TERMS SUPPLEMENT TO THE BMO HARRIS DISCLOSURE STATEMENT FOR THE STEPPED RATE 2024 CALLABLE CERTIFICATES OF DEPOSIT

This Terms Supplement should be read in conjunction with the attached BMO Harris Disclosure Statement dated January 2016 and the Trade Confirmation relating to the Stepped Rate 2024 Callable Certificates of Deposit (the “CDs”), and supplements the description of the general terms and provisions of the CDs set forth in such BMO Harris Disclosure Statement. Terms not defined in this Terms Supplement are defined in the BMO Harris Disclosure Statement. **The CDs MAY NOT BE APPROPRIATE for every investor. Please refer to the sections headed “Risk Factors” below and “Important Investment Considerations” in the BMO Harris Disclosure Statement for a discussion of the risks involved with an investment in the CDs.**

In addition to “Important Investment Considerations” in the BMO Harris Disclosure Statement, investors in the CDs should consider the following.

- The CDs are designed for investors who seek a fixed return (interest) that may step up over time on their CDs and preservation of capital. For each $1,000 held to maturity (or until called) you will receive $1,000 plus applicable interest payments, subject to FDIC insurance limits.
- Interest will be calculated based upon different stepped rates that apply at different times during the term of the CD. If held to maturity, the rate will increase over time.
- The CDs are callable and may be redeemed and paid at the option of the Issuer quarterly beginning March 18, 2021 and on every Call Date thereafter until the Maturity Date. If the CD is called, you may not be able to reinvest your funds in CDs or comparable instruments at the same or similar rates.
- These are long term CDs. You should not invest your money in this product if you do not have the intent or ability to keep your investment in this product until maturity.
- Interest is not compounded and no interest accrues after the Maturity Date or the date the CDs are called.

TERMS

Instrument:	Stepped Rate 2024 Callable Certificates of Deposit.
CUSIP:	05600X BR0
Issuer:	BMO Harris Bank N.A.
Term:	4 Years (subject to call and redemption beginning March 18, 2021)
FDIC Insurance:	Up to $250,000 per depositor, aggregated with other deposits held by the depositor at the Issuer in the same legal capacity. Both principal and accrued interest is eligible for FDIC insurance coverage. See the section headed "Deposit Insurance" in the BMO Harris Disclosure Statement for important information about FDIC insurance coverage.
Business Day:	Any day, other than a Saturday, Sunday or a day on which banking institutions in Chicago, Illinois or The City of New York are generally authorized or obligated by law or executive order to close.
Settlement Date:	December 18, 2020
Issue Date:	December 18, 2020
Maturity Date:	December 18, 2024 (but if this date is not a Business Day, then on the next day that is a Business Day)
Payment at Maturity:	At maturity you will receive a cash payment for each $1,000 CD of $1,000 plus an Interest Payment, provided that your CD is outstanding and has not been called.
Interest Period:	The period beginning on and including the Issue Date of the CDs and ending on but excluding the first Interest Payment Date, and each successive period beginning on and including the most recent Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.
Interest Payment Dates:	Interest on the CDs will be payable quarterly in arrears on the 18th day of each March, June, September and December commencing on March 18, 2021 to and including the Maturity Date or until called. If the 18th day of any March, June, September or December during the term of the CDs is not a Business Day, payment shall be made on the next day that is a Business Day without adjusting for period end dates and without payment of any additional interest or other amount.

Interest Payment:	Interest will be payable in arrears. Interest will be paid based on the actual number of days elapsed in the relevant Interest Period. The Interest Payment on the CDs will be paid on each Interest Payment Date, provided that the CDs have not been called. The Interest Payment will equal the Deposit Amount multiplied by the applicable Interest Factor listed below multiplied by the actual number of calendar days in the Interest Period divided by 365. The formula for this calculation is Deposit Amount x Interest Factor x (Number of Days in Interest Period) / 365 Interest on the CDs will not be compounded.
Interest Factor:	(i) 0.30% per annum for the period from and including December 18, 2020 to but excluding December 18, 2022, which corresponds to an annual percentage yield ("APY") of 0.30%; (ii) 0.40% per annum for the period from and including December 18, 2022 to but excluding December 18, 2023, which corresponds to an APY of 0.33% for the period from the Settlement Date to the end of such period, assuming the CD has not been called previously; (iii) 0.60% per annum for the period from and including December 18, 2023 to but excluding December 18, 2024, which corresponds to an APY of 0.40% for the period from the Settlement Date to the end of such period, assuming the CD has not been called previously. Please note that your total APY on the CDs will depend upon whether they are called prior to maturity. Accordingly, the actual APY of the CDs cannot be determined on the date of this document.
Call Feature:	The CDs may be redeemed from time to time at the Issuer's option prior to the Maturity Date, in whole or in part, at a price equal to 100% of the Deposit Amount being redeemed plus any accrued and unpaid interest on the 18th day of each March, June, September and December commencing on March 18, 2021 and ending on the Maturity Date (each, a "**Call Date**") provided, however that if such day is not a Business Day, then the Call Date shall be the next day that is a Business Day. Notice of redemption will be given not less than fifteen (15) calendar days prior to the Call Date.
Early Withdrawal:	Early withdrawal of a CD will be permitted only in the event of death or the adjudication of incompetence of the owner of the CD, subject to the conditions set forth in the BMO Harris Disclosure Statement. In the event of early withdrawal, the Broker will endeavor to obtain funds for you as soon as possible. The Broker will not advance funds in connection with early

withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date. The Issuer or the Broker may require documentation evidencing the death or adjudication of incompetence of the owner of the CD. The Issuer will pay the unpaid interest which has accrued from the Issue Date to, but not including the date of withdrawal in the event of early withdrawal.

As discussed under the sections headed "Secondary Market" below and in the BMO Harris Disclosure Statement, a secondary market may be available in which you can sell your CD prior to maturity.

Denomination: $1,000.

Minimum Deposit Amount: $1,000.

Federal Tax: Please see the discussion in the BMO Harris Disclosure Statement under the section headed "Federal Income Tax Considerations." For purposes of that discussion, we intend to take the position that the CDs will be treated as stepped rate CDs for U.S. federal income tax purposes.

Calculation Agent: BMO Capital Markets Corp., an affiliate of the Issuer.

Secondary Market: The Broker or one of its affiliates, though not obligated to do so, may maintain a secondary market in the CDs after the Settlement Date.

RISK FACTORS

In addition to the following risk factors, please review the important investment considerations in the Disclosure Statement.

Early Redemption Risk. Prospective investors should be aware that the Issuer has the right to redeem the CDs on any Call Date, beginning on the first Call Date set forth above. It is more likely that the Issuer will redeem the CDs prior to their stated maturity date to the extent that the interest payable on the CDs is greater than the interest that would be payable on other instruments of the Issuer of a comparable maturity, terms and credit rating trading in the market. If the CDs are redeemed prior to their stated maturity date, you may have to re-invest the proceeds in a lower interest rate environment.

Credit Risk. Our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market will also affect the market value of your CDs. If you sell your CDs prior to maturity, you may receive less than the principal amount of your CDs.

Limited Trading Market. The CDs are not securities, and will not be listed on any securities exchange. There may be little or no secondary market for the CDs. Even if a secondary market for the CDs develops, it may not provide significant liquidity. We expect that transaction costs in any secondary market would be

high. As a result, the difference between bid and ask prices for the CDs in any secondary market could be substantial. If you sell the CDs before maturity, you may have to do so at a substantial discount from the issue price, and as a result, you may suffer substantial losses.

Certificates of Deposit
DISCLOSURE STATEMENT

This Disclosure Statement relates to the certificates of deposit (the "CDs") of BMO Harris Bank N.A. (the "Issuer"). The CDs may be sold from time to time by BMO Capital Markets Corp. and certain other broker-dealers (each, a "Broker"). The terms of each CD will be described in a separate "Terms Supplement." Each CD is a deposit obligation of the Issuer, the deposits and accounts of which are insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits described below. The CDs may be purchased both upon issuance (the "primary market") and, subject to the limitations discussed below, in the secondary market. If purchased in the primary market, the applicable Broker will advise you of the date on which your CD will be established with the Issuer (the "Settlement Date").

The CDs (principal and accrued interest) will be eligible for federal deposit insurance up to $250,000. The insurance limit applicable to each insurable capacity will be referred to as the "Maximum Applicable Deposit Insurance Amount." For purposes of the Maximum Applicable Deposit Insurance Amount, you must aggregate all deposits that you maintain with the Issuer in the same insurable capacity, including deposits you hold directly with the Issuer, deposits of the Issuer you hold through your account with the applicable Broker and deposits of the Issuer you hold through any other intermediaries.

In the case of some CDs, most United States holders of the CDs, other than those purchasing the CDs through a tax advantaged retirement account (such as an IRA), are subject to tax rules requiring them to include in their taxable income the interest paid or accrued on the CDs (depending on the accounting method of the holder) during each tax year in which the CDs are outstanding until maturity. For additional information, see the section "Federal Income Tax Considerations" below.

In making a decision to purchase a CD, you must rely on your own examination of the Issuer and the terms of the CDs, including the merits and risks involved. You should compare the features of the CDs to other available investments before deciding to purchase a CD. The rate of return ultimately realized on the CDs may be higher or lower than the rates on other deposits available through the Issuer or the applicable Broker.

You should review the investment considerations discussed below in the section headed "Important Investment Considerations" and in the applicable Terms Supplement.

The information contained in this Disclosure Statement may not be modified by any oral representation made prior or subsequent to the purchase of your certificate of deposit.

Disclosure Statement dated January 2016

BMO Capital Markets

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THE ISSUER

The Issuer is a national bank, with over 600 branches in Illinois, Arizona, Florida, Indiana, Kansas, Minnesota, Missouri and Wisconsin. The Issuer's headquarters are in Chicago, Illinois. As of June 30, 2015, the Issuer had approximately $99.0 billion in assets.

The Issuer is a wholly-owned indirect subsidiary of Bank of Montreal ("BMO"). In July 2011, BMO closed a merger with Marshall & Ilsley Corporation ("M&I"). Following the merger, certain banking subsidiaries of M&I, including M&I Marshall & Ilsley Bank, merged with and into the Issuer, with the Issuer as the surviving entity in the merger.

GENERAL TERMS

Each CD will mature on the date indicated in the applicable Terms Supplement. Interest payments, if any, are payable on each interest payment date. Interest on the CDs is not compounded.

No interest will be earned after maturity or after redemption, if the CD is called. The interest and any other amounts payable on each CD will be determined by the calculation agent, BMO Capital Markets Corp. (the "Calculation Agent"), which is an affiliate of the Issuer. See the Terms Supplement for additional information.

The CDs will not be automatically renewed or rolled over. All payments to be made in connection with the CDs, including the CD balances (and interest, if any) at maturity, will be credited to your account with the applicable Broker. If the Maturity Date is not a business day, the CD balances will be paid on the next succeeding business day. If an interest payment date is not a business day, interest payments, if any, will be paid on the next succeeding business day and no additional interest will be payable as a result of that postponement. See the Terms Supplement for additional information.

YOUR RELATIONSHIP WITH THE ISSUER AND THE BROKER

You will not receive a passbook, certificate or other evidence of ownership of the CDs from the Issuer. The CDs are evidenced by one or more master certificates issued by the Issuer, each representing a number of individual CDs. These master certificates are held by The Depository Trust Company ("DTC"). The applicable Broker, or a broker with which that Broker has a correspondent relationship (a "Clearing Broker"), as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation of your purchase. You will also be provided with a periodic account statement from the applicable Broker that will reflect your CD ownership. You should retain the trade confirmation and the account statement(s) for your records. The purchase of the CDs is not recommended for persons who wish to take actual possession of a certificate.

Your account statement from the applicable Broker may provide an estimate of the value of your CDs, but any such valuation included in your statement will be an estimate only and will not be based on actual market prices. You should ask the applicable Broker to explain its statement pricing policies. Your deposit insurance coverage will be determined based on the outstanding principal amount of your CD, not the estimated price. See the sections headed "Deposit Insurance" and "Secondary Market" below.

Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of any Broker. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by the Issuer.

Financial information concerning the Issuer can be obtained from the FDIC website at http://www2.fdic.gov/Call_TFR_Rpts/. If you have questions regarding financial information with respect to the Issuer, please contact your Broker. No Broker guarantees in any way the financial condition of the Issuer or the accuracy of any financial information provided by the Issuer.

If you choose to remove your Broker as your agent with respect to your CD, you may (i) transfer your CD to another agent, provided that the agent is a member of DTC (most major brokerage firms are members; many banks and savings institutions are not) or (ii) request that your ownership of the CD be evidenced directly on the

books of the Issuer, subject to applicable law and the Issuer's terms and conditions, including those related to the manner of evidencing CD ownership. If you choose to remove your Broker as your agent, that Broker will have no further responsibility for payments made with respect to your CD. If your CD is established on the books of the Issuer, you will have the ability to enforce your rights in the CD directly against the Issuer.

IMPORTANT INVESTMENT CONSIDERATIONS

In addition to the following important investment considerations, please review the disclosures in the Terms Supplement.

Liquidity. The CDs are suitable for purchasing and holding to maturity. Early withdrawal by the depositor generally is not available. Although not obligated to do so, one or more of the Brokers, including BMO Capital Markets Corp. ("BMOCM"), or one or more other affiliates of the Issuer, may maintain a secondary market in the CDs after their Settlement Date. Any such entity may discontinue this market at any time. If you are able to sell your CD, the price you receive will reflect prevailing market conditions and the contingent nature of the payments on the CDs. Your sales proceeds may be less than the amount you paid for your CD. If you wish to dispose of your CD prior to maturity, you should read with special care the sections headed "Additions or Withdrawals" and "Secondary Market" below.

Credit Risk. Our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market will also affect the market value of your CDs. If you sell your CDs prior to maturity, you may receive less than the principal amount of your CDs.

Compare Features. You should compare the rates of return and other features of the CDs to other available investments before deciding to purchase a CD. The rates paid with respect to the CDs may be higher or lower than the rates on deposits or other instruments, including other CDs available directly from the Issuer or through the applicable Broker.

Call Feature. If so specified in the applicable Terms Supplement, CDs may be called prior to the Maturity Date. If called, the CD will be redeemed and paid. If called, you may not be able to reinvest the funds at the same rate or terms.

Calculation Agent and Its Affiliates. The Calculation Agent, BMOCM, is an affiliate of the Issuer. Accordingly, the Calculation Agent may have conflicts of interests in making determinations with respect to the CDs, including the amounts to be paid at maturity or earlier redemption.

Insolvency of the Issuer. In the event the Issuer approaches insolvency or becomes insolvent, the Issuer may be placed in regulatory conservatorship or receivership with the FDIC. The FDIC may thereafter pay off the CDs prior to maturity or transfer the CDs to another depository institution. If the CDs are transferred to another depository institution, you may be offered a choice of retaining the CDs, possibly at a lower interest rate, or having the CDs paid off. See the sections headed "Deposit Insurance" and "Payments Under Adverse Circumstances" below.

Limited Trading Market. The CDs are not securities, and will not be listed on any securities exchange. There may be little or no secondary market for the CDs. Even if a secondary market for the CDs develops, it may not provide significant liquidity. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and ask prices for the CDs in any secondary market could be substantial. If you sell the CDs before maturity, you may have to do so at a substantial discount from the issue price, and as a result, you may suffer substantial losses.

Inclusion of Brokerage Commission and Hedging Profits in the Original Offering Price. Assuming no change in market conditions or any other relevant factors, the price, if any, at which we or any broker may be willing to purchase the CDs in secondary market transactions (if there is a secondary market for the CDs) may be lower than the initial offering price. The initial offering price will include, and any price quoted to you is likely to exclude, the brokerage commission paid in connection with the initial distribution. The initial offering price may also include, and any price quoted to you would be likely to exclude, the hedging profits that we expect to earn from hedging our exposure under the CDs. In addition, any such price is also likely to reflect a discount to account for

costs associated with establishing or unwinding any related hedge transaction such as dealer discounts, mark-ups and other transaction costs. In addition, any such prices may differ from values determined by pricing models used by us or any broker.

Reinvestment Risk. If your CD is called and paid off prior to maturity or is paid off as a result of the insolvency of the Issuer, or a voluntary early withdrawal (see the section headed "Additions or Withdrawals" below) you may be unable to reinvest your funds at the same rate or terms as the original CD.

The FDIC's powers as receiver or conservator could adversely affect your return. If the FDIC were appointed as our conservator or receiver, the FDIC would be authorized to disaffirm or repudiate any contract to which we are a party, the performance of which was determined to be burdensome, and the disaffirmance or repudiation of which was determined to promote the orderly administration of our affairs. It is likely that for this purpose, deposit obligations, such as the CDs, would be considered "contracts" within the meaning of the foregoing and that the CDs could be repudiated by the FDIC as our conservator or receiver. This repudiation should result in a claim by a depositor against the conservator or receiver for the principal of and accrued and unpaid interest payments on the CDs. No claim would be available, however, for any secondary market premium paid by a depositor above the Deposit Amount of a CD.

The FDIC as conservator or receiver also may transfer to another insured depository institution any of the insolvent institution's assets and liabilities, including liabilities such as the CDs, without the approval or consent of the beneficial owners of the CDs. The transferee depository institution would be permitted to offer beneficial owners of the CDs the choice of (i) repayment of the Deposit Amount and accrued and unpaid interest payments of the CDs or (ii) substitute terms which may be less favorable. If a CD is paid off prior to its maturity date, either by a transferee depository institution or the FDIC, its beneficial owner may not be able to reinvest the funds at the same rate of return as the rate on the original CD.

The FDIC may not insure all payments in respect of the CDs. If FDIC insurance payments become necessary for the CDs, the FDIC will be required to pay the Deposit Amount and interest payments on the CDs, subject to the Deposit Insurance Limitations and other conditions herein under the section entitled "Deposit Insurance" As a result, depending on the total amount of all your deposits (including CDs, any other certificates of deposit, checking accounts, savings accounts, money market deposit accounts, etc.) that you hold with us, and the manner in which you hold them, FDIC insurance may not be available for the entire amount of your investment in the CDs, if at all. The CDs are not otherwise insured by any governmental agency or instrumentality or any other person.

The FDIC has taken the position that any secondary market premium paid by a depositor above the Deposit Amount on the CDs is not insured by the FDIC.

SEC Investor Tips. The Securities and Exchange Commission periodically publishes tips for investors in various financial products, including CDs, on its website. You may access these tips at www.sec.gov.

DEPOSIT INSURANCE

The principal amount of and the accrued amount of interest on your CDs are protected by federal deposit insurance provided by the Deposit Insurance Fund, which is administered by the FDIC and backed by the full faith and credit of the U.S. Government in the maximum amount permitted by law. As of the date of this Disclosure Statement, as a result of the "Dodd-Frank Wall Street Reform and Consumer Protection Act," enacted in July 2010, this amount is $250,000 for all deposits that you hold in the same ownership capacity with the Issuer. This $250,000 amount, as it may be adjusted, is referred to in this Disclosure Statement as the "Deposit Insurance Limitation." The Federal Deposit Insurance Reform Act of 2005, enacted in 2006, requires the FDIC to reconsider periodically the existing Deposit Insurance Limitations, and whether to raise these amounts to reflect inflation rates in the United States. This review was initially required to take place by April 1, 2010, and will be required at intervals of five years thereafter. Any accounts or deposits you maintain with the Issuer directly or through any intermediary in the same ownership capacity as you maintain your CDs would be aggregated with the CDs for purposes of the Deposit Insurance Limitation.

You are responsible for monitoring the total amount of all your deposits (including CDs, any other certificates of deposit, checking accounts, savings accounts, money market deposit accounts, etc.) that you hold in one depository institution in order for you to determine the extent of federal deposit insurance coverage available to you on your deposits, including the CDs. None of the Issuer, the applicable Broker, BMOCM, or any other affiliate of the Issuer is responsible for any insured or uninsured portion of the CDs or any other deposits.

The FDIC has taken the position that any portion of the payments on the CDs or any applicable early redemption price in excess of the principal amount, and any secondary market premium paid by a depositor above the principal amount on the CDs, are NOT insured by the FDIC. In addition, if interest is payable on the CDs, the FDIC may also take the position that no portion of the interest payable for any interest period is insured unless the total applicable interest payment for that interest period has been determined at the point that FDIC insurance payments become necessary. Accordingly, if insurance payments are required by the FDIC for the Issuer and if the FDIC insurance payments become necessary for the CDs, you may incur a loss of (a) any such amounts and (b) any amount by which your aggregate deposits with the Issuer, including the CDs, exceed the Deposit Insurance Limitation.

Impact of Certain Acquisition Transactions

If the CDs are assumed by another insured depository institution as a result of a merger, consolidation, or other transaction, those CDs will continue to be separately insured from any deposits that you might have established with the acquiror until their maturity date, provided that:

- If the CDs mature within six months from the date that the deposits are assumed, and are renewed at the same dollar amount and for the same term as the original CDs (as contemplated by the FDIC's regulations), the CDs will be separately insured until their first maturity date after the six-month period.
- If the CDs mature within six months from the date that the deposits are assumed, and are renewed on any other basis, or that are not renewed and thereby become demand deposits (in each case, as contemplated by the FDIC's regulations), the CDs will be separately insured only until the end of the six-month period.

Thereafter, the CDs will be aggregated with any existing deposits that you may have with the acquiror held in the same ownership capacity for purposes of federal deposit insurance. Notwithstanding these provisions, the Issuer cannot assure you that the CDs will be renewable at the same dollar amount or for the same term, if at all.

Please note that these provisions will also apply in a comparable manner if the Issuer assumes any deposits that you have with another insured depositary institution.

General

The operation of the Deposit Insurance Limitation per depository institution in some common factual situations is illustrated below:

Individual Customer Accounts. Funds owned by an individual and held in an account in the name of an agent or nominee of that individual (such as the CDs held in a brokerage account) are not treated as owned by the agent or nominee, but are added to other deposits of that individual held in the same right and capacity and are insured up to the Deposit Insurance Limitation in the aggregate.

Custodial Accounts. Funds in accounts held by a custodian (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same right and capacity and are insured up to the Deposit Insurance Limitation in the aggregate.

Joint Accounts. Funds in an account under any form of joint ownership valid under state law, whether joint tenants with right of survivorship, tenants in common, or tenants by the entirety (each, a "Joint Account"), will be insured separately and in addition to the Deposit Insurance Limitation allowed on other deposits individually owned

by any of the co-owners of the Joint Account. In the case of multiple Joint Accounts, the interests of each co-owner in all Joint Accounts, whether owned by the same or different combinations of persons, will be added together and the total will be insured up to the Deposit Insurance Limitation. For example, if (i) A and B own a Joint Account with a balance of $100,000; (ii) A and C own a Joint Account with a balance of $140,000; and (iii) A, B, and C own a Joint Account with a balance of $450,000, A's combined ownership interest in the three Joint Accounts would be $270,000 ($50,000 in the first, $70,000 in the second, and $150,000 in the third) and A would be uninsured in the amount of $20,000, while B and C would have fully-insured combined ownership interests of $200,000 and $220,000, respectively. For federal deposit insurance purposes, the co-owners of any Joint Account are deemed to have equal interests in the Joint Account, unless otherwise stated in the deposit account records. If one of two co-owners of a Joint Account dies, beginning six months after the death of that co-owner, all of the funds would be treated as individually held by the surviving co-owner and, therefore, would be aggregated with all other individually owned deposits of the surviving co-owner for federal deposit insurance purposes.

Revocable Trust Accounts. A revocable trust will be insured up to the Deposit Insurance Limitation as to each named beneficiary, separately from any other accounts of the grantor, for the interest of each beneficiary, provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies) and provided that: (i) the trust document and the deposit account records evidence an intention that, upon the death of the grantor, the funds will belong to the named beneficiaries; (ii) each named beneficiary is the grantor's spouse or one or more of the grantor's children, grandchildren, parents, brothers, or sisters; and (iii) the beneficiaries specifically are named in the Issuer's deposit account records.

The same treatment applies to living trust accounts if the interest of each named beneficiary is not contingent on the death of another trust beneficiary, each named beneficiary is the grantor's spouse or one or more of the grantor's children, grandchildren, parents, brothers, or sisters, and the account title indicates that the account is held by a formal revocable trust. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account and insured as described above under "—Joint Accounts."

The FDIC has adopted a final rule to eliminate the concept of "qualifying beneficiaries" and redefine the calculation of coverage for revocable trust accounts. Beneficiaries are no longer limited to the five categories referenced above and need not be related to the depositor at all. However, the beneficiary must be an individual, a charity, or another non-profit organization recognized as such under the Code (as defined below). For revocable trust account holders with balances of $1,250,000 or less at an FDIC-insured institution, rather than evaluate the proportional interest of each beneficiary, the maximum coverage is now determined by multiplying the number of beneficiaries by $250,000. For revocable trust accounts where the owner has more than $1,250,000 at an FDIC-insured institution and has named more than five beneficiaries in the revocable trust, the maximum coverage is the greater of (i) $1,250,000 or (ii) the aggregate amount of each different beneficiary's proportional interest in the revocable trust, limited to $250,000 per beneficiary.

Irrevocable Trust Accounts. Funds in an account for an irrevocable trust (as determined under applicable state law) will be insured for up to the Deposit Insurance Limitation for the interest of each beneficiary, provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). The federal deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee, or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts with the Issuer created by the same grantor will be aggregated and insured up to the Deposit Insurance Limitation.

Under the final rule described above in "—Revocable Trust Accounts," for irrevocable trusts that spring from a revocable trust upon the death of the revocable trust owner will continue to be insured subject to the limits set forth under the revocable trust rules.

Retirement Plans and Accounts-Generally. You may have interests in various retirement plans and accounts that are holding the CDs. The amount of federal deposit insurance you will be entitled to will vary depending on the type of plan or account and on whether CDs held by the plan or account will be treated separately or aggregated with the certificates of deposit of the same depository institution held by other plans or accounts. It is

therefore important to understand the type of plan or account holding the CDs. The following sections entitled "—Individual Retirement Accounts," "—Pass-Through Deposit Insurance for Employee Benefit Plan Deposits," and "—Aggregation of Retirement Plan and Account Deposits" generally discuss the rules that apply to deposits of retirement plans and accounts.

Individual Retirement Accounts. As of the date of this Disclosure Statement, certificates of deposit held in an individual retirement account ("IRA") are insured up to the Deposit Insurance Limitation per depository institution. However, certificates of deposit in one institution held in an IRA are aggregated with certificates of deposit of the same depository institution held by certain employee benefit plans in which the owner of the IRA has an interest. The following types of retirement accounts are aggregated and insured in an amount not to exceed the Deposit Insurance Limitation per participant per insured depository institution:

- any IRA described in Section 408(a) of the Internal Revenue Code of 1986, as amended (the "Code");
- any eligible deferred compensation plan described in Section 457 of the Code, except that a depository institution may not accept brokered deposits from an employee benefit plan if it is not well capitalized;
- any individual account plan defined in Section 3(34) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any plan described in Section 401(d) of the Code, to the extent that participants and beneficiaries under such plan have the right to direct the investment of assets held in individual accounts maintained on their behalf by the plan.

See "—Aggregation of Retirement Plan and Account Deposits." Thus, the owner of an IRA only will be entitled to federal deposit insurance of up to the Deposit Insurance Limitation for certificates of deposit of the same depository institution held in plans and accounts that are subject to aggregation.

Pass-Through Deposit Insurance for Employee Benefit Plan Deposits. Subject to the limitations and regulatory changes discussed below, under FDIC regulations, an individual's non-contingent interest of up to the Deposit Insurance Limitation in the deposits of one depository institution held by various types of plans are eligible for federal deposit insurance on a "pass-through" basis. This means that, instead of an employee benefit plan's deposits at one depository institution being entitled to a total of only the Deposit Insurance Limitation of insurance, each participant in the employee benefit plan is entitled to federal deposit insurance of his or her interest in the employee benefit plan's deposits of up to the Deposit Insurance Limitation per institution (subject to the aggregation of the participant's interests in different plans, as discussed below). The pass-through federal deposit insurance provided to an individual as an employee benefit plan participant is in addition to the Deposit Insurance Limitation per depository institution allowed on other deposits held by the individual in the issuing depository institution. See "—Individual Retirement Accounts."

A deposit held by an employee benefit plan that is eligible for pass-through insurance is not insured for an amount equal to the number of plan participants multiplied by the Deposit Insurance Limitation. Because plan participants frequently have different interests in the plan, insurance coverage cannot be determined simply by multiplying the number of participants by $250,000. Examples of pass-through coverage can be found on the FDIC's website, available at http://www.fdic.gov/deposit/deposits/insured/ownership6.html#employee, or any successor webpage. Plan participants who want to know more about how an employee benefit plan's deposits are insured should consult with the plan administrator.

The contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee benefit plan are not insured on a pass-through basis. Any interests of an employee in an employee benefit plan deposit which are not capable of evaluation in accordance with FDIC rules (i.e., contingent interests) will be aggregated with the contingent interests of other participants and insured up to the Deposit Insurance Limitation. Similarly, overfunded amounts are insured, in the aggregate for all participants, up to the Deposit Insurance Limitation separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

Types of Employee Benefits Plans. Under U.S. federal law, whether an employee benefit plan deposit is entitled to pass-through federal deposit insurance coverage is based, in part, on the type of employee benefit plan involved. The types of plans for which deposits may receive "pass-through" treatment are employee benefit plans, as defined in Section 3(3) of ERISA, including "Keogh Plans" of owner-employees described in Section 401(d) of the Code, whether or not they are technically "employee benefit plans" under ERISA ("ERISA Plans") and deferred compensation plans for certain employees of state or local governments or tax-exempt organizations ("Section 457 Plans"). Collectively, ERISA Plans and Section 457 Plans are referred to herein as "Plans." An ERISA Plan eligible for pass-through treatment includes a tax-qualified pension, profit-sharing or stock bonus plan, a governmental plan, or a church plan.

Aggregation of Retirement Plan and Account Deposits. Under FDIC regulations, an individual's interests in Plans maintained by the same employer or employee organization (e.g., a union) which are holding deposits at the same institution will be insured for the Deposit Insurance Limitation in the aggregate. In addition, under FDIC regulations, an individual's interest in the deposits of one depository institution held by (i) IRAs, (ii) Section 457 Plans, (iii) self-directed Keogh Plans, and (iv) self-directed defined contribution plans, that are acquired by these plans and accounts on or after December 19, 1993, will be insured for the Deposit Insurance Limitation in the aggregate, whether or not maintained by the same employer or employee organization. Deposits acquired by these plans and accounts before December 19, 1993 will not be subject to aggregation.

* * *

The summary of FDIC deposit insurance regulations above that apply to the CDs is not intended to be a full restatement of applicable FDIC regulations and interpretations, which may be uncertain as to their application to the CDs, and may change from time to time. If you have questions about the extent to which your CDs will be insured, please contact your financial and legal advisors. You also may review the FDIC's regulations and explanations of deposit insurance at the FDIC website, www.fdic.gov, or contact the FDIC directly at the following address: FDIC, Deposit Insurance Outreach, Division of Supervision and Consumer Protection, 550 17th Street, N.W., Washington, D.C. 20489. You also may call the FDIC's "FDIC Call Center" at (877) 275-3342; or e-mail the FDIC via the FDIC's On-line Customer Assistance Form at https://www2.fdic.gov/starsmail/index.asp. Neither the Issuer nor your Broker is responsible to determine the extent of federal deposit insurance coverage applicable to your CDs. None of the webpages referenced in this Disclosure Statement, or the information included in these pages, shall be deemed to be included or incorporated by reference in this Disclosure Statement.

Payments Under Adverse Circumstances

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make available those insurance payments. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments. In addition, you may be required to provide certain documentation to the FDIC and your Broker before insurance payouts are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may be required to furnish an affidavit to that effect. You also may be required to furnish other affidavits and indemnities regarding the payout. Further, if the Issuer fails, its insured deposits may be transferred, subject to applicable insurance verification and limitations on federal deposit insurance, to another depository institution or redeemed without penalty prior to maturity.

The records that the Issuer and your Broker maintain regarding ownership of the CDs would be used to establish your eligibility for federal deposit insurance payments.

In the event that federal deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original principal amount and the accrued amount of the stated interest, subject to the Deposit Insurance Limitation. No interest is earned on deposits from the time the Issuer may be closed until insurance payments are received.

As explained above, the Deposit Insurance Limitation coverage applies to the aggregate of the principal amount of CDs maintained with the Issuer together with, except as set forth below, the aggregate of any other deposits you may maintain in the same right and capacity with the Issuer.

None of the Issuer, your Broker, BMOCM, or any other affiliate of the Issuer will be obligated to you for amounts not covered by federal deposit insurance. None of those parties will be obligated to make any payments to you in satisfaction of any loss you might incur as a result of (i) a delay in insurance payouts applicable to your CDs or (ii) payment in cash of the principal of your CDs prior to the maturity date in connection with the Issuer's liquidation or the assumption of all or a portion of the Issuer's deposit liabilities. In connection with the latter, as noted above, the amount of a payment on an CD which had been purchased at a premium in the secondary market is based on the original principal amount and not on any premium amount. Your written confirmation will state the original principal amount of your CDs. In the event of a liquidation, the payment received will not include the value of any premium paid. Therefore, you can lose up to the full amount of the premium as a result of such a payment. You should factor these possible delays and types of resolutions into your financial planning. Also, your Broker will not be obligated to credit your account with funds in advance of payments received from the FDIC.

The premium being paid for a CD, which is not insured, can be determined by subtracting the principal amount of the CD (assuming for this example that the principal amount is $10), from the price paid, which appears as "Price" on your written confirmation. For example, if the "Price" paid is $12, then the uninsured premium is $2 (i.e., $12-$10 = $2).

ADDITIONS OR WITHDRAWALS

No additions are permitted to be made to any CD. When you purchase a CD, you agree with the Issuer to keep your funds on deposit for the term of the CD. Accordingly, except as set forth below, no early withdrawals of CDs will be available, and you should therefore not rely on the possibility of gaining access to your funds prior to maturity. The early withdrawal provisions, if any, applicable to your CD may be more or less advantageous than the provisions applicable to other deposits available from the Issuer. **This section may be modified by the Term Supplement applicable to your CD, therefore you must read this document together with any relevant Term Supplement.**

In the event of death or the adjudication of incompetence of the owner of a CD, unless set forth otherwise in the Terms Supplement, early withdrawal of the entire CD will generally be permitted without penalty, subject to the conditions below. Unless set forth otherwise in the Terms Supplement, withdrawal of a portion of the beneficial owner's interest in the CD will not be permitted. In the event of an early withdrawal resulting from a death or an adjudication of incompetence, interest will be paid on the CD or the withdrawn portion of the CD, as the case may be. Written verification and documentation acceptable to the Issuer and/or the applicable Broker, in their discretion, will generally be required to determine whether the conditions for early withdrawal set forth herein are met under these circumstances.

For purposes of this section, a beneficial owner of a CD is a person who has the right, immediately prior to his or her death, to receive the proceeds from the disposition of that CD, as well as the right to receive payment of the principal of the CD at maturity.

If the ownership interest in a CD is held by a nominee for a beneficial owner or by a custodian under a Uniform Gifts to Minors Act or Uniform Transfer to Minors Act, or by a trustee of a trust that is wholly revocable by its beneficial owner, or by a guardian or committee for a beneficial owner, the death of such beneficial owner will be deemed the death of a beneficial owner for purposes of this section, if the beneficial ownership interest can be established to the satisfaction of the Issuer. In any of these cases, the death or dissolution of the nominee, custodian, trustee, guardian or committee will not be deemed the death of the beneficial owner of the CD for purposes of this section. For purposes of clarification, trustees of trusts originally established as irrevocable trusts are not eligible to exercise the repayment right described herein, nor may it be exercised where the CDs have been transferred from the estate of the deceased owner by operation of a transfer on death unless such transfer is to an immediate family member.

All questions regarding the eligibility or validity of any withdrawal in the event of death or the adjudication of incompetence of the owner of a CD generally will be determined by the Issuer, in its sole discretion, which determination will be final and binding on all parties. The decision whether to permit an early withdrawal of CDs

held in an ownership arrangement not discussed in this section or to make any accommodations notwithstanding the terms of this section shall be in the sole discretion of the Issuer.

Pursuant to the Internal Revenue Code of 1986, as amended, the beneficiary of an IRA (but not a Roth IRA) must begin making withdrawals from the IRA after age 70-1/2. CDs held in an IRA are not eligible for early withdrawal simply because the beneficiary must begin making mandatory withdrawals from the IRA. IRA beneficiaries should purchase CDs with maturities that correspond to the mandatory withdrawal requirements, or look to the secondary market, if any, for liquidity. See the section headed "Secondary Market" below.

In the event that you wish to make an early withdrawal, and such withdrawal is permitted, the applicable Broker will endeavor to obtain funds for you as soon as possible however no interest will be paid. However, the applicable Broker will not advance funds in connection with early withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date.

SECONDARY MARKET

One or more of the Brokers, including BMOCM, or one or more affiliates of the Issuer, though not obligated to do so, may maintain a secondary market in the CDs after the Settlement Date. If you wish to sell your CD prior to maturity and BMOCM, or one or more other affiliates of the Issuer, does not maintain a secondary market, the applicable Broker may attempt to sell your CD in a secondary market maintained by another broker-dealer. No Broker can provide any assurance that you will be able to sell your CDs prior to their maturity. In addition, a secondary market for the CDs may be discontinued at any time without notice. Therefore, you should not rely on any such ability to sell your CDs for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to maturity, or having access to proceeds prior to maturity.

In the event that a buyer is available at a time you attempt to sell your CD prior to its maturity, the price at which your CD is sold may result in a return to you that differs from the yield that the CD would have earned had it been held to maturity, since the selling price for a CD in such circumstances will likely be based on a number of factors such as changes in the value of the market measure to which your CDs are linked, time remaining until maturity, and other market conditions. In addition, the contingent nature of the payment on the CDs will affect the selling price, and you should be aware that changes in the value of the market measure to which your CDs are linked may not be reflected in the price at which you can sell your CD.

The price at which a CD may be sold if a secondary market is available will reflect a mark-down retained by the applicable Broker. Similarly, the price you may pay for any CD purchased in the secondary market will include a mark-up established by the applicable Broker. In the event you choose to sell a CD in the secondary market, you may receive less in sale proceeds than the original principal (par) amount of the CD or the estimated price on your account statement.

In the event that a CD is purchased in the secondary market at a premium over the par amount, the premium is not insured. Therefore, if deposit insurance payments become necessary for the Issuer, the owner of a CD purchased in the secondary market can incur a loss of the premium paid for the CD. (Also see the section headed "Deposit Insurance" above.)

The uninsured premium being paid for an interest bearing CD can be determined from the price set forth on your trade confirmation. Price on CDs is expressed in relation to par (100.00). Any amount over 100.00 represents the premium. For example, if your trade confirmation states that the price for a CD purchased in the secondary market is 100.25, there is a premium that will not be insured by the FDIC. In contrast, price of 99.75 would not include a premium.

FEES

The applicable Brokers participating in the sale of the CDs will receive a placement fee from the Issuer in connection with your purchase of a CD. Except for the mark-up or mark-down discussed above in connection with secondary market transactions and a handling fee, if any, disclosed on your trade confirmation, you will not be charged any commissions in connection with your purchase of a CD.

FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the CDs is not exhaustive of all possible tax considerations. It is based upon the Internal Revenue Code of 1986, as amended ("Code"), regulations promulgated under the Code by the U.S. Treasury Department ("Treasury") (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the Internal Revenue Service ("IRS"), and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

The following discussion is a general description of certain U.S. federal income tax considerations relating to the CDs. It does not purport to be a complete analysis of all tax considerations relating to the CDs. This following discussion assumes that the issue price of the CDs, as determined for U.S. federal income tax purposes, equals the principal amount thereof. The following discussion applies to CDs that have a term of more than one year. The U.S. federal income tax treatment of CDs with a term of one year or less will be set forth in the applicable terms supplement. Prospective purchasers of the CDs should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the U.S. of acquiring, holding and disposing of the CDs and receiving payments of interest, principal and/or other amounts under the CDs.

You should consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the CDs in your particular circumstances, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

This section does not apply to you if you are a member of a class of holders subject to special rules, such as: a dealer in securities or currencies, a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings, a bank, a life insurance company, a tax-exempt organization, a person that owns CDs that are a hedge or that are hedged against interest rate or currency risks, a person that owns the CDs as part of a straddle or conversion transaction for tax purposes, a person that holds the CDs in a tax-deferred or tax-advantaged account, or a person whose functional currency for tax purposes is not the U.S. dollar (other than non-United States holders, as defined below).

This section applies to you only if, except as otherwise specifically noted, you purchase your CDs upon original issuance and hold your CDs as capital assets for tax purposes.

As used in this Disclosure Statement, you are a "United States holder" if you are a beneficial owner of a CD and you are:

- a citizen or resident of the United States,
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a CD, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding a CD should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the CDs.

United States Holders

The U.S. federal income tax treatment of the CDs will depend on the terms of the CDs. Set forth below is a summary of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of stepped rate CDs and of CDs treated either as “variable rate debt instruments” or as “contingent payment debt instruments” for U.S. federal income tax purposes.

Stepped Rate CDs

If the CDs are stepped rate CDs, you will generally be taxed on any interest on the CDs as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

Upon the sale or maturity of a stepped rate CD, you will recognize gain or loss equal to the difference between the amount realized upon the sale or maturity (except to the extent attributable to accrued but unpaid interest) and your adjusted tax basis in the CD. Your adjusted tax basis in a stepped rate CD generally will be your cost of the CD. Gain or loss realized on the sale or maturity of a stepped rate CD generally will be capital gain or loss and will be long-term capital gain or loss if the CD has been held for more than one year. The deductibility of capital losses is subject to limitations.

If the CDs are stepped rate CDs, the tax treatment described above assumes that the issuer will have the right to call the CDs at par (plus accrued but unpaid interest) on each date that the interest rate increases. If this is not the case, stepped rate CDs may be treated as issued with original issue discount, in which case the tax consequences of investing in the CDs will be discussed in the applicable terms supplement.

Variable Rate Debt Instruments

If the CDs are properly characterized as variable rate debt instruments for U.S. federal income tax purposes, interest on a CD generally will be included in your income as ordinary income at the time it is accrued or is received in accordance with your regular method of accounting for U.S. federal income tax purposes. For accrual method United States holders, the accrual is generally determined by constructing a fixed rate debt instrument assuming that the variable rate is a fixed rate equal to a fixed rate that reflects the yield that is reasonably expected for the CD and making appropriate adjustments for interest allocable to an accrual period when interest is actually paid.

Upon the sale or maturity of a CD that is properly characterized as a variable rate debt instrument, you will recognize gain or loss equal to the difference between the amount realized upon the sale or maturity (except to the extent attributable to accrued but unpaid interest) and your adjusted tax basis in the CD. Your adjusted tax basis in a CD generally will be your cost of the CD. Gain or loss realized on the sale or maturity of a CD generally will be capital gain or loss and will be long-term capital gain or loss if the CD has been held for more than one year. The deductibility of capital losses is subject to limitations.

Contingent Payment Debt Instruments

If the CDs are properly characterized as contingent payment debt instruments for U.S. federal income tax purposes, such CDs generally will be subject to the Treasury regulations governing contingent payment debt instruments. Under those rules, the amount of interest you are required to take into account for each accrual period will be determined by constructing a projected payment schedule for the CDs, and applying the rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to the CDs (the “comparable yield”) and then determining a payment schedule as of the issue date that would produce the comparable yield. A projected payment schedule with respect to a CD generally is a series of projected payments, the amount and timing of which would produce a yield to maturity on that CD equal to the comparable yield. This projected payment schedule will consist of the principal amount, any noncontingent payments provided under the terms of the CD, and a projection for tax purposes of each contingent payment. These rules will generally have the effect of requiring you to include amounts as income in respect of the CDs prior to your receipt of cash attributable to that income.

The amount of interest that you will be required to include in income during each accrual period for the CDs will equal the product of the adjusted issue price for the CDs at the beginning of the accrual period and the comparable yield for the CDs for such period. The adjusted issue price of the CDs will equal the original offering price of the CDs plus any interest deemed to be accrued on the CDs (under the rules governing contingent payment debt instruments) and decreased by the projected amount of any payments previously made on the CDs.

The comparable yield and projected payment schedule for a particular CD can be obtained by contacting the US Retail Investor Solutions Group via email at investor.solutions@bmo.com or via telephone on 1-877-369-5412. You are required to use this comparable yield and projected payment schedule in determining your interest accruals in respect of a CD treated as a contingent payment debt instrument unless you timely disclose and justify on your U.S. federal income tax return the use of a different comparable yield and projected payment schedule.

The comparable yield and projected payment schedule are not provided for any purpose other than the determination of interest accruals in respect of the CDs, and we make no representations regarding the amount of contingent payments with respect to the CDs. Any IRS Form 1099-OID will be based on such comparable yield and projected payment schedule.

In addition to accruing interest income in accordance with the comparable yield, you will be required to make adjustments (as described below) if the actual amounts you receive in any taxable year differs from the projected payment schedule.

If, during any taxable year, you receive actual payments with respect to the CDs that, in the aggregate, exceed the total amount of projected payments for that taxable year, you will incur a "net positive adjustment" under applicable Treasury regulations equal to the amount of such excess. You will treat a net positive adjustment as additional interest income in that taxable year.

If you receive in a taxable year actual payments with respect to the CDs that, in the aggregate, are less than the amount of projected payments for that taxable year, you will incur a "net negative adjustment" under applicable Treasury regulations equal to the amount of such deficit. This net negative adjustment will (a) reduce interest income on the CDs for that taxable year, and (b) to the extent of any excess after the application of (a), give rise to an ordinary loss to the extent of the interest income on the CDs during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments. Any net negative adjustment in excess of the amounts described in (a) and (b) will be carried forward as a negative adjustment to offset future interest income with respect to the CDs or to reduce the amount realized on a sale, redemption or maturity of the CDs. A net negative adjustment is not subject to the two percent floor limitation on miscellaneous itemized deductions.

If you purchase a CD for an amount that differs from the adjusted issue price of such CD at the time of the purchase, you must determine the extent to which the difference between the price you paid for your CD and its adjusted price is attributable to a change in expectations as to the projected payment schedule, a change in interest rates, or both, and allocate the difference accordingly.

If you purchase a CD for an amount that is less than the adjusted issue price of the CD, you must (a) make positive adjustments increasing the amount of interest that you would otherwise accrue and include in income each year to the extent of amounts allocated to a change in interest rates under the preceding paragraph and (b) make positive adjustments increasing the amount of ordinary income (or decreasing the amount of ordinary loss) that you would otherwise recognize on the maturity of the CD to the extent of amounts allocated to a change in expectations as to the projected payment schedule under the preceding paragraph. If you purchase a CD for an amount that is greater than the adjusted issue price of the CD, you must (a) make negative adjustments decreasing the amount of interest that you would otherwise accrue and include in income each year to the extent of amounts allocated to a change in interest rates under the preceding paragraph and (b) make negative adjustments decreasing the amount of ordinary income (or increasing the amount of ordinary loss) that you would otherwise recognize on the maturity of the CD to the extent of amounts allocated to a change in expectations as to the projected payment schedule under the preceding paragraph. Adjustments allocated to the interest amount are not made until the date the daily portion of interest accrues.

Because any IRS Form 1099-OID that you receive will not reflect the effects of positive or negative adjustments resulting from your purchase of the CDs at a price other than the adjusted issue price determined for tax purposes, you are urged to consult with your tax advisor as to whether and how adjustments should be made to the amounts reported on any IRS Form 1099-OID.

If a contingent payment on the CDs becomes fixed (within the meaning of applicable Treasury regulations) more than six months before the payment is due, a positive or negative adjustment, as appropriate, is made to reflect the difference between the present value of the amount that is fixed and the present value of the projected amount. The present value of each amount is determined by discounting the amount from the date the payment is due to the date the payment becomes fixed, using a discount rate equal to the comparable yield. If all contingent payments on the CDs become fixed, substantially contemporaneously, applicable Treasury regulations provide that you should take into account positive or negative adjustments in respect of such contingent payments over the period to which they related in a reasonable manner. You should consult your tax advisor as to what would be a "reasonable manner" in your particular situation.

You will recognize gain or loss on the sale or maturity of a CD in an amount equal to the difference, if any, between the amount of cash you receive at such time and your adjusted basis in the CD. In general, your adjusted basis in a CD will equal the amount you paid for the CD, increased by the amount of interest you previously accrued with respect to the CD (in accordance with the comparable yield for the CD), decreased by the projected amount of any payments previously made on your CD, and increased or decreased by the amount of any positive or negative adjustment that you are required to make if you purchase your CD at a price other than the adjusted issue price as set forth under the rules described above.

Any gain you recognize on the sale or maturity of a CD will be ordinary interest income. Any loss that may be recognized upon the sale or maturity of such CD generally will be ordinary loss to the extent of interest you included as income in the current or previous taxable years in respect of the CD exceeded the total net negative adjustments that you took into account as ordinary loss, and thereafter will be capital loss. The deductibility of capital losses is limited.

Comparison with Conventional Certificates of Deposit

The tax treatment of CDs treated as contingent payment debt instruments is different than the tax treatment of conventional certificates of deposit issued by banks. In particular, interest on conventional certificates of deposit generally is included in income as it is paid or accrued in accordance with an investor's normal method of tax accounting, except where rules apply requiring inclusion of "original issue discount" based on the interest payable at maturity. Thus, unlike the CDs, conventional certificates of deposit issued by banks are not subject to the special rules described above requiring income inclusions based on a comparable yield and projected payment schedule, or the special rule requiring recognition of ordinary income on any gain realized on a sale or other disposition.

Additional Medicare Tax

Certain United States holders, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax on unearned income. For individual United States holders, the additional Medicare tax applies to the lesser of (i) "net investment income," or (ii) the excess of "modified adjusted gross income" over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive income such as interest, dividends, annuities, royalties, rents, and capital gains. You are urged to consult your own tax advisor regarding the implications of the additional Medicare tax resulting from an investment in the CDs.

Information Reporting and Backup Withholding

Payments on the CDs, and the proceeds received from a sale or other disposition of the CDs generally will be subject to information reporting unless you are otherwise exempt and may also be subject to U.S. backup withholding at the rate specified in the Code if you fail to provide certain identifying information (such as an

accurate taxpayer identification number) or meet certain other conditions. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is furnished to the IRS.

Non-United States Holders

The following discussion applies to non-United States holders of a CD. You are a non-United States holder if you are a beneficial owner of a CD and are for U.S. federal income tax purposes a non-resident alien individual, a foreign corporation, or a foreign estate or trust.

Payments made to a non-United States holder, and any gain realized on the sale or maturity of the CDs, generally should be exempt from U.S. federal income and withholding tax, subject to generally applicable exceptions set forth in the rules exempting "portfolio interest" from U.S. withholding tax, provided that (i) the holder complies with applicable certification requirements, which certification may be made on an IRS Form W-8BEN or W-8BEN-E (or a substitute or successor form) on which the holder certifies, under penalties of perjury, that the holder is not a U.S. person and provides its name and address, (ii) the payment or gain is not effectively connected with the conduct by the holder of a U.S. trade or business, and (iii) if the holder is a non-resident alien individual, the holder is not present in the U.S. for 183 days or more during the taxable year of the sale or maturity of the CDs. In the case of (ii) above, the holder generally should be subject to U.S. federal income tax with respect to any income or gain in the same manner as if the holder were a United States holder and, in the case of a holder that is a corporation, the holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a trade or business in the U.S., subject to certain adjustments. Payments made to a non-United States holder may be subject to information reporting and to backup withholding unless the holder complies with applicable certification and identification requirements as to its foreign status.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act, enacted on March 18, 2010, imposes a 30% U.S. withholding tax on certain U.S. source payments, including interest (and OID), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S. source interest or dividends ("Withholdable Payments"), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the Treasury to collect and provide to the Treasury substantial information regarding U.S. account holders, including certain account holders that are foreign entities with U.S. owners, with such institution. The legislation also generally imposes a withholding tax of 30% on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity.

The U.S. Treasury Department and the IRS have announced that withholding on payments of gross proceeds from a sale or redemption of the CDs will only apply to payments made after December 31, 2018. If we (or an applicable withholding agent) determine withholding under the Foreign Account Tax Compliance Act is appropriate, we (or such agent) will withhold tax at the applicable statutory rate, without being required to pay any additional amounts in respect of such withholding. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing the legislation may be subject to different rules. Holders are urged to consult with their own tax advisors regarding the possible implications of this recently enacted legislation on their investment in the CDs.