

INFORMATION STATEMENT DATED SEPTEMBER 18, 2006

This Information Statement has been prepared solely for assisting prospective purchasers in making an investment decision with respect to these 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

Generation Capital Integrated Energy Protected Deposit Notes, Series 1

PRICE: \$100 PER DEPOSIT NOTE

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

The Bank of Montreal Generation Capital Integrated Energy Protected Deposit Notes, Series 1 (the "Deposit Notes") issued by Bank of Montreal will mature on or about October 30, 2015 ("Maturity"). The Deposit Notes are a principal protected product that provides up to 125% exposure to the total return of a portfolio (the "Energy Portfolio") of notional common shares (the "Energy Common Shares"), notional American depository receipts (the "Energy ADRs" and together with the "Energy Common Shares", the "Energy Equities") and notional bonds (the "Energy Bonds" and together with the "Energy Equities", the "Energy Securities") of certain issuers (the "Issuers") in the energy sector that could have notionally been purchased with the net proceeds of the offering of the Deposit Notes. Such total return, if any, will be determined as though net distributions on the Energy Portfolio in a calendar quarter that are not used to pay fees and expenses of the note program will be notionally invested at the end of the quarter in one or more notional financial instruments (the "Energy Index Security") that become part of the Energy Portfolio. The Energy Index Security is intended to approximate the aggregate capital value and distributions associated with holding all of the securities that comprise the S&P/TSX Capped Energy Index in the same proportions as such securities are reflected in such index. The S&P/TSX Capped Energy Index (the "Energy Index") is a sector-based index of securities in the energy sector that is a subset of the S&P/TSX Composite Index, which measures performance of the broad Canadian market.

The return, if any, on the Deposit Notes will be based on the return on a notional investment of the net proceeds of the offering of the Deposit Notes in a basket of assets (the "Basket") consisting of the Energy Portfolio and/or a notional bond portfolio maturing on or about October 30, 2015. It is anticipated that 100% of the Basket will be allocated to the Energy Portfolio on the closing of the offering of the Deposit Notes. The Energy Portfolio initially will be comprised of Energy Bonds (in equal proportions by value) and Energy Equities (in equal proportions by value) representing in aggregate approximately 40% and 60%, respectively, of the initial value of the Energy Portfolio. It is contemplated that initially the Energy Bonds will be comprised of the bonds, and the Energy Equities will be comprised of the common shares and American depository receipts, listed on page 14 of this Information Statement. The Energy Portfolio will include the Energy Index Security so long as quarterly net distributions on the Energy Portfolio that are not used to pay fees and expenses of the note program remain invested in the Energy Index Security. The Energy Securities and the terms of the Energy Index Security, including the exposure to the Energy Index provided under the Energy Index Security, may be adjusted from time to time in the sole and absolute discretion of BMO Nesbitt Burns Inc. ("BMO Capital Markets"). The proportions of Energy Bonds, Energy Equities and Energy Index Security in the Energy Portfolio will vary over time according to fluctuations in their respective values. See "Note Program" and "Energy Portfolio".

No interest payments will be made to holders of Deposit Notes ("Holders" and each a "Holder") during the term of the Deposit Notes. Distributions, if any, on the Energy Securities in a calendar quarter that are not used to pay fees and expenses of the note program will be notionally invested at the end of the quarter in the Energy Index Security. Distributions will be deemed to be paid on the Energy Index Security in each calendar quarter in an amount that approximates the amount of distributions that would be received if (i) securities comprising the Energy Index were held in

proportion to their inclusion in the Energy Index, and (ii) distributions on such securities were received on their “ex-dividend date”, provided that (iii) such distributions are actually paid and received prior to the Final Valuation Date (as hereinafter defined). Any such distributions deemed to be paid on the Energy Index Security in a calendar quarter that are not used to pay fees and expenses of the note program will be reinvested in the Energy Index Security at the end of the quarter.

At Maturity, each Holder will receive an amount per Deposit Note equal to the greater of (i) the amount deposited of \$100 (the “Deposit Amount”) and (ii) the Deposit Amount plus a variable return, if any, calculated in accordance with the Variable Return Payment Formula (as hereinafter defined). Under the Variable Return Payment Formula, the variable return will be based on the return on the Basket (calculated as though distributions on the Energy Portfolio that are not used to pay fees and expenses of the note program are notionally invested in the Energy Index Security). There is no assurance that there will be any such distributions. See “Description of the Deposit Notes”.

During the term of the Deposit Notes, the allocations to the Energy Portfolio and the notional bond portfolio in the Basket will be determined in accordance with the methodology (the “Asset Allocation Methodology”) hereinafter described. See “Note Program – Reallocation of Assets”. Each business day, the Calculation Agent (as hereinafter defined) will determine whether the proportions of the Energy Portfolio and the notional bond portfolio in the Basket need to be reallocated under the Asset Allocation Methodology. A number of factors will affect the reallocation between the Energy Portfolio and the notional bond portfolio under the Asset Allocation Methodology including the performance of the Energy Portfolio, the remaining term of the Deposit Notes and interest rates as at the relevant date of determination. If the allocation to the Energy Portfolio in the Basket exceeds 100%, the Calculation Agent will employ leverage by borrowing under a notional loan facility to notionally acquire additional Energy Securities in proportion to their respective prevailing values in order to provide 125% exposure to the total return of the Energy Portfolio relative to the value, prior to the employment of leverage, of the Energy Portfolio that could have notionally been purchased with the net proceeds of the offering of the Deposit Notes. Any notional borrowing by the Calculation Agent is without personal liability to any Holder, but may affect the value of or return on the Deposit Notes. The variable return that a Holder receives at Maturity will be reduced by the aggregate fees and expenses paid by the note program during the term of the Deposit Notes including the amount of interest payable to BMO Capital Markets on the notionally borrowed money, calculated at an annual interest rate equal to the bankers’ acceptance rate plus one quarter of one percent. Any reallocation of assets in the Basket between the Energy Portfolio and the notional bond portfolio and the use of any applicable notional borrowing will occur within ten business days following the date on which it was determined that any such reallocation was necessary. See “Definitions” and “Note Program – Reallocation of Assets”.

Holders of Deposit Notes will not have an ownership interest in any of the Energy Securities, the Energy Index Security, any of the securities underlying the Energy Index or the notional bond portfolio as a result of their investment in the Deposit Notes and will not have the rights of a holder of any of the foregoing.

The Deposit Notes will constitute direct unconditional obligations of Bank of Montreal. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu*, as among themselves, and with all other outstanding direct, unsecured and unsubordinated, present and future obligations (except as otherwise prescribed by law) of Bank of Montreal, and will be payable rateably without any preference or priority. **The Deposit Notes will not be deposits insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution.** See “Description of the Deposit Notes”.

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 his or her investment advisor on whether the Holder’s investment in the Deposit Notes is eligible for protection in light of such Holder’s particular circumstances. See “Description of the Deposit Notes”.

The Deposit Notes have certain characteristics that differ from conventional fixed income investments. The Deposit Notes do not provide Holders with a return or income stream prior to Maturity and do not provide a return at Maturity that is calculated by reference to a specified fixed or floating rate of interest. 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 Basket does not generate positive returns the Deposit Notes could produce no return on the Holder’s original investment. There is no assurance that the Basket will generate positive returns and it is possible that at Maturity a Holder will only receive the original principal amount of a Deposit Note. Therefore, the Deposit Notes are not suitable investments for an investor who needs or expects to receive any payments during the term of the Deposit Notes or a return on investment. The Deposit Notes are designed for investors with a long-term investment horizon who are prepared to hold the Deposit Notes to Maturity and assume risks with respect to a return based on the performance of the Energy Portfolio. Prospective purchasers should take into account additional risk factors associated with this offering. See “Risk Factors”.

BMO Capital Markets is the selling agent (the “Selling Agent”) and a subsidiary of Bank of Montreal. **As a result, Bank of Montreal is a related issuer of the Selling Agent under applicable securities legislation.** See “Plan of Distribution”.

In this Information Statement, “\$” refers to Canadian dollars, unless otherwise expressly specified.

The closing of this offering is scheduled to occur on or about November 15, 2006 (the “Closing Date”). Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Subscription for Deposit Notes may be made through the mutual fund order entry system FundSERV under the mutual fund order code “JHN 1100” which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all documents required for this transaction and satisfaction of closing conditions, if any. Upon acceptance of a subscription, a confirmation of acceptance will be sent by prepaid mail or other means of delivery to the subscriber. If for any reason the closing of this offering does not occur, all subscription funds will be returned to subscribers without interest or deduction. See “Plan of Distribution”.

A global deposit note for the aggregate principal amount of the Deposit Notes issued on the Closing Date will be issued in registered form to The Canadian Depository for Securities Limited or its nominee (“CDS”) and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will generally not be available to Holders under any circumstances and registration of interests in the Deposit Notes will be made through CDS’ book-entry system. See “Description of the Deposit Notes – Book-Entry System”.

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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. Bank of Montreal has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the description of the Deposit Notes are true and accurate in all material respects. All information in this Information Statement (i) relating to Generation Capital Inc. ("Generation Capital") has been provided by Generation Capital, and (ii) relating to the Energy Securities and the Energy Index is derived from publicly available sources. Bank of Montreal makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of such information or information obtained from third parties. Furthermore, Bank of Montreal makes no recommendation concerning Generation Capital, the Energy Securities, the Energy Index, the Energy Index Security or the suitability of investing in securities generally or the Deposit Notes in particular. No person has been 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 in this Information Statement.

SUITABILITY FOR INVESTMENT

An investment in Deposit Notes is suitable only for investors prepared to assume risks with respect to a return based on the performance of the Energy Portfolio. The return on the Deposit Notes, if any, is uncertain and an investor may not receive anything more at Maturity than the Deposit Amount. The Deposit Amount will be repaid only if the Deposit Notes are held to Maturity. A person should reach a decision to invest in the Deposit Notes after carefully considering, with his or her advisors, the suitability of such an investment in light of his or her investment objectives and the information set out in this Information Statement. The Deposit Notes are not conventional indebtedness in that they have no fixed yield. There will be no interest payments to Holders during the term of the Deposit Notes. In addition, it is possible that the Energy Portfolio will not appreciate in value at Maturity and therefore the Deposit Notes could produce no yield at Maturity. Accordingly, the Deposit Notes are not suitable investments for investors requiring or expecting certainty of yield.

ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan Binch Mendelsohn LLP, counsel to Bank of Montreal, the Deposit Notes offered hereby will, at the date of issue, be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education 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 *Income Tax Act* (Canada)).

SUMMARY OF THE OFFERING

This is a summary of the offering of Deposit Notes under this Information Statement. Because this is a summary, it does not contain all of the information that may be important to you and you should read the more detailed information appearing elsewhere in this Information Statement. In this summary, "\$" refers to Canadian dollars, unless otherwise specified, "we", "us" and "our" each refer to Bank of Montreal and "BMO Capital Markets" refers to a company owned by us called BMO Nesbitt Burns Inc. and any of its affiliates.

- Issue:** Bank of Montreal Generation Capital Integrated Energy Protected Deposit Notes, Series 1 (the "Deposit Notes").
- Issuer:** We will issue the Deposit Notes.
- Subscription Price:** The price for each Deposit Note is \$100.
- Minimum Subscription:** You must invest a minimum of \$2,000 (20 Deposit Notes).
- Issue Size:** We will issue a maximum of \$50,000,000 of Deposit Notes. We may change the maximum size of the offering at our discretion.
- Closing Date:** The Deposit Notes will be issued on or about November 15, 2006.
- Maturity Date:** The Deposit Notes will mature on or about October 30, 2015. The term to maturity is approximately nine years.
- Energy Portfolio:** The amount of variable return, if any, you receive on a Deposit Note will be determined by the performance of a portfolio (in this summary, referred to as the "energy portfolio") of (i) notional US and Canadian dollar common shares (the "energy common shares"), (ii) notional US dollar American depository receipts (the "energy ADRs" and together with the "energy common shares", the "energy equities"), (iii) notional Canadian dollar bonds (the "energy bonds" and together with the "energy equities", the "energy securities") and (iv) so long as quarterly net distributions on the energy portfolio remain invested therein, one or more notional financial instruments (the "energy index security") that are intended to approximate the aggregate capital value and distributions associated with holding all of the securities that comprise the S&P/TSX Capped Energy Index in the same proportions as such securities are reflected in such index. The S&P/TSX Capped Energy Index (the "Energy Index") is a sector-based index of securities in the energy sector that is a subset of the S&P/TSX Composite Index, which measures performance of the broad Canadian market.
- Distributions, if any, on the energy securities in a calendar quarter that are not used to pay fees and expenses of the note program will be notionally invested at the end of the quarter in the energy index security. It is possible that the energy portfolio will not generate sufficient distributions to result in a notional investment in the energy index security. Distributions will be deemed to be paid on the energy index security in each calendar quarter in an amount that approximates the amount of distributions that would be received if (i) securities comprising the Energy Index were held in proportion to their inclusion in the Energy Index, and (ii) distributions, if any, on such securities were received on their "ex-dividend date", provided that (iii) such distributions are actually paid and received prior to the Final Valuation Date (as hereinafter defined). Any such distributions deemed to be paid in a calendar quarter that are not used to pay fees and expenses of the note program will be reinvested in the energy index security at the end of the quarter.
- The energy portfolio initially will be comprised of energy bonds (in equal proportions by value) and energy equities (in equal proportions by value) representing in aggregate approximately 40% and 60%, respectively, of the initial value of the energy portfolio. It is contemplated that initially the energy bonds will be comprised of the bonds, and the energy equities will be comprised of the common shares and American depository receipts, listed on page 14 of this Information Statement.

The energy portfolio is described under “Energy Portfolio” beginning at page 20 of this Information Statement. You may obtain (i) a list of the securities included in the Energy Index at www.tsx.com, and (ii) further information about the energy securities, the issuers of the energy securities, the securities included in the Energy Index and the issuers of such securities at www.sedar.com for Canadian energy securities and www.sec.gov/edgar.shtml for US energy securities or through your advisor.

The composition of the basket may change in certain circumstances. See “Note Program – Extraordinary Events” and “Adjustments”.

Offering:

This offering provides you with the opportunity to purchase a principal protected product that provides, except in certain circumstances described herein as an extraordinary event, up to 125% exposure to the total return of the energy portfolio that could have notionally been purchased with the net proceeds of the offering of the Deposit Notes. Such total return, if any, will be determined as though net distributions on the energy portfolio in a calendar quarter that are not used to pay fees and expenses of the note program will be notionally invested at the end of the quarter in the energy index security.

The return, if any, on the Deposit Notes will be based on the return on a notional investment of the net proceeds of the offering of the Deposit Notes in a basket of assets (referred to in this summary as the “basket”) consisting of the energy portfolio and/or a notional bond portfolio maturing on or about October 30, 2015. It is anticipated that 100% of the basket will be allocated to the energy portfolio on the closing of the offering of the Deposit Notes. The energy portfolio initially will be comprised of energy bonds (in equal proportions by value) and energy equities (in equal proportions by value) representing in aggregate approximately 40% and 60%, respectively, of the initial value of the energy portfolio. It is contemplated that initially the energy bonds will be comprised of the bonds, and the energy equities will be comprised of the common shares and American depository receipts, listed on page 14 of this Information Statement. The energy portfolio will include the energy index security so long as quarterly net distributions on the energy portfolio that are not used to pay fees and expenses of the note program remain invested in the energy index security. The energy securities and the terms of the energy index security, including the exposure to the Energy Index provided under the energy index security, may be adjusted from time to time in the sole and absolute discretion of BMO Capital Markets. The proportions of energy bonds, energy equities and energy index security in the energy portfolio will vary over time according to fluctuations in their respective values. See “Note Program” and “Energy Portfolio”.

There is no assurance that the energy portfolio will generate any positive returns. Accordingly, there is no assurance that you will receive any amount at maturity other than repayment of the amount you deposited with us. You should be aware that you will not have, and the Deposit Notes do not represent, a direct or indirect ownership interest in any of the energy securities, the energy index security, any securities underlying the Energy Index or the notional bond portfolio. All fees and expenses in respect of the note program will be deducted from the value of the basket prior to a return, if any, being paid to you. See “Energy Portfolio”. See “Note Program” and “Energy Portfolio”.

Reallocation of Assets and Weighting:

During the term of the Deposit Notes, the allocations and reallocations to the energy portfolio and the notional bond portfolio in the basket will be determined in accordance with the methodology (the “asset allocation methodology”) described in this Information Statement. See “Note Program – Reallocation of Assets”. The asset allocation methodology depends on “Weighting” which in turn depends on “distance”. When the term “Weighting” is used in this Information Statement we are referring to the value of the energy portfolio in the basket expressed as a percentage of the total value of the basket. Weighting during the term of the Deposit Notes will be based on “distance” which is the percentage derived by dividing the (i) difference between the value of the basket calculated on a per Deposit Note basis and how much it would cost to purchase a notional bond that would provide you with a payment of \$100 at maturity by (ii) 100. The value of the basket on a calculation date for purposes of determining “distance” will be calculated in Canadian currency based on converting the value of US dollar energy securities on the calculation date to Canadian dollars using the Bank of Canada closing rate, expressed in Canadian cents per US dollars, on the calculation date. A number of factors will affect the reallocation between the energy

portfolio and the notional bond portfolio under the asset allocation methodology including the performance of the energy portfolio, the remaining term of the Deposit Notes and interest rates as at the relevant date of determination.

Each business day, BMO Capital Markets or a third party appointed by BMO Capital Markets will, as calculation agent, calculate the distance, determine the Weighting and determine whether the proportion of the energy portfolio and the notional bond portfolio in the basket needs to be reallocated in accordance with the asset allocation methodology.

Any reallocation of assets in the basket between the energy portfolio and the notional bond portfolio will occur within ten business days following the date on which it was determined that such a reallocation was necessary. A downward adjustment in Weighting will be achieved through notional sale of the energy index security followed by notional sale of energy securities but only to the extent the downward adjustment in Weighting cannot be achieved through notional sale of the energy index security. An upward adjustment in Weighting will be achieved through notional purchases of energy securities. Such notional sales and purchases will occur within ten business days following the date on which the adjustment to Weighting is determined. Energy securities will be notionally sold and notionally purchased in proportion to their respective prevailing values as determined by the calculation agent.

It is possible to have Weighting from 0% up to 125%. If the Weighting exceeds 100%, the basket will have notionally borrowed money to acquire additional energy securities in proportion to their respective prevailing values. You will not have any personal liability for the notional borrowing but it may affect the value of or return on the Deposit Notes. The variable return you receive at maturity will be reduced by the interest payable to BMO Capital Markets on the notional borrowing, calculated at an annual interest rate equal to the bankers' acceptance rate plus one-quarter of one percent. Such interest will be paid out of (in the order indicated) (i) available net distributions on the energy portfolio that have not been invested in the energy index security, (ii) the notional sale of the energy index security, and (iii) the notional sale of energy securities (in proportion to their respective prevailing values) provided that a subsequent source of payment shall be resorted to only to the extent prior source(s) of payment have been exhausted.

If the Weighting becomes 0%, the basket will thereafter consist entirely of the notional bond portfolio. The possibility of you receiving more than \$100 for each of your Deposit Notes at maturity is significantly reduced if the basket does not include the energy portfolio. See "Definitions" and "Note Program".

**Consequences of an
Extraordinary Event:**

Where, in respect of any event described as an "Extraordinary Event" in the definitions on page 14 of this Information Statement, BMO Capital Markets has determined that the basket will consist entirely of the notional bond portfolio, (i) the entire value of the energy portfolio calculated as of the date of the extraordinary event will be notionally invested in the notional bond portfolio, (ii) no further variable return will be earned even though the energy securities and/or the Energy Index may earn a positive return following the extraordinary event, (iii) you will receive the amount you deposited with us at, but not prior to, maturity, and (iv) the possibility of you receiving more than \$100 for each of your Deposit Notes at maturity is significantly reduced. See "Note Program – Extraordinary Events".

Alternatively, if an event occurs that would otherwise be an extraordinary event in respect of an energy security or the Energy Index, BMO Capital Markets may, instead of making a determination to allocate all of the assets in the basket to the notional bond portfolio, decide (i) in the case of an energy security, to replace the energy security with a notional investment in the energy index security or, (ii) in the case of the Energy Index, to replace the energy index security with a portfolio of energy securities or a substitute energy index. See "Note Program – Extraordinary Events".

Payment at Maturity:

For each Deposit Note you hold to maturity, you will receive at least \$100 at maturity. When we use the term "Variable Return" in this Information Statement, we are referring to the amount that you receive at maturity in excess of \$100, if any. The amount of Variable Return, if any, will be determined using a formula that we refer to in this Information Statement as the Variable Return Payment Formula, which determines the Variable Return based on the performance of a basket consisting of the energy portfolio and/or the notional

bond portfolio, as the case may be. Any Variable Return on your investment will fluctuate and may be zero. See “Note Program”.

No interest payments will be made to you during the term of the Deposit Notes.

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

Federal laws of Canada prohibit anyone from receiving interest at an effective rate that is greater than 60% each year. Therefore, in the event that the Variable Return is greater than 60% a year at maturity, we will pay to you at maturity only the amount of the Variable Return that constitutes 60% a year and will pay the balance together with interest at our equivalent term deposit rate as soon as such laws permit.

Variable Return Payment Formula:

The Variable Return Payment Formula is the formula used to determine the amount of Variable Return on the Deposit Notes at maturity. The Variable Return Payment Formula is as follows:

Deposit Amount x the greater of (i) Basket Appreciation and (ii) zero.

At the discretion of BMO Capital Markets, the notional accumulation of energy securities for the energy portfolio may commence up to ten business days prior to and may not be completed until ten business days following the closing of the offering. Similarly, energy securities in the energy portfolio may need to be notionally sold over a period of time beginning approximately ten business days prior to the final valuation date or such other period determined by BMO Capital Markets (net proceeds of such notional sales will be invested in the notional bond portfolio). Under the Variable Return Payment Formula, the Variable Return will equal the positive return on the basket consisting of notional investments in the energy portfolio and/or a notional bond portfolio, as the case may be, for the period beginning approximately ten business days prior to the closing of the offering to the final valuation date using the average prices at which energy securities are notionally acquired and sold. You should be aware that for you to receive an amount at maturity that is greater than the amount you deposited with us, the return on the notional assets in the basket over the term of the Deposit Notes will have to exceed the aggregate fees and expenses paid in respect of the note program. See “Note Program”, and “Fees and Expenses of the Note Program”.

Secondary Market:

BMO Capital Markets will use reasonable efforts to arrange for a secondary market for the sale of Deposit Notes by you through FundSERV. This secondary market is only available for Deposit Notes purchased through FundSERV and is the only way that you can sell your Deposit Notes purchased through FundSERV prior to maturity. The price that BMO Capital Markets will pay to you for Deposit Notes prior to maturity will be determined by BMO Capital Markets, acting in its sole discretion, and will be based on, among other things:

- how much the value of the assets in the basket has risen or fallen since the closing of the offering;
- the fact that during the term of the Deposit Notes assets in the basket will be reallocated from time to time between the energy portfolio and the notional bond portfolio; and
- a number of other interrelated factors, including, without limitation, volatility of the value of the assets in the basket, prevailing interest rates and foreign exchange rates and the time remaining to maturity.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the secondary market price of a Deposit Note. In particular, you should realize that any trading price for the Deposit Notes (a) may not rise and fall with changes in the value of the energy portfolio and (b) may be substantially affected by changes in current interest rates independent of performance of the basket. If you sell your Deposit Notes prior to maturity, you may have to do so at a discount from the original principal amount even if the performance of the energy portfolio has been positive, and as a result, you may suffer a loss.

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

\$6.95 on each Deposit Note sold in the first year following the closing of this offering, \$4.65 on each Deposit Note sold in the second year following the closing of this offering and \$2.30 on each Deposit Note sold in the third year following the closing of this offering. There will be no early trading charge on a sale of your Deposit Notes following three years from the closing of this offering. See “Secondary Market”. The Deposit Notes are generally not suitable for an investor who requires liquidity prior to maturity. You should consult your investment advisor on whether it would be more favourable in the circumstances at any time to sell Deposit Notes on the secondary market, if available, or hold Deposit Notes until maturity. You should also consult your tax advisor as to the income tax consequences arising from a sale of Deposit Notes prior to maturity as compared to holding Deposit Notes until maturity.

BMO Capital Markets is under no obligation to facilitate or arrange for such secondary market, and such secondary market, if commenced, may be suspended at any time at the sole discretion of BMO Capital Markets, without notice to you. If there is no secondary market, you will not be able to sell your Deposit Notes. The Deposit Notes will not be listed on any stock exchange. The Deposit Notes are intended to be instruments held to maturity with their principal repayable on the maturity date. If you sell Deposit Notes in the secondary market you may receive less than the amount you deposited with us. Order and settlement of Deposit Notes following closing will be through a registered dealer either manually or electronically through the mutual fund order system FundSERV. A sale of Deposit Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. See “FundSERV” and “Secondary Market”.

Rank: The Deposit Notes will rank equally with all of our other deposit liabilities. **The Deposit Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution.** See “Description of the Deposit Notes – Rank; No Deposit Insurance”.

Canadian Investor Protection Fund: **There is no assurance that your investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund.** You should consult your investment advisor on whether your investment in the Deposit Notes is eligible for protection in light of your particular circumstances.

Credit Rating: As at the date of this Information Statement, our deposit liabilities with a term to maturity of more than one year are rated AA (low) by Dominion Bond Rating Service Limited, AA- by Standard & Poor’s Ratings Services and Aa3 by Moody’s Investors Service Inc. The Deposit Notes have not been rated. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as our other deposit liabilities. **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.** See “Description of the Deposit Notes – Credit Rating”.

Use of Proceeds: The proceeds we receive from the issuance of the Deposit Notes will be deposits with us. We will use the net proceeds from the issuance of the Deposit Notes for our general banking purposes. See “Plan of Distribution”.

Expenses of the Offering: Expenses of this offering of \$5.00 (5.00%) per Deposit Note will be paid out of the proceeds of this offering to BMO Capital Markets for its services as selling agent. Accordingly, 5.00% of the amount of your initial deposit will be paid to the selling agent as an upfront expense for its services as selling agent. The selling agent will pay all or a portion of this amount to qualified selling members for selling the Deposit Notes. See “Expenses of the Offering”.

Fees and Expenses: **The following fees and expenses will be paid prior to payment to you of any Variable Return at maturity of the Deposit Notes:**

The total annual fees that will be paid in respect of the basket under the note program will vary depending on the allocations between the energy portfolio and the notional bond portfolio in the basket from time to time during the term of the Deposit Notes.

For each of the first eight years from the closing of this offering, we will pay a portion of total annual fees under the note program for the year in an amount equal to \$0.30 per Deposit Note to qualified selling members in respect of Deposit Notes held by their clients.

While you will be repaid the amount you deposited if you hold your Deposit Notes to maturity, in order for you to receive a return on the Deposit Notes at maturity, the return on the notional assets in the basket over the term of the Deposit Notes will have to exceed the aggregate fees and expenses (including interest on notional borrowings, if any) paid by the note program during the term of the Deposit Notes.

The total annual fees applicable to the energy portfolio under the note program will be comprised of annual energy portfolio fees equal to 2.60% of the value of the energy portfolio (including any energy securities acquired with notionally borrowed money resulting from Weighting of greater than 100%). The annual energy portfolio fees of 2.60% account for all fees and expenses (other than interest on notional borrowings, if any) applicable to the energy portfolio under the note program including fees for services provided by Generation Capital Inc. and its affiliates. See “Fees and Expenses of the Note Program”.

Annual energy portfolio fees of 2.60% will be calculated and accrued daily and paid to us monthly out of (in the order indicated) (i) available net distributions on the energy portfolio that have not been invested in the energy index security, (ii) the notional sale of the energy index security, and (iii) the notional sale of energy securities (in proportion to their respective prevailing values) provided that a subsequent source of payment shall be resorted to only to the extent prior source(s) of payment have been exhausted. We will pay a portion of the annual energy portfolio fees to Generation Capital Inc. and we will retain the remainder. The annual energy portfolio fees reduce the value of the energy portfolio and will therefore affect the Variable Return, if any, paid to you at maturity.

The total annual fees applicable to the notional bond portfolio under the note program will be comprised of annual bond portfolio fees equal to 0.75% of the face amount of the coupon bonds in the basket, which account for all fees and expenses applicable to the notional bond portfolio under the note program. We will be paid the annual bond portfolio fees. For further clarity, the 0.75% coupon paid on the coupon bonds in the basket will be used to pay annual bond portfolio fees and will not accrue to the benefit of the holders of the Deposit Notes.

Leverage

In consideration for BMO Capital Markets providing leverage to the basket, interest on any amounts notionally borrowed under the note program will be calculated and accrued daily at an annual interest rate equal to the bankers’ acceptance rate plus one-quarter of one percent and paid to BMO Capital Markets monthly. Such interest will be paid out of (in the order indicated) (i) available net distributions on the energy portfolio that have not been invested in the energy index security, (ii) the notional sale of the energy index security, and (iii) the notional sale of energy securities (in proportion to their respective prevailing values) provided that a subsequent source of payment shall be resorted to only to the extent prior source(s) of payment have been exhausted. See “Note Program”.

Book-Entry System:

All of the Deposit Notes will be evidenced by a single global deposit note held by The Canadian Depository for Securities Limited or its nominee (“CDS”) as registered holder of the Deposit Notes. Registration of the interests in and transfers of the Deposit Notes will be made through CDS’ book-entry system. Subject to certain exceptions, you will not be entitled to any certificate or other instrument from us or from CDS evidencing your ownership of Deposit Notes. See “Description of the Deposit Notes – Book-Entry System”.

Eligibility for Investment:

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

Risk Factors:

You should take into account various risk factors associated with the ownership of the Deposit Notes. See “Risk Factors”. In particular, you should be aware that for a number of

reasons the energy index security will not replicate exactly the performance of the Energy Index. The Deposit Notes have certain characteristics that differ from conventional fixed income investments. The Deposit Notes do not provide you with a return or income stream prior to maturity and do not provide a return at maturity that is calculated by reference to a specified fixed or floating rate of interest. 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 basket does not generate positive returns, the Deposit Notes could produce no return on your original investment. There is no assurance that the basket will generate positive returns. Therefore, the Deposit Notes are not suitable investments for you if you need or expect to receive payments during the term of the Deposit Notes or a return on investment at maturity. The Deposit Notes are designed for investors with a long-term investment horizon who are prepared to hold the Deposit Notes to maturity and assume risks with respect to a return based on the performance of the energy portfolio.

**Income Tax
Considerations:**

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

In the opinion of McMillan Binch Mendelsohn LLP, counsel to Bank of Montreal, if you hold Deposit Notes at maturity, you will be required to include in your income the amount, if any, by which the payment at maturity exceeds the amount you deposited with us. Generally, you should not have to report any amount in your tax return in respect of the Variable Return, if any, for any taxation year ending before the year in which the Deposit Notes mature; provided that if an Extraordinary Event occurs or the Weighting otherwise becomes fixed at 0%, you may have to report the accrued Variable Return, if any, prior to maturity. Bank of Montreal will file an information return with the Canada Revenue Agency in respect of any interest or deemed interest to be included in your income and will provide you with a copy of such information return. A disposition of a Deposit Note by you (other than on or following the final valuation date) should give rise to a capital gain (or capital loss) to you to the extent your proceeds of disposition exceed (or are less than) the aggregate of your adjusted cost base of the Deposit Note and any reasonable costs of disposition. You should consult your tax advisor with respect to your particular circumstances if you plan to sell a Deposit Note prior to maturity. See “Income Tax Considerations”.

DEFINITIONS

In this Information Statement, unless the context otherwise requires:

“**Asset Allocation Methodology**” means the methodology set out under “Note Program – Reallocation of Assets” and used by the Calculation Agent to determine the thresholds for allocating and reallocating assets in the Basket between the Energy Portfolio and the Notional Bond Portfolio, which methodology is based on a number of factors including the performance of the Energy Portfolio, the remaining term of the Deposit Notes and interest rates as at the relevant date of determination;

“**Bankers’ Acceptance Rate**” means, on any Business Day, the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one-hundred-thousandth of one percent (with decimal fractions of 0.000005 percent and greater being rounded up) for Canadian dollar bankers’ acceptances with maturities of one month which appear on the Reuters Screen CDOR Page as of approximately 10:00 a.m., Toronto time, on such Business Day, provided that if such rate does not appear on the Reuters Screen CDOR Page on such Business Day, the Bankers’ Acceptance Rate for such Business Day shall be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian dollar bankers’ acceptances with maturities of one month for same day settlement as quoted by such banks listed on Schedule 1 to the *Bank Act* (Canada) as may quote such a rate as of approximately 10:00 a.m., Toronto time, on such Business Day, such rate to be determined and (upon each change to such rate) adjusted automatically by the Calculation Agent and provided further that if the Calculation Agent is unable to determine such rate in accordance with the foregoing, the Calculation Agent shall adjust the foregoing as it determines appropriate to determine the Bankers’ Acceptance Rate;

“**Basket**” means a basket of notional investments consisting (i) if the Weighting is equal to or greater than 100%, entirely of notional investments in the Energy Portfolio, or (ii) if the Weighting is less than 100%, of notional investments in the Energy Portfolio and/or in the Notional Bond Portfolio, as the case may be. The Basket may also include cash from time to time attributable to the Energy Securities and the Energy Index Security to the extent not used to pay fees and expenses of the Note Program and not invested in the Energy Index Security;

“**Basket Appreciation**” means the result of the following formula: $\left(\frac{Basket_F}{Basket_0} - 1 \right)$;

“**Basket_F**” is the Basket Value on or about October 30, 2015, provided that the value of any Energy Securities or Energy Index Security in the Basket at such time will be determined as of the Final Valuation Date;

“**Basket₀**” means 100;

“**Basket Value**” means, on a per Deposit Note basis as at any Calculation Date, the amount determined by the Calculation Agent and equal to:

Energy Portfolio Value + Notional Bond Portfolio Value – Loan Value;

“**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, a Sunday or a statutory holiday) on which commercial banks are open for business in Toronto, Ontario;

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

“**Calculation Date**” means each Business Day on which the Calculation Agent calculates Basket Value;

“**CDS**” means The Canadian Depository for Securities Limited 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 November 15, 2006;

“**Coupon Bond**” means a hypothetical bond denominated in Canadian dollars maturing on or about October 30, 2015 with an annual coupon of 0.75%, calculated on an actual number of days/365 unadjusted basis, and a notional principal of \$100; provided however that the coupon received on this bond will not increase the return to the Basket but will instead be used to pay annual bond portfolio fees under the Note Program;

“**Coupon Bond Price**” means, as at the relevant date of determination, the present value of the Coupon Bond calculated by the Calculation Agent based on yields equal to the prevailing Canadian dollar inter-bank swap rate (using the bid swap rate for purchases and offer swap rate for sales) for a term equivalent to the remaining term of the Coupon Bond, provided however that if the Calculation Agent is unable to make the determinations or calculations necessary, the Calculation Agent shall adjust the procedures as it determines appropriate to determine the Coupon Bond Price;

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

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

“**DBRS**” means Dominion Bond Rating Service Limited;

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

“**Deposit Notes**” means the Bank of Montreal Generation Capital Integrated Energy Protected Deposit Notes, Series 1;

“**Distance**” or “**D_t**” means, as at any Calculation Date, the quotient expressed as a percentage equal to (i) the Basket Value at such time less the Coupon Bond Price at such time divided by (ii) 100;

“**Distribution**” means (i) in respect of an Energy Security, an actual distribution, net of withholding tax, on an Energy Security made by an Issuer such that the net effect to a Canadian holder of the Energy Security is that the holder receives cash or other property, and (ii) in respect of the Energy Index Security, distributions each calendar quarter in an amount that approximates the amount of distributions that would be received if (x) securities comprising the Energy Index were held in proportion to their inclusion in the Energy Index, and (y) distributions on such securities were received on their “ex-dividend date”, provided that (z) such distributions are actually paid and received prior to the Final Valuation Date. “Distributions” means, collectively, all Distributions during the relevant period;

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

“**Energy Bond**” means a Canadian dollar bond of an Issuer (other than an Issuer of an Energy Equity or another Energy Bond) in the energy sector as determined by the Manager from time to time, and “Energy Bonds” means, collectively, all Energy Bonds. It is anticipated that the Energy Bonds on closing of this Offering will be comprised of the following Canadian dollar bonds (in equal proportions by value) and representing in aggregate approximately 40% of the initial value of the Energy Portfolio:

TransCanada PipeLines Limited 5.10% 1/11/17
Enbridge Inc. 5.00% 8/9/16
Gaz Métro Inc. 5.45% 7/12/21
Canadian Natural Resources Limited 4.95% 6/1/15
Hydro One Inc. 4.64% 3/3/16

“**Energy Equity**” means a Canadian or US dollar common share (the “Energy Common Share”) or a US dollar American depository receipt (the “Energy ADR”) of an Issuer (other than an Issuer of an Energy Bond or another Energy Equity) in the energy sector as determined by the Manager from time to time, and “Energy Equities” means, collectively, all Energy Equities. It is anticipated that the Energy Equities on closing of this Offering will be comprised of the following Canadian and US dollar common shares and US dollar American depository receipts (in equal proportions by value) and representing in aggregate approximately 60% of the initial value of the Energy Portfolio:

BP PLC – SPONS ADR
CHEVRON CORPORATION
CONOCOPHILLIPS
ENI S.p.A – SPONS ADR
EXXON MOBIL CORPORATION
PETRO-CANADA
ROYAL DUTCH SHELL PLC ‘A’ – ADR
SHELL CANADA LIMITED
TOTAL SA – SPONS ADR

“**Energy Index**” means the S&P/TSX Capped Energy Index or any successor index as determined by the Manager;

“**Energy Index Security**” means one or more notional financial instruments that are intended to provide a return approximately equal to the aggregate capital appreciation and distributions that would be earned by holding all of the securities that comprise the Energy Index in the same proportions as such securities are reflected in the Energy Index;

“**Energy Portfolio**” means from time to time, the portfolio of Energy Securities and Energy Index Security in which the Note Program has made a notional investment, and cash attributable to Energy Securities and Energy Index Security to the extent not used to pay fees and expenses of the Note Program and not invested in the Energy Index Security;

“**Energy Portfolio Value**” means, as at any Calculation Date, the quotient obtained by dividing (i) the value of the Energy Securities and Energy Index Security and the amount of any available cash in the Energy Portfolio at such time less accrued but unpaid annual energy portfolio fees applicable to the Energy Portfolio at such time by (ii) the number of Deposit Notes outstanding at such time;

“**Energy Security**” means an Energy Bond or an Energy Equity and “**Energy Securities**” means, collectively, all Energy Bonds and all Energy Equities;

“**Exchange Rate**” means, as at any Calculation Date, the Bank of Canada closing rate, expressed in Canadian cents per US dollars, as published by Bank of Canada at approximately 4:30 p.m. (Toronto time) on the Calculation Date provided that if the Calculation Agent is unable to determine such rate in accordance with the foregoing, the Calculation Agent shall adjust the foregoing as it determines appropriate to determine the Exchange Rate;

“**Extraordinary Event**” means any of the events set out in (i) to (vii) below that occurs after the Closing Date and prior to Maturity where the Manager, acting in its sole and absolute discretion, has determined in good faith that such event constitutes an “Extraordinary Event” and in respect of which the Manager and the Calculation Agent have determined that the Note Program will no longer have exposure to the Energy Portfolio and the Basket will consist entirely of the Notional Bond Portfolio: (i) any change in or in the official interpretation or administration of any laws or regulation relating to taxation that has or is likely to have a material adverse effect on any holder of an Energy Security or Energy Index Security or in respect of any hedge established in connection with the Offering; (ii) a party is unable to effectively acquire, establish, re-establish, substitute, maintain, unwind or dispose of any hedge transaction in connection with the Offering or to realize, recover or remit the proceeds of any such hedging transaction; (iii) an increase in the cost of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction in connection with the Offering or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; (iv) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, or the issuance of any directive or the 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 the date thereof or as a result of any other event, (1) it would become unlawful for any holder of an Energy Security or Energy Index Security to hold, purchase or sell any Energy Security or Energy Index Security, (2) the cost of investing in any Energy Security or Energy Index Security would materially increase, other than ordinary course increases in the market value of the Energy Security or Energy Index Security, or (3) a holder of an Energy Security or Energy Index Security would be subject to a material loss as a result of holding any Energy Security or Energy Index Security; (v) any material adverse change in the public markets generally, (vi) S&P makes a material change to the methodology for calculation of the Energy Index or (vii) S&P ceases to calculate the Energy Index or the level of the Energy Index as calculated by S&P is otherwise unavailable;

“**Final Valuation Date**” means October 27, 2015;

“**Generation Capital**” means Generation Capital Inc.;

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

“**Initial Basket Value**” means \$95.00;

“**Issuer**” means an issuer of an Energy Security;

“**Loan**” means the notional amount, if any, borrowed from time to time by the Note Program to provide leverage to the Basket, bearing notional interest to be calculated and accrued daily at a notional rate of interest equal to the sum of the Bankers’ Acceptance Rate plus one-quarter of one percent and paid monthly out of (in the order indicated) (i) available Distributions that have not been invested in the Energy Index Security, (ii) notional sale of the Energy Index Security, and (iii) notional sale of Energy Securities (in proportion to their respective prevailing values) provided that a subsequent source of payment shall be resorted to only to the extent prior source(s) of payment have been exhausted;

“**Loan Value**” means, as at any Calculation Date, the quotient obtained by dividing (i) the sum of the Loan amount plus accrued and unpaid interest on the Loan at such time by (ii) the number of Deposit Notes outstanding at such time;

“**Manager**” means BMO Capital Markets or a person appointed by BMO Capital Markets;

“**Maturity**” or “**Maturity Date**” means on or about October 30, 2015;

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

“**NAV of the Notes**” means, as at any time, the product of the NAV per Note at such time and the number of Deposit Notes outstanding at such time;

“**NAV per Note**” means, as at any time, the amount equal to the Basket Value;

“**Note Program**” means the Bank of Montreal Generation Capital Integrated Energy Protected Deposit Notes, Series 1 note program administered by BMO Capital Markets;

“**Notional Bond Portfolio**” means, from time to time, the portfolio of Coupon Bonds in which the Note Program has made a notional investment;

“**Notional Bond Portfolio Value**” means, as at any Calculation Date, the quotient obtained by dividing (i) the value of the Notional Bond Portfolio based on the sum of the Coupon Bond Prices at such time by (ii) the number of Deposit Notes outstanding at such time;

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

“**Payment at Maturity**” means the payment to be made at Maturity in an amount per Deposit Note calculated by the Calculation Agent equal to the Deposit Amount plus the Variable Return, if any, as determined in accordance with the Variable Return Payment Formula;

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

“**Selling Agent**” means BMO Capital Markets;

“**Substitution Event**” means any of the following events that occurs after the Closing Date and prior to Maturity where the Manager, acting in its sole and absolute discretion has determined that such event constitutes a “Substitution Event”: (i) the bankruptcy, winding-up, dissolution, liquidation, reorganization or suspension of general operations of any Issuer; (ii) any steps or proceedings under any bankruptcy, insolvency, creditor protection or similar legislation are taken by or against an Issuer or the announcement of any such steps or proceedings being taken by or against an Issuer; (iii) an Energy Security that is listed, traded or publicly quoted on a major stock exchange at the time it becomes part of the Energy Portfolio ceases to be listed, traded or publicly quoted on a major stock exchange; (iv) an Issuer makes a material adverse change to its distribution policy or its distribution targets in respect of an Energy Security; (v) any consolidation, amalgamation, merger or binding exchange of securities of an Issuer (or the announcement thereof) into another entity; (vi) any takeover offer, tender offer, exchange offer, solicitation, proposal or other similar event by any entity or person for more than 10% of the common equity of an Issuer; (vii) any security split, consolidation or other similar change in an Energy Security; (viii) any change of class or other similar change in an Energy Security; (ix) an Issuer of an Energy Bond calls the Energy Bond; (x) any relevant activities of or in relation to an Issuer are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof; or (xi) a relevant authorisation or licence is revoked or is under review by a competent authority in respect of an Issuer;

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

“**Underlying Security**” means a security included in the Energy Index;

“**Variable Return**” means the variable return to be paid to the Holder of each Deposit Note at Maturity determined in accordance with the Variable Return Payment Formula;

“**Variable Return Payment Formula**” means the formula used by the Calculation Agent to calculate the payment of Variable Return, if any, to Holders on Maturity as follows:

Deposit Amount x the greater of (i) Basket Appreciation and (ii) zero;

“**Weight**” or “**Weighting**” refers to the percentage of the notional assets in the Basket allocated to the Energy Portfolio and means, on a per Deposit Note basis as at any Calculation Date, the quotient expressed as a percentage obtained by dividing (i) the Energy Portfolio Value at such time by (ii) Basket Value at such time;

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

NOTE PROGRAM

The Note Program has been developed to provide investors with the opportunity to purchase, with a minimum investment of \$2,000, a principal protected product that provides a Variable Return based on the performance of a basket of notional investments consisting (i) if the Weighting is equal to or greater than 100%, entirely of notional investments in the Energy Portfolio, or (ii) if the Weighting is less than 100%, of notional investments in the Energy Portfolio as well as in the Notional Bond Portfolio. The Basket may also include cash from time to time attributable to the Energy Portfolio to the extent not used to pay fees and expenses of the Note Program and not invested in the Energy Index Security. Initially, the Energy Portfolio will be comprised of Energy Bonds and Energy Equities. The Energy Portfolio will include the Energy Index Security so long as Distributions on the Energy Portfolio, if any, that are not used to pay fees and expenses of the Note Program remain invested in the Energy Index Security. It is possible that the Energy Portfolio will not generate sufficient Distributions to result in a notional investment in the Energy Index Security.

“Weight” or “Weighting” refers, on a per Deposit Note basis, to the quotient expressed as a percentage obtained by dividing the Energy Portfolio Value by the Basket Value. Weighting will vary during the term of the Deposit Notes based on Distance in accordance with the Asset Allocation Methodology. Weighting will be adjusted from time to time by notionally buying and selling the Energy Index Security and Energy Securities. If Weighting exceeds 100%, the Basket will have notionally borrowed funds at an annual interest rate equal to the Bankers’ Acceptance Rate plus one-quarter of one percent, calculated and accrued daily and paid monthly to the Manager for providing such leverage. The Basket may notionally borrow a maximum of 25% of the Basket Value, in which case the Weighting will be at a maximum of 125%. Any leverage employed by the Calculation Agent is without personal liability to any Holder, will be paid monthly and may affect the value of or return on the Deposit Notes. Payments of leverage will be made out of (in the order indicated) (i) available Distributions that have not been invested in the Energy Index Security, (ii) notional sale of the Energy Index Security, and (iii) notional sale of Energy Securities (in proportion to their respective prevailing values) provided that payment out of a subsequent source of payment shall be resorted to only to the extent prior source(s) of payment have been exhausted. It is possible to have Weighting from 0% up to 125% as set out in the table in the Asset Allocation Methodology. It is expected that the Weighting on the Closing Date will be 100%. If Weighting becomes 0%, thereafter the Basket will consist entirely of the Notional Bond Portfolio. The possibility of a Holder receiving any Variable Return is significantly reduced if the Basket does not include the Energy Portfolio.

Payments to Holders

The Deposit Notes provide for payment of Variable Return plus the Deposit Amount at Maturity. No interest payments will be made to Holders during the term of the Deposit Notes.

At Maturity, each Holder will receive an amount per Deposit Note equal to the Deposit Amount of \$100 plus the Variable Return, if any, based on the performance of the Basket, determined in accordance with the following formula (the “Variable Return Payment Formula”):

Deposit Amount x the greater of (i) Basket Appreciation and (ii) zero.

The Variable Return Payment Formula assumes that assets in the Basket will be allocated between the Energy Portfolio and the Notional Bond Portfolio, from time to time based on the Asset Allocation Methodology. The allocation between the Energy Portfolio and the Notional Bond Portfolio will depend on various factors including the performance of the Energy Portfolio, the remaining term of the Deposit Notes and interest rates as at the relevant date of determination and assumes that notional leverage, by way of funds notionally borrowed under the Note Program, could be used to obtain Weighting of greater than 100%. The Calculation Agent will determine Distance and Weight on each Business Day and whether the Energy Portfolio and the Notional Bond Portfolio in the Basket need to be reallocated in accordance with the Asset Allocation Methodology. Any reallocation of assets between the Energy Portfolio and the Notional Bond Portfolio or use of applicable leverage will occur within ten Business Days following the date on which it was determined that a reallocation was necessary. There may be circumstances which result in the actual Weight of the Energy Portfolio being different from the “target” Weighting as set by the Asset Allocation Methodology. If, at any time, the Calculation Agent determines that it is unable to determine Distance or Weight or make any calculations required by the Asset Allocation Methodology, the Calculation Agent may make such adjustments as it determines necessary. See “Description of the Deposit Notes – Maturity and Principal Repayment” and “Description of the Deposit Notes – Settlement of Payments”.

At the discretion of BMO Capital Markets, the notional accumulation of Energy Securities for the Energy Portfolio may commence up to ten Business Days prior to the closing of the Offering and not be completed until ten Business Days following the closing of the Offering. Similarly, the Energy Portfolio may need to be notionally sold over a period of time beginning approximately ten Business Days prior to the Final Valuation Date or such other period determined by BMO Capital Markets (net proceeds of such notional sales will be invested in the Notional Bond Portfolio). The return on the Deposit Notes is based on the performance of the Energy Portfolio for the period beginning approximately ten Business Days prior to the Closing Date to the Final Valuation Date using the average prices at which Energy Securities are

notionally acquired and sold. In order for the Payment at Maturity to exceed the Deposit Amount, the return on the notional assets in the Basket over the term of the Deposit Notes will have to exceed the aggregate fees and expenses paid by the Note Program during the term of the Deposit Notes.

Extraordinary Events

Where the Manager and the Calculation Agent have determined in respect of an Extraordinary Event that the Note Program will no longer have exposure to the Energy Portfolio and the Basket will consist entirely of the Notional Bond Portfolio, (i) the entire value of the Energy Portfolio calculated as of the date of the Extraordinary Event will be notionally invested in the Notional Bond Portfolio, (ii) no further Variable Return will be earned even though the Energy Securities and the Energy Index may earn a positive return following the Extraordinary Event, (iii) the Deposit Amount will be paid at, but not prior to, Maturity, and (iv) the possibility of a Holder receiving any Variable Return at Maturity is significantly reduced. Following an Extraordinary Event, a Holder would continue to be able to sell a Deposit Note in accordance with the terms and subject to the restrictions of the secondary market, if any, offered by BMO Capital Markets. See “Secondary Market”.

If an event occurs in respect of an Energy Security or the Energy Index which would otherwise constitute an Extraordinary Event, then in lieu of making a determination in respect of an Extraordinary Event, the Manager may in its discretion, in consultation with the Calculation Agent, and upon giving notice to the Holders on a Business Day (the date of such notification being the “Substitution Date”), replace the Energy Security or the Energy Index Security, as the case may be, (the “Deleted Energy Instrument”) with a notional investment in the Energy Index Security or a portfolio of energy securities or an alternative energy index, as the case may be, (the “Replacement Energy Instrument”, which, for purposes of the following calculation, includes any such notional investment in the Energy Index Security), provided that such replacement will, in the determination of the Manager in consultation with the Calculation Agent, have the effect of eliminating the Extraordinary Event. In calculating the value of the Energy Portfolio (including, for greater certainty, the Replacement Energy Instrument following the Substitution Date) for purposes of determining the Variable Return, if any, payable on the Deposit Notes, the return for the Deleted Energy Instrument and the Replacement Energy Instrument shall together be the number (which may be positive or negative) equal to the sum of (a) the return for the Deleted Energy Instrument from the Closing Date to the Substitution Date, calculated as if the Substitution Date were the Final Valuation Date, and (b) the return for the Replacement Energy Instrument from the Substitution Date to the Final Valuation Date, calculated as if the Substitution Date were the Closing Date. The Calculation Agent may make such other adjustments, if any, to the Variable Return Payment Formula as it reasonably determines appropriate to account for the substitution of the Replacement Energy Instrument for the Deleted Energy Instrument.

Reallocation of Assets

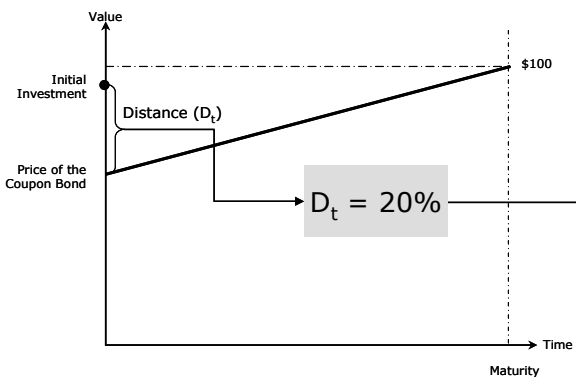
The allocation and reallocation of assets in the Basket between the Energy Portfolio and the Notional Bond Portfolio will be made in accordance with the methodology (the “Asset Allocation Methodology”) set out below.

The Calculation Agent will determine Distance (or D_t) and the Weight on each Calculation Date. Basket Value on a Calculation Date for purposes of determining Distance (or D_t) will be calculated in Canadian currency based on converting the value of US dollar Energy Securities on the Calculation Date to Canadian dollars using the Exchange Rate on the Calculation Date. If Distance for a Calculation Date is in a new distance range in the table of distance ranges below (as compared to the distance range applicable for the Calculation Date immediately preceding such Calculation Date), then (but not otherwise) the assets in the Basket will be reallocated to closely achieve the new Weighting applicable to the new distance range. A downward adjustment in Weighting will be achieved through notional sale of the Energy Index Security followed by notional sale of Energy Securities (in proportion to their respective prevailing values as determined by the Calculation Agent) but only to the extent the downward adjustment in Weighting cannot be achieved through notional sale of the Energy Index Security. An upward adjustment in Weighting will be achieved through notional purchases of Energy Securities (in proportion to their respective prevailing values as determined by the Calculation Agent). The foregoing reallocation between the Energy Portfolio and Notional Bond Portfolio will occur within ten Business Days following such Calculation Date. There may be circumstances that result in the actual Weighting of the Energy Portfolio being different from the “target” Weighting. If at any time the Calculation Agent determines that it is unable to make the calculations and determinations required for the Asset Allocation Methodology, the Calculation Agent may make such adjustments as it determines necessary.

The following diagrams, based on hypothetical scenarios, demonstrate how the notional assets in the Basket will be allocated and reallocated between the Energy Portfolio and the Notional Bond Portfolio based on the Distance (D_t). The diagrams on the left-hand side show the calculation of the Distance (a) as at the closing of the Offering, (b) as at the end of Year 1 where the Basket Value has increased and (c) as at the end of Year 2 where the Basket Value has decreased. The diagrams on the right-hand side for the corresponding time periods show the reallocation of the assets in the Basket based upon the changes in the “Distance” or “ D_t ”

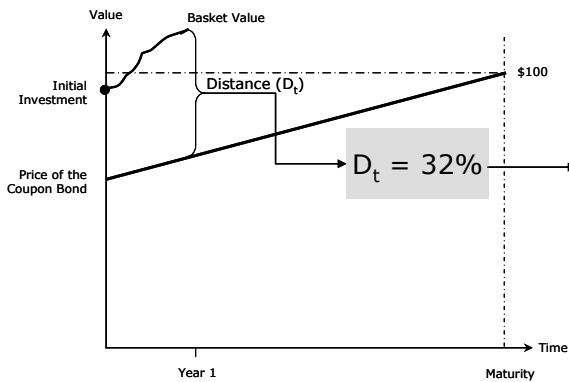
Distance Range	Weighting
$D_t > 30.0\%$	125%
$15.0\% \leq D_t < 30.0\%$	100%
$11.0\% \leq D_t < 15.0\%$	80%
$7.5\% \leq D_t < 11.0\%$	60%
$4.5\% \leq D_t < 7.5\%$	40%
$2.5\% \leq D_t < 4.5\%$	20%
$D_t \leq 2.5\%$	0%

Day One



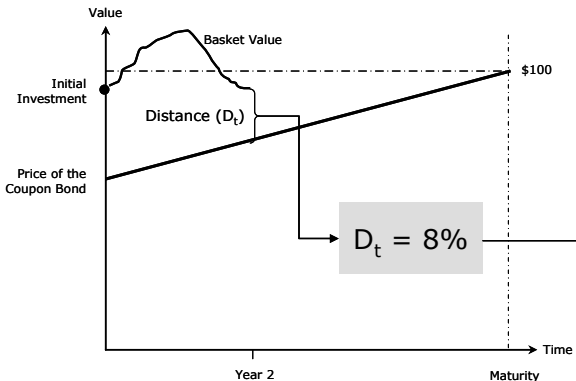
Distance Range	Weighting
$D_t > 30.0\%$	125%
$15.0\% < D_t \leq 30.0\%$	100%
$11.0\% < D_t \leq 15.0\%$	80%
$7.5\% < D_t \leq 11.0\%$	60%
$4.5\% < D_t \leq 7.5\%$	40%
$2.5\% < D_t \leq 4.5\%$	20%
$D_t \leq 2.5\%$	0%

Year 1

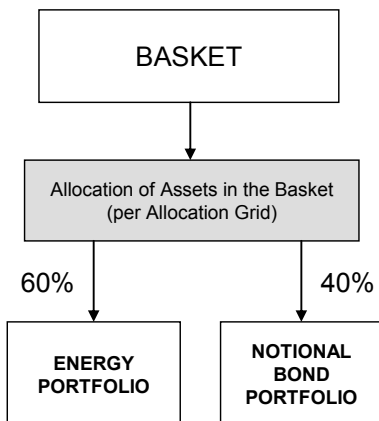
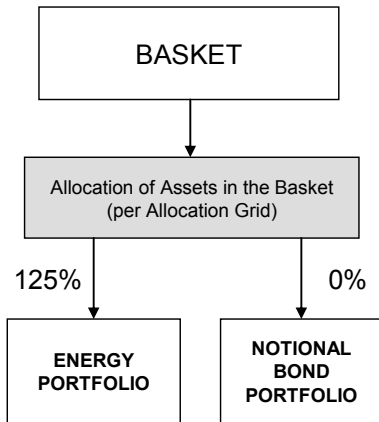
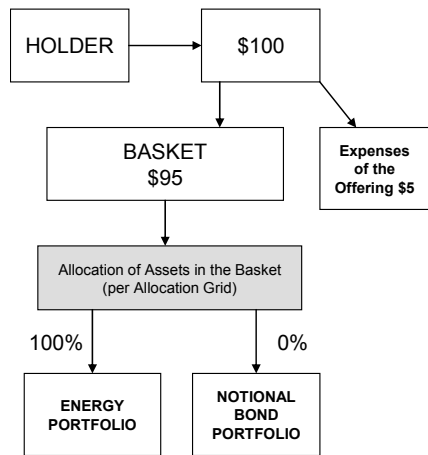


Distance Range	Weighting
$D_t > 30.0\%$	125%
$15.0\% < D_t \leq 30.0\%$	100%
$11.0\% < D_t \leq 15.0\%$	80%
$7.5\% < D_t \leq 11.0\%$	60%
$4.5\% < D_t \leq 7.5\%$	40%
$2.5\% < D_t \leq 4.5\%$	20%
$D_t \leq 2.5\%$	0%

Year 2



Distance Range	Weighting
$D_t > 30.0\%$	125%
$15.0\% < D_t \leq 30.0\%$	100%
$11.0\% < D_t \leq 15.0\%$	80%
$7.5\% < D_t \leq 11.0\%$	60%
$4.5\% < D_t \leq 7.5\%$	40%
$2.5\% < D_t \leq 4.5\%$	20%
$D_t \leq 2.5\%$	0%



GENERATION CAPITAL

Generation Capital is a limited market dealer with its principal place of business at 9 Sultan St. Suite 201, Toronto, Ontario, M5S 1L6. Generation Capital is providing structuring expertise, ongoing administrative support and other services to the Note Program.

Energy Portfolio

The Energy Portfolio has been designed with the objective of providing exposure to the energy sector through a balanced portfolio of notional investments in bonds, common shares and American depository receipts of issuers in the energy sector. The Energy Portfolio may also include a notional investment that provides exposure to the aggregate capital value and distributions associated with holding the securities of the Energy Index.

The Energy Portfolio initially will be comprised of Energy Bonds (in equal proportions by value) and Energy Equities (in equal proportions by value) representing in aggregate approximately 40% and 60%, respectively, of the initial value of the Energy Portfolio. The Energy Portfolio will include the Energy Index Security so long as Distributions, if any, remain invested in the Energy Index Security. The proportions of Energy Bonds, Energy Equities and the Energy Index Security in the Energy Portfolio will vary over time according to fluctuations in their respective values. Each Energy Security will involve a different Issuer.

The composition of the Energy Portfolio may change in certain circumstances. See “Note Program - Extraordinary Events” and “Adjustments”.

Energy Bonds

As at the date of this Information Statement, it is anticipated that the Energy Bonds will be comprised of the following Canadian dollar bonds:

Bond	Coupon (%)	Maturity
TransCanada PipeLines Limited	5.10	1/11/17
Enbridge Inc.	5.00	8/9/16
Gaz Métro Inc.	5.45	7/12/21
Canadian Natural Resources Limited	4.95	6/1/15
Hydro One Inc.	4.64	3/3/16

Initially an equal value of each Energy Bond will be included in the Energy Portfolio and such initial values in aggregate will approximate 40% of the initial value of the Energy Portfolio. The proportions of Energy Bonds in the Energy Portfolio will vary over time according to fluctuations in their respective values.

Performance of Energy Bonds

The following table contains historical returns (1 month, 3 months, YTD and 1 year) for the Energy Bonds as of August 31, 2006 and is not intended to be, nor should it be construed to be, an indication as to the future returns or volatility of any or all of the Energy Bonds or the Energy Bonds component of the Energy Portfolio or the potential return, if any, on the Deposit Notes. All returns are based on total return of the applicable Energy Bond (the appreciation or depreciation in market price of the Energy Bond plus any coupon payments made or accrued during the period) and do not include any applicable charges or taxes, which would have reduced returns. The Energy Portfolio, including the portion comprised of Energy Bonds, is subject to annual energy portfolio fees. As a result of the annual energy portfolio fees, the performance of the Energy Bonds component of the Energy Portfolio would have been lower than the past performance figures reflected below and will be lower than the performance if the Energy Bonds in the Energy Portfolio were invested in directly.

Energy Bond	Issue Date	1 month	3 month	YTD	1 Year
TransCanada PipeLines Limited	1/11/2005	2.55%	4.62%	2.97%	2.59%
Enbridge Inc.	8/9/2006	N/A	N/A	N/A	N/A
Gaz Métro Inc.	7/10/2006	N/A	N/A	N/A	N/A
Canadian Natural Resources	5/31/2005	1.72%	3.53%	1.57%	1.15%
Hydro One Inc.	3/3/2006	2.24%	4.03%	N/A	N/A

Source: Bloomberg and S&P/TSX Canadian Bond Index, August 31, 2006.

Further information about the Energy Bonds and the Issuers of the Energy Bonds may be obtained at www.sedar.com or through your advisor.

Energy Equities

As at the date of this Information Statement, it is anticipated that the Energy Equities will be comprised of the following US dollar and Canadian dollar common shares and US dollar American depository receipts:

Energy Equities-	Country	Market Capitalization of Company (billions)	Price/Earnings Ratio	Dividend Yield
BP Plc. – Spons ADR	Great Britain	GBP 117,889.00	10.07	4.05%
Chevron Corporation	United States	USD 141,550.41	8.86	3.38%
ConocoPhillips	United States	USD 104,520.20	5.88	2.46%
ENI S.p.A - Spons ADR	Italy	EUR 95,728.08	10.21	5.45%
Exxon Mobil Corporation	United States	USD 402,295.22	11.17	1.98%
Petro-Canada	Canada	CAD 23,647.75	10.70	0.92%
Royal Dutch Shell, Plc ‘A’ - ADR	Netherlands	EUR 178,887.20	7.76	3.72%
Shell Canada Limited	Canada	CAD 29,633.64	17.01	1.34%
TOTAL S.A. - Spons ADR	France	EUR 127,791.89	9.37	3.25%

Source: Bloomberg, August 31, 2006. This Information is not intended to be, nor should it be construed to be, an indicator as to the future market capitalization, price/earnings ratio or dividend yield of the Energy Equities.

Initially an equal value of each Energy Equity will be included in the Energy Portfolio and such initial values in aggregate will approximate 60% of the initial value of the Energy Portfolio. The proportions of Energy Equities in the Energy Portfolio will vary over time according to fluctuations in their respective values.

Performance of Energy Equities

The following two tables contain historical returns (1 month, 3 months, YTD and 1 year) and annualized compounded returns (2, 3, 5 and 10 years) for the Energy Equities as of August 31, 2006, and are not intended to be, nor should they be construed to be, an indication as to the future returns or volatility of any or all of the Energy Equities or the Energy Equities component of the Energy Portfolio or the potential return, if any, on the Deposit Notes. The tables assume that all Distributions on an Energy Equity were reinvested in additional Energy Equities of the same class and type and do not include any applicable charges or taxes, which would have reduced returns. The Energy Portfolio, including the portion comprised of Energy Equities, is subject to annual energy portfolio fees. As a result of the annual energy portfolio fees, the performance of the Energy Equities component of the Energy Portfolio would have been lower than the past performance figures reflected below and will be lower than the performance if the Energy Equities in the Energy Portfolio were invested in directly.

Additionally, the returns of the Energy Equities denominated in US dollars have been calculated using the performance of such Energy Equities as reported in US dollars. The Deposit Notes are denominated and payable in Canadian dollars. Appreciation of the Canadian dollar against the US dollar could result in decreased performance on a Canadian dollar basis. Accordingly, as a result of the changes in the value of the Canadian dollar relative to the US dollar, the performance of the US dollar denominated Energy Equities could have been lower than the past performance figures reflected below if returns had been calculated in Canadian dollars.

Energy Equities denominated in Canadian dollars

Energy Equities	1 Month	3 Month	YTD	1 Year	2 Year	3 Year	5 Year	10 Year
Petro-Canada	-6.48%	-5.44%	1.79%	-0.86%	25.09%	21.05%	20.39%	19.59%
Shell Canada Limited	-8.70%	-10.07%	-13.93%	-5.70%	29.98%	28.84%	23.03%	23.87%

Source: Bloomberg, August 31, 2006.

Energy Equities denominated in US dollars

Energy Equities	1 Month	3 Month	YTD	1 Year	2 Year	3 Year	5 Year	10 Year
BP Plc. – Spons ADR	-5.38%	-2.94%	8.53%	2.75%	16.18%	21.62%	9.69%	12.30%
Chevron Corporation	-1.32%	8.57%	16.28%	8.36%	18.63%	24.92%	11.03%	11.68%
ConocoPhillips	-7.59%	0.75%	10.90%	-1.66%	33.47%	34.54%	19.55%	13.24%

ENI S.p.A - Spons ADR	-0.36%	4.06%	12.91%	8.41%	27.57%	31.75%	23.47%	17.44%
Exxon Mobil Corporation	0.36%	11.61%	22.28%	15.25%	23.61%	24.21%	13.63%	15.45%
Royal Dutch Shell, Plc 'A' - ADR	-1.76%	4.89%	15.16%	9.98%	N/A	N/A	N/A	N/A
TOTAL S.A. - Spons ADR	-1.17%	3.40%	10.20%	7.11%	21.95%	24.96%	16.55%	16.72%

Source: Bloomberg, August 31, 2006.

Further information about the Energy Equities and the Issuers of the Energy Equities may be obtained at www.sedar.com for Canadian Energy Equities and www.sec.gov/edgar.shtml for US Energy Equities or through your advisor.

Energy Index Security

The Energy Index Security is intended to approximate the aggregate capital value and distributions associated with holding all of the securities that comprise the Energy Index in the same proportions as such securities are reflected in the Energy Index.

The terms of the Energy Index Security, including the exposure to the Energy Index provided under the Energy Index Security, may be adjusted from time to time in the sole and absolute discretion of BMO Capital Markets.

Distributions will be deemed to be paid on the Energy Index Security in each calendar quarter in an amount that approximates the amount of distributions that would be received if (i) securities comprising the Energy Index were held in proportion to their inclusion in the Energy Index, and (ii) distributions, if any, on such securities were received on their "ex-dividend date", provided that (iii) such distributions are actually paid and received prior to the Final Valuation Date. Any such distributions deemed to be paid in a calendar quarter that are not used to pay fees and expenses of the Note Program will be reinvested in the Energy Index Security at the end of the quarter.

The Energy Portfolio will include the Energy Index Security so long as Distributions on the Energy Portfolio, if any, that are not used to pay fees and expenses of the Note Program remain invested in the Energy Index Security. It is possible that the Energy Portfolio will not generate sufficient Distributions to result in a notional investment in the Energy Index Security.

Energy Index

The Energy Index (i.e. the S&P/TSX Capped Energy Index) is a sector-based index of securities in the energy sector that is a subset of the S&P/TSX Composite Index, which measures performance of the broad Canadian market. Individual constituent securities have their relative weights capped at 25%. The number of constituents is not fixed. A list of securities presently included in the Energy Index may be obtained at www.tsx.com and further information about such securities may be obtained at www.sedar.com or through your advisor.

Adjustments

If a Substitution Event occurs with respect to an Energy Security or an Issuer of an Energy Security, the Manager in its sole and absolute discretion may, to the extent possible, notionally sell the Energy Security and, if available, replace such Energy Security in the Energy Portfolio with another notional investment acceptable to it (including a notional investment in the Energy Index Security) or make such other adjustments to the Energy Portfolio as it determines necessary. The Manager also has the sole and absolute discretion to make other adjustments to the Energy Securities as it deems appropriate from time to time and to determine which, and how many, Energy Securities are included in the Energy Portfolio.

NAV PER NOTE

Determination of the NAV per Note

The NAV per Note as at the close of business on any Business Day is equal to the Basket Value as at such time and will be calculated by the Manager when the Basket Value and the Weighting are made available by the Calculation Agent.

Temporary Suspension of Calculation of the NAV per Note

The Manager may suspend the calculation of the NAV per Note during the existence of any state of affairs that makes the calculation of the NAV per Note impossible, impractical or prejudicial to Holders, including, without limitation:

- (A) the interruption, breakdown or suspension of, or limitation on trading with respect to an Energy Security, (i) on an applicable stock exchange or (ii) on an applicable related market in futures or options pertaining to an Energy Security;
- (B) any period when any emergency exists as a result of which disposal by the Note Program of any or all of its notional assets is not practically feasible;
- (C) any period when for any reason the prices of any or all of the notional assets of the Note Program cannot be reasonably, promptly or accurately ascertained by the Manager;
- (D) any period when remittance of monies which will or may be involved in the realisation of, or in the payment for, Energy Securities or the Energy Index Security cannot be carried out at normal rates of exchange; or
- (E) any period when S&P ceases to calculate the Energy Index or the level of the Energy Index as calculated by S&P is unavailable.

Consequences of Suspension of Calculation of the NAV per Note

If the Manager suspends the calculation of the NAV per Note, BMO Capital Markets will not be able to fairly and accurately determine the bid price for Deposit Notes in order to facilitate a secondary market. Without limiting BMO Capital Markets' sole discretion to suspend without notice the secondary market in the Deposit Notes, BMO Capital Markets may suspend the secondary market for the Deposit Notes if the Manager suspends the calculation of the NAV per Note. See "Secondary Market". Certain situations where the determination of the NAV per Note is suspended may also result in an Extraordinary Event. See "Note Program – Extraordinary Events".

SECONDARY MARKET

Deposit Notes purchased through FundSERV may be "redeemed" in FundSERV on a daily basis. Any such redemption would actually be a sale to BMO Capital Markets in the secondary market. BMO Capital Markets will use reasonable efforts, subject to normal market conditions, to arrange for a secondary market for the sale of Deposit Notes by Holders through FundSERV.

In order to sell a Deposit Note, a Holder must arrange through his or her investment advisor to give notice to BMO Capital Markets either in writing or electronically through the FundSERV system. 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. The Deposit Notes will not be listed on any stock exchange. See also "FundSERV" below for details in respect of secondary market trading where the Deposit Notes are held through participants in FundSERV. The sale of a Deposit Note to BMO Capital Markets will be effected at a price equal to (i) the bid price for the Deposit Note, determined by BMO Capital Markets in its sole discretion, minus (ii) any applicable Early Trading Charge as set out below.

The Deposit Notes are intended to be instruments held to maturity with their principal repayable 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 discretion, and will be dependent upon a number of factors, which may include, among other things: (i) how much the Basket Value has risen or fallen since the Closing Date; (ii) the fact that during the term of the Deposit Notes assets in the Basket will be reallocated from time to time between the Energy Portfolio and the Notional Bond Portfolio; and (iii) a number of other interrelated factors, including, without limitation, volatility of the Basket Value, prevailing interest rates and foreign exchange rates and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note: (a) may have a non-linear sensitivity to the increases and decreases in the value of the Energy Portfolio (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the value of the Energy Portfolio); and (b) may be substantially affected by changes in the level of interest rates independent of performance of the Basket.

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

<i>If Sold Within</i>	<i>Early Trading Charge</i>
One year	6.95%
Two years	4.65%
Three years	2.30%
Thereafter	Nil

A Holder should be aware that any valuation price for the Deposit Notes appearing in his or her periodic investment account statements, as well as any bid price quoted to the Holder to sell his or her Deposit Notes, within the first three years of the Closing Date, will be before the application of any applicable Early Trading Charge. A Holder wishing to sell a Deposit Note prior to Maturity should consult his or her investment advisor on whether a sale of the Deposit Note will be subject to an Early Trading Charge and, if so, the amount of the Early Trading Charge. If a Holder sells his or her Deposit Notes prior to Maturity, such Holder may have to do so at a discount from the Deposit Amount of the Deposit Note even if the performance of the Energy Portfolio has been positive, and as a result, such Holder may suffer losses.

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

A Holder should consult his or her investment 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 the Maturity Date. A Holder should also consult his or her tax advisor as to the tax consequences arising from a sale of a Deposit Note prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Income Tax Considerations”.

BMO Capital Markets, or any of its 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 a clearing and settlement service operated by FundSERV Inc. (“FundSERV”). The following information about FundSERV is relevant for Holders. Holders should consult with their financial advisors as to whether their Deposit Notes have been purchased through FundSERV and to obtain further information on applicable FundSERV procedures.

Where a Holder’s purchase order for Deposit Notes is effected by a dealer or other firm through FundSERV, such dealer or other firm may not be able to accommodate a purchase of Deposit Notes through certain registered plans for purposes of the *Income Tax Act* (Canada). Holders should consult their financial advisors as to whether their orders for Deposit Notes will be made through FundSERV 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 online order access for such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating members in electronically placing, clearing and settling mutual fund orders. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial advisors, such as the Deposit Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

Deposit Notes Held Through the Custodian

All Deposit Notes will initially be issued in the form of a fully registered global deposit note (a “Global Note”) that will be deposited with CDS. Deposit Notes purchased through FundSERV (“FundSERV Notes”) will also be evidenced by the Global Note, as are all other Deposit Notes. Holders holding FundSERV Notes will therefore have a 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 will, in turn, 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 through FundSERV by CDS Participants or non-CDS Participants, as the case may be.

Purchase Through FundSERV

In order to purchase FundSERV Notes, the full aggregate Subscription Price therefor must be delivered to BMO Capital Markets in immediately available funds prior to the Closing Date. Despite delivery of such funds, BMO Capital Markets 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 case, whether or not the FundSERV Notes are issued, no interest or other compensation will be paid to the subscriber on such funds.

Sale Through FundSERV

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. 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 redemption request will need to be initiated by 1:00 p.m. (Toronto time, or such other time as may hereafter be established by FundSERV) on a Business Day. Any request received after such time will be deemed to be a request sent and received in respect of the next following Business Day. Sale of a FundSERV Note will be effected at a sale price equal to (i) the bid price for the FundSERV Note determined by BMO Capital Markets, acting in its sole discretion minus (ii) any applicable Early Trading Charge. The Holder should be aware of the limitations and restrictions surrounding the secondary market. See “Secondary Market”.

The Holder should also be aware that, although the “redemption” procedures of FundSERV 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 might 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 Manager is required to post or arrange to be posted the NAV per Note on each Business Day, subject to a suspension of the calculation of the NAV per Note described under “NAV per Note - Temporary Suspension of Calculation of the NAV per Note”. The posted NAV per Note may also be used for valuation purposes in any statement sent to Holders. The sale price will actually represent BMO Capital Markets’ bid price for the Deposit Notes (i.e., the price it is offering to purchase Deposit Notes in the secondary market) as of the applicable Business Day, less any applicable Early Trading Charge. There is no guarantee that the sale price for any day is the highest bid price possible in any secondary market for the Deposit Notes, but will represent BMO Capital Markets’ bid price generally available to all Holders as at the relevant close of business, including clients of BMO Capital Markets.

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

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 that contains the full text of such attributes and characteristics.

Offering

The Bank of Montreal Generation Capital Integrated Energy Protected Deposit Notes, Series 1 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 maximum issue size of the Offering is \$50,000,000. Bank of Montreal may change the maximum size of the Offering at its discretion.

Bank of Montreal is offering the Deposit Notes through the mutual fund order entry system FundSERV. Subscriptions for Deposit Notes may be made through FundSERV under the mutual fund order code “JHN 1100” which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all documents required for this transaction 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 aggregate Deposit Amounts of the Deposit Notes issued on the Closing Date 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, as applicable. The Deposit Notes may not be called for redemption by Bank of Montreal prior to Maturity.

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

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

Maturity and Principal Repayment

The Deposit Notes will mature on or about October 31, 2015. At Maturity, each Holder of the Deposit Notes will be entitled to receive, in respect of each Deposit Note, an amount equal to the NAV per Note. The NAV per Note at Maturity will be an amount equal to the Deposit Amount plus the Variable Return, if any. See “Description of the Deposit Notes – Settlement of Payments”.

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

The Deposit Notes have certain characteristics that differ from conventional fixed income instruments. The Deposit Notes do not provide Holders with a return or income stream prior to Maturity and do not provide a return at Maturity that is calculated by reference to a specified fixed or floating rate of interest. 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 Basket does not generate positive returns, the Deposit Notes could produce no return on the Holder’s original investment. There is no assurance that the Basket will generate positive returns. Therefore, the Deposit Notes are not suitable investments for an investor who needs or expects to receive any payments during the term of the Deposit Notes or a return on investment at Maturity. The Deposit Notes are designed for investors with a long-term investment horizon who are prepared to hold the Deposit Notes to Maturity and assume risks with respect to a return based on the performance of the Energy Portfolio. Prospective purchasers should take into account additional risk factors associated with this Offering. Also, there is no assurance that the Energy Portfolio will be able to achieve its objective or the intended benefits of its strategy or generate notional distributions. See “Risk Factors”.

Rank; No Deposit Insurance

The Deposit Notes will constitute direct unconditional obligations of Bank of Montreal. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu*, as among themselves and with all other outstanding direct, unsecured and unsubordinated, present and future obligations (except as otherwise prescribed by law) of Bank of Montreal, and will be payable rateably without any preference or priority. **The Deposit Notes will not be 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.**

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 his or her investment advisor on whether the Holder’s investment in the Deposit Notes is eligible for protection in light of such Holder’s particular circumstances.

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 (low) by DBRS, AA- by S&P and Aa3 by Moody’s. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as other 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.

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 third Business Day following the Maturity Date, funds in an amount sufficient to pay the amounts then due 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 by FundSERV to non-CDS Participants (or CDS Participants, if applicable) 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 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 equity that may be subsisting with respect to any Deposit Note.

Deferred Payment

Federal laws of Canada prohibit anyone from receiving interest at an effective rate that is greater than 60% each year. Therefore, in the event that the Variable Return is greater than 60% a year at Maturity, Bank of Montreal will pay to the Holder at Maturity only the amount of the Variable Return that constitutes 60% a year and pay the balance together with interest at Bank of Montreal's equivalent term deposit rate as soon as such laws permit. In addition, Bank of Montreal may withhold a portion of any payment to a Holder that Bank of Montreal is legally able or required to withhold.

Book-Entry System

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

Global Note

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

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

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

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

participants and the Custodian, if any, would authorize beneficial owners owning through them to direct or take that action or would otherwise act upon the instructions of beneficial owners holding through them. See “Description of the Deposit Notes – Custodian”.

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

Bank of Montreal expects that the depository for any of the Deposit Notes represented by a registered Global Note, upon receipt of any payment on the Deposit Notes, will immediately credit participants’ accounts in amounts proportionate to their respective interests in that registered Global Note as shown on the records of the depository. Bank of Montreal also expects that payments by participants to owners of beneficial interests in a registered Global Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of those participants.

Custodian

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

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

Definitive Deposit Notes

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

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

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

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

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

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

Payments on a definitive Deposit Note, if issued, will be made by cheque mailed to the applicable registered Holder at the address of the Holder appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Holder at least five Business Days before the date of the payment and agreed to by Bank of Montreal, by electronic funds transfer to a bank account nominated by the Holder with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Holder first delivering the Deposit Note to the paying

and transfer agent who reserves the right on behalf of Bank of Montreal, in the case of payment of the Variable Return on the Deposit Notes and the Deposit Amount under the Deposit Note in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

Notices to Holders

All notices to the Holders regarding the Deposit Notes will be validly given if published once in a French language Canadian newspaper and in the national edition of an English language Canadian newspaper. The Manager will give notice as aforesaid to the Holders of any material change or material fact relating to the Deposit Notes including a complete discontinuance of investing in securities providing exposure to issuers in the energy sector.

Amendments to the Notes

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 the Holders. In all other cases, the Global Note may be amended if the amendment is approved by a resolution passed by the favourable votes of Holders representing not less than 66 $\frac{2}{3}$ % of the outstanding aggregate Deposit Amounts of the Deposit Notes represented 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.

Holders' Right of Rescission

A person may rescind any order to buy a Deposit Note (or its purchase if issued) within 48 hours following the earlier of actual receipt or deemed receipt of this Information Statement. Upon rescission, the person is entitled to a refund of the Subscription Price and any fees relating to the purchase that have been paid by the person. This rescission right does not extend to Holders buying a Deposit Note in the secondary market. A person will be deemed to have received this Information Statement (i) on the day recorded as the time of sending by the server or other electronic means, if provided by electronic means, (ii) on the day recorded as the time of sending by fax machine, if provided by fax, (iii) five days after the postmark date, if provided by mail, and (iv) when it is received, in any other case.

Determinations

All calculations and determinations of each of the Calculation Agent and the Manager shall, absent manifest error, be final and binding on Bank of Montreal and the Holders.

EXPENSES OF THE OFFERING

Expenses of the Offering of \$5.00 (5.00%) per Deposit Note will be paid out of the Offering proceeds on or about the Closing Date to the Selling Agent. The Selling Agent will pay all or a portion of this amount to sub-agency groups including other qualified selling members for selling the Deposit Notes.

FEES AND EXPENSES OF THE NOTE PROGRAM

The total annual fees that will be paid in respect of the Basket under the Note Program will vary depending on the allocations between the Energy Portfolio and the Notional Bond Portfolio in the Basket from time to time during the term of the Deposit Notes.

For each of the first eight years from the closing of the Offering, a portion of total annual fees under the Note Program in an amount equal to \$0.30 per Deposit Note will be paid by Bank of Montreal to qualified selling members in respect of Deposit Notes held by their clients.

In order for the Payment at Maturity to exceed the Deposit Amount, the return on the Basket during the term of the Deposit Notes will have to exceed the aggregate fees and expenses (including interest on notional borrowings, if any) paid by the Note Program during the term of the Deposit Notes.

Annual Energy Portfolio Fees

The total annual fees applicable to the Energy Portfolio under the Note Program will be comprised of annual energy portfolio fees equal to 2.60% of the value of the Energy Portfolio (including any Energy Securities acquired with notionally borrowed money resulting from Weighting of greater than 100%). The annual energy portfolio fees of 2.60% account for all fees and expenses (other than interest on notional borrowings, if any) applicable to the Energy Portfolio under the Note Program including fees for the services provided by Generation Capital and its affiliates.

Annual fund portfolio fees of 2.60% will be calculated and accrued daily and paid to Bank of Montreal monthly out of (in the order indicated) (i) available Distributions that have not been invested in the Energy Index Security, (ii) notional sale of the Energy Index Security, and (iii) notional sale of Energy Securities (in proportion to their respective prevailing values as determined by the Calculation Agent) provided that a subsequent source of payment shall be resorted to only to the extent prior source(s) of payment have been exhausted. Bank of Montreal will pay a portion of such fees to Generation Capital and will retain the remainder. The annual energy portfolio fees reduce the value of the Energy Portfolio and will therefore affect the Variable Return, if any, paid to Holders at Maturity.

Annual Bond Portfolio Fees

The total annual fees applicable to the Notional Bond Portfolio under the Note Program will be comprised of annual bond portfolio fees equal to 0.75% of the face amount of the Coupon Bonds in the Basket, which account for all fees and expenses applicable to the Notional Bond Portfolio under the Note Program. Bank of Montreal will be paid the annual bond portfolio fees. For further clarity, the 0.75% coupon paid on the Coupon Bonds in the Basket will be used to pay such annual fees and will not accrue to the benefit of the Holders of the Deposit Notes.

Leverage

In consideration for the Manager providing leverage to the Basket, interest on any amounts notionally borrowed under the Note Program will be calculated and accrued daily at an annual interest rate equal to the Bankers' Acceptance Rate plus one-quarter of one percent. Such interest will be paid to the Manager monthly out of (in the order indicated) (i) available Distributions that have not been invested in the Energy Index Security, (ii) notional sale of the Energy Index Security, and (iii) notional sale of Energy Securities (in proportion to their respective prevailing values as determined by the Calculation Agent) provided that a subsequent source of payment shall not be resorted to until prior source(s) of payment have been exhausted. See "Note Program".

RISK FACTORS

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

Suitability of Deposit Notes for Investment

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

The Deposit Notes have certain investment characteristics that differ from conventional fixed income investments. The Deposit Notes do not provide Holders with a return or income stream prior to Maturity and do not provide a return at Maturity that is calculated by reference to a specified fixed or floating rate of interest. Therefore, an investment in the Deposit Notes is only suitable for investors prepared to assume the risks associated with an investment whose return is based on the performance of the Basket. The Deposit Amount is only repaid if the Deposit Notes are held to Maturity. The Deposit Notes are not conventional indebtedness. There will be no interest payments to Holders during the term of the Deposit Notes. The Deposit Notes do not have a fixed yield and could produce no yield. Therefore, the Deposit Notes are not suitable investments for investors who need or expect any payments during the term of the Deposit Notes or a return on investment.

Investors should understand that the risk involved in this type of investment is greater than that normally associated with other types of investments. The Energy Securities and the Energy Index Security can be subject to sudden, unexpected and substantial price movements and various other risks that can lead to substantial losses in the value of the Basket within a short period of time.

Non-Conventional Deposit Notes

The Deposit Notes are not conventional notes or debt instruments. The Deposit Notes do not provide Holders with a return or income stream prior to Maturity and do not provide a return at Maturity that is calculated by reference to a specified fixed or floating rate of interest. Holders of Deposit Notes do not have an opportunity to reinvest any amounts generated by the Deposit Notes prior to Maturity nor will they be able, prior to Maturity, to determine the amount of the return, if any, that they will receive on their Deposit Notes at Maturity.

Uncertain Return Until Maturity

There is no assurance that the Energy Portfolio will be able to achieve its objective or the intended benefits of its strategy or generate notional distributions.

The return, if any, on the Deposit Notes will be uncertain until the Maturity Date. Generally, whether or not there is a return on the Deposit Notes at the Maturity Date will depend on the performance of the Energy Portfolio, as measured by the change, if any, in the value of the Energy Portfolio. There can be no assurance that the Energy Securities or the Energy Index Security will generate Distributions or positive returns. Depending on the performance of the Energy Portfolio at Maturity, Holders may receive only the Deposit Amounts of their Deposit Notes. Holders have no influence over the determinations made under the Asset Allocation Methodology, the Basket Value or the Variable Return Payment Formula.

Secondary Trading of Deposit Notes

The Deposit Notes are designed for investors with long-term investment horizons who are prepared to hold the Deposit Notes to Maturity. The Deposit Notes are not designed as a short-term investment.

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

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

A Holder who sells his or her Deposit Notes in the secondary market may receive less than the Deposit Amount, even if the performance of the Energy Portfolio has been positive and, as a result, could incur a loss in respect of such sale.

The Deposit Amount is repaid by Bank of Montreal only at Maturity. There is no assurance that any premium that may have been paid by a Holder having purchased Deposit Notes in the secondary market will be repaid. The Deposit Notes will not constitute deposits 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. The price that BMO Capital Markets will pay to a Holder for a Deposit Note prior to Maturity will be determined by BMO Capital Markets, acting in its sole discretion, and will be based on, among other things:

- how much the value of the assets in the Basket has risen or fallen since the Closing Date;
- the fact that during the term of the Deposit Notes assets in the Basket will be reallocated from time to time between the Energy Portfolio and the Notional Bond Portfolio; and
- a number of other interrelated factors including, without limitation, volatility of the value of the assets in the Basket, prevailing interest rates and foreign exchange rates and the time remaining to Maturity.

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 Notes (a) may not rise and fall with changes in the value of the Energy Portfolio and (b) may be substantially affected by changes in current interest rates independent of performance of the Basket. The Holders may wish to consult their respective investment 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.

Reallocation of the Basket

If, pursuant to the Asset Allocation Methodology, assets are reallocated from the Energy Portfolio to the Notional Bond Portfolio during the term of the Deposit Notes, such allocation will reduce the exposure of the Note Program to the Energy Portfolio. Any allocation between the Energy Portfolio and the Notional Bond Portfolio will be determined in accordance with the Asset Allocation Methodology. Where Weighting becomes 0% or the Manager and the Calculation Agent have determined in respect of an Extraordinary Event that the Note Program will no longer have exposure to the Energy Portfolio and the Basket will consist entirely of the Notional Bond Portfolio, (i) the entire value of the Energy Portfolio calculated at the particular time will be notionally invested in the Notional Bond Portfolio, (ii) no further Variable Return will be earned even though the Energy Securities or the Energy Index may earn a positive return following the Extraordinary Event, (iii) the Deposit Amount will be paid at, but not prior to, Maturity, and (iv) the possibility of a Holder receiving any Variable Return at Maturity is significantly reduced.

Fees and Expenses

In order for the Payment at Maturity to exceed the Deposit Amount, the return on the notional assets in the Basket over the term of the Deposit Notes will have to exceed the aggregate fees and expenses paid by the Note Program during the term of the Deposit Notes.

Borrowings

It is possible to have a Weighting to the Energy Portfolio in the Basket of up to 125%. If the Weighting exceeds 100%, the Basket will have notionally borrowed money to acquire the additional Energy Securities. The use of borrowed money creates an opportunity for increased exposure to the Energy Securities and the potential of an increased return. At the same time, however, borrowing money creates special risks. Although the principal amount of the money notionally borrowed will be fixed, the value of the Energy Portfolio may change during the time a borrowing is outstanding. Since any decline in the value of the Energy Portfolio will be borne entirely by the Note Program (and not by those persons providing the borrowed money), a decline in the value of the Energy Portfolio will result in a greater decrease in the Basket Value than if no money was borrowed. Decreases in the Basket Value can lead to an increased allocation to the Notional Bond Portfolio under the Asset Allocation Methodology.

Notionally borrowing funds will create interest expense for the Note Program. The interest expense may exceed the net return made from the Energy Securities acquired with the borrowed funds. To the extent that the net return on the Energy Securities acquired with borrowed funds is greater than the interest expense incurred by the Note Program on the borrowed funds, then the return on the Note Program assets will be greater than the return if no funds were borrowed. Conversely, if the net return on the Energy Securities acquired with borrowed funds is not sufficient to cover the interest expense incurred by the Note Program on the borrowed funds, then the return on the Note Program assets will be less than if no funds were borrowed.

Conflicts of Interest

Generation Capital and its directors and officers and their respective affiliates and associates may engage in the management or administration of other investment products or investment funds, which may invest in Energy Securities, the Energy Index Security and Underlying Securities or be otherwise competitive with the Deposit Notes, or may invest in or have business dealings with Issuers or companies whose securities are Underlying Securities. None of the directors or officers of Generation Capital will devote their full time to providing administrative services to the Note Program.

Each of Bank of Montreal, BMO Capital Markets and any of their respective affiliates, may from time to time, in the course of its normal business operations, hold interests linked to the Energy Securities, the Energy Index Security or the Underlying Securities or hold securities of, extend credit to or enter into other business dealings with Generation Capital, the Issuers or one or more of the entities whose securities are Underlying Securities, including under hedging arrangements relating to the Deposit Notes. Each has agreed that all such actions taken by it shall be taken based on normal commercial criteria in the particular circumstances, which may include payment of trailer fees. Such actions may not take into account the effect, if any, of such actions on the amount of Variable Return that may be payable on the Deposit Notes.

Regulatory Change

Future regulatory changes in applicable jurisdictions could have a material adverse effect on the Note Program.

Credit Rating

As at 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 (low) by DBRS, AA- by S&P and Aa3 by Moody's. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as other deposit liabilities of Bank of Montreal. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

Credit Risk

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

No Deposit Insurance

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

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 an investment advisor on whether the Holder's investment in the Deposit Notes is eligible for protection in light of such Holder's particular circumstances.

Extraordinary Events

Following an Extraordinary Event, (i) the entire value of the Energy Portfolio calculated as of the date of the Extraordinary Event will be notionally invested in the Notional Bond Portfolio, (ii) the Deposit Notes will no longer have exposure to the Energy Portfolio and will have exposure only to the Notional Bond Portfolio, (iii) no further Variable Return will be earned even though the Energy Securities or the Energy Index Security may earn a positive return following the Extraordinary Event, and (iv) the possibility of a Holder receiving any Variable Return at Maturity is significantly reduced. See “Note Program – Extraordinary Events”.

No Independent Calculation

As part of its responsibilities, the Manager will be solely responsible for computing the NAV per Note based on the calculations of the Basket Value, Weighting and the Asset Allocation Methodology made by the Calculation Agent. No independent calculation agent will be retained to make or confirm the determinations and calculations made by the Manager or the Calculation Agent.

Risks Relating to Energy Portfolio

The amount of Variable Return, if any, payable on the Deposit Notes is based on the Basket Value, which, to the extent the Basket includes the Energy Securities or the Energy Index Security, is based on the performance of the Energy Portfolio. Accordingly, certain risk factors applicable to investors who invest directly in the Energy Securities, the Energy Index Security and the Underlying Securities are also applicable to an investment in Deposit Notes to the extent that such risk factors could adversely affect the Distributions made by, and the performance of, the Energy Portfolio. Such risk factors include:

Energy Investments

The Energy Portfolio has been designed to provide exposure to the energy sector. The value of the Energy Portfolio will vary with changes in the world price of energy commodities. The world prices for energy have fluctuated widely during recent years and are affected by supply and demand, political events, weather and economic conditions, among other things, which can adversely affect the value of energy-related investments. The business activities of issuers involved primarily in oil and gas or energy exploration and development are speculative and may be adversely affected by factors outside the control of those issuers. Such issuers may not discover, successfully exploit or continue to successfully exploit commercial quantities of petroleum, natural gas, minerals or renewable energy sources, which may adversely affect the value of investments in the securities of such issuers.

Concentration Risk

The notional investments in the Energy Portfolio are concentrated in one sector of the economy, and initially include a relatively small number of Energy Securities. Securities in the same sector tend to be affected by the same factors, and consequently investment performance may be more volatile and strongly affected by changes in the sector or market value of those securities than if the notional investments were diversified among different industry sectors and a larger number of issuers. The Energy Portfolio is expected to remain invested in the energy sector, even during periods when that sector is performing poorly.

Equities

The value of Energy Equities in the Energy Portfolio will be affected by changes in the market price of those Energy Equities as well as general economic factors. The price of an equity is influenced by the outlook for the company that issued it and by general economic, industry and market trends. When the economy is strong, the outlook for many companies will be good, and the price of equity investments will generally rise. On the other hand, the price of equity investments usually declines with a general economic or industry downturn.

Debt Securities

Debt securities are interest-rate sensitive and may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer’s ability to make principal and interest payments on the debt it issues. Investments in debt securities may experience substantial losses due to adverse changes in interest rates and the market’s perception of issuers’ creditworthiness.

No Certainty of Exposure to Energy Index

The Energy Portfolio will include the Energy Index Security so long as Distributions on the Energy Portfolio, if any, that are not used to pay fees and expenses of the Note Program remain invested in the Energy Index Security. There

is no assurance that the Energy Portfolio will generate sufficient Distributions to result in a notional investment in the Energy Index Security. Accordingly, it is possible that the Energy Portfolio may not include the Energy Index Security for all or any part of the term of the Deposit Note.

For a further description of the risks applicable to the Energy Securities, the Issuers, the Underlying Securities and the issuers of the Underlying Securities, a Holder may consult applicable documents publicly available at www.sedar.com for Canadian Energy Securities and Underlying Securities and www.sec.gov/edgar.shtml for US Energy Securities.

Composition

The composition of the Energy Portfolio may change in certain circumstances. See “Note Program – Extraordinary Events” and “Adjustments”.

In addition, the composition of the Energy Index and thus the Energy Index Security may vary from time to time and may from time to time be more concentrated and thus less diversified by type of security or other variable than at other times.

No Ownership

The Deposit Notes will not entitle a Holder to any direct or indirect ownership of or entitlement to (i) Energy Securities, (ii) the Energy Index Security, (iii) the Underlying Securities, or (iv) the assets comprising the Notional Bond Portfolio. As such, a Holder will not be entitled to the rights and benefits of a securityholder, including any right to receive distributions or dividends or to vote at or attend meetings of securityholders.

Owning the Deposit Notes is different from owning Energy Securities, the Energy Index Security or the Underlying Securities. The Deposit Notes do not represent a substitute for an investment in the Energy Securities, the Energy Index Security or the Underlying Securities. Investing in the Deposit Notes provides the opportunity to participate in the Basket Value, while receiving at Maturity repayment of the Deposit Amount invested in each Deposit Note. As such, the Deposit Notes serve as a way of participating in the appreciation, if any, in the Energy Securities or the Energy Index Security, based on the Basket Value, while assuring the ultimate return of the Deposit Amount invested if held to Maturity.

Foreign Currency Risk

An investment in the Deposit Notes should be made with an understanding that the Deposit Notes will be denominated and payable in Canadian dollars whereas certain Energy Securities will be denominated in US dollars and converted to Canadian dollars at the Exchange Rate for purposes of determining Basket Value. Accordingly, Basket Value is subject to foreign exchange-related risks due to, among other factors, possible significant changes in the value of Canadian currency relative to the United States dollar because of economic, political and other factors. Appreciation of the Canadian dollar against the United States dollar could result in a reduction in Basket Value, notwithstanding that the Deposit Notes are principal protected.

Risks of Error in Replicating Energy Index

An investment in the Deposit Notes should be made with an understanding that the Energy Index Security will not replicate exactly the performance of the Energy Index because (a) the exposure to Underlying Securities provided by the Energy Index Security will only approximate that provided by a direct investment in Underlying Securities in the exact proportions in which they are reflected in the Energy Index, and (b) the return generated by the Energy Index Security will be reduced by fees and expenses of the Note Program, where such transaction costs and expenses would not apply to a direct investment in Underlying Securities. It is possible that the Energy Index Security may not exactly replicate the performance of the Energy Index due to the inability to acquire exposure to Underlying Securities in the exact proportions that they are reflected in the Energy Index from time to time, the temporary unavailability of certain Underlying Securities in the secondary market or due to other extraordinary circumstances. There could also occur a deviation in the tracking of the level of the Energy Index by the Energy Index Security for a variety of other reasons.

US Taxes

US Energy Securities could be subject to US taxation including US withholding tax in respect of Distributions on US Energy Securities, that could have an adverse impact on Basket Value.

INCOME TAX CONSIDERATIONS

In the opinion of McMillan Binch Mendelsohn LLP, counsel to Bank of Montreal, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by a Holder (“Initial Holder”) who purchases Deposit Notes at the time of their issuance. This summary is applicable only to an Initial Holder who is an individual (other than a trust) and, for the purposes of the *Income Tax Act* (Canada) (the “Act”), is 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 the Deposit Notes in the course of carrying on or otherwise as part of a business of trading or dealing in or buying and selling securities; or (ii) the Initial Holder acquired the Deposit Notes as an adventure in the nature of trade. Certain Initial Holders resident in Canada whose Deposit Notes might not otherwise be considered to be capital property or who desire certainty with respect to the treatment of the Deposit Notes as capital property may be entitled to make an irrevocable election to have the Deposit Notes and all of the Initial Holder's other "Canadian securities" deemed to be capital property pursuant to subsection 39(4) of the Act.

This summary is based on the current provisions of the Act and the regulations thereunder (the "Regulations") in force on the date hereof, counsel's understanding of the current administrative and assessing practices of the CRA and all specific proposals to amend the Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative or assessing practices, whether by legislative, governmental or judicial action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Deposit Notes and does not take into account provincial, territorial or foreign income tax legislation or considerations.

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

Variable Return

A Deposit Note is a "prescribed debt obligation" within the meaning of the Act. The rules in the Regulations applicable to a prescribed debt obligation ("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 with regard 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 no Extraordinary Event has occurred and Weighting does not otherwise become fixed at 0%. If, by reason of an Extraordinary Event or the Weighting otherwise becoming fixed at 0%, the Note Program will no longer have exposure to the Energy Portfolio and, thus, the Basket will consist entirely of the Notional Bond Portfolio, an Initial Holder would generally be required to include in income for each taxation year commencing in the taxation year in which the Extraordinary Event occurred or Weighting otherwise becomes fixed at 0% the portion of the Variable Return deemed to accrue as interest to the Initial Holder to the end of the "anniversary day" of the Deposit Note in the taxation year determined in accordance with the prescribed debt obligation rules, except to the extent that the amount was otherwise included in income for the taxation year or a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of any such amount to be included in an Initial Holder's income and will provide the Initial Holder with a copy of such information return.

Disposition of Deposit Notes

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 the amount was otherwise included in income in the taxation year or a preceding taxation year. Bank of Montreal will file an information return with the CRA in respect of any such amount to be included in an Initial Holder's income and will provide the Initial Holder with a copy of such information return.

In certain circumstances, where an investor assigns or otherwise transfers a debt obligation, the amount of interest accrued on the debt obligation to that time, but unpaid, will be excluded from the proceeds of disposition of the obligation and will be required to be included as interest in computing the investor's income for the taxation year in which the transfer occurs, except to the extent the amount has otherwise been included in the investor's income for that year or a preceding year. Under the terms of the Deposit Notes, there should be no amount in respect of Variable Return that will be treated as accrued interest on an assignment or transfer of a Deposit Note prior to the Final Valuation Date unless there has been an Extraordinary Event or Weighting otherwise has become fixed at 0%. Except as described above, while the matter is not free from doubt, a disposition or deemed disposition of a Deposit Note by an Initial Holder should give rise to a capital gain (or capital loss) to the extent the Initial Holder's proceeds of disposition exceed (or are less than) the aggregate of the Initial Holder's adjusted cost base of the Deposit Note and any reasonable costs of disposition. An Initial Holder who disposes of a Deposit Note prior to Maturity should consult his or her tax advisor with respect to his or her particular circumstances.

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

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

PLAN OF DISTRIBUTION

Pursuant to an agreement between Bank of Montreal and the Selling Agent, the Selling Agent has agreed to offer Deposit Notes for sale as agent of Bank of Montreal on a best efforts basis, if, as and when issued by Bank of Montreal. The Deposit Notes are being offered through the mutual fund order entry system FundSERV. Subscriptions for Deposit Notes may be made through FundSERV under the mutual fund order code "JHN 1100" which will result in funds being accumulated in a non-interest bearing account of BMO Capital Markets pending execution of all documents required for this transaction and satisfaction of closing conditions, if any. Holders should recognize that, unless they have purchased the Deposit Notes directly through a representative of BMO Nesbitt Burns Inc., they do not have an account with BMO Nesbitt Burns Inc. Funds in respect of all subscriptions shall be payable at the time of subscription. Bank of Montreal will have the sole right to accept offers to purchase Deposit Notes and may reject any proposed purchase of Deposit Notes in whole or in part, and the right is reserved to close the subscription book at any time. The Selling Agent is a subsidiary of Bank of Montreal. **As a result, Bank of Montreal is a related issuer of the Selling Agent under applicable securities legislation.** The decision to offer the Deposit Notes and the terms of this Offering were negotiated at arm's length between Bank of Montreal and the Selling Agent.

Each Deposit Note will be issued at 100% of its Deposit Amount of \$100.00. The maximum issue size of the Offering is \$50,000,000. Bank of Montreal may change the maximum size of the Offering at its discretion. The Selling Agent will be paid an upfront commission of five percent (5.00%) of the Deposit Amount. The Selling Agent may form a sub-agency group including other qualified selling members and determine the fee payable to the members of such group, which fee will be paid by the Selling Agent out of its own fees. While the Selling Agent has agreed to use its best efforts to sell the Deposit Notes offered hereby, the Selling Agent will not be obligated to purchase any Deposit Notes that are not sold. For greater certainty, BMO Capital Markets may purchase Deposit Notes offered hereby as principal.

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

The closing of this Offering is scheduled to occur on or about November 15, 2006. Bank of Montreal may, at any time prior to the Closing Date, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes. If for any reason the closing of this Offering does not occur, all subscription funds will be returned to subscribers without interest or deduction.

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

No Deposit Notes will be sold to U.S. Persons, as defined in Regulation S of the *United States Securities Act of 1933*.

A Global Note for the aggregate Deposit Amounts of the Deposit Notes issued on the Closing Date 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 transfers of Deposit Notes will be made through the Book-Entry System of CDS or through FundSERV, as applicable. See "Description of the Deposit Notes – Book-Entry System".

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