

ALANCO TECHNOLOGIES INC
Form 8-K
July 05, 2016

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

July 5, 2016

(Date of Report)

ALANCO TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

0-9437

(Commission File No.)

ARIZONA

86-0220694

(State or other jurisdiction) (IRS Employer Identification No.)

7950 E. ACOMA DRIVE, SUITE 111, SCOTTSDALE, ARIZONA 85260

(Address of Principal Executive Office) (Zip Code)

(480) 607-1010

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

() Written communication pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

- () Soliciting material pursuant to Rule 14a-12 under the Exchange Act
(17 CFR 240.14a-12)
 - () Pre-commencement communications pursuant to Rule 14d-2(b) under the
Exchange Act (17 CFR 240.14d-2(b))
 - () Pre-commencement communications pursuant to Rule 13e-4(c) under the
Exchange Act (17 CFR 240.13e-4(c))
-

- Item 1.01 Entry into a Material Definitive Agreement
- Item 2.03 Creation of a Direct Financial Obligation

On June 28, 2016, the Company executed a Loan Agreement with a \$500,000 credit limit with the Anderson Family Trust, an entity controlled by Mr. Donald Anderson, a former director and longtime support of the Company.

- Item 9.01 Financial Statement and Exhibits

- 99.1 Press Release dated July 5, 2016
- 99.2 Loan Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Alanco Technologies, Inc.

By: /s/ John A. Carlson
Name: John A. Carlson
Title: Director, President & Chief
Executive Officer

Date: July 5, 2016

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The Reference Funds are subject to inflation risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Reference Funds and distributions, if any, made by the Reference Funds can decline, which may adversely affect the value of your notes.

Some Reference Funds are subject to currency exchange rate risk. The notes are linked to Reference Funds that may invest in securities that are traded and quoted in foreign currencies on non-U.S. markets. Therefore, holders of the notes will be exposed to currency exchange rate risk with respect to the currencies in which such securities trade. An investor's net exposure will depend on the extent to which the relevant non-U.S. securities strengthen or weaken against the U.S. dollar and the relative weight of each non-U.S. security in the portfolios of the applicable Reference Funds. If, taking into account such weighting, the U.S. dollar strengthens against the relevant non-U.S. currencies, the value of the securities in which such Reference Funds invest will be adversely affected and the value of the notes may decrease.

There are risks associated with emerging market issuers. Some of the Reference Funds may invest in emerging markets, and therefore, the level of the Index and the value of the notes are subject to emerging markets risk. Investments in securities linked directly or indirectly to emerging market securities involve many risks, including, but not limited to: economic, social, political, financial and military conditions in the emerging market; regulation by national, provincial, and local governments; less liquidity and smaller market capitalizations than exist in the case of many large U.S. companies; different accounting and disclosure standards; and political uncertainties. Securities of emerging market issuers may be more volatile and may be affected by market developments differently than U.S. issuers. You should carefully consider the risks related to emerging markets, to which the notes are susceptible, before making a decision to invest in the notes.

There are risks associated with foreign securities markets. Some of the Reference Funds may invest in securities issued by foreign issuers. An investment in securities linked directly or indirectly to the value of securities issued by non-U.S. issuers involves particular risks. There is generally less publicly available information about non-U.S. issuers than about U.S. issuers that are subject to the reporting requirements of the SEC, and non-U.S. issuers are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting issuers. Securities prices in non-U.S. countries are subject to political, economic, financial and social factors that may be unique to the particular country. Moreover, certain aspects of a particular non-U.S. economy may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. Finally, it will likely be more costly and difficult to enforce the laws or regulations of a non-U.S. country or exchange.

There are risks associated with preferred stock. Some of the Reference Funds may invest in preferred stock. Generally, preferred stockholders have no voting rights with respect to the issuing company unless certain events occur. In addition, preferred stock is subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments. In addition, because some preferred stock may pay dividends at a fixed rate, the market price can be sensitive to changes in interest rates in a manner similar to bonds—that is, as interest rates rise, the value of the preferred stock is likely to decline. To the extent that any

Reference Fund invests its assets in fixed rate preferred stock, rising interest rates may cause the value of such Reference Fund's investments, and therefore, the level of the Index, to decline significantly.

There are risks associated with securities lending. Some of the Reference Funds may lend their portfolio securities. There may be risks of delay and costs involved in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. These delays and costs could be greater with respect to foreign securities. These Reference Funds also bear the risk that the reinvestment of collateral will result in a principal loss. Finally, there is the risk that the price of the securities will increase while they are on loan and the collateral will not be adequate to cover the increase in value.

There are risks associated with mortgage-backed securities. Some of the Reference Funds may invest in mortgage-backed securities ("MBS"). The value of relevant Reference Funds may be adversely affected by fluctuations in interest rates and the prepayment of the mortgage loans underlying the MBS held by a Reference Fund. Mortgage loans are most likely to be prepaid in a declining interest rate environment. Prepayment may reduce a Reference Fund's dividend payments, because the proceeds of a prepayment may be invested in lower-yielding securities. In a rising interest rate environment, a declining prepayment rate will extend the average life of many MBS, which in turn would lengthen the duration of the Reference Fund's portfolio. This possibility is often referred to as extension risk. Extending the average life of an MBS increases the risk of depreciation due to future increases in market interest rates. The value of relevant Reference Funds can also be adversely affected by the existence of premiums on the price of MBS the issuer acquires. Certain government agencies or instrumentalities, such as the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC), provide a guarantee as to timely payment of principal and interest for MBS each entity issues, backs or otherwise guarantees. Guarantees may or may not be backed by the full faith and credit of the U.S. government.

There are risks associated with the energy infrastructure sector. The stocks of companies in the energy infrastructure sector are subject to risks specific to the industry they serve. The issuers of the securities held by one or more of the Reference Funds may be energy infrastructure Master Limited Partnerships (“MLPs”) that earn a majority of their cash flow from the transportation, storage and processing of energy commodities. Stock prices for these types of companies are affected by supply and demand for crude oil, natural gas, refined petroleum products and other energy commodities available for transporting, processing or storing. Changes in the regulatory environment, extreme weather, rising interest rates, world events and economic conditions will likewise affect the performance of these companies. Correspondingly, the stocks of companies in this sector are subject to price fluctuations caused by events relating to international politics, energy conservation, tax and other governmental regulatory policies. Weak demand for oil and gas products and services in general, as well as negative developments in these other areas, would adversely impact the prices of these Reference Funds, the level of the Index, and the value of the notes.

There are risks associated with the financial services sector. The financial services sector includes companies engaged in banking, commercial and consumer finance, investment banking, brokerage, asset management, custody or insurance. To the extent that the Index may include closed-end funds that may invest in companies that operate in the financial services sector, the notes would be sensitive to changes in, and its performance may depend on, the overall condition of the financial services sector. Companies in the financial services sector are subject to extensive government regulation that can affect the scope of their activities, the prices they can charge or the amount of capital they must maintain. The profitability of companies in the financial services sector may be adversely affected by increases in interest rates. The profitability of companies in the financial services sector may also be adversely affected by loan losses, which usually increase in economic downturns. In addition, the financial services sector is undergoing numerous changes, including continuing consolidations, development of new products and structures and changes to its regulatory framework. Furthermore, increased government involvement in the financial services sector could result in a change of the Index’s exposure to financial institutions. Recent developments in the credit markets have caused companies operating in the financial services sector to incur large losses, experience declines in the value of their assets and even cease operations.

Description of the Notes

This pricing supplement, and the accompanying prospectus dated April 27, 2017 relating to the notes, should be read together. Because the notes are part of a series of our senior debt securities called Senior Medium-Term Notes, Series D, this pricing supplement and the accompanying prospectus should also be read together with the accompanying prospectus supplement, dated April 27, 2017. Terms used but not defined in this pricing supplement have the meanings given to them in the accompanying prospectus or accompanying prospectus supplement, unless the context requires otherwise.

The notes will be issued in book-entry form through The Depository Trust Company. Owners of beneficial interests in the notes should read the section entitled “Description of the Notes We May Offer—Legal Ownership” in the accompanying prospectus supplement and “Description of Debt Securities We May Offer—Legal Ownership and Book-Entry Issuance” in the accompanying prospectus.

The notes are part of a series of senior debt securities entitled “Senior Medium-Term Notes, Series D” that we may issue from time to time under the senior indenture, dated January 25, 2010, between Bank of Montreal and Wells Fargo Bank, National Association, as trustee. Terms that apply generally to our medium term notes are described in “Description of the Notes We May Offer” in the accompanying prospectus supplement. The terms described in this pricing supplement, supplement those described in the accompanying prospectus and the accompanying prospectus supplement, and, if the terms described here are inconsistent with those described in those documents, the terms described in this pricing supplement are controlling. The provisions of this section should be read together with those in the section above, “Key Terms of the Notes.”

Calculation of Dividend Amounts

Each Dividend Amount will be determined as set forth in this section. These calculations are intended to provide to noteholders approximately the amount of dividends they would have received had they been owners of the Reference Funds included in the Index during the applicable Interest Calculation Period, as reduced by the Participation Rate. Please see the definitions below for several capitalized terms that appear in this subsection.

For each Reference Fund, the Dividend Amount will be an amount in U.S. dollars equal to (a) the Note Value multiplied by (b) the applicable Target Rebalance Component Weight divided by (c) the Reference Fund Closing Price multiplied by (d) 100% of the net cash distributions (including ordinary and extraordinary dividends) per

Reference Fund share declared by the applicable Reference Fund Issuer, where the date that the applicable Reference Share has commenced trading ex-dividend on its primary U.S. securities exchange (an “ex date”) as to each relevant distribution occurs during the term of the notes, as described in more detail in the section below.

Target Rebalance Component Weight: For purposes of calculating the Target Weight Rebalance Component Weight, (i) on a trading day that occurs during a rebalancing period for the Index (as described in the section “The Index”), the target weight of the applicable Reference Fund on the trading day prior to the applicable ex date, or (ii) on a trading day that does not occur during a rebalancing period, the target weight of the applicable Reference Fund on the final trading day during the most recent rebalancing period.

Reference Fund Closing Price: For purposes of calculating the Reference Fund Closing Price, (i) on a trading day that occurs during a rebalancing period, the closing price of the applicable Reference Fund on the trading day prior to the applicable ex date or (ii) on a trading day that does not occur during a rebalancing period, the closing price of the applicable Reference Fund on the final trading day during the most recent rebalancing period.

Note Value: On the pricing date, the “Note Value” equaled \$950. On each subsequent trading day, the Note Value will be equal to the product of (a) the Note Value as of the close of the immediately preceding trading day multiplied by (b) the Index Factor for that trading day. For purposes of calculating a dividend amount, (i) on a trading day that occurs during a rebalancing period, the Note Value will equal the Note Value on the day prior to the applicable ex date or (ii) on a trading day that does not occur during a rebalancing period, the Note Value will equal the Note Value as of the final trading day during the most recent rebalancing period.

Index Factor: On the pricing date, the Index Factor was set to 1. On any subsequent trading day, the Index Factor will equal (a) the closing level of the Index on that day divided by (b) the closing level of the Index on the immediately preceding trading day, as determined by the calculation agent. If a market disruption event occurs or is continuing on any trading day, the calculation agent will determine the Index Factor for the notes on each such day using an appropriate closing level of the Index for that day, taking into account the nature and duration of such market disruption event, and any other factors that it reasonably determines to be appropriate.

Please note that for purposes of these determinations, if a holder of a share of a Reference Fund, in connection with any dividend payment, is entitled to choose additional shares of stock or a cash payment in lieu of such shares, the applicable dividend will be deemed to be made in cash.

Maturity Date

The maturity date will be June 30, 2021, unless that date is not a business day, in which case the final date will be the next following business day.

Certain Definitions

Business Day. A day of the week other than Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law or executive order to close in New York City, Toronto, or Montreal.

Trading Day. A “trading day” is any day, as determined by the calculation agent, on which trading is generally conducted on the primary market on which the Reference Funds included in the Index are listed for trading.

Unavailability of the Level of the Index on a Valuation Date

If the Index Sponsor discontinues publication of the Index and the Index Sponsor or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued index (such successor or substitute index being referred to in this section as a “successor index”), then any subsequent index closing level will be determined by reference to the published level of that successor index at the regular weekday close of trading on the applicable Valuation Date.

Upon any selection by the calculation agent of a successor index, the calculation agent will provide written notice to the trustee of the selection, and the trustee will furnish written notice thereof, to each noteholder, or in the case of global notes, the depositary, as holder of the global notes.

If a successor index is selected by the calculation agent, that successor index will be used as a substitute for the Index for all purposes, including for purposes of determining whether a market disruption event exists with respect to that index.

If the Index Sponsor discontinues publication of an index comprising a part of the Index prior to, and that discontinuance is continuing on, any Valuation Date and the calculation agent determines, in its sole discretion, that no successor index is available at that time, then the calculation agent will determine the level of the Index for the relevant date in accordance with the formula for and method of calculating the index last in effect prior to the discontinuance, without rebalancing or substitution, using the closing level (or, if trading in the relevant underlying securities or components of the index have been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for that suspension or limitation) at the close of the principal trading session of the relevant exchange on that date of each security or component most recently comprising the index. Notwithstanding these alternative arrangements, discontinuance of the publication of an index comprising a part of the Index may adversely affect the value of your notes.

If at any time the method of calculating a closing level for the Index or a successor index is changed in a material respect, or if the index is in any other way modified so that the index does not, in the opinion of the calculation agent, fairly represent the level of the index had those changes or modifications not been made, then, from and after that time, the calculation agent will, at the close of business in New York City on the applicable Valuation Date, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of an index comparable to that index as if those changes or modifications had not been made. Accordingly, if the method of calculating the index is modified so that the value of that index is a fraction of what it would have been if it had not been modified (e.g., due to a split in the index), then the calculation agent will adjust the index in order to arrive at a value of that index as if it had not been modified (e.g., as if such split had not occurred).

Notwithstanding these alternative arrangements, discontinuance of the publication of the Index may adversely affect the value of your notes.

If any of the events occur that are described in the prior three paragraphs, we may determine that we and the calculation agent will not take the actions described there, and instead, we may elect to redeem the notes. In such a case, the redemption price will be determined based on the methodology described above for determining the payment at maturity. However, in such a case, the Final Level of the Index will be equal to the most recent closing level of the Index that the calculation agent reasonably determines was representative of the Index's construction and methodology prior to the relevant events occurring. In such a case, holders of the notes will also receive the final interest payment, as calculated by the calculation agent.

Market Disruption Events

If a market disruption event occurs or is continuing on any scheduled Valuation Date (or Averaging Date) other than the Final Valuation Date (or the final Averaging Date), the level of the Index for that date will equal the closing level of the Index on the next scheduled Valuation Date or Averaging Date, as applicable. For example, if a market disruption event occurs or is continuing on the first and second scheduled Valuation Dates, but not on the third scheduled Valuation Date, then the closing level of the Index on the third scheduled Valuation Date will also be deemed to be the closing level of the Index on the first and second scheduled Valuation Dates. If no further scheduled Valuation Dates (or Averaging Dates) occur after a Valuation Date (or Averaging Date) on which a market disruption event occurs or is continuing or if a market disruption event occurs or is continuing on the Final Valuation Date (or final Averaging Date), then the closing level of the Index for that Valuation Date (or Averaging Date) will be determined (or, if not determinable, estimated by the calculation agent in a manner which is considered to be commercially reasonable under the circumstances) by the calculation agent on that Final Valuation Date (or final Averaging Date), regardless of the occurrence or continuation of a market disruption event on that day. In such an event, the calculation agent will make a good faith estimate in its sole discretion of the closing level of the Index that would have prevailed in the absence of the market disruption event.

A market disruption event means any event, circumstance or cause which we determine, and the calculation agent confirms, has or will have a material adverse effect on our ability to perform our obligations under the notes or to hedge our position in respect of obligations to make payment of amounts owing thereunder and more specifically includes the following events to the extent that they have such effect with respect to the Index:

- a suspension, absence or limitation of trading in index components constituting 20% or more, by weight, of the Index;
- a suspension, absence or limitation of trading in futures or options contracts relating to the Index on their respective markets;
- any event that disrupts or impairs, as determined by the calculation agent, the ability of market participants to (i) effect transactions in, or obtain market values for, index components constituting 20% or more, by weight, of the Index, or (ii) effect transactions in, or obtain market values for, futures or options contracts relating to the Index on their respective markets;
- the closure on any day of the primary market for futures or options contracts relating to the Index or index components constituting 20% or more, by weight, of the Index on a scheduled trading day prior to the scheduled weekday closing time of that market (without regard to after hours or any other trading outside of the regular trading

session hours) unless such earlier closing time is announced by the primary market at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such primary market on such scheduled trading day for such primary market and (ii) the submission deadline for orders to be entered into the relevant exchange system for execution at the close of trading on such scheduled trading day for such primary market;

any scheduled trading day on which (i) the primary markets for index components constituting 20% or more, by weight, of the Index or (ii) the exchanges or quotation systems, if any, on which futures or options contracts on the Index are traded, fails to open for trading during its regular trading session; or

any other event, if the calculation agent determines that the event interferes with our ability or the ability of any of our affiliates to unwind all or a portion of a hedge with respect to the notes that we or our affiliates have effected or may effect as described below under “Use of Proceeds and Hedging” in this pricing supplement.

Events of Default

In case an event of default with respect to the notes shall have occurred and be continuing, the amount declared due and payable on the notes upon any acceleration of the notes will be determined by the calculation agent and will be an amount of cash equal to the amount payable as described under the caption “Key Terms of the Notes—Payment at Maturity,” calculated as if the date of acceleration were the Valuation Date. The Dividend Amount for each Reference Fund will only include dividends declared and paid through that date.

If the maturity of the notes is accelerated because of an event of default, we will, or will cause the calculation agent to, provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, and to the depositary, of the amount due with respect to the notes as promptly as possible and in no event later than two business days after the date of acceleration.

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Role of the Calculation Agent

The calculation agent will make all determinations regarding the Redemption Amount, the Dividend Amounts, trading days, business days, market disruption events, the default amount, any required determinations as to the Index (including any successor index), and the amounts payable on your notes. Absent manifest error, all determinations of the calculation agent will be final and binding on you and us, without any liability on the part of the calculation agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations or calculations by the calculation agent.

Our subsidiary, BMOCM, is expected to serve as the calculation agent for the notes. We may change the calculation agent for your notes at any time after the date of this pricing supplement without notice and BMOCM may resign as calculation agent at any time upon 60 days written notice to us.

Listing

Your notes will not be listed on any securities exchange.

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THE INDEX

The Raymond James CEF Domestic Equity Index is a proprietary rules-based closed-end fund index. The rules for constructing and rebalancing the Index were developed by Raymond James & Associates, Inc. (the “Index Sponsor”). The Index level is calculated and published by a third-party independent calculation agent, Solactive AG (the “Index Calculation Agent”). The Index is published in both price and total return versions. The notes are linked to the price return version of the Index.

The Index is composed of closed-end funds selected in accordance with the methodology specified below by the Closed-End Fund Research Department of the Index Sponsor from a universe of approximately 560 U.S. closed-end funds that are included in either the Morningstar U.S. Sector Equity category or the Morningstar U.S. Equity category.

The Index is the exclusive property of, and currently sponsored by, the Index Sponsor, which has contracted with the Index Calculation Agent to maintain the Index and perform certain calculations.

Calculation of the Index

The Index seeks to measure at least 25 closed-end funds that meet certain minimum market capitalization and daily average value traded characteristics. The closed-end funds are then given a modified volume weighting (each such closed-end fund, a “Constituent”). The Constituents are then ranked according to their respective discount to NAV, with those with the lowest discount to NAV ranking higher in the Index. Eligibility for inclusion in the Index is not restricted by the types of securities or other instruments or the industries or sectors in which the Constituents invest or the types of investment strategies they may employ. As a result, the Constituents may invest in a variety of securities and industries or sectors and employ a variety of different investment strategies. Funds may not apply, and may not be nominated, for inclusion in the Index.

The Index has a base date of July 1, 2013 and a base Index level of 1,000 (the “Base Index Value”).

The Index is calculated as follows:

$$\text{Index}_t = [() / (C_t \times)] \times \text{Base Index Value}$$

$$= M_t/B_t \times \text{Base Index Value}$$

Where:

$D_t = B_t/\text{Base Index Value} = \text{divisor at time } (t)$

$n = \text{the number of closed-end fund stocks in the Index}$

$p_{i0} = \text{the closing price of Constituent stock } i \text{ at the base date}$

$q_{i0} = \text{the number of shares of Constituent } i \text{ at the base date}$

$r_{i0} = I$

$f_{i0} = I$

$p_{it} = \text{the price of Constituent stock } i \text{ at time } (t)$

$q_{it} = \text{the number of shares of Constituent } i \text{ at time } (t)$

$r_{it} = I$

$f_{it} = I$

$C_t = \text{the adjustment factor for the base date market capitalization}$

$t = \text{the time the Index is computed}$

$M_t = \text{the market capitalization of the Index at time } (t)$

$B_t = \text{the adjusted base date market capitalization of the Index at time } (t)$

For the total return index, cash dividend payments are reinvested, without deductions for withholding taxes or otherwise, in the Constituents on a proportional basis.

Divisor Adjustments

Corporate actions affect the share capital of Constituents and, therefore, trigger increases or decreases in the Index. To avoid distortion, the divisor of the Index is adjusted accordingly. Changes in the Index's market capitalization due to changes in the composition (additions, deletions or replacements) or corporate actions (liquidations, conversions, mergers, spin-offs, rights offerings, repurchase of shares, public offerings, return of capital, or special cash or stock distributions of other stocks) result in a divisor change on the ex date of the corporate action to maintain the Index's continuity. By adjusting the divisor, the Index value retains its continuity before and after the occurrence of the event. For rights offerings, the Index Calculation Agent will price the rights during the subscription period, not before or after. Alternatively, the Index Calculation Agent may start pricing the rights after the ex date and before the subscription period, provided that the rights are priced daily.

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The following formulae will be used for divisor adjustments. (Note: No divisor adjustments are necessary for stock splits, since market capitalization does not change and the share number and share price are adjusted prior to the opening of trading on the split's ex-date.)

$$D_{t+1} = D_t \times [] /$$

Where:

D_t = the divisor at time (t)

D_{t+1} = the divisor at time (t+1)

p_{it} = the stock price of Constituent i at time (t)

q_{it} = the number of shares of Constituent i at time (t)

r_{it} = I

f_{it} = I

= the change in market capitalization calculated by adding new Constituents' market capitalization and adjusted market capitalization (calculated with adjusted closing prices and shares effective at time (t+1)) and/or subtracting market capitalization of Constituents to be deleted (calculated with closing prices and shares at time (t))

If the current trading price of a Constituent is unavailable, the previous trading session's closing price will be used. However, if the Constituent is affected by any corporate action that requires an adjustment, then the adjusted price will be used.

Adjustments for Corporate Actions. An Index divisor may decrease () or increase () or keep constant () when corporate actions occur for a Constituent. Assuming shareholders receive "B" new shares for every "A" share held for the following corporate actions:

Constituent change
Cash dividend

Adjustment to Divisor
Decrease () (applied for total return index only)

adjusted price = closing price - dividend announced by the Constituent

Decrease () (applied for total return index only)

Special cash dividend

adjusted price = closing price - dividend announced by the Constituent

Keep constant ()

Share split and reverse share split

adjusted price = closing price * A / B new number of shares = old number of shares * B / A

Keep constant ()

Rights offering

adjusted price = (closing price * A + subscription price * B) / (A + B) new number of shares =

old number of shares * (A + B) / A

Keep constant ()

Stock dividend

adjusted price = closing price * A / (A + B) new number of shares = old number of shares * (A + B) / A

Decrease ()

Stock dividend of a different fund security

adjusted price = (closing price * A - price of the different fund security * B) / A

Constituent change

Adjustment to Divisor

Decrease ()

Return of capital and share consolidation

adjusted price = (closing price - dividend announced by fund) * A / B new number of shares

= old number of shares * B / A

Decrease ()

Repurchase shares-self tender

adjusted price = [(price before tender * old number of shares) - (tender price * number of tendered shares)] / (old number of shares - number of tendered shares)

new number of shares = old number of shares - number of tendered shares

Combination stock distribution (dividend or split) and rights

Increase ()

offering

Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A shares held:

· If rights are applicable after stock distribution (one action applicable to other):

adjusted price = [closing price * A + subscription price * C * (1 + B / A)] / [(A + B) * (1 + C / A)]
 new number of shares = old number of shares * [(A + B) * (1 + C / A)] / A

· If stock distribution is applicable after rights (one action applicable to other):

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$$\text{adjusted price} = [\text{closing price} * A + \text{subscription price} * C] / [(A + C) * (1 + B / A)]$$
$$\text{new number of shares} = \text{old number of shares} * [(A + C) * (1 + B / A)]$$

Increase ()

Stock distribution and rights (neither action is applicable to the other)

$$\text{adjusted price} = [\text{closing price} * A + \text{subscription price} * C] / [A + B + C]$$

number of

$$\text{shares} = \text{old number of shares} * [A + B + C]$$

Eligibility Criteria for Closed-end Funds to Be Included in the Index

The following rules are applied to determine if a closed-end fund is eligible for inclusion in the Index:

1. The closed-end fund must have average minimum net assets of over \$100,000,000, measured over a 20-day period.
2. The closed-end fund must have an average \$750,000 daily trading volume in any 50-day period.
3. Closed-end funds trading at a 10% premium to NAV or higher in any 90-day period are excluded.
4. The closed-end fund must trade at a discount to the fund's NAV.
5. The closed-end fund must publish either a weekly or daily NAV.
6. Closed-end funds with less than a three-year trading history are excluded.
7. The closed-end funds must be included in either the Morningstar U.S. Sector Equity or Morningstar U.S. Equity category.
8. The closed-end fund must pay regular quarterly or monthly distributions; closed-end funds with annual or no distributions will be excluded.
9. The closed-end fund must be organized in the United States.
10. Each closed-end fund must be registered as an investment company under the Investment Company Act and have a class of equity securities listed on the NYSE, NYSE American or the Nasdaq.
11. Closed-end funds the securities of which trade on the over-the-counter market ("OTC") are excluded.
12. Physical commodity closed-end funds will be excluded.

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Constituent Ranking

On each quarterly rebalancing date (as defined below), the Constituents are ranked as follows:

1. Eligible closed-end funds will be ranked by a 12-month Z-score from lowest to highest, with the lowest Z-score fund receiving a 1, the second lowest Z-score fund receiving a 2, etc.;
 2. Eligible closed-end funds will be ranked by (current discount – 3-month average discount) with the lowest discount spread receiving a 1, the second lowest receiving a 2, etc.;
 3. Eligible closed-end funds will be ranked by (current discount – 12-month average discount) with the lowest discount spread receiving a 1, the second lowest spread receiving a 2, etc.;
 4. Eligible closed-end funds will be ranked by 3-year standard deviation with the lowest standard deviation receiving a 1, the second lowest receiving a 2, etc.
 5. The four criteria listed above (1-4) will be summed.
- a. Limit the number of Constituents that are designated as “sector specific” to two per sub-sector (including REITs). The two highest ranked funds per sub-sector will be included. All other funds in that sub-sector will be removed.
6. The top 25 closed-end funds (lowest sum) based on this ranking will be Constituents.

Rebalancing Date Adjustments

On each quarterly rebalancing date, the Constituents are selected in accordance with the following steps:

1. Remove those Constituents that do not meet the eligibility criteria described above.
2. Remove any Constituent that changes its “fundamental” investment objective.
3. Remove any Constituent that changes its investment adviser.
4. Remove any Constituent that either delists, converts to an open-end fund or liquidates.
- 5.

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Remove any Constituent that has an average market capitalization of less than \$50,000,000 over the 20 Trading Days prior to the quarterly rebalancing date (the “Measurement Period”).

6. Remove any Constituent that has a trailing 50-day average daily trading volume of less than \$400,000 over the Measurement Period.

7. Remove any Constituent that has traded at an average 10% premium to NAV or higher during the Measurement Period.

8. Remove any Constituent that eliminates its distribution.

If any Constituent does not meet the eligibility criteria described above, that constituent will be replaced with the next highest rated closed-end fund based on the ranking methodology described above under “—Constituent Ranking” that is not currently in the Index.

10. Limit the number of Constituents that are designated as “sector specific” to two per sub-sector (including REITs).

Z-score

A “Z-score” is used to measure a closed-end fund’s discount or premium relative to its average discount or premium to NAV, and is measured in units of standard deviation. For example, a negative Z-score indicates that the closed-end fund’s current discount is lower than average. A Z-score is calculated using the following equation:

$$\text{Z-score} = \frac{(\text{Current Discount/Premium} - \text{Average Discount/Premium})}{(\text{Standard Deviation of Discount/Premium})}$$

Constituent Weightings

The Index is rebalanced quarterly over a ten-day period to ensure that rebalance transactions stay below the average daily trading volumes. Beginning on the close of the first Trading Day of the first month of the quarter (the “quarterly rebalancing date”), and continuing until the close of the tenth Trading Day of that month, the weights of the Constituents on the n^{th} day are set as follows:

Where:

t_0 = First rebalancing day
 $Weight_i(t)$ = Weight of Constituent i at time t
 $Weight_i^*$ = Target weight of Constituent i after the rebalance
 N = n^{th} day of the rebalancing period
 D = Total number of days in the rebalancing period (10)

The first adjustment was made on April 1, 2015, based on the trading prices of the Constituents on the Record Date (as defined below).

Current Constituents

The table below lists the Constituents currently included in the Index, their trading symbols and the exchanges on which they are traded, their liquidity weighting, their equal base weighting and their total weighting as of the July 2018 rebalancing. All Constituents have an equal base weight of 0.4%, with the remaining weightings being a simple average liquidity weighting, resulting in an Index volume weighting of 90% and an equal Index base weighting of 10%.

<u>Ticker</u>	<u>Fund Name</u>	<u>Primary Exchange</u>	Liquidity	Base	Total
			<u>Weighting</u>	<u>Weighting</u>	<u>Weighting</u>
ADX	Adams Diversified Equity Fund, Inc.	NYSE	4.73%	0.40%	5.13%
BCX	Blackrock Resources & Commodities Strategy Trust	NYSE	3.98%	0.40%	4.38%
BDJ	Blackrock Enhanced Equity Dividend Trust	NYSE	6.16%	0.40%	6.56%
BGY	Blackrock Enhanced International Dividend Trust	NYSE	2.56%	0.40%	2.96%
BIF	Boulder Growth & Income Fund, Inc.	NYSE	3.07%	0.40%	3.47%
BOE	Blackrock Enhanced Global Dividend Trust	NYSE	4.08%	0.40%	4.48%
BTO	John Hancock Financial Opportunities Fund	NYSE	1.83%	0.40%	2.23%
CII	Blackrock Enhanced Capital & Income Fund, Inc.	NYSE	2.56%	0.40%	2.96%
ETJ	Eaton Vance Risk-Managed Diversified Equity Income Fund	NYSE	3.55%	0.40%	3.95%
FFA	First Trust Enhanced Equity Income Fund	NYSE	1.39%	0.40%	1.79%
GDV	Gabelli Dividend & Income Trust	NYSE	5.03%	0.40%	5.43%
GPM	Guggenheim Enhanced Equity Income Fund	NYSE	1.96%	0.40%	2.36%
HQL	Tekla Life Sciences Investors	NYSE	1.89%	0.40%	2.29%

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IGD	Voya Global Equity Dividend and Premium Opportunity Fund	NYSE	3.44%	0.40%	3.84%
JMF	Nuveen Energy MLP Total Return Fund	NYSE	2.66%	0.40%	3.06%
JRS	Nuveen Real Estate Income Fund	NYSE	1.30%	0.40%	1.70%
MGU	Macquarie Global Infrastructure Total Return Fund, Inc.	NYSE	1.22%	0.40%	1.62%
NFJ	AllianzGI NFJ Dividend, Interest & Premium Strategy Fund	NYSE	5.30%	0.40%	5.70%
RMT	Royce Micro-Cap Trust, Inc.	NYSE	1.93%	0.40%	2.33%
RQI	Cohen & Steers Quality Income Realty Fund, Inc.	NYSE	5.13%	0.40%	5.53%
RVT	Royce Value Trust, Inc.	NYSE	6.08%	0.40%	6.48%
SMM	Salient Midstream & MLP Fund	NYSE	1.20%	0.40%	1.60%
THQ	Tekla Healthcare Opportunities Fund	NYSE	3.17%	0.40%	3.57%
USA	Liberty All-Star Equity Fund	NYSE	8.19%	0.40%	8.59%
UTF	Cohen & Steers Infrastructure Fund, Inc.	NYSE	7.58%	0.40%	7.98%
			90.00%	10.00%	100.00%

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Rules for Reconstitutions, Rebalancings and Index Changes

The Index is calculated by the Index Calculation Agent. The Index Calculation Agent is also responsible for Index maintenance and price dissemination. The calculation, maintenance and dissemination rules are as follows:

Index Changes. Index changes take place on the quarterly rebalancing date, except as described below in the event of certain corporate actions, such as mergers, acquisitions and delistings. In those cases, the Index change is applied prior to the effective date of the action, unless otherwise determined by the Index Sponsor. Share increases and decreases are reflected on the rebalancing date. Whenever possible, changes will be announced at least two business days prior to their implementation.

Index Rebalancings. The Index is rebalanced and reconstituted quarterly for additions and deletions to the Index over a ten-day period beginning on the close of the first Trading Day of the first month of the quarter and continuing until the close of the tenth Trading Day of that month. Unless indicated otherwise above, the record date for meeting any eligibility criteria will be the second business day prior to the related quarterly rebalancing date.

Additions and Deletions due to Corporate Actions. Additions and deletions to the Index are made in ten proportional allocations in the event of the deletion of a Constituent due to a corporate action. When a Constituent is deleted, no replacement Constituent is added. Deletions are made at any time, in the event a closed-end fund is liquidated, delisted, files for bankruptcy, is acquired or merges with another closed-end fund. Upon any deletion, the weight of the removed Constituent is reallocated proportionately to the remaining Constituents. Additions are made only upon the effective date of the quarterly rebalancing.

Index Maintenance

In addition to the scheduled reviews, the Index is reviewed on an ongoing basis. Changes in Index composition and related weight adjustments are necessary whenever there are extraordinary events such as liquidations, conversions, delistings, bankruptcies, mergers or takeovers involving Constituents. In these cases, each event will be taken into account on its effective date. In the event a significant Constituent is affected pursuant to one of these events, that Constituent will be replaced by the next lowest ranked Constituent in the Index, and the closed-end fund that ranked 26th at the most recent rebalancing will be added to the Index. Whenever possible, the changes in the Constituents will be announced at least two business days prior to their implementation date.

Changes of Eligible Securities. In the event that a Constituent no longer meets the eligibility requirements described above, it will be removed from the Index on the effective date of the next rebalancing.

Changes of Sector Classification. Closed-end funds are eligible for inclusion in the Index based on their inclusion in an applicable sector. Mergers, takeovers and spin-offs, as well as changes in a closed-end fund's investment approach, may cause a closed-end fund to lose its eligibility. In such a circumstance, the Constituent will be removed from the Index on the effective date of the next rebalancing. A Constituent's classification may also require an immediate change as the result of a special event such as a merger, takeover or spin-off.

The Index Sponsor is using the Morningstar sector categorization for selecting and filtering Constituents. The Index Sponsor will default to Morningstar's most recent sector category, which is typically updated on a monthly basis. Should the Index Sponsor's closed-end fund research department disagree with Morningstar's categorization of a certain closed-end fund, the Index Sponsor will formally submit a request for review with Morningstar and make appropriate changes at the next rebalance date. However, the Index Sponsor does not anticipate that this will be necessary. In the event of a change in "fundamental" investment objective that would render a fund either eligible, or ineligible, for the Index, the Index Sponsor will make the appropriate adjustments to the Index at the next rebalance date. The Index Sponsor will make these changes regardless of a formal change in the Morningstar categorization.

Mergers. If two Constituents merge, their component positions will be replaced by the surviving Constituent immediately. If a Constituent merges with a non-Index component, its component position will be replaced by the non-Index component, if the non-Index component meets the eligibility criteria described above. In the event of mergers of equals, the combined trading history of the predecessor closed-end funds will be used for evaluation. If the combined closed-end fund fails to meet the eligibility criteria described above, it will be deleted. If deleted, the weight of the combined closed-end fund will be redistributed proportionately to the remaining Constituents.

Takeovers. If a Constituent is taken over by another Constituent, the former will be removed from the Index immediately upon completion of the takeover. If a Constituent is taken over by a non-Index component, it will be replaced by the acquiring non-Index component immediately, if the acquiring non-Index component meets the eligibility criteria described above. If the acquiring non-Index component does not meet the eligibility criteria described above, the weight of the removed Constituent will be reallocated proportionately to the remaining Constituents.

Conversions. If a Constituent is converted to a corporate entity other than a closed-end fund, it will be removed from the Index five business days following the effective date of the conversion, and the weight of the removed Constituent will be reallocated proportionately to the remaining Constituents.

Share Offerings, Tenders and Purchases. All share offerings, tenders and purchases that result in an increase or decrease of shares will be implemented at the quarterly rebalancings.

Removal of Constituents Due to Delisting or Extreme Financial Distress. If a Constituent is delisted by its primary market, or is in extreme financial distress, it will be removed from the Index as follows:

If a Constituent is delisted by its primary market due to failure to meet financial or regulatory requirements, it will be removed from the Index and its weight will be reallocated to the remaining Constituents.

If the Constituent appears to be in extreme financial distress, it will be removed from the Index to protect the integrity of the Index and the interests of investors in products linked to the Index.

Pricing of Constituents in Extreme Financial Distress. When a Constituent is suspended from trading due to financial distress and subsequently delisted by its primary market prior to resumption of trading, the Index Calculation Agent will use the best-available alternate pricing source to determine the value at which the Constituent should be removed from the Index. If the Constituent's primary market price is no longer available due to its suspension or delisting, a current price from another exchange, such as a regional or electronic marketplace, may be used. In the absence of those prices in the case of U.S. securities, OTC Bulletin Board, OTC Equity (non-OTCBB stocks), and Pink Sheet traded prices could be applied, in that order. If neither a traded price nor a bid/asked range is available, or if the security is trading at less than \$1 per share, it will be removed from the Index at 0.01 times the local currency of the stock.

Minimum Number of Constituents

At no time will the Index be comprised of fewer than 25 Constituents. The Index will be suspended if at any time there are fewer than 25 Constituents.

Market Disruptions

If the closing price of any Constituent is not available on any Trading Day, the Index Calculation Agent will use that Constituent's last available closing price to calculate the level of the Index.

Trading Day

For purposes of this section, a "Trading Day" is a day, as determined by the Index Calculation Agent, on which trading is generally conducted (or was scheduled to have been generally conducted, but for the occurrence of a market disruption event) on the NYSE American, Nasdaq, the Chicago Mercantile Exchange, the Chicago Board Options Exchange, and in the over-the-counter market for equity securities in the United States, or any successor exchange or market.

Administration of the Index

In administering the Index, the Index Calculation Agent and the Index Sponsor may exercise discretion when:

- exercising routine judgment in the administration of the methodology, provided that such judgment does not include deviations or alterations of the methodology that are designed to improve the financial performance of the Index;
- correcting errors in the implementation of the methodology or calculations made pursuant to the methodology; or

making an adjustment to respond to an unanticipated event outside of the Index Calculation Agent's or Index Sponsor's control, including, but not limited to, a disruption in the financial markets for closed-end funds or in the United States generally, regulatory compliance requirements, force majeure or any other unanticipated event of similar magnitude and significance.

Index Data

The Index level is published by Solactive AG under the Bloomberg tickers "RJCEFPR" (price return) and "RJCEFTR" (total return) on each Trading Day, after the end of that Trading Day.

Announcements

Announcements of changes to the Index or to the Index methodology will be published by the Index Sponsor within 14 days following the implementation of any such change.

Holidays

The Index is calculated only when U.S. equity markets are open.

License Agreement

We and Raymond James & Associates, Inc. have entered into a non-exclusive license agreement, granting us, and certain of our affiliates, in exchange for a fee, permission to use the Index in connection with the offer and sale of the notes. We are not affiliated with Raymond James; the only relationship between Raymond James and us are the licensing of the use of the Raymond James CEFR Domestic Equity Index (a trademark of Raymond James) and trademarks relating to the Index, the payment of fees to Raymond James by us or an affiliate in connection with the distribution of the notes by Raymond James. We do not accept any responsibility for the calculation, maintenance or publication of the Index or any successor index.

Licensing Fees. Under the license agreement, we have agreed to pay Raymond James & Associates, Inc. up to 1.00% of the Principal Amount over the term of the notes.

The notes are not sponsored, endorsed, sold or promoted by Raymond James Financial, Inc., or its subsidiaries or affiliates (collectively "RJF"). RJF makes no representation or warranty, express or implied, to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the Index to track general closed-end fund performance. RJF's only relationship to us is the licensing of certain trademarks and trade names of RJF and of the Index, which is determined, composed and calculated by RJF without regard to us or the notes. RJF and its third party licensors have no obligation to take our needs or the needs of the owners of the notes into consideration in determining, composing or calculating the Index. RJF is not responsible for and has not participated in the determination of the prices and amount of the notes or in the determination or calculation of the equation by which the notes is to be converted into cash. RJF has no obligation or liability in connection with the administration, marketing or trading of the notes.

RJF DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE INDEX OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. RJF SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS THEREIN. RJF MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE MARKS, THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL RJF BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE.

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Disclaimer

The notes are not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade mark or the Index level at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the Issuer, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the notes. Neither publication of the Index by Solactive AG nor the licensing of the Index or Index trade mark for the purpose of use in connection with the notes constitutes a recommendation by Solactive AG to invest capital in said notes nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the notes.

Historical Performance of the Index

The following table sets forth the high and low closing levels for the Index from January 1, 2014 through July 20, 2018.

The historical levels of the Index are provided for informational purposes only. You should not take the historical levels of the Index as an indication of its future performance, which may be better or worse than the levels set forth below.

Closing Levels of the Raymond James CEFR Domestic Equity Price Return Index

2014	First Quarter	1,109.04	1,030.06
	Second Quarter	1,151.23	1,073.38
	Third Quarter	1,179.55	1,115.98
	Fourth Quarter	1,203.19	1,060.06
2015	First Quarter	1,181.35	1,123.38
	Second Quarter	1,182.19	1,105.67
	Third Quarter	1,123.77	975.27
	Fourth Quarter	1,072.55	976.05

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2016	First Quarter	1,014.96	845.11
	Second Quarter	1,053.71	975.52
	Third Quarter	1,084.68	1,034.57
	Fourth Quarter	1,058.69	970.89
2017	First Quarter	1,121.19	1,034.53
	Second Quarter	1,140.89	1,101.53
	Third Quarter	1,158.02	1,110.76
	Fourth Quarter	1,180.71	1,125.63
2018	First Quarter	1,226.91	1,080.22
	Second Quarter	1,145.29	1,079.96
	Third Quarter (through July 20, 2018)	1,148.96	1,124.69

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SUPPLEMENTAL TAX CONSIDERATIONS

Supplemental Canadian Tax Considerations

In the opinion of Torys LLP, our Canadian federal income tax counsel, the following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires from us as the beneficial owner the notes offered by this document, and who, at all relevant times, for purposes of the application of the Income Tax Act (Canada) and the Income Tax Regulations (collectively, the “Tax Act”), (1) is not, and is not deemed to be, resident in Canada; (2) deals at arm’s length with us and with any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of notes, (3) is not affiliated with us, (4) does not receive any payment of interest on a note in respect of a debt or other obligation to pay an amount to a person with whom we do not deal at arm’s length, (5) does not use or hold notes in a business carried on in Canada and (6) is not a “specified shareholder” of ours as defined in the Tax Act for this purpose or a non-resident person not dealing at arm’s length with such “specified shareholder” (a “Holder”). Special rules, which are not discussed in this summary, may apply to a non-Canadian holder that is an insurer that carries on an insurance business in Canada and elsewhere.

Please note that this section supersedes and replaces in its entirety the section of the prospectus entitled “Canadian Taxation.”

This summary is based on the current provisions of the Tax Act and on counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this document (the “Proposed Amendments”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers of the notes should consult their own tax advisors having regard to their own particular circumstances.

Interest paid or credited or deemed to be paid or credited by us on a note (including amounts on account of, or in lieu of, or in satisfaction of interest) to a Holder will not be subject to Canadian non-resident withholding tax, unless any portion of such interest (other than on a “prescribed obligation,” as defined in the Tax Act for this purpose) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class or series of shares of the capital stock of a corporation. The administrative policy of the Canada Revenue Agency is that interest paid on a debt obligation is not subject to withholding tax unless, in general, it is reasonable to consider that there is a material connection between the index or formula to which any amount payable under the debt obligation is calculated and the profits of the issuer. With respect to any interest on a note, or any portion of the principal amount of a note in excess of the issue price, such interest or principal, as the case may be, paid or credited to a Holder should not be subject to Canadian non-resident withholding tax.

Generally, there are no other taxes on income (including taxable capital gains) payable by a Holder on interest, discount, or premium in respect of a note or on the proceeds received by a Holder on the disposition of a note (including redemption, cancellation, purchase or repurchase).

Supplemental U.S. Federal Income Tax Considerations

The following, together with the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement, is a general description of the material U.S. tax considerations relating to the notes. It does not purport to be a complete analysis of all tax considerations relating to the notes. Prospective purchasers of the notes should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Canada and the U.S. of acquiring, holding and disposing of the notes and receiving payments under the notes. This summary is based upon the law as in effect on the date of this pricing supplement and is subject to any change in law that may take effect after such date.

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement with respect to United States holders (as defined in the accompanying prospectus). It applies only to those holders who are not excluded from the discussion of U.S. federal income taxation in the accompanying prospectus. It does not apply to holders subject to special rules including holders subject to Section 451(b) of the Code. In addition, the discussion below assumes that an investor in the notes will be subject to a significant risk that it will lose a significant amount of its investment in the notes. Bank of Montreal intends to treat contingent interest payments with respect to the notes as U.S. source income for U.S. federal income tax purposes.

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

NO STATUTORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE NOTES SHOULD BE TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES. AS A RESULT, THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES ARE UNCERTAIN. BECAUSE OF THE UNCERTAINTY, YOU SHOULD CONSULT YOUR TAX ADVISOR IN DETERMINING THE U.S. FEDERAL INCOME TAX AND OTHER TAX CONSEQUENCES OF YOUR INVESTMENT IN THE NOTES, INCLUDING THE APPLICATION OF STATE, LOCAL OR OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

We will not attempt to ascertain whether any Reference Fund whose stock is included in the Index or any of the entities whose stock is owned by that Reference Fund would be treated as a “passive foreign investment company” within the meaning of Section 1297 of the Code or a “U.S. real property holding corporation” within the meaning of Section 897 of the Code. If any Reference Fund whose stock is included in the Index or any of the entities whose stock is owned by that Reference Fund were so treated, certain adverse U.S. federal income tax consequences could possibly apply. You should refer to any available information filed with the SEC and other authorities by each Reference Fund whose stock is included in the Index and the entities whose stock is owned by that Reference Fund and consult your tax advisor regarding the possible consequences to you in this regard, if any.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a note with terms described in this pricing supplement as a pre-paid cash-settled contingent income-bearing derivative contract in respect of the Index for U.S. federal income tax purposes, and the terms of the notes require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the notes for all tax purposes in accordance with such characterization. Although the U.S. federal income tax treatment of the contingent interest payments is uncertain, we intend to take the position, and the following discussion assumes, that such contingent interest payments (including any interest payment on or with respect to the maturity date) constitute taxable ordinary income to a United States holder at the time received or accrued in accordance with the holder’s regular method of

accounting. If the notes are treated as described above, subject to the discussion below concerning the potential application of the “constructive ownership” rules under Section 1260 of the Code, it would be reasonable for a United States holder to take the position that it will recognize capital gain or loss upon the sale or maturity of the notes in an amount equal to the difference between the amount a United States holder receives at such time (other than amounts properly attributable to any interest payments, which would be treated, as described above, as ordinary income) and the United States holder’s tax basis in the notes. In general, a United States holder’s tax basis in the notes will be equal to the price the holder paid for the notes. Capital gain recognized by an individual United States holder is generally taxed at preferential rates where the property is held for more than one year and is generally taxed at ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations. The holding period for notes of a United States holder who acquires the notes upon issuance will generally begin on the date after the issue date (i.e., the settlement date) of the notes. If the notes are held by the same United States holder until maturity, that holder’s holding period will generally include the maturity date.

Potential Application of Section 1260 of the Code

While the matter is not entirely clear, to the extent a Reference Fund is the type of financial asset described under Section 1260 of the Code (including, among others, any equity interest in pass-thru entities such as regulated investment companies (including certain exchange-traded funds), real estate investment trusts, partnerships, trusts and passive foreign investment companies, each a “Section 1260 Financial Asset”), an investment in the notes will likely, in whole or in part, be treated as a “constructive ownership transaction” to which Section 1260 of the Code applies. If Section 1260 of the Code applies, all or a portion of any long-term capital gain recognized by a United States holder in respect of a note will be recharacterized as ordinary income (the “Excess Gain”). In addition, an interest charge will also apply to any deemed underpayment of tax in respect of any Excess Gain to the extent such gain would have resulted in gross income inclusion for the United States holder in taxable years prior to the taxable year of the sale, exchange, or settlement (assuming such income accrued at a constant rate equal to the applicable federal rate as of the date of sale, exchange, or settlement).

If an investment in a note is treated as a constructive ownership transaction, it is not clear to what extent any long-term capital gain of a United States holder in respect of the note will be recharacterized as ordinary income. It is possible, for example, that the amount of the Excess Gain (if any) that would be recharacterized as ordinary income in respect of the note will equal the excess of (i) any long-term capital gain recognized by the United States holder in respect of the note and attributable to Section 1260 Financial Assets, over (ii) the “net underlying long-term capital gain” (as defined in Section 1260 of the Code) such United States holder would have had if such United States holder had acquired an amount of the corresponding Section 1260 Financial Assets at fair market value on the original issue date for an amount equal to the portion of the issue price of the note attributable to the corresponding Section 1260 Financial Assets and sold such amount of Section 1260 Financial Assets upon the date of sale, exchange, or settlement of the note at fair market value (and appropriately taking into account any leveraged upside exposure). To the extent any gain is treated as long-term capital gain after application of the recharacterization rules of Section 1260 of the Code, such gain would be subject to U.S. federal income tax at the rates that would have been applicable to the net underlying long-term capital gain. United States holders should consult their tax advisors regarding the potential application of Section 1260 of the Code to an investment in the note.

Under Section 1260 of the Code, there is a presumption that the net underlying long-term capital gain is zero (with the result that the recharacterization and interest charge described above would apply to all of the gain from the notes that otherwise would have been long-term capital gain), unless the contrary is demonstrated by clear and convincing evidence. Holders will be responsible for obtaining information necessary to determine the net underlying long-term capital gain with respect to the corresponding Section 1260 Financial Assets, as we do not intend to supply holders with such information. Holders should consult with their tax advisor regarding the application of the constructive ownership transaction to their notes and the calculations necessary to comply with Section 1260 of the Code.

Alternative Treatments

Alternative tax treatments of the notes are also possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. For example, it would be possible to treat the notes, and the Internal Revenue Service might assert that the notes should be treated, as a single debt instrument. Such a debt instrument would be subject to the special tax rules governing contingent payment debt instruments. If the notes are so treated, a United States holder would generally be required to accrue interest currently over the term of the notes irrespective of the contingent interest payments, if any, paid on the notes. In addition, any gain a United States holder might recognize upon the sale or maturity of the notes would be ordinary income and any loss recognized by a holder at such time would be ordinary loss to the extent of interest that same holder included in income in the current or previous taxable years in respect of the notes, and thereafter, would be capital loss.

Because of the absence of authority regarding the appropriate tax characterization of the notes, it is also possible that the Internal Revenue Service could seek to characterize the notes in a manner that results in other tax consequences

that are different from those described above. For example, the Internal Revenue Service could possibly assert that any gain or loss that a holder may recognize upon the sale or maturity of the notes should be treated as ordinary gain or loss.

The Internal Revenue Service has released a notice that may affect the taxation of holders of the notes. According to the notice, the Internal Revenue Service and the Treasury Department are actively considering whether the holder of an instrument such as the notes should be required to accrue ordinary income on a current basis irrespective of any interest payments, and they sought taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the notes will ultimately be required to accrue income currently irrespective of any interest payments and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital and whether the special “constructive ownership rules” of Section 1260 of the Code might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. We intend to treat the notes for U.S. federal income tax purposes in accordance with the treatment described in this pricing supplement unless and until such time as the Treasury Department and Internal Revenue Service determine that some other treatment is more appropriate.

Backup Withholding and Information Reporting

Please see the discussion under “United States Federal Income Taxation—Other Considerations—Backup Withholding and Information Reporting” in the accompanying prospectus for a description of the applicability of the backup withholding and information reporting rules to payments made on your notes.

Non-United States Holders

The notes are not intended for purchase by any investor that is not a United States person, as that term is defined for U.S. federal income tax purposes, and no dealer may make offers of the notes to any such investor. Notwithstanding this intended restriction on purchases, the following discussion applies to non-United States holders of the notes. A non-United States holder is a beneficial owner of a note that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, or a foreign estate or trust.

While the U.S. federal income tax treatment of the notes (including proper characterization of the contingent interest payments for U.S. federal income tax purposes) is uncertain, U.S. federal income tax at a 30% rate (or at a lower rate under an applicable income tax treaty) will be withheld in respect of the contingent interest payments paid to a non-United States holder unless such payments are effectively connected with the conduct by the non-United States holder of a trade or business in the U.S. (in which case, to avoid withholding, the non-United States holder will be required to provide a Form W-8ECI). We will not pay any additional amounts in respect of such withholding. To claim benefits under an income tax treaty, a non-United States holder must obtain a taxpayer identification number and certify as to its eligibility under the appropriate treaty's limitations on benefits article, if applicable (which certification may generally be made on a Form W-8BEN or W-8BEN-E, or a substitute or successor form). In addition, special rules may apply to claims for treaty benefits made by corporate non-United States holders. A non-United States holder that is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service. The availability of a lower rate of withholding or an exemption from withholding under an applicable income tax treaty will depend on the proper characterization of the contingent interest payments under U.S. federal income tax laws and whether such treaty rate or exemption applies to such payments. No assurance can be provided on the proper characterization of the contingent interest payments for U.S. federal income tax purposes and, accordingly, no assurance can be provided on the availability of benefits under any income tax treaty. Non-United States holders must consult their tax advisors in this regard.

Except as discussed below, a non-United States holder will generally not be subject to U.S. federal income or withholding tax on any gain (not including for the avoidance of doubt any amounts properly attributable to any interest which would be subject to the rules discussed in the previous paragraph) upon the sale or maturity of the notes, provided that (i) the holder complies with any applicable certification requirements (which certification may generally be made on a Form W-8BEN or W-8BEN-E, or a substitute or successor form), (ii) the payment is not effectively connected with the conduct by the holder of a U.S. trade or business, and (iii) if the holder is a non-resident alien individual, such holder is not present in the U.S. for 183 days or more during the taxable year of the sale or maturity of the notes. In the case of (ii) above, the holder generally would be subject to U.S. federal income tax with respect to any income or gain in the same manner as if the holder were a United States holder and, in the case of a holder that is a corporation, the holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a trade or business in the U.S., subject to certain adjustments. Payments made to a non-United States holder may be subject to information reporting and to backup withholding unless the holder complies with applicable certification and identification requirements as to its foreign status.

A "dividend equivalent" payment is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-United States holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. Internal Revenue Service guidance provides that withholding on dividend equivalent payments will apply to specified ELIs that are delta-one instruments

issued on or after January 1, 2017 and to all specified ELIs issued on or after January 1, 2019. Because the delta of the notes with respect to the Index will be one, dividend equivalent payments will be subject to withholding. Although unlikely, the potential exists for dividend equivalent payments on the notes to exceed the interest paid. If that were the case, U.S. federal income tax at a 30% rate may be withheld in respect of other payments on the notes and a non-U.S. holder of the notes may be liable for additional U.S. federal income tax at a 30% rate on the difference between the dividend equivalent payments and the interest paid. We (or the applicable paying agent) are entitled to withhold taxes on any payments treated as dividend equivalents without being required to pay any additional amounts with respect to amounts so withheld.

As discussed above, alternative characterizations of the notes for U.S. federal income tax purposes are possible. Should an alternative characterization, by reason of change or clarification of the law, by regulation or otherwise, cause payments as to the notes to become subject to withholding tax in addition to the withholding tax described above, we will withhold tax at the applicable statutory rate. The Internal Revenue Service has also indicated that it is considering whether income in respect of instruments such as the notes should be subject to withholding tax. Prospective investors should consult their own tax advisors in this regard.

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Foreign Account Tax Compliance Act

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

The U.S. Treasury Department and the Internal Revenue Service have announced that withholding on payments of gross proceeds from a sale or redemption of the notes will only apply to payments made after December 31, 2018. If we determine withholding is appropriate with respect to the notes, we will withhold tax at the applicable statutory rate, and we will not pay any additional amounts in respect of such withholding. Account holders subject to information reporting requirements pursuant to the Foreign Account Tax Compliance Act may include holders of the notes. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing the Foreign Account Tax Compliance Act may be subject to different rules. Holders are urged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in the notes.

Use of Proceeds and Hedging

We will use the net proceeds we receive from the sale of the notes for the purposes we describe in the accompanying prospectus and the accompanying prospectus supplement under “Use of Proceeds.” We or our affiliates may also use those proceeds in transactions intended to hedge our respective obligations under the notes as described below.

We or our affiliates expect to enter into hedging transactions involving, among other transactions, purchases or sales of one or more of the Reference Funds, or listed or over-the-counter options, futures and other instruments linked to the Index and/or the Reference Funds. In addition, from time to time after we issue the notes, we or our affiliates expect to enter into additional hedging transactions and to unwind those we have entered into in connection with the notes. Consequently, with regard to the notes, we or our affiliates from time to time expect to acquire or dispose of the Reference Funds or positions in listed or over-the-counter options, futures or other instruments linked to one or more of the Index and/or the Reference Funds.

We or our affiliates may acquire a long position in securities similar to the notes from time to time and may, in our or their sole discretion, hold, resell or repurchase those securities.

In the future, we or our affiliates expect to close out hedge positions relating to the notes and possibly relating to other securities or instruments with returns linked to the Index. We expect these steps to involve sales of instruments linked to the Index on or shortly before the Valuation Dates. These steps may also involve transactions of the type contemplated above. Notwithstanding the above, we are permitted to and may choose to hedge in any manner not stated above; similarly, we may elect not to enter into any such transactions. Investors will not have knowledge about our hedging positions.

We have no obligation to engage in any manner of hedging activity and will do so solely at our discretion and for our own account. No holder of any notes will have any rights or interest in our hedging activity or any positions we or any counterparty may take in connection with our hedging activity.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We, either ourselves or through BMOCM as agent, have entered into an arrangement with Raymond James, whereby Raymond James will act as an agent in connection with the distribution of the notes. Such distribution may occur on or subsequent to the Issue Date. The notes sold by Raymond James to investors were offered at the issue price of \$1,000 per note. Raymond James will receive the compensation set forth on the cover page of this pricing supplement. Raymond James will also receive licensing fees for the use of the Index in connection with this offering, as described in “Description of the Index—License Agreement.”

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.

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

We will deliver the notes on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes more than two business days prior to the issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

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

No Prospectus (as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”)) will be prepared in connection with the notes. Accordingly, the notes may not be offered to the public in any member state of the European Economic Area (the “EEA”), and any purchaser of the notes who subsequently sells any of the notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, and a “retail investor” means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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Additional Information Relating to the Estimated Initial Value of the Notes

Our estimated initial value of the notes that is set forth on the cover page of this pricing supplement 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
- 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 interest rates and other factors. As a result, the estimated initial value of the notes on the pricing date was determined based on market conditions on the pricing date.

Employee Retirement Income Security Act

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (each, a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under ERISA or the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts, Keogh plans, and any other plans that are subject to Section 4975 of the Code (also “Plans”), from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in excise tax or other liabilities under ERISA or the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (“Non-ERISA Arrangements”) are not subject to the requirements of Section 406 of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S., or other laws (“Similar Laws”).

The acquisition of notes by a Plan or any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) with respect to which we or certain of our affiliates is or becomes a party in interest or disqualified person may result in a prohibited transaction under ERISA or Section 4975 of the Code, unless the notes are acquired pursuant to an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or “PTCEs,” that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of notes. These exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), and PTCE 96-23 (for transactions managed by in-house asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities offered hereby, provided that neither the issuer of notes offered hereby nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more and receives no less than “adequate consideration” in connection with the transaction (the “Service Provider Exemption”). Any Plan fiduciary relying on the Service Provider Exemption and purchasing the notes on behalf of a Plan must initially make a determination that (x) the Plan is paying no more than, and is receiving no less than, “adequate consideration” in connection with the transaction and (y) neither we nor any of our affiliates directly or indirectly exercises any discretionary authority or control or renders investment advice with respect to the assets of the Plan which such fiduciary is using to purchase, both of which are necessary

preconditions to reliance on the Service Provider Exemption. If we or any of our affiliates provides fiduciary investment management services with respect to a Plan's acquisition of the notes, the Service Provider Exemption may not be available, and in that case, other exemptive relief would be required as precondition for purchasing the notes. Any Plan fiduciary considering reliance on the Service Provider Exemption is encouraged to consult with counsel regarding the availability of the exemption. There can be no assurance that any of the foregoing exemptions will be available with respect to any particular transaction involving the notes, or that, if an exemption is available, it will cover all aspects of any particular transaction.

Because we or our affiliates may be considered to be a party in interest with respect to many Plans, the notes may not be purchased, held or disposed of by any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or the Service Provider Exemption, or such purchase, holding or disposition is not otherwise prohibited. Except as otherwise set forth in any applicable pricing supplement, by its purchase of any notes, each purchaser (whether in the case of the initial purchase or in the case of a subsequent transferee) will be deemed to have represented and agreed by its purchase and holding of the notes offered hereby that either (i) it is not and for so long as it holds a note, it will not be a Plan, a Plan Asset Entity, or a Non-ERISA Arrangement, or (ii) its purchase and holding of the notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of such a Non-ERISA Arrangement, under any Similar Laws.

In addition, any purchaser that is a Plan or a Plan Asset Entity or that is acquiring the notes on behalf of a Plan or a Plan Asset Entity, including any fiduciary purchasing on behalf of a Plan or Plan Asset entity, will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the notes that (a) neither we nor any of our respective affiliates or agents are a "fiduciary" (under Section 3(21) of ERISA), or under any final or proposed regulations thereunder, or with respect to a non-ERISA Arrangement under any Similar Laws with respect to the acquisition, holding or disposition of the notes, or as a result of any exercise by us or our affiliates or agents of any rights in connection with the notes, (b) no advice provided by us or any of our affiliates or agents has formed a primary basis for any investment decision by or on behalf of such purchaser in connection with the notes and the transactions contemplated with respect to the notes, and (c) such purchaser recognizes and agrees that any communication from us or any of our affiliates or agents to the purchaser with respect to the notes is not intended by us or any of our affiliates or agents to be impartial investment advice and is rendered in our or our affiliates' or agents' capacity as a seller of such notes and not a fiduciary to such purchaser.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing notes on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the Service Provider Exemption or the potential consequences of any purchase or holding under Similar Laws, as applicable. Purchasers of notes have exclusive responsibility for ensuring that their purchase and holding of notes do not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any similar provisions of Similar Laws. The sale of any notes to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

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VALIDITY OF THE NOTES

In the opinion of Osler, Hoskin & Harcourt LLP, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the Senior Indenture, and when this pricing supplement has been attached to, and duly notated on, the master note that represents the notes, the notes will have been validly executed and issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario, or the laws of Canada applicable therein, and will be valid obligations of the Bank, subject to the following limitations (i) the enforceability of the Senior Indenture may be limited by the Canada Deposit Insurance Corporation Act (Canada), the Winding-up and Restructuring Act (Canada) and bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or winding-up laws or other similar laws affecting the enforcement of creditors' rights generally; (ii) the enforceability of the Senior Indenture may be limited by equitable principles, including the principle that equitable remedies such as specific performance and injunction may only be granted in the discretion of a court of competent jurisdiction; (iii) pursuant to the Currency Act (Canada) a judgment by a Canadian court must be awarded in Canadian currency and that such judgment may be based on a rate of exchange in existence on a day other than the day of payment; and (iv) the enforceability of the Senior Indenture will be subject to the limitations contained in the Limitations Act, 2002 (Ontario), and such counsel expresses no opinion as to whether a court may find any provision of the Senior Debt Indenture to be unenforceable as an attempt to vary or exclude a limitation period under that Act. This opinion is given as of the date hereof and is limited to the laws of the Provinces of Ontario and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated April 27, 2017, which has been filed as Exhibit 5.3 to Bank of Montreal's Form 6-K filed with the SEC and dated April 27, 2017.

In the opinion of Morrison & Foerster LLP, when the pricing supplement has been attached to, and duly notated on, the master note that represents the notes, and the notes have been issued and sold as contemplated by the prospectus supplement and the prospectus, the notes will be valid, binding and enforceable obligations of Bank of Montreal, entitled to the benefits of the Senior Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Senior Indenture and the genuineness of signatures and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated April 27, 2017, which has been filed as Exhibit 5.4 to the Bank's Form 6-K dated April 27, 2017.

