

BANK OF MONTREAL /CAN/
Form FWP
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Subject to Completion, dated January 5, 2016
Pricing Supplement to the Prospectus dated June 27, 2014, the Prospectus Supplement
dated June 27, 2014 and the Product Supplement dated October 1, 2015

US\$ 1

Senior Medium-Term Notes, Series C
Upside Booster Notes with Barrier, due January 31, 2019
Linked to the Energy Select Sector SPDR® Fund

· The notes are designed for investors who seek a fixed positive return equal to the Booster Percentage of 29% if the Final Level (as defined below) of the Underlying Asset is greater than or equal to the Barrier Level of 90% but the Percentage Change is less than or equal to the Booster Percentage, and a one-for-one positive return if the Percentage Change of the Underlying Asset is greater than the Booster Percentage. Investors should be willing to forgo periodic interest, and be willing to lose 1% of their principal amount for each 1% that the price of the Underlying Asset decreases from the Initial Level at maturity if the Percentage Change is less than the Barrier Percentage.

· Investors in the notes may lose some or all of their principal amount at maturity.

· Any payment at maturity is subject to the credit risk of Bank of Montreal. The notes will not be listed on any securities exchange.

· The notes will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000.

· The offering is expected to price on or about January 26, 2016, and the notes are expected to settle through the facilities of The Depository Trust Company on or about January 29, 2016.

· The notes are scheduled to mature on January 31, 2019.

· The CUSIP number of the notes is 06366R6R1.

· Our subsidiary, BMO Capital Markets Corp. (“BMOCM”), is the agent for this offering. See “Supplemental Plan of Distribution (Conflicts of Interest)” below.

Investing in the notes involves risks, including those described in the “Selected Risk Considerations” section beginning on page P-4 of this pricing supplement, the “Additional Risk Factors Relating to the Notes” section beginning on page PS-5 of the product supplement, and the “Risk Factors” section beginning on page S-1 of the prospectus supplement and on page 7 of the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the accuracy of this pricing supplement, the product supplement, the prospectus supplement or the prospectus. Any representation to the contrary is a criminal offense.

The notes will be our unsecured obligations and will not be savings accounts or deposits that are insured by the United States Federal Deposit Insurance Corporation, the Bank Insurance Fund, the Canada Deposit Insurance Corporation or any other governmental agency or instrumentality or other entity.

On the date of this preliminary pricing supplement, the estimated initial value of the notes is \$939.90 per \$1,000 in principal amount, based on the terms set forth above. The estimated initial value of the notes on the pricing date may differ from this value but will not be less than \$920 per \$1,000 in principal amount. However, as discussed in more detail in this pricing supplement, the actual value of the notes at any time will reflect many factors and cannot be

predicted with accuracy.

	Price to Public	Agent's Commission	Proceeds to Bank of Montreal
Per Note	US\$1,000	US\$12	US\$988
Total	US\$	US\$	US\$

BMO CAPITAL MARKETS

Key Terms of the Notes:

Underlying Asset: Energy Select Sector SPDR® Fund (NYSE Arca symbol: XLE). See the section below entitled “The Underlying Asset” for additional information about the Underlying Asset.

Payment at Maturity: (i) If the Percentage Change is greater than the Booster Percentage, then the amount that the investors will receive at maturity for each \$1,000 in principal amount of the notes will equal:

$$\text{Principal Amount} + (\text{Principal Amount} \times \text{Percentage Change})$$

(ii) If the Percentage Change is between the Barrier Percentage and the Booster Percentage, inclusive, then the amount that the investors will receive at maturity for each \$1,000 in principal amount of the notes will be calculated as follows:

$$\text{Principal Amount} + (\text{Principal Amount} \times \text{Booster Percentage})$$

(iii) If the Percentage Change is less than the Barrier Percentage, then the payment at maturity will equal:

$$\text{Principal Amount} + (\text{Principal Amount} \times \text{Percentage Change})$$

Initial Level: The closing price of one share of the Underlying Asset on the Pricing Date.

Final Level: The closing price of one share of the Underlying Asset on the Valuation Date.

Booster Percentage 29%

Barrier Level: 90% of the Initial Level.

Barrier Percentage: -10%. Accordingly, you will receive the principal amount of your notes at maturity only if the price of the Underlying Asset does not decrease by more than 10% between the Pricing Date and the Valuation Date. If the Final Level is less than the Barrier Level, you will receive less than the principal amount of your notes at maturity, and you could lose some or all of the principal amount of your notes.

Percentage Change: $\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$, expressed as a percentage.

Pricing Date: On or about January 26, 2016

Settlement Date: On or about January 29, 2016, as determined on the Pricing Date.

Valuation Date: On or about January 28, 2019, as determined on the Pricing Date.

Maturity Date: On or about January 31, 2019, as determined on the Pricing Date.

Automatic Redemption: Not applicable.

Calculation Agent: BMOCM

Selling Agent: BMOCM

The Pricing Date, Settlement Date, Valuation Date and Maturity Date for the notes are subject to change and will be set forth in the final pricing supplement.

Additional Terms of the Notes

You should read this pricing supplement together with the product supplement dated October 1, 2015, the prospectus supplement dated June 27, 2014 and the prospectus dated June 27, 2014. This pricing supplement, together with the documents listed below, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours or the agent. You should carefully consider, among other things, the matters set forth in “Additional Risk Factors Relating to the Notes” in the product supplement, as the notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the notes.

You may access these documents on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Product supplement dated October 1, 2015:
<http://www.sec.gov/Archives/edgar/data/927971/000121465915006903/c101151424b5.htm>
- Prospectus supplement dated June 27, 2014:
<http://www.sec.gov/Archives/edgar/data/927971/000119312514254915/d750935d424b5.htm>
- Prospectus dated June 27, 2014:
<http://www.sec.gov/Archives/edgar/data/927971/000119312514254905/d749601d424b2.htm>

Our Central Index Key, or CIK, on the SEC website is 927971. As used in this pricing supplement, “we,” “us” or “our” refers to Bank of Montreal.

We have filed a registration statement (including a prospectus) with the SEC for the offerings to which this document relates. Before you invest, you should read the prospectus in that registration statement and the other documents that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents free of charge by visiting the SEC’s website at <http://www.sec.gov>. Alternatively, we will arrange to send to you the prospectus (as supplemented by the prospectus supplement and product supplement) if you request it by calling our agent toll-free at 1-877-369-5412.

Selected Risk Considerations

An investment in the notes involves significant risks. Investing in the notes is not equivalent to investing directly in the Underlying Asset. These risks are explained in more detail in the “Additional Risk Factors Relating to the Notes” section of the product supplement.

- Your investment in the notes may result in a loss. — You may lose some or all of your investment in the notes. The payment at maturity will be based on the Final Level, and whether the Final Level of the Underlying Asset on the Valuation Date has declined from the Initial Level to a level that is less than the Barrier Level. If the Percentage Change is less than the Barrier Percentage, you will lose 1% of the principal amount of your notes for each 1% that the Final Level is less than the Initial Level. Accordingly, you could lose some or all of the principal amount of your notes.
- Your investment is subject to the credit risk of Bank of Montreal. — Our credit ratings and credit spreads may adversely affect the market value of the notes. Investors are dependent on our ability to pay the amount due at maturity, and therefore investors are subject to our credit risk and to changes in the market’s view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the notes.
- Potential conflicts. — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the notes. We or one or more of our affiliates may also engage in trading of shares of the Underlying Asset or securities held by the Underlying Asset on a regular basis as part of our general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for our customers. Any of these activities could adversely affect the price of the Underlying Asset and, therefore, the market value of the notes. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of the Underlying Asset. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the market value of the notes.
 - Our initial estimated value of the notes will be lower than the price to public. — Our initial estimated value of the notes is only an estimate, and is based on a number of factors. The price to public of the notes will exceed our initial estimated value, because costs associated with offering, structuring and hedging the notes are included in the price to public, but are not included in the estimated value. These costs include the underwriting discount and selling concessions, the profits that we and our affiliates expect to realize for assuming the risks in hedging our obligations under the notes and the estimated cost of hedging these obligations. The initial estimated value may be as low as the amount indicated on the cover page of this pricing supplement.
- Our initial estimated value does not represent any future value of the notes, and may also differ from the estimated value of any other party. — Our initial estimated value of the notes as of the date of this preliminary pricing supplement is, and our estimated value as determined on the pricing date will be, derived using our internal pricing models. This value is based on market conditions and other relevant factors, which include volatility of the Underlying Asset, dividend rates and interest rates. Different pricing models and assumptions could provide values for the notes that are greater than or less than our initial estimated value. In addition, market conditions and other relevant factors after the pricing date are expected to change, possibly rapidly, and our assumptions may prove to be incorrect. After the pricing date, the value of the notes could change dramatically due to changes in market conditions, our creditworthiness, and the other factors set forth in this pricing supplement and the product supplement. These changes are likely to impact the price, if any, at which we or BMOCM would be willing to

purchase the notes from you in any secondary market transactions. Our initial estimated value does not represent a minimum price at which we or our affiliates would be willing to buy your notes in any secondary market at any time.

- The terms of the notes are not determined by reference to the credit spreads for our conventional fixed-rate debt. — To determine the terms of the notes, we will use an internal funding rate that represents a discount from the credit spreads for our conventional fixed-rate debt. As a result, the terms of the notes are less favorable to you than if we had used a higher funding rate.
- Certain costs are likely to adversely affect the value of the notes. — Absent any changes in market conditions, any secondary market prices of the notes will likely be lower than the price to public. This is because any secondary market prices will likely take into account our then-current market credit spreads, and because any secondary market prices are likely to exclude all or a portion of the underwriting discount and selling concessions, and the hedging profits and estimated hedging costs that are included in the price to public of the notes and that may be reflected on your account statements. 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. As a result, the price, if any, at which BMOCM or any other party may be willing to purchase the notes from you in secondary market transactions, if at all, will likely be lower than the price to public. Any sale that you make prior to the maturity date could result in a substantial loss to you.

- Owning the notes is not the same as owning shares of the Underlying Asset or a security directly linked to the Underlying Asset. — The return on your notes will not reflect the return you would realize if you actually owned shares of the Underlying Asset or a security directly linked to the performance of the Underlying Asset and held that investment for a similar period. Your notes may trade quite differently from the Underlying Asset. Changes in the price of the Underlying Asset may not result in comparable changes in the market value of your notes. Even if the price of the Underlying Asset increases during the term of the notes, the market value of the notes prior to maturity may not increase to the same extent. It is also possible for the market value of the notes to decrease while the price of the Underlying Asset increases. In addition, any dividends or other distributions paid on the Underlying Asset will not be reflected in the amount payable on the notes.
- You will not have any shareholder rights and will have no right to receive any shares of the Underlying Asset at maturity. — Investing in your notes will not make you a holder of any shares of the Underlying Asset or any securities held by the Underlying Asset. Neither you nor any other holder or owner of the notes will have any voting rights, any right to receive dividends or other distributions, or any other rights with respect to the Underlying Asset or such other securities.
- Changes that affect the Underlying Index will affect the market value of the notes and the amount you will receive at maturity. — The policies of S&P Dow Jones Indices LLC (the “Index Sponsor,” or “S&P”), the sponsor of the S&P® Energy Select Sector Index (the “Underlying Index”), concerning the calculation of the Underlying Index, and the policies of Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch,” which is the “Index Compilation Agent” of the Underlying Index) additions, deletions or substitutions of the components of the Underlying Index and the manner in which changes affecting those components, such as stock dividends, reorganizations or mergers, may be reflected in the Underlying Index and, therefore, could affect the share price of the Underlying Asset, the amount payable on the notes at maturity, and the market value of the notes prior to maturity. The amount payable on the notes and their market value could also be affected if the Index Sponsor or Index Compilation Agent changes these policies, for example, by changing the manner in which it calculates the Underlying Index, or if the Index Sponsor discontinues or suspends the calculation or publication of the Underlying Index.
- We have no affiliation with the Index Sponsor or the Index Compilation Agent and will not be responsible for their actions. — The Index Sponsor and the Index Compilation Agent are not affiliates of ours and will not be involved in the offering of the notes in any way. Consequently, we have no control over their actions, including any actions of the type that would require the calculation agent to adjust the payment to you at maturity. The Index Sponsor and the Index Compilation Agent have no obligation of any sort with respect to the notes. Thus, they have no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the notes. None of our proceeds from the issuance of the notes will be delivered to the Index Sponsor or Index Compilation Agent.
- Adjustments to the Underlying Asset could adversely affect the notes. — SSgA Funds Management, Inc. (“SSFM”), in its role as the advisor of the Underlying Asset, is responsible for calculating and maintaining the Underlying Asset. SSFM can add, delete or substitute the stocks comprising the Underlying Asset or make other methodological changes that could change the share price of the Underlying Asset at any time. If one or more of these events occurs, the calculation of the amount payable at maturity may be adjusted to reflect such event or events. Consequently, any of these actions could adversely affect the amount payable at maturity and/or the market value of the notes.
- We and our affiliates do not have any affiliation with the investment advisor of the Underlying Asset and are not responsible for its public disclosure of information. — We and our affiliates are not affiliated with SSFM in any way and have no ability to control or predict its actions, including any errors in or discontinuance of disclosure regarding its methods or policies relating to the Underlying Asset. SSFM is not involved in the offering of the notes in any

way and has no obligation to consider your interests as an owner of the notes in taking any actions relating to the Underlying Asset that might affect the value of the notes. Neither we nor any of our affiliates has independently verified the adequacy or accuracy of the information about SSFM or the Underlying Asset contained in any public disclosure of information. You, as an investor in the notes, should make your own investigation into the Underlying Asset.

- The correlation between the performance of the Underlying Asset and the performance of the Underlying Index may be imperfect. — The performance of the Underlying Asset is linked principally to the performance of the Underlying Index. However, because of the potential discrepancies identified in more detail in the product supplement, the return on the Underlying Asset may correlate imperfectly with the return on the Underlying Index.

- The Underlying Asset is subject to management risks. — The Underlying Asset is subject to management risk, which is the risk that the investment advisor's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the investment advisor may invest a portion of the Underlying Asset's assets in securities not included in the relevant industry or sector but which the investment advisor believes will help the Underlying Asset track the relevant industry or sector.
- The stocks included in the Underlying Index are concentrated in one sector. — All of the stocks included in the Underlying Index are issued by companies in the energy sector. As a result, the stocks that will determine the performance of the Underlying Index, which the Underlying Asset seeks to replicate, are concentrated in one sector. Although an investment in the notes will not give holders any ownership or other direct interests in the stocks comprising the Underlying Index, the return on an investment in the notes will be subject to certain risks associated with a direct equity investment in companies in the energy sector. Accordingly, by investing in the notes, you will not benefit from the diversification which could result from an investment linked to companies that operate in multiple sectors.
- The stocks of companies in the energy sector are subject to swift price fluctuations. — The issuers of the stocks held by the Underlying Asset and included in the Underlying Index develop and produce, among other things, crude oil and natural gas, and provide, among other things, drilling services and other services related to oil and gas production and distribution. Stock prices for these types of companies are affected by supply and demand both for their specific product or service and for oil and gas products in general. The price of oil and gas, exploration and production spending, government regulation, world events and economic conditions will likewise affect the performance of these companies. Correspondingly, the stocks of companies in this sector are subject to swift price fluctuations caused by events relating to international politics, the ability of the OPEC to set and maintain production levels and pricing, the level of production in non-OPEC countries, energy conservation, the success of exploration projects and tax and other governmental regulatory policies. Weak demand for the companies' products or services or for oil and gas products and services in general, as well as negative developments in these other areas, would adversely impact the value of the stocks held by the Underlying Asset and included in the Underlying Index, the market price of the Underlying Asset, and the value of the notes.
- Lack of liquidity. — The notes will not be listed on any securities exchange. BMOCM may offer to purchase the notes in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the notes easily. Because other dealers are not likely to make a secondary market for the notes, the price at which you may be able to trade the notes is likely to depend on the price, if any, at which BMOCM is willing to buy the notes.
- Hedging and trading activities. — We or any of our affiliates may carry out hedging activities related to the notes, including purchasing or selling shares of the Underlying Asset or securities held by the Underlying Asset, or futures or options relating to the Underlying Asset, or other derivative instruments with returns linked or related to changes in the performance of the Underlying Asset. We or our affiliates may also engage in trading of shares of the Underlying Asset or securities held by the Underlying Asset from time to time. Any of these hedging or trading activities on or prior to the pricing date and during the term of the notes could adversely affect our payment to you at maturity.
- Many economic and market factors will influence the value of the notes. — In addition to the price of the Underlying Asset and interest rates on any trading day, the value of the notes will be affected by a number of economic and market factors that may either offset or magnify each other, and which are described in more detail in the product supplement.
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You must rely on your own evaluation of the merits of an investment linked to the Underlying Asset. — In the ordinary course of their businesses, our affiliates from time to time may express views on expected movements in the price of the Underlying Asset or the prices of the securities held by the Underlying Asset. One or more of our affiliates have published, and in the future may publish, research reports that express views on the Underlying Asset or these securities. However, these views are subject to change from time to time. Moreover, other professionals who deal in the markets relating to the Underlying Asset at any time may have significantly different views from those of our affiliates. You are encouraged to derive information concerning the Underlying Asset from multiple sources, and you should not rely on the views expressed by our affiliates.

Neither the offering of the notes nor any views which our affiliates from time to time may express in the ordinary course of their businesses constitutes a recommendation as to the merits of an investment in the notes.

- Significant aspects of the tax treatment of the notes are uncertain. — The tax treatment of the notes is uncertain. We do not plan to request a ruling from the Internal Revenue Service or from any Canadian authorities regarding the tax treatment of the notes, and the Internal Revenue Service or a court may not agree with the tax treatment described in this pricing supplement.

The Internal Revenue Service has issued a notice indicating that it and the Treasury Department are actively considering whether, among other issues, a holder should be required to accrue interest over the term of an instrument such as the notes even though that holder will not receive any payments with respect to the notes until maturity and whether all or part of the gain a holder may recognize upon sale or maturity of an instrument such as the notes could be treated as ordinary income. The outcome of this process is uncertain and could apply on a retroactive basis.

Please read carefully the section entitled “U.S. Federal Tax Information” in this pricing supplement, the section entitled “Supplemental Tax Considerations—Supplemental U.S. Federal Income Tax Considerations” in the accompanying product supplement, the section “United States Federal Income Taxation” in the accompanying prospectus and the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement. You should consult your tax advisor about your own tax situation.

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Hypothetical Return on the Notes at Maturity

The following table and examples illustrate the hypothetical return at maturity on a \$1,000 investment in the notes. The “return,” as used in this section is the number, expressed as a percentage, which results from comparing the payment at maturity per \$1,000 in principal amount of the notes to \$1,000. The hypothetical total returns set forth below are based on a hypothetical Initial Level of \$100.00, the Barrier Percentage of -10% (the Barrier Level is 90% of the Initial Level), and the Booster Percentage of 29%. The hypothetical returns set forth below are for illustrative purposes only and may not be the actual returns applicable to investors in the notes. The numbers appearing in the following table and in the examples below have been rounded for ease of analysis.

Hypothetical Final Level	Percentage Change	Return on the Notes
\$0.00	-100.00%	-100.00%
\$50.00	-50.00%	-50.00%
\$70.00	-30.00%	-30.00%
\$80.00	-20.00%	-20.00%
\$90.00	-10.00%	29.00%
\$100.00	0.00%	29.00%
\$105.00	5.00%	29.00%
\$110.00	10.00%	29.00%
\$120.00	20.00%	29.00%
\$125.00	25.00%	29.00%
\$129.00	29.00%	29.00%
\$130.00	30.00%	30.00%
\$140.00	40.00%	40.00%
\$150.00	50.00%	50.00%
\$160.00	60.00%	60.00%
\$180.00	80.00%	80.00%
\$200.00	100.00%	100.00%

Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the returns set forth in the table above are calculated.

Example 1: The price of the Underlying Asset decreases from the hypothetical Initial Level of \$100 to a hypothetical Final Level of \$70, representing a Percentage Change of -30%. Because the Percentage Change is negative and the hypothetical Final Level of \$70.00 is less than the Initial Level by more than the Barrier Percentage of -10%, the investor receives a payment at maturity of \$700.00 per \$1,000 in principal amount of the notes, calculated as follows:

$$\$1,000 + (\$1,000 \times -30\%) = \$700.00$$

Example 2: The price of the Underlying Asset decreases from the hypothetical Initial Level of \$100 to a hypothetical Final Level of \$95, representing a Percentage Change of -5%. Although the Percentage Change is negative, because the hypothetical Final Level of \$95.00 is less than the Initial Level by not more than the Barrier Percentage of -10%, the investor receives a payment at maturity of \$1,290.00 per \$1,000 in principal amount of the notes, representing a positive return equal to the Booster Percentage.

Example 3: The price of the Underlying Asset increases from the hypothetical Initial Level of \$100 to a hypothetical Final Level of \$110, representing a Percentage Change of 10%. Because the hypothetical Final Level of 110.00 is greater than the Initial Level and the Percentage Change of 10% does not exceed the Booster Percentage, the investor

receives a payment at maturity of \$1,290.00 per \$1,000 in principal amount of the notes, representing a positive return equal to the Booster Percentage.

Example 4: The price of the Underlying Asset increases from the hypothetical Initial Level of \$100 to a hypothetical Final Level of \$150, representing a Percentage Change of 50%. Because the Final Level of \$150 is greater than the Initial Level and the Percentage Change of 50% exceeds the Booster Percentage of 29%, the investor receives a payment at maturity of \$1,500.00 per \$1,000 in principal amount of the notes, calculated as follows:

$$\$1,000 + (\$1,000 \times 50\%) = \$1,500$$

U.S. Federal Tax Information

By purchasing the notes, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat each note as a pre-paid cash-settled derivative contract for U.S. federal income tax purposes. However, the U.S. federal income tax consequences of your investment in the notes are uncertain and the Internal Revenue Service could assert that the notes should be taxed in a manner that is different from that described in the preceding sentence. Please see the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product supplement under “Supplemental Tax Considerations—Supplemental U.S. Federal Income Tax Considerations,” which applies to the notes.

Recently finalized Treasury regulations provide that withholding on “dividend equivalent” payments (as discussed in the product supplement), if any, will not apply to notes issued before January 1, 2017.

Supplemental Plan of Distribution (Conflicts of Interest)

BMOCM will purchase the notes from us at a purchase price reflecting the commission set forth on the cover page of this pricing supplement. BMOCM has informed us that, as part of its distribution of the notes, it will reoffer the notes to other dealers who will sell them. Each such dealer, or additional dealer engaged by a dealer to whom BMOCM reoffers the notes, will receive a commission from BMOCM, which will not exceed the commission set forth on the cover page. This commission will include a selling concession paid by BMOCM or one of its affiliates to certain dealers of up to 1.60% of the principal amount in connection with the distribution of the notes.

We own, directly or indirectly, all of the outstanding equity securities of BMOCM, the agent for this offering. In accordance with FINRA Rule 5121, BMOCM may not make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

We reserve the right to withdraw, cancel or modify the offering of the notes and to reject orders in whole or in part. You may cancel any order for the notes prior to its acceptance.

You should not construe the offering of the notes as a recommendation of the merits of acquiring an investment linked to the Underlying Asset, or as to the suitability of an investment in the notes.

BMOCM may, but is not obligated to, make a market in the notes. BMOCM will determine any secondary market prices that it is prepared to offer in its sole discretion.

We may use the final pricing supplement relating to the notes in the initial sale of the notes. In addition, BMOCM or another of our affiliates may use the final pricing supplement relating to the notes in market-making transactions in any notes after their initial sale. Unless BMOCM or we inform you otherwise in the confirmation of sale, the final pricing supplement is being used by BMOCM in a market-making transaction.

For a period of approximately three months following issuance of the notes, the price, if any, at which we or our affiliates would be willing to buy the notes from investors, and the value that BMOCM may also publish for the notes through one or more financial information vendors and which could be indicated for the notes on any brokerage account statements, will reflect a temporary upward adjustment from our estimated value of the notes that would otherwise be determined at that time. This temporary upward adjustment represents a portion of (a) the hedging profit that we or our affiliates expect to realize over the term of the notes and (b) the underwriting discount and the selling concessions paid in connection with this offering. The amount of this temporary upward adjustment will decline to zero on a straight-line basis over the three-month period.

Additional Information Relating to the Estimated Initial Value of the Notes

Our estimated initial value of the notes on the date of this preliminary pricing supplement, and that will be set forth on the cover page of the final pricing supplement relating to the notes, equals the sum of the values of the following hypothetical components:

- a fixed-income debt component with the same tenor as the notes, valued using our internal funding rate for structured notes; and

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- one or more derivative transactions relating to the economic terms of the notes.

The internal funding rate used in the determination of the initial estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The value of these derivative transactions are derived from our internal pricing models. These models are based on factors such as the traded market prices of comparable derivative instruments and on other inputs, which include volatility, dividend rates, interest rates and other factors. As a result, the estimated initial value of the notes on the pricing date will be determined based on market conditions at that time.

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The Underlying Asset

We have derived the following information regarding the Underlying Asset from publicly available documents. We have not independently verified the accuracy or completeness of the following information. We are not affiliated with the Underlying Asset and the Underlying Asset will have no obligations with respect to the notes. This pricing supplement relates only to the notes and does not relate to the shares of the Underlying Asset or any securities included in the Underlying Index. Neither we nor our affiliates participates in the preparation of the publicly available documents described below. Neither we nor our affiliates has made any due diligence inquiry with respect to the Underlying Asset in connection with the offering of the notes. There can be no assurance that all events occurring prior to the date of this pricing supplement, including events that would affect the accuracy or completeness of the publicly available documents described below, that would affect the trading price of the shares of the Underlying Asset have been or will be publicly disclosed. Subsequent disclosure of any events or the disclosure of or failure to disclose material future events concerning the Underlying Asset could affect the price of the shares of the Underlying Asset after the pricing date, and therefore could affect the payment at maturity.

The selection of the Underlying Asset is not a recommendation to buy or sell the shares of the Underlying Asset. Neither we nor any of our affiliates make any representation to you as to the performance of the shares of the Underlying Asset. Information provided to or filed with the SEC under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 relating to the Underlying Asset may be obtained through the SEC's website at <http://www.sec.gov>. None of such information is incorporated by reference in this pricing supplement.

Energy Select Sector SPDR® Fund

commitments	1,272,799	1,689,492	1,882,005	1,493,646	1,200,285	7,538,227	Total	1,417,927	1,850,971	2,023,196
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The Company makes payments for aircraft acquisitions utilizing the proceeds from equity and debt financings, cash flow from operations, short and medium-term credit lines and supplier financing. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft.

At March 31, 2008, the Company has a purchase contract with Boeing for acquisition of Boeing 737-800 Next Generation aircraft, under which the Company currently has 100 firm orders and 40 purchase options. The firm orders have an approximate value of R\$ 7,538,227 (corresponding to US\$ 4,309,775 thousands) based on the aircraft list price (excluding contractual manufacturer's discounts), including estimated amounts for contractual price escalations and pre-delivery deposits. Aircraft purchase commitments can be financed with long-term financing guaranteed by the U.S. Exim Bank (for approximately 85% of the total acquisition cost).

11. Financial Instruments and Concentration of Risk

At March 31, 2008 and December 31, 2007, the Company's primary monetary assets were cash equivalents and long-term debt, short-term investments and assets related to aircraft leasing transactions. The Company's primary monetary liabilities are related to aircraft leasing operations and long-term debt. All monetary assets other than those related to aircraft leasing operations included in the balance sheet are stated at amounts that approximate their fair values. Aircraft leasing operations are valued at the present value of the obligations.

Financial instruments that expose the Company to credit risk involve mainly cash equivalents, short-term investments and accounts receivable. Credit risk on cash equivalents and short term investments relates to amounts invested with major financial institutions. Credit risk on accounts receivable relates to amounts receivable from the major international credit card companies. These receivables are short-term and the majority of them settle within 30 days.

The Company's revenue is generated in Brazilian Reais (except for a small portion in Argentine Pesos, Bolivian Bolivianos, Chilean Pesos, Colombian Pesos, Euros, Paraguay Guaranis, Peru Nuevos Soles, Uruguayan Pesos and Venezuelan Bolivares from flights between Brazil, Argentina, Bolivia, Chile, Colombia, Germany, France, Italy, Paraguay, Peru, Uruguay and Venezuela). However, its liabilities, particularly those related to aircraft leasing and acquisition, are US dollar-denominated. The Company's currency exchange exposure at March 31, 2008 is as set forth below:

	March 31, 2008	December 31, 2007
Assets		
Cash, cash equivalents and short-term investments	500,222	1,170,526
Deposits with lessors	123,579	163,973
Aircraft and engine maintenance deposits	30,289	31,928
Other	66,806	55,032
Total assets	720,896	1,421,459
Liabilities		
Foreign suppliers	44,889	42,341
Leases payable	7,839	17,169
Insurance premium payable	19,395	44,150
Total liabilities	72,123	103,660
Exchange exposure	648,773	1,317,799
Off-balance sheet transactions exposure		
Operating leases	1,992,251	2,201,973
Aircraft commitments	8,053,026	8,155,237
Total exchange exposure	10,694,050	11,675,009

11. Financial Instruments and Concentration of Risk (Continued)

The Company's off-balance sheet exposure represents the future obligations related to operating lease contracts and aircraft purchase contracts.

The Company utilizes derivative financial instruments with first-tier banks for cash management purposes. The Company currently has synthetic fixed income options and swap agreements to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments.

a) Fuel

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in the first quarter of 2008 and 2007 represented 40.6% and 39.4% of the Company's operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements. Because jet fuel is not traded on an organized futures exchange, liquidity for hedging is limited. However, the Company has found commodities for effective hedging of jet fuel costs. Historically, prices for crude oil are highly correlated to Brazilian jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide short-term protection against a sharp increase in average fuel prices.

The following is a summary of the company's fuel derivative contracts (in thousands, except as otherwise indicated):

	March 31, 2008	December 31, 2007
Fair value of derivative instruments at period end	R\$ 16,600	R\$ 23,302
Average remaining term (months)	2	2
Hedged volume (barrels)	1,456,000	1,388,000
Quarter ended March 31,:	2008	2007
Hedge effectiveness gain recognized in aircraft fuel	R\$ 13,785	-
Hedge ineffectiveness gains recognized in other income (expense)	1,203	R\$ 5,325
Percentage of actual consumption hedged (during period)	60%	87%

11. Financial Instruments and Concentration of Risk (Continued)a) Fuel (Continued)

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases for short-term time frames. The Company currently has a combination of purchased call options, collar structures, and fixed price swap agreements in place to hedge approximately 39% of its jet fuel requirements at average crude equivalent prices of approximately US\$ 93.18 per barrel for the second quarter of 2008.

The Company accounts for its fuel hedge derivative instruments as cash flow hedges under SFAS 133. Under SFAS 133, all derivatives designated as hedges that meet certain requirements are granted special hedge accounting treatment. Generally, utilizing the special hedge accounting, all periodic changes in fair value of the derivatives designated as hedges that are considered to be effective, as defined, are recorded in Accumulated other comprehensive income until the underlying jet fuel is consumed. When the aircraft fuel is consumed and the related derivative contract settles, any gains or losses previously deferred in other comprehensive income are recognized as aircraft fuel expense. The Company is exposed to the risk that periodic changes will not be effective, as defined, or that the derivatives will no longer qualify for special hedge accounting. Ineffectiveness, as defined, results when the change in the total fair value of the derivative instrument does not equal 80-125% of the change in the value of the aircraft fuel being hedged or the change in value of the Company's expected future cash outlay to purchase and consume jet fuel. To the extent that the periodic changes in the fair value of the derivatives are not effective, that ineffectiveness is recorded to Other gains and losses in the income statement. Likewise, if a hedge ceases to qualify for hedge accounting, those periodic changes in the fair value of derivative instruments are recorded to Other gains and losses in the income statement in the period of the change.

11. Financial Instruments and Concentration of Risk (Continued)a) Fuel (Continued)

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in other crude oil related commodities, especially given the recent volatility in the prices of refined products. Due to the volatility in markets for crude oil and related products, the Company is unable to predict the amount of ineffectiveness each period, including the loss of hedge accounting, which could be determined on a derivative by derivative basis or in the aggregate. In specific instances, the Company has determined that specific hedges will not regain effectiveness in the time period remaining until settlement and therefore must discontinue special hedge accounting, as defined by SFAS 133. When this happens, any changes in fair value of the derivative instruments are marked to market through earnings in the period of change.

The Company continually looks for better and more accurate methodologies in forecasting and estimating future cash flows relating to its jet fuel hedging program. These estimates are used in the measurement of effectiveness for the Company's fuel hedges, as required by SFAS 133. The Company's methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities.

During the three month period ended March 31, 2008, the Company recognized a gain of R\$13,785 (R\$ 2,730 during the three months ended March 31, 2007) as a reduction of aircraft fuel expense and R\$ 1,203 (R\$ 2,730 during the three months ended March 31, 2007) of additional net gain in Other expenses, net related to the ineffectiveness of its hedges and the loss of hedge accounting for certain hedges. Of this net total, R\$ 2,860 (R\$ 61 as of March 31, 2007) was ineffectiveness gain and mark-to-market gain related to contracts that will be settled in future periods. As of March 31, 2008 there was R\$ 4,410 (R\$ 6,020 as of March 31, 2007), net of taxes, of unrealized gains with jet fuel hedges recorded in comprehensive income. During the period, all fuel derivative transactions were designated as hedges.

11. Financial Instruments and Concentration of Risk (Continued)a) Fuel (Continued)

Outstanding financial derivative instruments expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not expect any of its eight counterparties to fail to meet their obligations. The amount of such credit exposure is generally the unrealized gain, if any, in such contracts. To manage credit risk, the Company selects counterparties based on credit assessments, limits overall exposure to any single counterparty and monitors the market position with each counterparty. The Company does not purchase or hold financial derivative instruments for trading purposes.

b) Exchange rates

The Company is exposed to the effects of changes in the US\$ exchange rate. Exchange exposure relates to amounts payable arising from US\$-denominated and US\$-linked expenses and payments. To manage this risk, the Company uses US options and futures contracts.

The following is a summary of our foreign currency derivative contracts (in thousands, except as otherwise indicated):

	March 31, 2008	December 31, 2007
Fair value of derivative instruments	R\$ 4,578	R\$ 1,049
Longest remaining term (months)	9	3
Hedged volume	223,750	202,250
<u>Quarter ended March 31:</u>	2008	2007
Hedge effectiveness losses recognized in operating expenses	R\$ (2,636)	-
Hedge ineffectiveness losses recognized in other income	R\$ (1,954)	R\$ (6,596)
Percentage of expenses hedged (during period)	52%	50%

The Company utilizes financial derivative instruments as hedges to decrease its exposure to increases in the US\$ exchange rate. The Company has utilized derivative financial instruments for short-term time frames. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under SFAS 133. As of March 31, 2008 the unrealized loss with exchange rates recorded in comprehensive income was R\$ 138 (R\$ 2,040 as of March 31, 2007), net of taxes.

11. Financial Instruments and Concentration of Risk (Continued)b) Exchange rates (Continued)

While outstanding, these contracts are recorded at fair value on the balance sheet with the effective portion of the change in their fair value being reflected in other comprehensive income. Ineffectiveness, the extent to which the change in fair value of the financial derivatives exceeds the change in the fair value of the operating expenses being hedged, is recognized in other income (expense) immediately. When operating expenses are incurred and the related derivative contract settles, any gain or loss previously deferred in other comprehensive income is recognized in operating expenses.

c) Interest rates

The Company's results are affected by fluctuations in international interest rates due to the impact of such changes on expenses of lease agreements. On March 31, 2008, the Company contracted derivatives through swap-lock contracts to protect itself from interest rate oscillations of its aircraft leasing contracts. On March 31, 2008, the Company recognized R\$ 927 (US\$ 530) of net gains in financial income. The fair value changes are recognized in the period as financial income (expense). These financial instruments were not considered hedges.

The Company's results are affected by changes in the interest rates prevailing in Brazil, incidents on financial investments, short-term investments, local currency liabilities, and assets and liabilities indexed to US dollars. Such variations affect the market value of prefixed securities denominated in reais and the remuneration of cash and financial investments balance. The Company uses Interbank Deposit futures of the Brazilian Mercantile and Futures Exchange (BM&F) solely to protect itself against domestic interest rate impacts on the prefixed portion of its investments. On March 31, 2008, the nominal value of Interbank Deposit futures contracts with the Brazilian Mercantile and Futures Exchange (BM&F) totaled R\$ 78,700 (R\$ 5,900 as of March 31, 2007) with periods of up to 21 months, with a fair market value of R\$ 12 (R\$ 1,313 as of March 31, 2007), corresponding to the last owed or receivable adjustment, already determined and not yet settled. The total variations in market value, payments and receivables related to the interest rate futures are recognized as increase or decrease in financial income in the same period they occur.

11. Financial Instruments and Concentration of Risk (Continued)

d) Cash management

The Company utilizes financial derivative instruments for cash management purposes. The Company utilizes synthetic fixed income options and swaps to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments. The Company enters into synthetic fixed income option contracts with first-tier banks registered in the Brazilian CETIP clearing house. As of March 31, 2008, the total amount invested in synthetic fixed-income option contracts was R\$ 56,533 with an average term of 304 days. The Company utilizes swap agreements to change the remuneration of a portion of its short term investments to the Brazilian overnight deposit rate (CDI). As of March 31, 2008, the notional amount of fixed-rate swaps to CDI was R\$ 55,900 with a fair value of R\$ 419. The change in fair value of these swaps is recognized in interest income in the period of change.

12. Fair Value Measurements

As described in note 2, the company adopted SFAS 157 as of January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

12. Fair Value Measurements (Continued)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost).
- c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The adoption of this pronouncement did not have a material impact on the Company's financial position, except for certain required disclosures about fair value measurements on a recurring and nonrecurring basis.

The Company's available-for-sale securities consist of government bonds, certificates of deposit, time-deposits and investment funds. The inputs utilized to determine the fair values of government bonds are obtained in quoted public markets. The inputs utilized to determine fair value of certificates of deposit and time deposits are derived from information obtained quoted in public markets.

The Company's fuel and interest rate derivative contracts consist of OTC contracts, which are not traded on a public exchange. These contracts include both swaps as well as other different types of option contracts. See Note 11 for further information on the Company's derivative instruments and hedging activities. The fair values of swap contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized these swap contracts as Level 2. The Company determines the value of option contracts utilizing a standard option pricing model based on inputs that are either readily available in public markets, can be derived from information available in publicly quoted markets, or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, it verifies the reasonableness of these quotes via similar quotes from another counterparty as of each date for which financial statements are prepared.

12. Fair Value Measurements (Continued)

The Company's foreign exchange derivatives consist of exchange-listed futures and options contracts. The inputs utilized to determine the fair value of these contracts are obtained from quoted public markets.

The following table presents the Company's assets measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at March 31, 2008:

	Fair Value Measurements at Reporting Date			Valuation Technique
	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Available-for-sale securities	589,714	113,935	475,779	a, c
Interest rate derivatives	2,002	-	2,002	b
Fuel derivatives	16,600	-	16,600	b
Foreign exchange derivatives	4,578	4,578	-	b
Total assets measured at fair value	612,895	118,513	494,381	

The fair value of our Smiles frequent flyer award liability was determined based on the estimated price that third parties would require us to pay for them to assume the obligation for miles expected to be redeemed under the Smiles Program. This estimated price was determined based on our weighted average equivalent ticket value of a Smiles award which is redeemed for travel on Varig or a participating airline. The weighted average equivalent ticket value contemplates differing classes of service and the carrier providing the award travel.

We perform the impairment test for our indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. Fair value is estimated based on recent market transactions, where available, or projected discounted future cash flows. For additional information regarding impairment, see Note 2.

In evaluating our goodwill for impairment, we first compare its fair value to its carrying value. We estimate the fair value by considering (1) projected discounted future cash flows, if reasonably estimable, (2) market multiple and recent transaction values of peer companies, (3) the potential value of synergies and other benefits, (4) our market capitalization and (5) any premium an investor would pay for a controlling interest.

12. Fair Value Measurements (Continued)

The following table presents the Company's assets and liabilities measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3) as defined in SFAS 157 on March 31, 2008:

	March 31, 2008	Significant Unobservable Inputs (Level 3)	Valuation Technique
Indefinite lived intangible assets	623,957	623,957	a, c
Goodwill	779,823	538,944	c
Deferred revenue	(383,078)	(383,078)	b
Total assets and liabilities measured at fair value	1,020,702	779,823	

13. Income Taxes

The reconciliation of the reported income tax and social contribution tax and the amount determined by applying the composite fiscal rate at March 31, 2008 and 2007, is as follows:

	Three-months periods ended March 31,	
	2008	2007
Income (loss) before income taxes	(4,724)	R\$ 159,701
Nominal composite rate	34%	34%
Income tax expense by the nominal rate	(1,606)	54,298
Interest on shareholders' equity	-	(11,427)
Other permanent differences	425	248
Income tax expense (benefit)	(1,181)	43,119
Effective rate	25%	27%

14. Earnings per Share

The Company's preferred shares are not entitled to receive any fixed dividends. Rather, the preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to holders of the common shares. However, our preferred shares are entitled to receive distributions prior to holders of the common shares. Consequently, basic earnings per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year. Preferred shares are excluded during any loss period. The diluted preferred shares are computed including the executive employee stock options calculated using the treasury-stock method as they were granted at an exercise price less than the market price of the shares.

	Three-month period ended March 31,	
	2008	2007
Numerator		
Net income (loss) applicable to common and preferred shareholders for basic and diluted earnings per share	(3,543)	116,582
Denominator		
Weighted-average shares outstanding for basic earnings per share (in thousands)	202,300	196,212
Treasury stock	(183)	-
Adjusted weighted-average shares outstanding for basic earnings per share (in thousands)	202,117	196,212
Effect of dilutive securities:		
Executive stock options (in thousands)	-	60
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands)	202,117	196,271
Basic earnings (loss) per share	(0.02)	0.59
Diluted earnings (loss) per share	(0.02)	0.59

15. Revenue Information

The company operates domestic and international flights. Geographic information for net operating revenues by market, presented below, was compiled based on passenger and cargo transportation provided by origin to final destination for GTA and origin to first destination for VRG:

Three-month period ended March 31,

	2008	%	2007	%
Domestic	1,423,691	88.6	950,681	91.3
International	183,388	11.4	90,591	8.7
Total	1,607,079	100.0	1,041,272	100.0

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