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Dear Jason:

Re: BMO information package for clients

We are writing to provide our comments, analysis and opinion in connection with the information packages that BMO provides to its clients. We have reviewed the sample information package and we provide an annotated version of that package along with this letter for explanation.

BMO transaction summary

First we examined the standard BMO transaction listing. This listing provides the data to be manipulated to meet the needs of accountants and clients who want to account for the activity of the investments. We noted that there is an essential piece of information missing from this transaction summary: the cost of the investments involved. For example, when stock dividends are reported on the transaction summary, there is no total dollar value of the amount of the stock dividend because the report does not show the addition to investment cost. Similarly, when investment transfers happen between investment accounts, the client will need to understand the underlying cost of investments that has been transferred. We recommend that your standard BMO transaction summary include an “investment cost” column which reports the amounts added or subtracted from investment cost from the various transactions in the statement period.

Investment reporting – the “cash and cost summary”

Next, we have prepared an example “cash and cost summary” using the BMO transaction listing. An unfiltered transaction listing does not provide the summary information necessary for clients to understand the changes in their account or for accountants to record the activity in the investments. The cash and cost summary does provide that information. Specifically, this summary starts from the opening cash and investment cost for the investment period, reports a summary of transactions in the period and determines the ending cost and investment cost.

The cash and cost summary is essential to bridge the gap between the raw transactions in the investment account and the actual summary results that the end user needs to see. The summary has the following features:

- Opening cash and cost that can be verified against BMO statements of the account holdings.
- Realized gain/losses that can be verified against the BMO gain/loss report.
- Summary of income transactions broken down by important tax categories:
 - Interest
 - Canadian-source dividends
 - Canadian trust/ETF/fund distributions

- Foreign income
- Foreign tax paid
- Other adjustments, such as return of capital and foreign exchange
- Ending cash and cost that can be verified against BMO statements

The cash and cost summary can be used to generate an accounting entry to record the transactions in the investment account. The entry is calculated directly from the summary of transactions for each category and the ending balances in the books can be immediately compared to the ending balances on the cash and cost summary for verification.

The preparation of this cash and cost summary can identify gaps in the standard BMO transaction listing. For example, if returns of capital are not reported on the BMO transaction listing, then the ending balances of the cash and cost summary will not reconcile to the statements. This can enable BMO to upgrade its transaction listing reports.

Summary and Next Steps

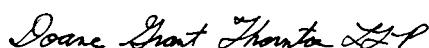
In summary, our review of the BMO information package highlights the need for enhanced reporting to better serve both clients and accountants. The current transaction summary lacks important details including investment cost information. By also adopting a comprehensive cash and cost summary, BMO can significantly improve the clarity and utility of its client reports.

We are available to provide further advice and consultation as needed.

If you have any questions regarding the above or other matters, please do not hesitate to contact us at +1 416 637 6648.

Yours sincerely,

Doane Grant Thornton LLP



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