

INFORMATION STATEMENT DATED JULY 19, 1999

This Information Statement constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Business Development Bank of Canada



US\$10,000,000 MINIMUM
US\$25,000,000 MAXIMUM

Internet Stock Basket Protected Notes Due 2009

The Internet Stock Basket Protected Notes Due 2009 (the "Notes") issued by the Business Development Bank of Canada (the "Bank") will mature on August 13, 2009 ("Maturity"). This offering consists of a minimum of US\$10,000,000 (1,000,000 Notes) and a maximum of US\$25,000,000 (2,500,000 Notes) at a price of US\$10 per Note which will be payable on the closing of this offering. The Notes may not be called for redemption by the Bank prior to Maturity. At Maturity, each holder of Notes (a "Holder") will receive in respect of each Note held by such Holder, the greater of (a) US\$10 and (b) the Repurchase Price (as hereinafter defined). The Repurchase Price will be computed by reference to the performance of the shares of a selection of 10 out of 20 major U.S.-based internet-related companies, measured by the trading prices of the shares from the time of closing of this offering on the exchange or quotation system on which the shares are listed or quoted to the third business day preceding Maturity (the "Valuation Date"). The shares (the "Shares") of such 20 major U.S.-based internet-related companies (the "Companies") will compose the basket of Shares (the "Basket") from which the 10 Companies showing the median performance (the "Selected Companies") will be selected to compute the Repurchase Price. Such selection will be done by excluding from the Basket, at the Valuation Date, the 5 Companies with the lowest performance of the Shares and the 5 Companies with the highest performance of the Shares. No interest will be paid on the Notes, if any, except at Maturity.

Prospective purchasers should take into account various risk factors associated with this offering. (See "Risk Factors").

The closing of this offering is conditional upon, among other things, the listing of the Notes on a recognised Canadian exchange on the Closing Date (as hereinafter defined). (See "Plan of Distribution").

In this Information Statement, "\$" refers to American dollars, unless otherwise specified.

PRICE: US\$10 per Note

	Price to the Public ⁽¹⁾	Agent's Commission	Proceeds to the Bank ⁽²⁾
Per Note.....	US\$10.00	US\$0.40	US\$9.60
Minimum offering.....	US\$10,000,000	US\$400,000	US\$9,600,000
Maximum offering.....	US\$25,000,000	US\$1,000,000	US\$24,000,000

(1) The subscription price has been determined by negotiation between the Bank and the Agent (as hereinafter defined).

(2) Before deduction of expenses of issue, which together with the Agent's commission, will be paid out of the general funds of the Bank.

The Notes will constitute direct unconditional obligations of the Bank and as such will constitute direct unconditional obligations of Her Majesty in right of Canada. The Notes will be issued on an unsubordinated basis and, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future obligations (other than obligations preferred by mandatory provisions of law) of the Bank, the Notes will rank *pari passu* and will be payable rateably without any preference or priority. The Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act*. (See "Description of the Notes – Rank").

Under an agreement dated as of July 19, 1999 (the "Agency Agreement") between the Bank and Lévesque Beaubien Geoffrion Inc. (the "Agent"), the Agent has agreed to offer the Notes for sale on a best efforts basis, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement.

The continuing obligations of the Agent under the Agency Agreement may be terminated and the Agent may withdraw all subscriptions for Notes on behalf of the subscribers at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain other stated events.

The closing of this offering is scheduled to occur on or about August 13, 1999 (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. Upon acceptance of a subscription, the Agent will send out or cause to be sent out a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber. (See "Plan of Distribution").

A global Note for the full amount of the issue will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Notes will not be available to Holders under any circumstances and registration of interests will be made only through CDS's book-based system. (See "Description of Notes – Book-Based System").

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ELIGIBILITY FOR INVESTMENT

In the opinion of Desjardins Ducharme Stein Monast, a general partnership, counsel to the Agent, the Notes offered hereby, at the date of issue, will be eligible investments, without resort to the so-called "basket provisions", or their purchase will not be prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under or by the following statutes:

- (i) *Insurance Companies Act (Canada)*;
- (ii) *Trust and Loan Companies Act (Canada)*;
- (iii) *Pension Benefits Standards Act, 1985 (Canada)*;
- (iv) *An Act respecting insurance (Québec)* (in respect of insurers, as defined therein, other than guarantee corporations, insurance funds and mutual associations);
- (v) *An Act respecting trust companies and savings companies (Québec)* (in respect of trust companies, as defined therein, investing their own funds and funds received as deposit and in respect of savings companies, as defined therein, investing their own funds);
- (vi) *Supplemental Pension Plans Act (Québec)*.

In the opinion of such counsel, the Notes offered hereby will, at the date of issue, also be qualified investments under the *Income Tax Act (Canada)* and the *Taxation Act (Québec)* for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans, other than a deferred profit sharing plan under which the Bank or a corporation with which the Bank does not deal at arm's length within the meaning of the *Income Tax Act (Canada)* and the *Taxation Act (Québec)* is an employer, and may be held in such plan subject to the terms of the plan. The Notes do not constitute foreign property for the purpose of the *Income Tax Act (Canada)* and, under proposed amendments to such Act, will be qualified investments for trusts governed by registered education savings plans.

SUMMARY OF THE OFFERING

The following is a summary of more detailed information appearing elsewhere in this Information Statement. Capitalized terms not defined in this summary are defined elsewhere in this Information Statement. (See "Definitions"). In this Summary of the Offering, "\$" refers to American dollars, unless otherwise specified.

Issue: Internet Stock Basket Protected Notes due 2009. The Notes are non-redeemable before Maturity.

Issuer: The issuer of the Notes is the Business Development Bank of Canada.

Issue Amount: Minimum \$10,000,000
Maximum \$25,000,000

Issue Price: \$10 per Note

Closing Date: On or about August 13, 1999

Conditions to Closing: The closing of this offering is conditional upon, among other things, the listing of the Notes on a recognised Canadian exchange on the Closing Date. (See "Plan of Distribution").

Maturity Date: August 13, 2009

Basket: The Shares of 20 major U.S.-based internet-related Companies compose the Basket. (See "Shares Composing the Basket"). The composition of the Basket will not be modified except upon the occurrence, prior to Maturity, of an Extraordinary Event. (See "Events Affecting the Basket").

Payment at Maturity: At Maturity, a Holder will receive in respect of each Note held by such Holder a payment equal to the greater of the following amounts:

- (a) \$10; and
- (b) the Repurchase Price.

Repurchase Price: The Repurchase Price will be computed by reference to the Performance of the Shares of a selection of 10 out of 20 Companies composing the Basket. The selection of such Companies will be done by excluding from the Basket, at the Valuation Date, the 5 Companies with the lowest Performance of the Shares and the 5 Companies with the highest Performance of the Shares.

The formula used to calculate the Repurchase Price is:

$$\$10 \left(\frac{\textit{Final Basket Level}}{\textit{Initial Basket Level}} \right)$$

Final Basket Level: The Final Basket Level is the average Performance of the Shares for the Selected Companies.

Initial Basket Level: 100%

Performance of the Shares: The formula used to calculate the Performance of the Shares, for each Share, is:

$$\left(\frac{\textit{Final Price}}{\textit{Initial Price}} \right)$$

Rank: The Notes will constitute direct unconditional obligations of the Bank and as such will constitute direct unconditional obligations of Her Majesty in right of Canada. The Notes will be issued on an unsubordinated basis and, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future obligations (other than obligations preferred by mandatory provisions of law) of the Bank, the Notes will rank *pari passu* and will be payable rateably without any preference or priority. The Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act*. (See "Description of the Notes – Rank").

Credit Rating: The long-term debt of the Bank denominated in currencies other than the Canadian dollar is currently rated AA+ by Standard & Poor's Ratings Services. 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.

Book-Based System: The Notes will be evidenced by a single nominative global certificate held by CDS, or on its behalf, as registered holder of the Notes. Registration of the interests in and transfers of the Notes will be made only through the book-based system of CDS. Subject to certain exceptions, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof and no Holder will be shown on the records maintained by CDS except through an agent who is a CDS Participant.

Eligibility: The Notes will qualify for investment under the *Income Tax Act* (Canada) and the *Taxation Act* (Québec) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans, other than a deferred profit sharing plan under which the Bank or a corporation with which the Bank does not deal at arm's length within the meaning of the *Income Tax Act* (Canada) and the *Taxation Act* (Québec) is an employer, and may be held in such plan subject to the terms of the plan. The Notes do not constitute foreign property for the purpose of the *Income Tax Act* (Canada) and, under proposed amendments to such Act, will be qualified investments for trusts governed by registered education savings plans. (See "Eligibility for Investment").

Risk Factors: Prospective purchasers should take into account various risk factors associated with this offering. (See "Risk Factors").

SHARES COMPOSING THE BASKET

Shares of the following 20 major U.S.-based internet-related Companies compose the Basket.

<u>Company</u>	<u>Ticker</u> ⁽¹⁾	<u>52 Week High</u>	<u>52 Week Low</u>	<u>Price on June 30, 1999</u>
Yahoo!	<YHOO.O>	\$244.00	\$29.50	\$175.19
Etrade	<EGRP.O>	\$72.25	\$2.50	\$39.50
Ebay	<EBAY.O>	\$234.00	\$8.42	\$147.63
Sun Microsystems.	<SUNW.O>	\$72.50	\$19.19	\$70.38
VerisSign	<VRSN.O>	\$94.13	\$9.69	\$81.50
CNET	<CNET.O>	\$79.75	\$7.25	\$49.81
Amazon.com	<AMZN.O>	\$221.25	\$21.67	\$123.69
Doubleclick	<DCLK.O>	\$176.00	\$6.75	\$94.19
Microsoft	<MSFT.O>	\$95.63	\$43.88	\$91.81
Inktomi	<INKT.O>	\$159.13	\$19.50	\$132.00
AmericaOnline	<AOL.N>	\$175.50	\$17.25	\$113.44
CMGI	<CMGI.O>	\$165.00	\$8.63	\$113.75
At Home	<ATHM.O>	\$99.00	\$11.75	\$54.38
Cisco	<CSCO.O>	\$65.75	\$20.56	\$65.75
Entrust Tech.	<ENTU.O>	\$43.06	\$9.00	\$31.63
Infoseek	<SEEK.O>	\$100.00	\$14.88	\$52.00
Qwest	<QWST.O>	\$52.38	\$11.00	\$33.38
Psinet	<PSIX.O>	\$73.75	\$8.38	\$48.19
Macromedia	<MACR.O>	\$53.25	\$12.31	\$39.50
Qualcomm	<QCOM.O>	\$147.00	\$18.88	\$144.75

Source : Bloomberg L.P.

(1) The Shares showing a ticker symbol ending with ".O" are quoted on the NASDAQ System and those showing a ticker symbol ending with ".N" are listed on the New York Stock Exchange.

The composition of the Basket will not be modified except upon the occurrence, prior to the Maturity Date, of an Extraordinary Event. (See "Events Affecting the Basket").

DEFINITIONS

In this Information Statement, unless the context otherwise requires:

"**Adjustment Event**" has the meaning ascribed thereto under the heading "Events Affecting the Basket – Adjustment Event".

"**Agency Agreement**" means the agreement dated as of July 19, 1999, between the Bank and the Agent.

"**Agent**" means Lévesque Beaubien Geoffrion Inc.

"**Bank**" means Business Development Bank of Canada.

"**Basket**" means a selection of shares of 20 major U.S.-based internet-related companies.

"**BBS**" means the "book-based system" of securities issuance and registration in which electronic records replace physical certificates; this system was established by CDS pursuant to rules and procedures therefor under agreements and rules establishing and governing the procedures for, among other things, the settlement of securities transactions under such system.

"**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 BBS and CDS.

"**Business Day**" means any day, other than a Saturday or a Sunday or a day on which the Montreal Exchange and any exchange or quotation system in the United States on which the Shares are traded or quoted are not open for trading or a day on which commercial banks in either Montreal or the United States are required or authorized by law or executive order to remain closed.

"**Calculation Agent**" means the calculation agent for the Notes appointed by the Bank from time to time.

"**Calculation Experts**" has the meaning ascribed thereto under the heading "Events affecting the Basket-Market Disruption Events".

"**CDS Participant**" means a broker, dealer, bank or other financial institution or other person for whom CDS effects book-entry transfers and pledges of Notes under the Book-Entry System.

"**CDS**" means The Canadian Depository for Securities Limited or its nominee.

"**Closing Date**" means the date on or about August 13, 1999 or such later date as may be agreed by the Bank and the Agent.

"**Combined Consideration**" means New Shares in combination with Other Consideration.

"**Company**" means a major U.S.-based internet-related company of which the Shares compose the Basket.

"**Delisting Event**" means in respect of a Share, that such Share is delisted from the relevant Exchange or the relevant listing compartment of such Exchange and either ceases to be listed on any other recognized exchange or has its listing maintained in inappropriate conditions in the opinion of the Calculation Agent.

"De-Merger Event" means in respect of a Share, that such Share is affected by a de-merger (such as, but not limited to, a split, a spin off, a scission or any operation of a similar nature), leading to the attribution of New Shares and/or Other Consideration (as the case may be), being understood that the Affected Share shall be replaced by the Calculation Agent by a basket comprising the New Shares (including or not the Affected Shares) resulting from such de-merger.

"Exchange" means in respect of any Shares, the exchange or quotation system on which these Shares are listed or quoted, or any successor to such exchange or quotation system.

"Expert Estimated Price" has the meaning ascribed thereto under the heading "Events affecting the Basket – Market Disruption Events".

"Extraordinary Event" means in respect of a Share, the occurrence, prior to the Maturity Date, of a Delisting Event, a Merger Event, a De-Merger Event or a Nationalisation Event, in respect of such Share.

"Final Basket Level" means the average Performance of the Shares of the Selected Companies.

"Final Price" means the closing price on the relevant Exchange for a Share on the Valuation Date.

"Holder" means an owner or beneficial owner of a Note.

"Initial Basket Level" means 100%.

"Initial Price" means the closing price on the relevant Exchange for a Share on the Closing Date.

"Insolvency Event" means the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Company, if so determined in good faith by the Calculation Agent.

"Market Disruption Event" has the meaning ascribed thereto under the heading "Events Affecting the Basket - Market Disruption Event".

"Maturity" or "Maturity Date" means August 13, 2009.

"Merger Event" means in respect of a Share (i) any reclassification or change of such Shares (that will include the change of reference currency of the Share) that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding; or (ii) any consolidation, amalgamation or merger of the relevant Company with or into another entity (other than a consolidation, amalgamation or merger in which such Company is the continuing entity and which does not result in any such reclassification or change of all of such Shares outstanding); or (iii) other take over offer for such Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by the offeror).

"Nationalisation Event" means an event by which all the Shares or all the assets or substantially all the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"New Shares" means shares (whether of the offeror or a third party) that are listed or quoted on an exchange or quotation system and issued pursuant to an Extraordinary Event.

"Notes" means the Internet Stock Basket Protected Notes due 2009.

"**Other Consideration**" means cash and/or any securities (other than New Shares) or assets (whether of the offeror or a third party) issued pursuant to an Extraordinary Event.

"**Payment at Maturity**" means the greater of the following amounts:

- (a) \$10; and
- (b) Repurchase Price.

"**Performance of the Shares**" means for each Share, the closing price on the relevant Exchange for a Share on the Valuation Date divided by the closing price on the relevant Exchange for a Share on the Closing Date.

"**Repurchase Price**" means the following formula:

$$\$10 \left(\frac{\textit{Final Basket Level}}{\textit{Initial Basket Level}} \right)$$

"**Selected Companies**" means the 10 Companies which have been selected from the Basket by excluding the 5 Companies with the lowest Performance of the Shares and the 5 Companies with the highest Performance of the Shares.

"**Shares**" means the shares of 20 major U.S.-based internet-related Companies composing the Basket.

"**Valuation Date**" means the third Business Day preceding the Maturity Date or any other date as may be determined in accordance with the method described under "Event Affecting the Basket – Market Disruption Events".

BUSINESS DEVELOPMENT BANK OF CANADA

The Bank (formerly the Federal Business Development Bank) was established by the *Federal Business Development Bank Act* and was continued as a body corporate under the name "Business Development Bank of Canada" pursuant to the *Business Development Bank of Canada Act*. The Bank's head office is located at 5, Place Ville-Marie, Suite 300, Montreal, Québec, H3B 5E7. The purpose of the Bank is to support Canadian entrepreneurship by providing financial and management services and by issuing securities or otherwise raising funds or capital in support of those services. The Bank is for all purposes an agent of the Crown.

DESCRIPTION OF THE NOTES

The following is a summary of the material attributes and characteristics of the Notes offered hereby, which does not purport to be complete. Reference is made to the global Note referred to below for the full text of such attributes and characteristics.

Offering

A global Note for the full amount of the issue will be issued in registered form to CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Notes will not be available to Holders under any circumstances and registration of ownership of the Notes will be made only through the BBS of CDS. The Notes may not be called for redemption by the Bank prior to Maturity.

This offering consists of a minimum of \$10,000,000 (1,000,000 Notes) and a maximum of \$25,000,000 (2,500,000 Notes) at a price of \$10 per Note which will be payable on the Closing Date.

Maturity and Repayment of Principal Amount

The Notes will mature on August 13, 2009. At Maturity, the Holder of a Note will be entitled to receive in respect of each Note held by such Holder the greater of (A) \$10 and (B) the Repurchase Price. The Repurchase Price will be computed by reference to the performance of the shares of a selection of 10 out of 20 major U.S.-based internet-related companies, measured by the trading prices of the shares from the time of closing of this offering on the relevant Exchange to the third Business Day preceding Maturity (the "Valuation Date"). The shares (the "Shares") of such 20 major U.S.-based internet-related companies (the "Companies") will compose the basket of Shares (the "Basket") from which the 10 Companies showing the median performance (the "Selected Companies") will be selected to compute the Repurchase Price. Such selection will be done by excluding from the Basket, at the Valuation Date, the 5 Companies with the lowest Performance of the Shares and the 5 Companies with the highest Performance of the Shares. The formula used to calculate the Repurchase Price is:

$$\$10 \left(\frac{\text{Final Basket Level}}{\text{Initial Basket Level}} \right)$$

The Final Basket Level is the average Performance of the Shares of the Selected Companies and the Initial Basket Level is 100%.

The Performance of the Shares is calculated, in respect of each Share, by dividing the closing price on the relevant Exchange for a Share on the Valuation Date (the "Final Price") by the closing price on the relevant Exchange for a Share on the Closing Date (the "Initial Price").

No interest will be paid on the Notes, if any, except at Maturity.

Holders will be subject to certain federal and Québec income tax consequences. (See "Income Tax Considerations").

Rank

The Notes will constitute direct unconditional obligations of the Bank and as such will constitute direct unconditional obligations of Her Majesty in right of Canada. The Notes will be issued on an unsubordinated basis and, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future obligations (other than obligations preferred by mandatory provisions of law) of the Bank, the Notes will rank *pari passu* and will be payable rateably without any preference or priority. The Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act*.

Credit Rating

The long-term debt of the Bank denominated in currencies other than the Canadian dollar is currently rated AA+ by Standard & Poor's Ratings Services. 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

Subject to a Market Disruption Event, the Bank will be required to make available to the Holders, no later than 10:00 a.m. (Montreal time) on the third Business Day following the Maturity Date for any Notes, funds in an amount sufficient to pay the amounts due under such Notes, being the greater of (A) \$10 and (B) the Repurchase Price, in the form of an official cheque or, pursuant to an agreement between the Holders and the relevant CDS Participant, by wire transfer.

Deferred Payment

Federal laws of Canada preclude payments of interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. When any payment is to be made to a Holder on account of the Repurchase Price of a Note, payment of a portion of such payment may be deferred to ensure compliance with this legislation.

Appointment of Calculation Agent

The Calculation Agent shall act as independent expert in connection with the circumstances described under "Events Affecting the Basket" and will not act as agent for the Bank and his calculation shall, absent manifest error, be final and binding on the Holders and the Bank. The calculation will be made available to a Holder from the Treasurer at the Bank's registered office. The Bank shall promptly give notice to Holders of the occurrence of any of the circumstances described under "Events Affecting the Basket" and of the identity of the Calculation Agent.

Purchase by the Bank

While the Notes may not be called for redemption by the Bank prior to Maturity, the Bank, a successor company, or any affiliated or associated company, may at any time, subject to applicable laws and the policies of any Exchange on which the Notes may be listed, purchase Notes at any price in the open market or by private agreement. No such purchases may be made if such purchases would cause the Notes to cease to be listed on an Exchange.

Book-Based System

The Notes must be purchased, transferred and repurchased through a CDS Participant. On the Closing Date, the Bank will cause all Notes in the form of a single global Note to be delivered to, and registered in the name of CDS. Registration of interests in and transfers of the Notes will be made only through the BBS of CDS, except as subject to any conditions imposed by any Exchange upon which the Notes may be listed. Subject to certain exceptions mentioned hereinafter, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof, and no Holder will be shown on the records maintained by CDS, except through a CDS Participant. Upon purchase of any Notes, the Holder will receive only the customary confirmation that will be sent to such Holder by the Agent or by other registered dealers from whom or through whom such Notes are purchased.

Definitive certificates in relation to the Notes will be issued to CDS Participants if (i) the Bank advises the Holders that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to Notes and the Holders and the Bank are unable to locate a qualified successor depository system, or (ii) the Bank, at its option, advises the Holders in writing that it elects to terminate the use of the Book-Entry System with respect to Notes. In either event, the global Note requires the Bank to notify all CDS Participants and Holders, through the Book-Entry System, of the availability of definitive certificates. Upon the surrender by CDS of the global Note representing the Notes and instructions from CDS for registration, the Bank will issue definitive certificates to CDS Participants appearing on the records maintained by CDS at the time of or as soon as practicable prior to such delivery, which definitive certificates will thereafter evidence Notes previously evidenced by the global Note.

Notices to Holders

All notices to the Holders regarding the Notes will be validly given if published in *La Presse* and in the national edition of *The Globe and Mail*, or if either of such newspapers are not being published, in another major Canadian newspaper with national circulation selected by the Bank. The Bank will give notice as aforesaid to the Holders of any material change or material fact relating to the Notes or to the Shares as they relate to the Notes. While any Note remains outstanding, the Bank will ensure that material information relating to the Notes and the Shares is regularly available in such newspapers.

Modifications of the Notes

The global Note may be amended without the consent of the Holders by agreement between the Bank and the Agent if, in the reasonable opinion of the Bank and the Agent, the amendment would not materially and adversely affect the interests of the Holders. In other cases, the global Note may be amended if the amendment is approved by a resolution passed by the favourable votes of the Holders of not less than $66\frac{2}{3}\%$ of the Notes represented at a meeting convened for the purpose of considering the resolution. Each Holder is entitled to one vote per Note held by such Holder for the purposes of voting at meetings. The Notes do not carry the right to vote in any other circumstances.

SHARES COMPOSING THE BASKET

Shares of the following 20 major U.S.-based internet-related Companies compose the Basket.

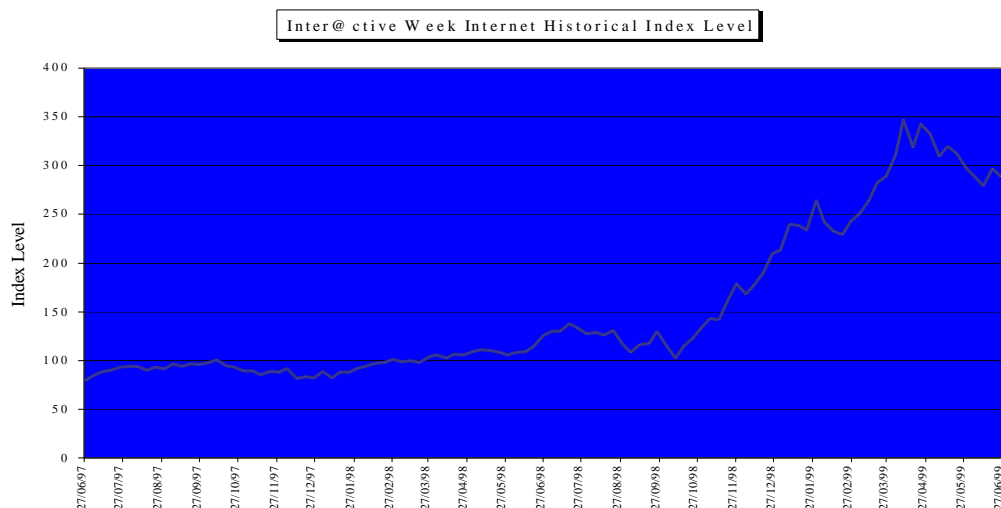
<u>Company</u>	<u>Ticker ⁽¹⁾</u>	<u>52 Week High</u>	<u>52 Week Low</u>	<u>Price on June 30, 1999</u>
Yahoo!	<YHOO.O>	\$244.00	\$29.50	\$175.19
Etrade	<EGRP.O>	\$72.25	\$2.50	\$39.50
Ebay	<EBAY.O>	\$234.00	\$8.42	\$147.63
Sun Microsystems.	<SUNW.O>	\$72.50	\$19.19	\$70.38
VerisSign	<VRSN.O>	\$94.13	\$9.69	\$81.50
CNET	<CNET.O>	\$79.75	\$7.25	\$49.81
Amazon.com	<AMZN.O>	\$221.25	\$21.67	\$123.69
Doubleclick	<DCLK.O>	\$176.00	\$6.75	\$94.19
Microsoft	<MSFT.O>	\$95.63	\$43.88	\$91.81
Inktomi	<INKT.O>	\$159.13	\$19.50	\$132.00
AmericaOnline	<AOL.N>	\$175.50	\$17.25	\$113.44
CMGI	<CMGI.O>	\$165.00	\$8.63	\$113.75
At Home	<ATHM.O>	\$99.00	\$11.75	\$54.38
Cisco	<CSCO.O>	\$65.75	\$20.56	\$65.75
Entrust Tech.	<ENTU.O>	\$43.06	\$9.00	\$31.63
Infoseek	<SEEK.O>	\$100.00	\$14.88	\$52.00
Qwest	<QWST.O>	\$52.38	\$11.00	\$33.38
Psinet	<PSIX.O>	\$73.75	\$8.38	\$48.19
Macromedia	<MACR.O>	\$53.25	\$12.31	\$39.50
Qualcomm	<QCOM.O>	\$147.00	\$18.88	\$144.75

Source : Bloomberg L.P.

(1) The Shares showing a ticker symbol ending with ".O" are quoted on the NASDAQ System and those showing a ticker symbol ending with ".N" are listed on the New York Stock Exchange.

The composition of the Basket will not be modified except upon the occurrence, prior to the Maturity Date, of an Extraordinary Event. (See "Events Affecting the Basket").

The following is a graph of the [Inter@ctive](#) Week Internet Index (IIX) which is a modified capitalization weighted index of 50 companies involved in the internet sector and comprising 18 of the 20 Shares of the Basket.



Source : Bloomberg L.P.

EVENTS AFFECTING THE BASKET

Adjustment Events

Subject to the provisions set out below under " Extraordinary Events", the Calculation Agent will, as soon as practicable after an Adjustment Event (as defined below) in respect of a Share has occurred, make adjustments to the Initial Price for the relevant Share or any other component or variable relevant to the determination of the Repurchase Price. Adjustments will be made in such a way as the Calculation Agent reasonably determines appropriate to account for the diluting or concentrative effect of such Adjustment Event. Upon making any such adjustment, the Calculation Agent shall promptly give notice of such adjustment and brief details of the Adjustment Event to CDS and the Holders' investment dealers who are participants in CDS. Save as expressly provided below, the Calculation Agent shall make no adjustment in respect of any distribution of cash.

Definition of Adjustment Event

Adjustment Event means, in respect of a Share, the occurrence of any of the following events:

- (a) a subdivision, consolidation or reclassification of such Shares (unless a Merger Event), or a free distribution or dividend of any Shares to existing holders by way of bonus, capitalization or similar issue;
- (b) a distribution or dividend to existing holders of the Shares of (i) Shares or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend;
- (d) a call in respect of Shares that are not fully paid;
- (e) a repurchase by the relevant Company of Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (f) any other similar event that may have a diluting or concentrative effect on the theoretical value of the Shares.

Extraordinary Events

Upon the occurrence prior to the Maturity Date, in the determination of the Calculation Agent, of a Merger Event, a Delisting Event, a De-merger Event or a Nationalisation Event in respect of any Share (an "Affected Share"), then, subject to the immediately following paragraph, the Affected Share will be substituted with the consideration to which a holder of such Affected Share would be entitled to receive in respect of such holding upon consummation of the Merger Event, Delisting Event, De-merger Event or Nationalisation Event, i.e. either New Shares or Other Consideration or Combined Consideration as the case may be. The Calculation Agent will make all necessary valuations and adjustments that it shall reasonably consider fair and appropriate in each such case, it being understood that, without limiting the generality of the foregoing, (i) any New Shares and their issuer will generally be deemed to be the relevant Share and relevant Company, respectively, and (ii) in the case of Combined Consideration or Other

Consideration, the Other Consideration will (for purposes of calculating the Repurchase Price) generally be converted into New Shares, and such New Shares and their issuer will be deemed to be the relevant Share and relevant Company, respectively.

In the event that the Calculation Agent reasonably determines that the foregoing methods do not constitute a fair and appropriate reflection of the effect of the Merger Event, Delisting Event, De-merger Event or Nationalisation Event on the Affected Shares or in the event the New Shares are not considered by the Calculation Agent acting reasonably to be shares of a major U.S.-based internet-related company, the Calculation Agent will substitute the Affected Share into a share of the same economic sector (being the internet industry) and into a share the issuer of which shall be of a similar international standing or creditworthiness as the issuer of the Affected Share, in which event such substitute shares and their issuer shall be deemed to be the relevant Share and relevant Company. Notwithstanding anything herein to the contrary, the Calculation Agent shall use its best reasonable efforts at all times to maintain a selection of 20 companies as "Companies" hereunder for the period running from the Closing Date to the Valuation Date.

In particular :

- (a) in the event of a Merger Event affecting two Companies the Shares of which are part of the Basket, the Calculation Agent will select a substitute share (replacing the absorbed Company's Share), as described in the preceding paragraph, in addition to the New Share (absorbing Company's Share) resulting from such Merger Event, in order to maintain the initial number of Shares composing the Basket. Moreover, the Calculation Agent may in its reasonable discretion also select a substitute share for the New Share resulting from the Merger Event in the same way as described in the preceding paragraph;
- (b) in the event of a Company (the Share of which is part of the Basket) taking a stake exceeding 20% of another Company the Share of which is part of the Basket, the Calculation Agent may select a substitute share for the latter Company's Share in the same way as described in the preceding paragraph; and
- (c) in the event of De-merger, the Affected Share shall be replaced by the Calculation Agent by a basket composed of the New Shares resulting from such de-merger.

Insolvency Event

If an Insolvency Event occurs in respect of any Company or any Share prior to the Maturity Date, the Final Price of such Share shall be zero. The Calculation Agent shall promptly give notice of such event to the Bank.

Market Disruption Events

Postponement of Valuation Date Due to Market Disruption Event

If the Calculation Agent determines that a Market Disruption Event (as defined below) in respect of a Share has occurred and is continuing on any date that but for that event would be a Valuation Date in respect of that Share, then the Initial Price or Final Price (as the case may be) for that Share will be calculated on the basis that such Valuation Date will be postponed to the next applicable Business Day on which there is no Market Disruption Event in respect of that Share in effect. However, if on the fifth applicable Business Day following the date originally scheduled as the Valuation Date in respect of the relevant Share, such Valuation Date has not occurred, then despite the occurrence of any Market Disruption Event on or after such fifth Business Day, such fifth Business Day shall be the Valuation Date in respect of that Share.

Calculation Experts May Determine Prices

Where the Valuation Date occurs on the fifth applicable Business Day following the originally scheduled Valuation Date in respect of a Share and on that date a Market Disruption Event has occurred and is continuing in respect of that Share:

- (a) The Calculation Agent will appoint five Calculation Experts. Each Calculation Expert will be a person or company (other than the Calculation Agent or any affiliate thereof) that is an active participant in equity markets relevant to the applicable Exchange. The Calculation Experts will act as independent experts, and not as agents for the Bank or the Calculation Agent, and their calculations and determinations shall, absent manifest error, be final and binding on the Bank and the Holders. The calculations will be available to a Holder from the Calculation agent.
- (b) The determination by the Calculation Agent that a Market Disruption Event has occurred and is continuing is subject to subsequent confirmation by a majority of the Calculation Experts promptly following their appointment.
- (c) The Calculation Agent shall give notice of such determination and appointment and the identity of the Calculation Experts (and of any subsequent determination that the relevant Market Disruption Event has ceased) to CDS and the Holders' investment dealers who are participants in CDS.
- (d) The price used for purposes of determining the Initial Price or the Final Price (as the case may be) for that Share will be a closing price (the "Expert Estimated Price") determined by the Calculation Experts as at such Valuation Date taking into account all relevant market circumstances based upon the average of the estimates of the closing price on the relevant Exchange by three of the five Calculation Experts whose estimates are neither the highest nor the lowest of the five estimates; provided that if two or more of the highest and/or lowest estimates are equal, only one of such higher and/or lower estimate shall be deemed to be the highest and/or the lowest estimate for the purpose of determining the average.

Definition of Market Disruption Event

Market Disruption Event means, in respect of a Share, any bona fide event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Bank or any person that does not deal at arm's length with the Bank which has or will have a material adverse effect on the ability of equity dealers generally to place or modify hedges of positions in respect of the Share. A Market Disruption Event may include, without limitation, any of the following events:

- (a) any suspension of or limitation on trading (be reason of movements in price exceeding permitted limits, or otherwise) on the relevant Exchange in the Shares, where such suspension or limitation occurs or exists during the one-half hour period prior to the scheduled close of regular trading on such Exchange and where, in the determination of the Calculation Agent, such suspension or limitation is material;
- (b) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other government authority which would make it unlawful or impracticable for the Bank to perform its obligations under the Notes or for equity dealers generally to place or modify hedges of positions in respect of the Share;

- (c) the taking of an action by any governmental, administrative, legislative or judicial authority or power of Canada or of any other country or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or the United States; or
- (d) the occurrence of any event including, without limitation, any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the ability of the Bank to perform its obligations under the Notes or of equity dealers generally to place or modify hedges of positions in respect of the Share or a material adverse effect on the economy of the United States or the trading of securities generally on the applicable Exchange.

For the purposes of determining whether a Market Disruption Event has occurred: (i) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the applicable Exchange, (ii) a "suspension of or limitation on trading" on the relevant Exchange will not include any time when such Exchange itself is closed for trading under ordinary circumstances, in each case immediately before that suspension or limitation.

RISK FACTORS

Investment in the Notes is subject to certain market risk factors with respect to the Repurchase Price. Payment under the Notes by the Bank is not considered to be one of these risks and none of these factors adversely affects the Bank's ability to perform its obligations under the Notes.

As described in more detail below, the trading price and Repurchase Price of the Notes may vary considerably prior to the Maturity Date owing to risks inherent in equity-based securities, including fluctuations in the prices of the Shares and factors influencing stock prices generally on the Exchanges on which the Shares are traded. Such factors may adversely affect the Repurchase Price.

Comparison to Other Debt Securities

The terms of the Notes differ from those of ordinary debt securities, in that interest is payable on the Notes only to the extent that the Repurchase Price exceeds \$10 at the Valuation Date. The Repurchase Price will exceed \$10 only if there is an increase in the Final Basket Level to a level greater than the Initial Basket Level at the Closing Date. Such an increase is contingent on events that are inherently difficult to predict and beyond the Bank's control. Accordingly, there can be no assurance that any such increase will occur, or that more than \$10 will ever be payable with respect to each Note. Moreover, the value of an investment in the Notes may diminish over time owing to inflation and other factors that adversely affect the present value of future payments. Accordingly, an investment in the Notes may result in a lower return when compared to alternative investments.

Possible Illiquidity of Secondary Market

It is not possible to predict how the Notes will trade in the secondary market or whether such market will be liquid or illiquid.

Certain Factors Affecting Value and Trading Price of Notes

The trading price of the Notes will depend partly upon the length of the period remaining to Maturity and the trading prices of the Shares on the relevant Exchanges at any given time. Before selling Notes, Holders

should carefully consider, among other things, (i) the trading price of the Notes, (ii) the trading prices of the Shares at such time, (iii) the time remaining to Maturity, (iv) the fact that at least the \$10 principal amount of each Note is payable at Maturity irrespective of the trading prices of the Shares at such time and (v) any related transaction costs.

The trading price of the Notes is expected to be dependent on (i) the relationship between the trading prices of the Shares on the relevant Exchanges at the Closing Date and the trading prices of the Shares on the relevant Exchanges at such time, (ii) the \$10 principal amount of each Note that is payable at Maturity irrespective of the trading prices of the Shares on the relevant Exchanges at such time and (iii) a number of other interrelated factors, including those listed below. The relationship among these factors is complex. However, the expected effect on the trading price of the Notes of each of the factors listed below, assuming in each case that all other factors are held constant, is as follows:

- (a) *The volatility of the Shares.* If the volatility of the Shares increases, then both the risk and the possible return of an investment based thereon are expected generally to rise; because the Notes entitle Holders to a minimum payment at Maturity regardless of the Final Basket Level at Maturity, the trading price of the Notes is expected consequently to increase. Conversely, if the volatility of the Shares decreases, the trading price of the Notes is expected to decrease.
- (b) *The time remaining to Maturity of the Notes.* As the time remaining to Maturity of the Notes decreases, the value of the Notes will be less sensitive to volatility. All other things being equal, this is expected to result in a decrease in the trading price of the Notes. Such decrease may be offset to a certain extent by an increased trading price resulting from a reduction in the amount of time remaining to payment of at least the \$10 principal amount at Maturity.
- (c) *The prevailing interest rates.* If interest rates increase, then alternative investments to the Notes are expected generally to become more attractive, and consequently the trading price of the Notes is expected to decrease. Conversely, if interest rates decrease, the trading price of the Notes is expected to increase. Interest rates affect the U.S. economy and, in turn, the Shares. Specifically, rising interest rates would be expected generally to increase firms' cost of capital, adversely affecting their business prospects and consequently lowering the value of their shares. Conversely, falling interest rates may increase the Repurchase Price and trading price of the Notes. Nevertheless, the magnitude of any such change in trading price cannot be predicted with any assurance of accuracy.

If there is a postponement in the Valuation Date owing to the occurrence of a Market Disruption Event, the Repurchase Price actually received by a Holder may be substantially lower than the otherwise applicable Repurchase Price if the Valuation Date had not been postponed.

Some of the factors referred to above are, in turn, influenced by various political, economic and other factors that can affect trading prices of the Shares.

INCOME TAX CONSIDERATIONS

In the opinion of Desjardins Ducharme Stein Monast, a general partnership, counsel to the Agent, the following is a fair summary of the principal income tax consequences under the laws of Canada and the province of Québec generally applicable to a Holder of the Notes offered pursuant to this Information Statement who is a resident of Canada for purposes of the Income Tax Act (Canada) (the "Federal Act") and of Québec for purposes of the *Taxation Act* (Québec) (the "Québec Act"), who deals at arm's length with the

Bank, who acquires and holds the Notes as capital property and who is not a "financial institution" within the meaning of the Federal Act. In addition, "specified debt obligations", within the meaning of the Federal Act, held by financial institutions are subject to special "mark-to-market" rules.

This summary is based upon the current provisions of the Federal Act, the Québec Act and the regulations thereunder, all specific proposals to amend the Federal Act, the Québec Act or the regulations publicly announced by the federal Minister of Finance and the Québec Minister of Finance prior to the date hereof (the "Amendments") and counsel's understanding of certain published administrative practices and policies of Revenue Canada and the ministère du Revenu du Québec. No assurances can be given that the Amendments will be enacted as announced. Except for the Amendments, this summary does not take into account or anticipate any changes in the law, whether by judicial, regulatory, administrative or legislative action, nor does it take into account tax laws of any province or territory of Canada other than Québec, or of any jurisdiction outside Canada.

This summary is not intended to constitute, nor should it be relied upon as, tax advice to any particular Holder. While it is a question of fact, generally the Notes will be regarded as capital property to a Holder who acquires and holds Notes as investments (and in particular not as inventory held in the course of a business carried on by a Holder for purposes of the Federal Act or as an adventure in the nature of trade). A Holder who is an individual and neither a trader or dealer in securities nor a non-resident and who is uncertain that the Notes constitute capital property for him may consider making a one time election to treat the Notes, and all other Canadian securities, as defined in the Federal Act and in the Québec Act, owned by him in that or subsequent taxation years, as capital property. **Holders should consult their own tax advisors as to the overall consequences of their ownership of Notes.**

Federal Income Tax Considerations

The amount of the excess of the Repurchase Price over the principal amount of a Note cannot be ascertained and the right to it arises only at Maturity. The amount of such excess, if any, will be included in the Holder's income, as interest, when Maturity is reached.

On a disposition of a Note resulting from the repayment by the Bank at Maturity, a Holder will realize a capital gain (or a capital loss) to the extent that a payment received at such time, less the amount, if any, required to be included in the Holder's income in the year of such a disposition as interest, exceeds (or is less than) the Holder's cost of the Note. An amount received or deemed to be received by a Holder on any other disposition or deemed disposition of a Note will normally give rise to a capital gain (or a capital loss) to such Holder at such time to the extent such amount exceeds (or is less than) such Holder's cost of the Note. However, a Holder who disposes of a Note within a short period of time before its maturity should consult its own tax advisor as to the tax consequences resulting therefrom.

The portion of a capital gain (or capital loss) of a Holder on the disposition or deemed disposition of Notes in a taxation year that is included in determining such Holder's taxable capital gain (or allowable capital loss) is three-quarters. A Holder that is a Canadian-controlled private corporation may be subject to a refundable tax of $6\frac{2}{3}\%$ on the investment income, including taxable capital gains. This tax, together with a corporation's "refundable dividend tax on hand", will be refunded when the corporation pays taxable dividends at the rate of \$1 for every \$3 of dividends paid.

Investors who hold the Notes as other than capital property for purposes of the Federal Act will be required to include any gain or loss realized on the Notes as ordinary income or loss in the year that such gain or loss is realized.

Québec Income Tax Considerations

Generally the Québec income tax consequences to a Holder of the Notes are the same as those prevailing under the Federal Act except that the Québec Act contains no provisions similar to the refundable tax of 6 ²/₃% on the investment income and to the refundable dividend tax on hand.

PLAN OF DISTRIBUTION

Under an agreement dated as of July 19, 1999 (the "Agency Agreement") between the Bank and Lévesque Beaubien Geoffrion Inc. (the "Agent"), the Agent has agreed to offer the Notes for sale on a best efforts basis, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement.

The continuing obligations of the Agent under the Agency Agreement may be terminated and the Agent may withdraw all subscriptions for Notes on behalf of the subscribers at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain other stated events.

The closing of this offering is scheduled to occur on or about August 13, 1999 (the "Closing Date"). The closing of this offering is conditional upon the listing of the Notes on a recognised Canadian exchange on the Closing Date. The closing of this offering is also conditional upon receipt and acceptance by the Bank of subscriptions for the minimum number of Notes. Any subscription proceeds will be kept with the Agent or other members of the selling group, as depository, upon receipt and held by them in deposit pending sale of the minimum offering on the Closing Date. In the event that the minimum offering required therein is not achieved on the Closing Date, the offering may not continue without the consent of the subscribers who subscribed for Notes on or before such date. If such consents are not obtained or if for any reason the closing of the offering does not occur, the Agent and members of the selling group will promptly return all subscription proceeds in respect of such Notes to subscribers without interest and deduction.

A fee of \$0.40 per Note will be paid to the Agent upon the closing of this offering. All fees payable to the Agent will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of the Bank. The issue price of \$10 per Note was determined by negotiation between the Bank and the Agent. 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. Upon acceptance of a subscription, the Agent will send out or cause to be sent out a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber.

A global Note for the full amount of the issue 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 Notes will not be available to Holders under any circumstances and registration of interests in and transfer of Notes will be made only through the BBS of CDS. (See "Description of the Notes – Book-Based System").

In connection with the issue and sale of the Notes, no person is authorized to give any information or to make any representation not contained in this Information Statement and the Bank does not accept responsibility for any information not contained herein. This document 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 Notes or the distribution of the Information Statement in any jurisdiction outside Canada where any action is required.

USE OF PROCEEDS

The net proceeds of the offering, after payment of the expenses of issue and of the Agent's commission, will be used for general banking purposes of the Bank.

LEGAL MATTERS

Opinions will be delivered on certain matters pertaining to the Notes offered by this Information Statement on the Closing Date on behalf of the Agent by Desjardins Ducharme Stein Monast, a general partnership.

TRANSFER AGENT AND REGISTRAR

General Trust of Canada at its principal transfer offices in Montreal, will be the transfer agent and registrar for the Notes.