconsistency.

The Index is the intellectual property of BMO Capital Markets, and BMO Capital Markets reserves all rights with respect to its ownership of the Index. The Index Level on each Index Business Day will be reported by BMO Capital Markets at [www.bmosp.com](http://www.bmosp.com). The Index may change in certain circumstances. See “Special Circumstances” in Appendix B.

### Appendix A Definitions

Terms used in this Appendix A have the meanings ascribed to them below. Other capitalized terms used and not defined in this Appendix A have the meanings ascribed to them in the Information Statement under the heading “Definitions”.

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

“**Eligible Securities**” means, on any Index Business Day, the common shares or units of issuers, other than Bank of Montreal, with a market capitalization of at least \$1 billion that are members of the Banks, Telecommunication Services or Utilities industry groups of the S&P/TSX Composite Index represented in such index on that Index Business Day, and each is an “**Eligible Security**”, subject to the provisions set out under “Special Circumstances” in Appendix B;

“**Exchange**” means, in respect of an Index Component, the primary exchange or trading system on which such Index Component is listed as determined by the Index Calculation Agent; provided in each case that if the Index Calculation Agent, acting in its sole and absolute discretion, determines that such exchange or trading system is no longer the primary exchange for the trading of the Index Component, the Index Calculation Agent may designate another exchange or trading system as the Exchange for the Index Component subject, in each case, to the Special Circumstances set out in Appendix B;

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

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

“**Index Adjustment Date**” means the Start Date and the first Index Business Day of each month during the term of the Deposit Notes;

“**Index Business Day**” means a day on which the Toronto Stock Exchange is scheduled to open for trading for its regular trading session;

“**Index Determination Date**” means, in respect of an Index Adjustment Date, the last Index Business Day of the calendar month immediately preceding the Index Adjustment Date, subject to the provisions set out under “Special Circumstances” in Appendix B;

“**Index Level**” means, in respect of an Index Business Day, the closing level of the Index on that Index Business Day calculated in compliance with the Index Rules and in accordance with the formula set out under “Calculation of the Index Level” in Annex A and rounded to two decimal places;

“**Index Rules**” means the rules governing the constitution and maintenance of the Index, the calculation of the Index Level and other decisions and actions related to the maintenance of the Index, as set out in this Appendix A;

“**Issuers**” means the issuers of the Index Components represented in the Index from time to time, and each is an “**Issuer**”, subject to the provisions set out under “Special Circumstances – Index Components Special Circumstances – Substitution Event” in Appendix B; and

“**Market Disruption Event**” has the meaning ascribed thereto under “Index Components Special Circumstances – Market Disruption Event” in Appendix B.

## **Index Rules**

### **Index Composition and Adjustment**

On each Index Adjustment Date, the Index Calculation Agent will:

1. determine the Trailing Twelve-month Dividend Growth Rate of each Eligible Security on the Index Determination Date in respect of such Index Adjustment Date; and
2. select as the Index Components the 15 Eligible Securities having the highest Trailing Twelve-month Dividend Growth Rate on the Index Determination Date in respect of such Index Adjustment Date.

On the Start Date the Index comprised notional holdings in the Index Components determined as of the first Index Determination Date and weighted equally.

On each Index Adjustment Date after the Start Date, the Index Calculation Agent will notionally sell the Index Components comprising the Index at the close of business on such day and notionally reinvest the notionally realized proceeds of such sale in the Index Components chosen in respect of such Index Adjustment Date, weighted equally. The Index Level immediately following such reinvestment will be equal to the Index Level immediately prior to such reinvestment.

### **Index Level**

The Index Level on the Start Date was 100. The Index Level on each subsequent Index Business Day will be the Index Level on the previous Index Adjustment Date plus the price return of the Index (which could be negative) since such Index Adjustment Date determined in accordance with Annex A of this Appendix A. The Index Level on any day that is not an Index Business Day will be the Index Level on the immediately preceding Index Business Day.

**No assurance can be given that the investment strategy used to construct the Index will be successful or that the Index will outperform any alternative portfolio or strategy that might be constructed from the Index Components.**

**The Index is described as a “notional” or “hypothetical” portfolio or portfolio of assets because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Index merely references certain Index Components, the performance of which will be used as a reference point for calculating the Index Level.**

**The Index was established on the Start Date and therefore has very limited history to evaluate its likely performance. Past performance of the Index Components is not indicative of future performance of the Index.**

In determining the Index Level:

1. If (a) the Closing Level of any Index Component as of any date which is published or otherwise made available in respect of the relevant Index Component is subsequently corrected and such correction is published or otherwise made available in respect of such Index Component; or (b) the Index Calculation Agent identifies an error or omission in any of its calculations or determinations in respect of the Index, then the Index Calculation Agent may, if practicable and if the Index Calculation Agent determines acting in good faith that such correction, error or omission (as the case may be) is material, adjust or correct the relevant calculation or determination of the Index Level as of any Index Business Day to take into account such correction.

2. If a Market Disruption Event occurs or is continuing on any Index Business Day, the provisions of Appendix B will apply.

**The Index Calculation Agent; Amendment of Index Rules; Limitation of Liability**

BMO Capital Markets or any affiliate or subsidiary designated by it will act as calculation agent for the Index (in such capacity, the “Index Calculation Agent”). The Index Calculation Agent’s determinations in respect of the Index and interpretation of the Index Rules will be final. The Index Rules may be supplemented, amended or restated from time to time at the sole discretion of the Index Calculation Agent.

The Index Calculation Agent will act in good faith and in a commercially reasonable manner with respect to the performance of its obligations and the exercise of its discretion pursuant to the Index Rules.

While the Index Rules are intended to be comprehensive, ambiguities may arise. In such circumstances, the Index Calculation Agent will resolve such ambiguities in a reasonable manner and, if necessary, amend the Index Rules to reflect such resolution.

Neither the Index Calculation Agent nor any of its affiliates or any of their respective directors, officers, employees, representatives, delegates or agents (each a “Related Person”) will have any responsibility to any person (whether as a result of negligence or otherwise) for any determinations made or anything done (or omitted to be determined or done) in respect of the Index and any use to which any person may put the Index or the Index Levels. All determinations of the Index Calculation Agent in respect of the Index shall be final, conclusive and binding and no person shall be entitled to make any claim against any of the Related Persons in respect thereof. Once a determination or calculation is made or action taken by the Index Calculation Agent in respect of the Index, neither the Index Calculation Agent nor any other Related Person shall be under any obligation to revise any determination or calculation made or action taken for any reason.

## Annex A

### Calculation of the Index Level

On each Index Business Day from but excluding the immediately preceding Index Adjustment Date to and including the next following Index Adjustment Date, the “Index Level” for the Index will be determined as follows:

$$Ind_i = Ind_0 \sum_{j=1}^{15} wt_j S_{ij}/S_{0j} = Ind_0 \sum_{j=1}^{15} wt_j (1 + ret_{ij})$$

where:

$Ind_i$  is the Index Level on the  $i^{\text{th}}$  Index Business Day following the most recent Index Adjustment Date

$Ind_0$  is the Index Level on the most recent Index Adjustment Date

$S_{ij}$  is the Closing Level of the  $j^{\text{th}}$  Index Component on the  $i^{\text{th}}$  Index Business Day following the most recent Index Adjustment Date

$S_{0j}$  is the Closing Level of the  $j^{\text{th}}$  Index Component on the most recent Index Adjustment Date

$ret_{ij}$  is the price return on the  $j^{\text{th}}$  Index Component from the most recent Index Adjustment Date to the  $i^{\text{th}}$  Index Business Day following the most recent Index Adjustment Date

$wt_j$  is one divided by the number of Index Components represented in the Index

The preceding formula reflects that the Index Level on any Index Business Day following an Index Adjustment Date is the Index Level on the Index Adjustment Date plus the sum of the weighted price returns of the Index Components since that Index Adjustment Date.

## **APPENDIX B SPECIAL CIRCUMSTANCES**

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

All calculations and determinations in respect of the Deposit Notes made by the Index Calculation Agent or the Manager will, absent manifest error, be final and binding on Bank of Montreal and the Holders. The Index 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 Index 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.

In the circumstances described below, the Index Calculation Agent may, as it determines appropriate, (i) choose Index Components from another equity index or portfolio comparable to the S&P/TSX Composite Index, (ii) adjust the components or variables in calculating the Variable Return, if any, (iii) replace an Index Component with a comparable security, (iv) determine that a security that would otherwise be included in the Index is not an Eligible Security, or (v) on the occurrence of an Extraordinary Event, instead of paying the Variable Return, if any, at Maturity, pay the estimated present value on the occurrence of the Extraordinary Event of the Variable Return, if any, that would have been payable at Maturity if the Extraordinary Event had not occurred. Details of the actions that may be taken by the Index Calculation Agent in such circumstances are described below.

### **S&P/TSX Composite Index Special Circumstances**

If, on or before an Index Determination Date,

- (i) the S&P/TSX Composite Index ceases to exist,
- (ii) the sponsor of the S&P/TSX Composite Index ceases to publish the members of the S&P/TSX Composite Index,
- (iii) the sponsor of the S&P/TSX Composite Index materially changes the criteria for inclusion in or exclusion from the S&P/TSX Composite Index, or
- (iv) the S&P/TSX Composite Index is replaced by a successor index with materially different criteria for inclusion in or exclusion from such successor index,

(each such event for these purposes, a “S&P Index Event”) the Index Calculation Agent may, as of such Index Determination Date, replace the S&P/TSX Composite Index with a comparable equity index or portfolio (a) with criteria for inclusion reasonably similar to the criteria for inclusion in the Banks, Telecommunication Services or Utilities industry groups of the S&P/TSX Composite Index on the Start Date, and (b) whose components may be as efficiently and economically hedged as the S&P/TSX Composite Index’s components (the “S&P Index Replacement”). Upon such replacement, references to the S&P/TSX Composite Index in this Information Statement and in the Index Rules shall be deemed to be references to the S&P Index Replacement. If (ii) above occurs and the sponsor of the S&P/TSX Composite Index subsequently publishes the members of the S&P/TSX Composite Index, the Index Calculation Agent may replace any S&P Index Replacement with the S&P/TSX Composite Index on the foregoing terms. The Index Calculation Agent shall, as soon as practicable after such replacement, make adjustments to any component or variable relevant to the determination of the Index Level and any amounts payable in respect of the Deposit Notes. Upon any replacement and the making of any adjustments, the Index Calculation Agent shall promptly give notice to the Holders or their agents.

### **Index Components Special Circumstances**

#### Potential Adjustment Event

Following the declaration by an issuer of an Index Component represented in the Index (an “Issuer”) of the terms of any Potential Adjustment Event (as defined below) in respect of Index Components represented in the Index at the time of such declaration, the Index 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 Index Components and, if so, will (i) make the corresponding adjustments, if any, to any one or more of the

Closing Levels of such Index Component, the formula for calculating the Index Return, or any other component or variable relevant to the determination of the Variable Return as the Index 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 Index Calculation Agent may, but need not, determine any appropriate adjustments by reference to the adjustments in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Index Component traded on such options exchange. Unless expressly provided below, the Index Calculation Agent will make no adjustment in respect of any distribution of cash. “Potential Adjustment Event” means, in respect of an Index Component, the occurrence of any of the following events, as determined by the Index Calculation Agent, acting in its sole and absolute discretion:

- (a) a subdivision, consolidation or reclassification of the relevant Index Components (unless resulting in a Merger Event), or a free distribution or dividend of any such Index Components to existing holders thereof by way of bonus, capitalization or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Index Components of (i) such Index Components, or (ii) other share capital or securities granting the right to payment of dividends, distributions and/or the proceeds of liquidation of the applicable Issuer equally or proportionately with such payments to holders of such Index Components, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the applicable Issuer as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Index Calculation Agent;
- (c) a non-cash extraordinary dividend or distribution paid by the applicable Issuer in respect of such Index Components (where the characterization of a dividend or distribution as “extraordinary” will be determined by the Index Calculation Agent);
- (d) a call by the applicable Issuer in respect of the relevant Index Components that are not fully paid;
- (e) a repurchase by the applicable Issuer or any of its subsidiaries of the relevant Index Components whether out of profits or capital and whether the consideration for such repurchase is cash, securities or a combination of cash and securities (other than a repurchase which constitutes a Tender Offer (as defined below));
- (f) in respect of the applicable Issuer, an event that results in any shareholder or unitholder rights, as applicable, being distributed or becoming separated from units, common shares or other securities of the capital stock of such Issuer pursuant to a shareholder or unitholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred shares, warrants, debt instruments or share or unit rights at a price below their market value, as determined by the Index Calculation Agent, provided that any adjustment effected as a result of such an event will be readjusted upon any redemption or exercise of such rights; or
- (g) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Index Components.

#### Merger Event and Tender Offer

On or after a Merger Date or Tender Offer Date (each as defined below), the Index Calculation Agent (i) will (A) make adjustment(s), if any, to any one or more of the Closing Levels of the relevant Index Component, the formula for calculating the Index Return, or any other component or variable relevant to the determination of the Variable Return as the Index Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the economic effect on the Deposit Notes of the relevant Merger Event or Tender Offer, which may, but need not, be determined by reference to the adjustments made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Index Components traded on such options exchange and (B) determine the effective date of the adjustments, or (ii) if the Index 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 an Index Component, any (i) reclassification, reorganization, consolidation or change of the relevant Index Components that results in a transfer of or an irrevocable commitment to transfer all of such Index Components outstanding to another entity or person, (ii) statutory arrangement, consolidation,



amalgamation, merger or binding security exchange of the relevant Issuer with or into another entity or person (other than a statutory arrangement, consolidation, amalgamation, merger or binding security exchange in which such Issuer is the continuing entity and which does not result in a reclassification, reorganization, consolidation or change of all of such Index Components 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 Index Components of such Issuer that results in a transfer of or an irrevocable commitment to transfer all such Index Components (other than such Index Components owned or controlled by such other entity or person), (iv) statutory arrangement, consolidation, amalgamation, merger or binding security exchange of such Issuer or its subsidiaries with or into another entity in which such Issuer is the continuing entity and which does not result in a reclassification, reorganization, consolidation or change of all such Index Components outstanding but results in the outstanding Index Components (other than Index Components owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Index Components immediately following such event (commonly referred to as a “reverse merger”), or (v) sale of all or substantially all of the assets of the Issuer (or any lease, long term supply agreement or other arrangement having the same economic effect as a sale of all or substantially all of the assets of the Issuer) in each case if the Merger Date is on or before the date on which the return of such Index Component 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 Index Calculation Agent.

“Tender Offer” means, in respect of an Index Component, a takeover bid (within the meaning of applicable securities laws), tender offer, exchange offer, solicitation, proposal or other event by any entity or person (including, for greater certainty, an issuer bid) that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 20% and less than 100% of the outstanding relevant Index Components of the applicable Issuer, as determined by the Index Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Index Calculation Agent deems relevant.

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

#### Substitution Event

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

- (a) any adjustments set out in “Potential Adjustment Event” above in respect of such Index Component will not apply;
- (b) the Index Calculation Agent may choose (in its sole and absolute discretion) a new security (the “Alternate Index Component”) of a large issuer listed on a major exchange or market quotation system as a substitute for such Substituted Index Component;
- (c) such Substituted Index Component will be deleted from the Index and will not be considered as an Index Component for purposes of determining the Variable Return payable on or after the Substitution Date;
- (d) the Alternate Index Component will be an Index Component, the issuer of such Alternate Index Component will be the Issuer in respect of such Alternate Index Component, and the primary exchange or market quotation system on which such Alternate Index Component is listed will be the Exchange in respect of such Alternate Index Component; and
- (e) the Index Calculation Agent, acting in its sole and absolute discretion, will determine the Closing Level of such Alternate Index Component by taking into account all relevant market circumstances, including the Closing Level or estimated value on the Substitution Date of the Substituted Index Component and the Closing Level on the Substitution Date of the Alternate Index Component, and will make adjustments, if any, to any one or more of the formula for calculating the return of such Alternate Index Component, or any other component or variable relevant to the determination of the Variable Return as the Index

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 Index Component, the Index 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 Index Component chosen by the Index 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 Index Calculation Agent may decide not to choose an Alternate Index Component as a substitute for a Substituted Index Component if the Index 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 an Index Component, any Issuer Event, Nationalization, Insolvency or Delisting in respect of such Index Component, or any Merger Event or Tender Offer in respect of such Index Component that is deemed by the Index Calculation Agent to be a Substitution Event, in its sole and absolute discretion, or the occurrence and continuation for at least eight (8) consecutive applicable Exchange Days of a Market Disruption Event (as defined below) in respect of such Index Component.

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

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

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

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

#### Market Disruption Event

If the Index Calculation Agent, acting in its sole and absolute discretion, determines that a Market Disruption Event (as defined below) in respect of any Index Component (each such Index Component for these purposes, an “**Affected Index Component**”) has occurred and is continuing on any day that would otherwise be a Valuation Date in respect of such Index Component, then the Closing Level of such Affected Index Component for the purpose of calculating the Index Level will be the most recent Closing Level available for such Affected Index Component.

“Market Disruption Event” means, in respect of an Index Component, 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 Index 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 such Index Component 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 relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by a relevant Exchange or Related Exchange or otherwise (i) relating to the Index Components on the Exchange(s), or (ii) in futures or options contracts relating to the relevant Index Components on any relevant Related Exchange;
- (b) the closure on any Exchange Business Day of a relevant 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 such Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day and (ii) the 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 Index Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) the Index Components on a relevant Exchange, or (ii) any futures or options contracts relating to the Index Components on a relevant Related Exchange;
- (d) the failure on any Exchange Day of the relevant Exchange(s) of the relevant Index Components 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 an Issuer 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 an Index Component;
- (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 Index Calculation Agent) has a material adverse effect on the financial markets of Canada or of a country in which a relevant Exchange or Related Exchange is located;
- (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 Index 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 such Index Component or to realize, recover or remit the proceeds of any such hedge transaction in respect of such Index Component or has or would have a material adverse effect on the economy of Canada or of a country in which a relevant Exchange or Related Exchange is located or the trading of securities generally on any relevant Exchange or Related Exchange; or
- (h) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying, unwinding or disposing of any hedge transaction in connection with an Index Component or in the cost of realizing, recovering or remitting the proceeds of any such hedge transaction.

#### Adjustments to Eligible Securities

If, on an Index Adjustment Date or the related Index Determination Date, an Eligible Security that would otherwise be an Index Component (i) is the subject of a Potential Adjustment Event, Merger Event, Tender Offer or Substitution Event or is subject to a Market Disruption Event, or (ii) is, at any time, subject to trading restrictions in accordance with the internal policies of Bank of Montreal (such Eligible Security, in either case, an "Affected Security"), then in either case the Index Calculation Agent may, in its sole and absolute discretion and after taking into account any appropriate adjustments, determine that the Affected Security is not an Eligible Security for purposes of determining the Index Components that will comprise the Index on such Index Adjustment Date.

### **Extraordinary Event**

If the Index Calculation Agent determines in its sole and absolute discretion that (i) a S&P Index Event has occurred, (ii) a Market Disruption Event in respect of an Index Component has occurred and has continued for at least eight (8) consecutive applicable Exchange Days, or (iii) any other Substitution Event in respect of an Index Component has occurred, the Index Calculation Agent may decide not to choose a S&P Index Replacement or an Alternate Index Component as a substitute for the S&P/TSX Composite Index or such Index Component, as the case may be. The decision not to choose a S&P Index Replacement or an Alternate Index Component, as the case may be, in such circumstances (an “Extraordinary Event”) may be made if the Index Calculation Agent has determined that (a) in the case of (i) above, there are no appropriate indexes or portfolios that meet the criteria for a S&P Index Replacement, and (b) in the case of (ii) and (iii) above, there are no appropriate securities of a large issuer listed on a major exchange or market quotation system that offers sufficient liquidity in order for the Index Calculation Agent to (A) acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such securities or (B) realize, recover or remit the proceeds of any hedge transaction.

If an Extraordinary Event occurs, the Index Calculation Agent may, upon notice to the Holders to be given effective on an applicable Exchange Day (the “Extraordinary Event Notification Date”), elect to estimate the present value, which may be nil, as of the Extraordinary Event Notification Date (the “Variable Return Early Payment Amount”), taking into account all relevant market circumstances, including the most recent Closing Levels of the Index Components, of a right to receive payment of any Variable Return that, but for such occurrence of the Extraordinary Event, would have been payable on the Maturity Date. Upon the Index Calculation Agent making such an election, the following consequences will arise as of the Extraordinary Event Notification Date:

- (i) 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” in the Information Statement;
- (ii) 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
- (iii) Bank of Montreal shall be discharged of all its obligations in respect of any Variable Return.

Payment of the Variable Return Early Payment Amount, if any, 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 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 amount of 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.