SEARS ROEBUCK & CO
Form 10-Q/A
December 02, 2004

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 3, 2004**

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-416

SEARS, ROEBUCK AND CO.

(Exact name of registrant as specified in its charter)

New York (State of Incorporation)	36-1750680 (I.R.S. Employer Identification No.)
3333 Beverly Road, Hoffman Estates, Illinois (Address of principal executive offices)	60179 (Zip Code)

Registrant s telephone number, including area code: (847) 286-2500

Indicate by check mark whether the Registrant [1] has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and [2] has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes x No o

As of May 1, 2004, the Registrant had 212,786,603 common shares, $.75 par value, outstanding.

SEARS, ROEBUCK AND CO.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
13 Weeks Ended April, 3, 2004

Explanatory Note

This Form 10-Q/A is being filed to correct a computational error in the pro forma disclosure of stock-based compensation contained in Note 10 of the Notes to the Condensed Consolidated Financial Statements. For ease of reference, this Form 10-Q/A restates the Form 10-Q for the fiscal quarter ended April 3, 2004 in its entirety. In order to preserve the nature and character of the disclosures set forth in such items as originally filed, no attempt has been made in this amendment to modify or update the disclosures in the original Quarterly Report on Form 10-Q except the restatement of Note 10. As a result, this Quarterly Report on Form 10-Q/A contains forward-looking information which has not been updated for events subsequent to the date of the original filing, and the Company directs you to its SEC filings made subsequent to that original filing date for additional information.

Certification of Chief Executive Officer and Chief Financial Officer

Table of Contents

SEARS, ROEBUCK AND CO.
Condensed Consolidated Statements of Operations
(Unaudited)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

millions, except per common share data	13 Weeks Ended April 3, 2004	13 Weeks Ended March 29, 2003
REVENUES		
Merchandise sales and services	$ 7,703	$ 7,474
Credit and financial products revenues	91	1,406
Total revenues	7,794	8,880
COSTS AND EXPENSES		
Cost of sales, buying and occupancy	5,621	5,474
Selling and administrative	1,894	2,110
Provision for uncollectible accounts	16	483
Depreciation and amortization	228	225
Interest, net	76	279
Total costs and expenses	7,835	8,571
Operating (loss)/income	(41)	309
Other income, net	16	1
(Loss)/income before income taxes, minority interest and cumulative effect of change in accounting principle	(25)	310
Income tax benefit/(expense)	9	(115)
Minority interest	(4)	(3)
(Loss)/income before cumulative effect of change in accounting principle	(20)	192
Cumulative effect of change in accounting principle	(839)	

NET (LOSS)/INCOME	$ (859)	$ 192
(LOSS)/EARNINGS PER COMMON SHARE		
BASIC		
(Loss)/earnings per share before cumulative effect of change in accounting principle	$ (0.09)	$ 0.60
Cumulative effect of change in accounting principle	(3.81)	
(Loss)/earnings per share	$ (3.90)	$ 0.60
DILUTED		
(Loss)/earnings per share before cumulative effect of change in accounting principle	$ (0.09)	$ 0.60
Cumulative effect of change in accounting principle	(3.81)	
(Loss)/earnings per share	$ (3.90)	$ 0.60
Cash dividends declared per common share	$ 0.23	$ 0.23
Average common equivalent shares outstanding	220.4	318.1

See accompanying notes.

Table of Contents

SEARS, ROEBUCK AND CO.
Condensed Consolidated Balance Sheets

millions	(Unaudited) April 3, 2004	(Unaudited) March 29, 2003	January 3, 2004
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,235	$ 3,846	$ 9,057
Domestic credit card receivables		29,558	
Sears Canada credit card receivables	1,897	1,719	1,998
Less allowance for uncollectible accounts	40	1,843	42
Net credit card receivables	1,857	29,434	1,956
Other receivables	489	716	733
Merchandise inventories, net	5,609	5,730	5,335
Prepaid expenses, deferred charges and other current assets	774	708	407
Deferred income taxes	689	790	708
Total current assets	13,653	41,224	18,196
Property and equipment, net	6,603	6,794	6,788
Deferred income taxes	256	621	378
Goodwill	943	942	943
Tradenames and other intangible assets	709	703	710
Other assets	555	1,124	708
TOTAL ASSETS	$22,719	$51,408	$27,723
LIABILITIES			
Current liabilities			
Short-term borrowings, primarily 90 days or less	$ 864	$ 6,775	$ 1,033
Current portion of long-term debt and capitalized lease obligations	1,225	3,909	2,950
Merchandise payables	2,864	2,898	3,106
Income taxes payable	569	554	1,867
Other liabilities	2,362	3,003	2,950
Unearned revenues	1,270	1,209	1,244
Other taxes	485	445	609
Total current liabilities	9,639	18,793	13,759

Long-term debt and capitalized lease obligations	4,372	22,021	4,218
Pension and postretirement benefits	1,656	2,414	1,956
Minority interest and other liabilities	1,374	1,246	1,389
Total Liabilities	17,041	44,474	21,322
COMMITMENTS AND CONTINGENT LIABILITIES			
SHAREHOLDERS EQUITY			
Common shares	323	323	323
Capital in excess of par value	3,518	3,503	3,519
Retained earnings	10,728	8,617	11,636
Treasury stock at cost	(8,759)	(4,458)	(7,945)
Deferred ESOP expense	(19)	(41)	(26)
Accumulated other comprehensive loss	(113)	(1,010)	(1,106)
Total Shareholders Equity	5,678	6,934	6,401
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$22,719	$51,408	$27,723
Total common shares outstanding	212.7	317.1	230.4

See accompanying notes.

Table of Contents

SEARS, ROEBUCK AND CO.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

millions	13 Weeks Ended April 3, 2004	13 Weeks Ended March 29, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/income	$ (859)	$ 192
Adjustments to reconcile net (loss)/income to net cash (used in) provided by operating activities		
Depreciation and amortization	228	225
Cumulative effect of change in accounting principle	839	
Provision for uncollectible accounts	16	483
Gain on sales of property and investments	(13)	
Income tax (expense)/benefit on nonqualified stock options	(3)	1
Change in:		
Deferred income taxes	(437)	83
Credit card receivables	59	960
Merchandise inventories	(281)	(580)
Other operating assets	368	7
Other operating liabilities [(1)]	(1,778)	(1,338)
Net cash (used in) provided by operating activities	(1,861)	33
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property and investments	36	5
Purchases of property and equipment	(88)	(93)
Purchases of investments	(321)	(15)
Net cash used in investing activities	(373)	(103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	285	1,780
Repayments of long-term debt	(1,844)	(2,014)
(Decrease)/increase in short term borrowings, primarily 90 days or less	(165)	2,241
Common shares repurchased	(852)	
Common shares issued for employee stock plans	39	14
Dividends paid to shareholders	(50)	(73)

Net cash (used in) provided by financing activities	(2,587)	1,948
Effect of exchange rate changes on cash and cash equivalents	(1)	6
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,822)	1,884
BALANCE AT BEGINNING OF YEAR	9,057	1,962
BALANCE AT END OF PERIOD	$ 4,235	$ 3,846

(1) The Company paid income taxes of $1,250 million and $298 million in the first quarter of 2004 and 2003, respectively.

See accompanying notes.

3

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Balance Sheets as of April 3, 2004 and March 29, 2003, the related Condensed Consolidated Statements of Operations for the 13 weeks ended April 3, 2004 and March 29, 2003, and the Condensed Consolidated Statements of Cash Flows for the 13 weeks ended April 3, 2004 and March 29, 2003, are unaudited. The interim financial statements reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Sears, Roebuck and Co. (the Company or Sears) 2003 Annual Report on Form 10-K. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year. The Company typically earns a disproportionate share of its operating income in the fourth quarter due to seasonal customer buying patterns.

Certain reclassifications have been made to the 2003 financial statements to conform with the current year presentation.

NOTE 2 DISPOSITIONS

On November 3, 2003, the Company completed the sale of its domestic Credit and Financial Products business, including its clubs and services business, to Citigroup. On November 29, 2003, the Company sold National Tire & Battery (NTB) to TBC Corporation. The following table illustrates the impact the estimated results of the divested businesses had on the reported results for the 13-week period ended March 29, 2003:

	13 Weeks Ended March 29, 2003		
millions, except per share data	**As Reported**	**Divested Businesses**	**Pro forma**
Revenues	$8,880	$1,407	$7,473
Net income/(loss)	192	201	(9)
Diluted earnings/(loss) per share	0.60	0.61	(0.01)

NOTE 3 SECURITIZED ASSETS

A summary of the Company s securitized assets at April 3, 2004, March 29, 2003 and January 3, 2004 is as follows:

millions	**April 3, 2004**	**March 29, 2003**	**January 3, 2004**

Credit card receivables			
Domestic	$	$24,000	$
Sears Canada	1,204	999	1,093
Total credit card receivables	1,204	24,999	1,093
Property and equipment	500		500
Total securitized assets	$ 1,704	$24,999	$ 1,593

The Company securitizes certain of its credit card receivables through master trusts (trusts). Under the Sears Canada securitization program, trusts purchase undivided interests in the receivable balances, funded by issuing short-term and long-term debt, primarily commercial paper and senior and subordinated receivable-backed notes.

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The trusts related to the domestic receivables securitized the receivable balances by issuing certificates representing undivided interests in the trusts receivables to both outside investors and to the Company. These certificates entitled the holder to a series of scheduled cash flows under preset terms and conditions, the receipt of which was dependent upon cash flows generated by the related trusts assets. The Company accounts for credit card securitizations as secured borrowings.

Certain real estate assets were transferred to a wholly-owned consolidated subsidiary of Sears and segregated into a trust owned by the consolidated subsidiary. These assets are related to an inter-company loan agreement.

NOTE 4 INVESTMENTS

millions	April 3, 2004	
	Cost	Fair Value
Available-for-sale securities:		
U.S. treasury and federal agencies obligations	$ 30	$ 30
State and political subdivisions obligations	291	291
Total available-for-sale securities	$ 321	$ 321

The fair value of the available-for-sale securities as of April 3, 2004 include unrealized losses of $0.1 million.

The maturity distribution of available-for-sale securities outstanding is summarized in the following table. Actual maturities may differ from those scheduled as a result of prepayments by issuers.

millions	April 3, 2004	
	Cost	Fair Value
Available-for-sale securities:		
Due in one year or less	$ 279	$ 279
Due after one year through five years	42	42

Total available-for-sale securities	$ 321	$ 321

The $279 million of available-for-sale securities due in one year or less are classified within prepaid expenses, deferred charges and other current assets on the balance sheet. The $42 million of available-for-sale securities due after one year are classified within other assets on the balance sheet.

The Company did not have available-for-sale securities with maturities greater than 90 days for either the quarter ended March 29, 2003 or the year ended January 3, 2004.

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 5 BORROWINGS

Total borrowings outstanding at April 3, 2004, March 29, 2003 and January 3, 2004 were $6.4 billion, $32.1 billion and $8.1 billion, respectively. Total borrowings are presented on the balance sheet as follows:

millions	**April 3, 2004**	**March 29, 2003**	**January 3, 2004**
Short-term borrowings:			
Unsecured commercial paper	$ 864	$ 3,050	$ 1,033
Asset-backed commercial paper		2,250	
Asset-backed facility		1,400	
Bank loans		75	
	864	6,775	1,033
Long-term debt[1]:			
Notes and debentures outstanding	3,980	12,687	5,825
Securitizations	1,028	12,208	756
Capital lease obligations	488	461	497
Total borrowings	$ 6,360	$ 32,131	$ 8,111
SFAS No. 133 Hedge Accounting Adjustment	101	574	90
Total debt	$ 6,461	$ 32,705	$ 8,201
Memo: Sears Canada debt	*$ 1,842*	*$ 1,539*	*$ 1,701*

(1) Includes capitalized lease obligations and current portion of long-term debt.

The Company maintains committed credit facilities to support its unsecured commercial paper borrowings. In February 2003, the Company s domestic wholly-owned financing subsidiary, Sears Roebuck Acceptance Corp. (SRAC), through a syndicate of banks, obtained an unsecured, 364-day revolving credit facility in the amount of $3.5 billion. Effective November 3, 2003, SRAC amended the facility, extending the termination date to May 2004 for consenting lenders and modifying the option to extend the repayment of any borrowings to November 2004. Pursuant to the amendment, the commitment amount was reduced to $2.5 billion as of December 3, 2003. SRAC is in the process of syndicating a new $2.0 billion unsecured, three-year revolving credit facility. SRAC expects to have the new facility in place no later than the expiration of the current facility.

During the first quarter of 2004, the Company retired $1.8 billion of domestic term debt and incurred costs related to the debt retirement of $12 million which are included within interest expense in the statement of operations.

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 6 SPECIAL CHARGES AND IMPAIRMENTS

Following is a summary of the 2004 activity in the reserve established for employee termination and exit costs related to previously announced restructuring initiatives:

millions	**Balance, Beginning of Year**	**Cash Payments**	**Balance, April 3, 2004**
Productivity initiatives:			
Employee termination costs	$ 9	$ (5)	$ 4
The Great Indoors:			
Employee termination costs	2	(1)	1
Contractual obligations and other costs	11	(5)	6
	13	(6)	7
	$ 22	$ (11)	$11

During the second quarter of 2003, the Company recorded a pretax charge of $28 million for the estimated cost of severance for approximately 650 associates. As of January 3, 2004, all identified associates had been terminated and the remaining reserve relates to severance to be paid out by the end of 2004.

During the third quarter of 2003, the Company announced a refinement of the business strategy for The Great Indoors (TGI) which included its decision to close three TGI stores and cease development of four future locations. Included within the total pretax charge of $141 million was $2 million related to employee termination costs and $11 million related to other contractual obligations for items such as reimbursement to licensed businesses for facility closures, lease termination costs and other exit costs. As of January 3, 2004, the three stores were closed and all related employees terminated. The remaining employee termination reserves will be paid out by the end of the second quarter of 2004. The remaining contractual obligation and other costs will be paid out over the remaining contractual terms.

NOTE 7 SHAREHOLDERS EQUITY

Dividend Payments

Under an agreement pursuant to which the Company has provided a credit facility in support of certain tax increment revenue bonds issued by the Village of Hoffman Estates, Illinois, in connection with the construction of its headquarters facility, the Company cannot take specified actions, including the declaration of cash dividends, that would cause its unencumbered assets, as defined, to fall below 150% of its liabilities, as defined. At April 3, 2004, approximately $4.7 billion could be paid in dividends to shareholders under this covenant.

Share Repurchase Program

The Company repurchased 18.6 million common shares during the first quarter of 2004 at a cost of $852 million under a common share repurchase program approved by the Board of Directors. The Company did not repurchase any common shares during the first quarter of 2003. As of April 3, 2004, the Company has remaining authorization under the existing share repurchase program to repurchase $726 million of shares by December 31, 2006.

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Comprehensive Income and Accumulated Other Comprehensive Income

The following table shows the computation of comprehensive income:

millions	13 Weeks Ended April 3, 2004	13 Weeks Ended March 29, 2003
Net (loss)/income	$(859)	$ 192
Other comprehensive income:		
Minimum pension liability [1]	999	
Amounts amortized into interest expense from OCI	4	4
Change in fair value of cash flow hedges		1
Foreign currency translation adjustments	(10)	41
Total other comprehensive income	993	46
Total comprehensive income	$ 134	$ 238

The following table displays the components of accumulated other comprehensive loss:

millions	April 3, 2004	March 29, 2003	January 3, 2004
Accumulated derivative loss	$ (5)	$ (196)	$ (9)
Currency translation adjustments	(29)	(103)	(19)
Minimum pension liability, net of tax [1]	(79)	(711)	(1,078)
Accumulated other comprehensive loss	$ (113)	$(1,010)	$(1,106)

(1) Minimum pension liability at April 3, 2004 reflects the effect of the change in accounting for domestic retirement benefits discussed in Note 9.

NOTE 8 (LOSS)/EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted (loss)/earnings per share:

	13 Weeks Ended	
millions, except per share data	**April 3, 2004**	**March 29, 2003**
Net (loss)/income (1)	$ (859)	$ 192
Average common shares outstanding	220.4	317.9
Dilutive effect of stock options		0.2
Average common and common equivalent shares outstanding	220.4	318.1
(Loss)/earnings per share		
Basic	$ (3.90)	$ 0.60
Diluted	$ (3.90)	$ 0.60

(1) Net (loss)/income is the same for purposes of calculating basic and diluted (loss)/earnings per share.

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following table sets forth the computations of basic and diluted (loss)/earnings per share before the cumulative effect of the change in accounting principle:

	13 Weeks Ended	
millions, except per share data	**April 3, 2004**	**March 29, 2003**
(Loss)/income before cumulative effect of change in accounting principle [(1)]	$ (20)	$ 192
Average common shares outstanding	220.4	317.9
Dilutive effect of stock options		0.2
Average common and common equivalent shares outstanding	220.4	318.1
(Loss)/earnings per share		
Basic	$ (0.09)	$ 0.60
Diluted	$ (0.09)	$ 0.60

(1) (Loss)/income before cumulative effect of change in accounting principle is the same for purposes of calculating basic and diluted (loss)/earnings per share.

In each period, certain options were excluded from the computation of diluted earnings per share because they would have been anti-dilutive. Due to the net loss recognized for the 13-week period ended April 3, 2004, all options to purchase 31.5 million common shares were excluded from the 13-week 2004 calculation. At March 29, 2003, options to purchase 26.3 million common shares at prices ranging from $23 to $64 per share were excluded from the 13-week 2003 calculation.

NOTE 9 RETIREMENT BENEFIT PLANS

Certain domestic full-time and part-time employees are eligible to participate in noncontributory defined benefit plans after meeting age and service requirements. Substantially all full-time Canadian employees as well as some part-time employees are eligible to participate in contributory defined benefit plans. Pension benefits are based on length of service, compensation and, in certain plans, social security or other benefits. Funding for the various plans is determined using various actuarial cost methods.

In addition to providing pension benefits, the Company provides domestic and Canadian employees certain medical and life insurance benefits for retired employees. Employees may become eligible for medical benefits if they retire in accordance with the Company s established retirement policy and are continuously insured under the Company s group medical plans or other approved plans for 10 or more years immediately prior to retirement. The Company shares the cost of the retiree medical benefits with retirees based on years of service. Generally, the Company s share of these benefit costs will be capped at the Company contribution calculated during the year of retirement. The Company s postretirement benefit plans are not funded. The Company has the right to modify or terminate these plans.

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The components of net periodic benefit cost/(benefit) are as follows:

	13 Weeks Ended			
	Pension Benefits		Postretirement Benefits	
millions	April 3, 2004	March 29, 2003	April 3, 2004	March 29, 2003
Components of net periodic benefit cost/(benefit):				
Benefits earned during the period	$ 26	$ 23	$ 1	$ 1
Interest cost	59	49	13	11
Expected return on plan assets	(63)	(53)	(1)	
Amortization of unrecognized net prior service benefit	(2)	(1)	(19)	(24)
Recognized net (gain)/loss	(1)	21	1	(5)
Other	(2)	(2)	(30)[1]	
Net periodic benefit cost/(benefit)	$ 17	$ 37	$ (35)	$ (17)

(1) Represents $30 million curtailment gain related to a change in retiree medical benefits.

The Company does not expect to contribute to the domestic pension plan in 2004.

Accounting Change

Subsequent to the sale of its domestic Credit and Financial Products business, the Company initiated a project to review its domestic employee retirement benefits cost structure and programs. The Company assessed its retirement benefits programs in the context of comparable programs in the retail industry. As a result of this review, in January 2004, the Company announced a series of benefit plan changes which included the enhancement of the Company s 401(k) defined contribution plan and the phasing out of participation in its domestic pension plan. Associates hired in 2004 and those under the age of 40 as of December 31, 2004, will receive an increased Company-matching contribution to the 401(k) plan of 110%, but will no longer earn additional pension benefits effective January 1, 2005. Pension benefits continue to accrue for associates age 40 and older as of December 31, 2004, unless they elect to participate in the enhanced 401(k) defined contribution plan.

In addition, the Company eliminated its domestic retiree medical insurance contribution for associates hired in 2004 and those under the age of 40 as of December 31, 2004, and capped the contribution at the 2004 level for associates age 40 and older. A curtailment gain of $30 million is included within selling and administrative costs for the 13-week period ended April 3, 2004 as a result of the change in domestic retiree medical benefit.

In connection with the domestic pension and postretirement plan changes discussed above, the Company believed it was preferable to change its accounting methods, which under SFAS No s. 87 and 106 delay recognition of past events. Therefore, in the first quarter of 2004, the Company changed its method for determining the market-related value of plan assets used in determining the expected return-on-assets component of annual net pension costs and its method for recognizing gains and losses for both its domestic pension and postretirement benefit plans. Under the previous accounting method, the market-related value of the domestic pension plan assets was determined by averaging the value of equity assets over a five-year period. The new method recognizes equity assets at fair value. Further, under its previous accounting method, all unrecognized gains and losses in excess of the 10 % corridor were amortized over the expected working lifetime of active employees (approximately 10 years). Under the new methodology, the portion of the total gain or loss outside the 10 % corridor will be immediately recognized. As a result of this accounting change, the Company recorded an after-tax charge of $839 million in the first quarter of 2004 for the cumulative effect of the change in accounting principle. The charge

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

represents the recognition of unamortized experience losses at the beginning of 2004 in accordance with the new methods.

The new method of determining market-related value of plan assets and recognizing gains and losses is preferable as it produces results that more closely match the current economic position of the Company s domestic retirement benefit plans by not delaying the recognition of past events.

The cumulative effect of the accounting changes related to fiscal 2004 is presented in the following table:

	2004	
millions	**Pretax**	**After-tax**
Domestic Pension	$ 1,574	$ 999
Domestic OPEB	(253)	(160)
Total	$ 1,321	$ 839
Loss per share		$ (3.81)

Presented below is pro forma net income and earnings per share for the quarters ended March 29, 2003, June 28, 2003, September 27, 2003, January 3, 2004 and full-year 2003 showing the estimated effects as if the accounting change were applied retroactively:

	2003				
millions	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**2003 Year**
Net income as reported	$ 192	$ 309	$ 147	$ 2,749	$ 3,397
Impact of change in accounting for domestic retirement plans	10	11	11	(373)	(341)
Net income pro forma	$ 202	$ 320	$ 158	$ 2,376	$ 3,056
Earnings per share basic:					
As reported	$ 0.60	$ 1.04	$ 0.53	$ 11.06	$ 11.95

Pro forma	$	0.63	$	1.08	$	0.57	$	9.56	$	10.75
Earnings per share diluted:										
As reported	$	0.60	$	1.04	$	0.52	$	10.84	$	11.86
Pro forma	$	0.63	$	1.08	$	0.56	$	9.37	$	10.67

The Company uses October 31 as the measurement date for determining retirement plan assets, obligations and experience gains or losses. Under the new accounting method for domestic plans, the Company will recognize the portion of experience gain or loss in excess of the 10% corridor at the measurement date, which falls in the fourth quarter of the fiscal year. Had the Company used this accounting method in 2003, an experience loss would have been recognized in the fourth quarter of 2003 which would have reduced net income by $373 million.

NOTE 10 - STOCK BASED COMPENSATION

At April 3, 2004, the Company has various stock-based employee compensation plans which are described more fully in Note 10 of the Notes to Consolidated Financial Statements in the Company s 2003 Annual Report on Form 10-K. The Company accounts for those plans in accordance with Accounting Principles Board Opinion No. 25, Accounting For Stock Issued to Employees , and related Interpretations. No stock-based employee compensation cost is reflected in net (loss)/income, as no options granted under those plans had an exercise price less than the market value of the underlying common stock on the date of grant.

Subsequent to the issuance of its condensed consolidated financial statements for the 13 weeks ended April 3, 2004, the Company determined it had used an incorrect vesting period for certain stock options granted in 2004 in

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

the calculation of its pro forma stock-based employee compensation expense determined under the fair value based method. As a result, the following pro forma information has been restated to increase the pro forma stock-based employee compensation expense determined under the fair value method and pro forma net loss by $12 million ($0.06 per share - basic and diluted) for the 13 weeks ended April 3, 2004, from the amounts previously reported.

	13 Weeks Ended	
millions, except earnings per share	**April 3, 2004**	**March 29, 2003**
Net (loss)/income as reported	$ (859)	$ 192
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related taxes	27	10
Net (loss)/income pro forma	$ (886)	$ 182
(Loss)/earnings per share basic		
As reported	$(3.90)	$ 0.60
Pro forma	(4.02)	0.57
(Loss)/earnings per share diluted		
As reported	$(3.90)	$ 0.60
Pro forma	(4.02)	0.57

NOTE 11 EFFECTS OF ACCOUNTING STANDARDS NOT YET ADOPTED

In March 2004, the Financial Accounting Standards Board (FASB) staff issued FASB Staff Position 106-b, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) . The Act was signed into law in December 2003. Any measures of the accumulated projected benefit obligation or net periodic postretirement benefit cost in the financial statements or accompanying notes do not reflect the effects of the Act on the Company s domestic plans. While the impact of the Medicare legislation will not be known until detailed regulations are developed, the Company does not expect the impact to be material to the Company s consolidated financial statements.

NOTE 12 LEGAL PROCEEDINGS

Pending against the Company and certain of its officers and directors are a number of lawsuits, described below, that relate to the domestic credit card business and public statements about the business. The Company believes that all of these claims lack merit and is defending against them vigorously.

On and after October 18, 2002, several actions were filed in the United States District Court for the Northern

District of Illinois against the Company and certain current and former officers alleging that certain public announcements by the Company concerning its domestic credit card business violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The Court has consolidated the actions and certified the consolidated action as a class action. The Court has scheduled trial to begin on April 4, 2005. Discovery is underway.

On and after November 15, 2002, several actions were filed in the United States District Court for the Northern District of Illinois against the Company, certain officers and directors, and alleged fiduciaries of Sears 401(k) Savings Plan (the Plan), seeking damages and equitable relief under the Employee Retirement Income Security Act of 1974 (ERISA). The plaintiffs purport to represent participants in the Plan, and allege breaches of fiduciary duties under ERISA in connection with the Plan s investment in the Company s common shares and

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

alleged communications made to Plan participants regarding the Company s financial condition. These actions have been consolidated into a single action. Discovery is underway. No trial date has been set.

On October 23, 2002, a purported derivative action was filed in the Supreme Court of the State of New York against the Company (as a nominal defendant) and certain current and former directors seeking damages on behalf of the Company. The complaint purports to allege a breach of fiduciary duty by the directors with respect to the Company s management of the domestic credit card business. A motion to dismiss has been and remains pending. Two similar actions were subsequently filed in the Circuit Court of Cook County, Illinois, and a third was filed in the United States District Court for the Northern District of Illinois. These actions have been and remain stayed pending disposition of the action in New York. The plaintiffs in the Northern District of Illinois action have appealed the stay order to the United States Court of Appeals for the Seventh Circuit. That appeal has been briefed and argued but has not yet been decided.

On June 17, 2003, an action was filed in the Northern District of Illinois against the Company and certain officers, purportedly on behalf of a class of all persons who, between June 21, 2002 and October 17, 2002, purchased the 7% notes that SRAC issued on June 21, 2002. An amended complaint has been filed, naming as additional defendants certain former officers, SRAC and several investment banking firms who acted as underwriters for SRAC s March 18, May 21 and June 21, 2002 notes offerings. The amended complaint alleges that the defendants made misrepresentations or omissions concerning its domestic credit card business during the class period and in the registration statements and prospectuses relating to the offerings. The amended complaint alleges that these misrepresentations and omissions violated Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder, and Sections 11, 12 and 15 of the Securities Act of 1933 and purports to be brought on behalf of a class of all persons who purchased any security of SRAC between October 24, 2001 and October 17, 2002, inclusive. Motions to dismiss the amended complaint are pending.

The Company is subject to various other legal and governmental proceedings, many involving litigation incidental to the businesses. Some matters contain class action allegations, environmental and asbestos exposure allegations and other consumer-based claims that involve compensatory, punitive or treble damage claims in very large amounts as well as other types of relief. The consequences of these matters are not presently determinable but, in the opinion of management of the Company after consulting with legal counsel, and taking into account insurance and reserves, the ultimate liability is not expected to have a material adverse effect on annual results of operations, financial position, liquidity or capital resources of the Company.

NOTE 13 FINANCIAL GUARANTEES

The Company issues various types of guarantees in the normal course of business. As of April 3, 2004, the Company had the following guarantees outstanding:

millions	
Parent guarantee of SRAC debt	$4,147
Import letters of credit	179
Secondary lease obligations	80
Standby letters of credit	89
Performance guarantee	70

The debt obligations of SRAC are reflected in the Company s consolidated balance sheets. As a result of the Company s sale of its domestic Credit and Financial Products business, Sears, Roebuck and Co. (Parent) was required to issue a guarantee of SRAC s outstanding public debt in order to maintain SRAC s exemption from being deemed an investment company under the Investment Company Act of 1940, as amended. This guarantee would require the Parent to repay such debt should SRAC default.

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The secondary lease obligations relate to certain store leases of previously divested businesses. The Company remains secondarily liable if the primary obligor defaults. As of April 3, 2004, the Company had a $14 million liability recorded in other liabilities which represents the Company s current estimate of potential exposure related to these secondary lease obligations.

The performance guarantee relates to certain municipal bonds issued in connection with the Company s headquarters building. This guarantee expires in 2007.

NOTE 14 SEGMENT DISCLOSURES

With the sale of the domestic Credit and Financial Products business, the Company s financial reporting segments for fiscal 2004 have been changed to reflect two operating segments a Domestic segment and a Sears Canada segment.

The Domestic segment consists of merchandise sales and related services, including product protection agreements, delivery and product installation and repair services. It includes all Sears selling channels, Specialty and Full-line Stores as well as Direct to Customer operations encompassing online, catalogs, and the Lands End online and catalog business. The results of operations for the divested businesses, Credit and Financial Products and NTB, are included within the Domestic segment for the 13-week period ended March 29, 2003.

The Sears Canada segment includes retail, credit and corporate operations conducted by Sears Canada, a 54.3% owned subsidiary.

Prior to the sale of its domestic Credit and financial Products business in November 2003, the Company organized its business into three domestic segments: Retail and Related Services, Credit and Financial Products and Corporate and Other; and one international segment: Sears Canada.

The Retail and Related Services segment consisted of merchandise sales and related services, including product protection agreements, delivery and product installation and repair services. It included all Sears selling channels, including Specialty and Full-line Stores as well as Direct to Customer operations which includes online, catalogs, and Lands End online and catalog business. Beginning November 3, 2003, this segment also included the revenues earned under the long-term marketing and servicing alliance with Citigroup.

The Credit and Financial Products segment managed the Company s domestic portfolio of Sears Card and MasterCard receivables. This segment also included related financial products, such as credit protection and insurance products. The domestic Credit and Financial products business was sold on November 3, 2003, and thus the segment results include the results of operations through November 2, 2003.

The Corporate and Other segment included activities that are of an overall holding company nature primarily consisting of administrative activities supporting the Domestic operations. This segment also included Home Improvement Services which installs siding and windows.

External revenues and expenses were allocated between the applicable segments. For zero-percent financing promotions in which customers received free financing, Retail and Related Services reimbursed Credit and Financial Products over the life of the financing period at a 10% annual rate. The cost was reported as selling expense by Retail and Related Services and an offsetting benefit was recognized by Credit and Financial Products.

With the sale of the domestic Credit and Financial Products business, the allocation of these costs are included in the results of operation through November 2, 2003. Under the terms of the long-term

14

Table of Contents

SEARS, ROEBUCK AND CO.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

marketing and servicing alliance with Citigroup, Citigroup will support the Company s historical level zero-percent receivable balances at no cost to the Company.

The domestic segments participated in a centralized funding program. Interest expense was allocated to the Credit and Financial Products segment based on its funding requirements. Funding included unsecured debt reflected on the balance sheet and investor certificates related to credit card receivables transferred to trusts through securitizations. The remainder of net domestic interest expense was reported in the Retail and Related Services segment through November 3, 2003. Subsequent to the sale of the Credit and Financial Products business, the allocation of interest expense was changed such that net interest expense associated with approximately $3.8 billion of outstanding domestic term debt remaining from the Credit and Financial Products segment, also referred to as credit legacy debt, was allocated to the Corporate and Other Segment.

The 2003 segment information has been presented on the 2004 basis Domestic and Sears Canada. In addition, the Company has provided, for 2003, information on the operating segments comprising the Domestic segment in 2003.

For the 13 weeks ended April 3, 2004

millions	Domestic	Sears Canada	Consolidated
Merchandise sales and services	$ 6,789	$ 914	$ 7,703
Credit and financial products revenues		91	91
Total revenues	6,789	1,005	7,794
Costs and expenses			
Cost of sales, buying and occupancy	4,970	651	5,621
Selling and administrative	1,611	283	1,894
Provision for uncollectible accounts		16	16
Depreciation and amortization	198	30	228
Interest, net	49	27	76
Total costs and expenses	6,828	1,007	7,835
Operating loss	$ (39)	$ (2)	$ (41)
Total assets	$ 18,535	$ 4,184	$ 22,719

For the 13 weeks ended March 29, 2003

millions	Domestic					
	Retail and Related Services	Credit and Financial Products	Corporate and Other	Total Domestic	Sears Canada	Consolidated
Merchandise sales and services	$ 6,644	$	$ 63	$ 6,707	$ 767	$ 7,474
Credit and financial products revenues		1,330		1,330	76	1,406
Total revenues	6,644	1,330	63	8,037	843	8,880
Costs and expenses						
Cost of sales, buying and occupancy	4,914		24	4,938	536	5,474
Selling and administrative	1,561	218	101	1,880	230	2,110
Provision for uncollectible accounts		471		471	12	483
Depreciation and amortization	183	4	11	198	27	225
Interest, net	9	242		251	28	279
Total costs and expenses	6,667	935	136	7,738	833	8,571
Operating (loss)/income	$ (23)	$ 395	$ (73)	$ 299	$ 10	$ 309
Total assets	$ 12,964	$ 32,732	$ 2,200	$ 47,896	$ 3,512	$ 51,408

Table of Contents

SEARS, ROEBUCK AND CO.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Sears, Roebuck and Co.

We have reviewed the accompanying Condensed Consolidated Balance Sheets of Sears, Roebuck and Co. as of April 3, 2004 and March 29, 2003, and the related Condensed Consolidated Statements of Operations and Cash Flows for the 13-week periods ended April 3, 2004 and March 29, 2003. These interim condensed consolidated financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, the pro forma disclosure of stock-based compensation required by Statement of Financial Accounting Standards No. 123 has been restated.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of Sears, Roebuck and Co. as of January 3, 2004, and the related Consolidated Statements of Operations, Shareholders Equity, and Cash Flows for the year then ended (not presented herein); and in our report dated March 9, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of January 3, 2004 is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Chicago, Illinois
May 10, 2004 (December 1, 2004 as to the effects of the restatement discussed in Note 10)

Table of Contents

SEARS, ROEBUCK AND CO.
13 Weeks Ended April 3, 2004 and March 29, 2003

Item 2. Management s Discussion and Analysis of Operations, Financial Condition and Liquidity

With the sale of the domestic Credit and Financial Products business in the fourth quarter of 2003, the Company s financial reporting segments for fiscal 2004 were changed to reflect two operating segments a Domestic segment and a Sears Canada segment.

Domestic consisting of:

Full-line Stores: includes merchandise sales as well as the operations of Sears Auto Centers and online revenues of sears.com

Specialty Stores: includes the operations of Dealer Stores, Hardware Stores, The Great Indoors (TGI), Commercial Sales and Outlet stores. National Tire & Battery operations are reflected in the 2003 results through November 29, 2003

Direct to Customer: includes Lands End online, catalog and retail store operations as well as direct marketing of goods and services through specialty catalogs and other direct channels

Home Services: includes product repair services, product protection agreements and installation services for all major brands of home products; also includes home improvement services, primarily siding, windows and cabinet refacing, carpet cleaning and the installation and servicing of residential heating and cooling systems

Sears Financial Services: includes revenues earned under the long-term marketing and servicing alliance with Citigroup

Corporate: includes activities that are of an overall holding company nature, primarily consisting of administrative activities

Credit and Financial Products: includes the 2003 results of operations of the domestic Credit and Financial Products business (sold on November 3, 2003)

Sears Canada conducts retail, credit and corporate operations though Sears Canada Inc. (Sears Canada), a consolidated, 54.3% owned subsidiary of Sears

OVERVIEW AND CONSOLIDATED OPERATIONS

Sears, Roebuck and Co. is one of the largest retailers in the United States and Canada with a 118-year history of providing high quality merchandise and related services to a broad array of customers. The Company s vision is to be the preferred and most trusted resource for products and services that enhance our customers homes and family life. The Company s mission is to grow the business by providing quality products and services at a great value. We aspire to make these products and services available to customers through a wide network of multiple channels, including 2,300 Sears-branded and affiliated stores in the United States and Canada, a product repair services system with over 10,000 technicians, leading internet channels including sears.com, sears.ca and landsend.com and direct to customer catalog programs.

Fiscal 2003 was a defining year for the Company. On November 3, 2003, the Company completed the sale of its domestic Credit and Financial Products business, including its clubs and services business, to Citigroup and entered into a long-term marketing and servicing alliance with Citigroup. Additionally, on November 29, 2003, the Company sold National Tire & Battery (NTB) to TBC Corporation.

The divestiture of these businesses significantly strengthened the Company s financial position and liquidity. These divestitures, along with the beginning of a new strategic relationship with Citigroup, has allowed the Company to refocus its efforts as a pure-play retailer with strong proprietary brands and unparalleled service offerings.

Table of Contents

SEARS, ROEBUCK AND CO.
13 Weeks Ended April 3, 2004 and March 29, 2003

The Company s focus in 2004 is to achieve more consistent revenue growth with improved margins. In the first quarter of 2004, the Company made progress towards achieving these objectives, including:

- introducing a range of innovative products within our Home Group;
- reassorting our offerings in Home Fashions;
- introducing new brands within our apparel collection, including U.S. Polo within men s and boy s wear;
- converting an additional 35 Sears Hardware stores to include the offerings of home appliances;
- announcing the expansion of sears.com to include certain apparel offerings; and
- entering into contract negotiations with Computer Sciences Corporation (CSC), whereby CSC will provide Sears with certain Information Technology support services.

The Company also opened its second Sears Grand, its new off-mall pilot store. The initial results of these stores are encouraging as the customer response to the new format has been favorable. The Company continues to believe that Sears Grand provides the Company with a significant new retail format to grow the business. An additional three pilot stores are expected to be opened within the next year.

During the current quarter, the Company continued to return the proceeds from the sale of its domestic Credit and Financial Products business to its shareholders. An additional 18.6 million shares were repurchased during the first quarter of 2004 at a cost of $852 million. Through the end of the first quarter of 2004, the Company had returned $3.5 billion of proceeds from the sale of its Credit and Financial Products business to its shareholders. Subject to market conditions, the Company expects to return the remaining $500 million to its shareholders by the end of 2004.

In addition, the Company retired $1.8 billion of domestic term debt during the first quarter of 2004, thus reducing the level of domestic term debt to $3.5 billion. An additional $800 million of domestic term debt will be retired by the end of 2004. The Company continues to target a level of net domestic term debt of $1.5 billion, exclusive of working capital needs.

Net interest of $76 million for the first quarter of 2004 includes $38 million of costs related to domestic term debt outstanding that is attributable to the divested Credit and Financial Products business. These costs consist of interest expense of $26 million, also referred to as negative carry, and costs incurred to retire credit legacy debt of $12 million.

Table of Contents

SEARS, ROEBUCK AND CO.
13 Weeks Ended April 3, 2004 and March 29, 2003

A summary of consolidated results of operations is as follows:

millions, except per share data	April 3, 2004	March 29, 2003
Merchandise sales and services revenues	$ 7,703	$ 7,474
Domestic comparable store sales	*1.6%*	*-6.7%*
Credit and financial products revenues	91	1,406
Total revenues	$ 7,794	$ 8,880
Gross margin rate	27.0%	26.8%
Selling and administrative expense as a percentage of total revenues	24.3%	23.8%
Operating (loss)/income	$ (41)	$ 309
Other income, net	$ 16	$ 1
(Loss)/income before income taxes, minority interest and cumulative effect of change in accounting principle	$ (25)	$ 310
Cumulative effect of change in accounting principle	$ (839)	$
Net (loss)/income	$ (859)	$ 192
(Loss)/earnings per share diluted	$ (3.90)	$ 0.60
(Loss)/earnings per share before cumulative effect of change in accounting principle	$ (0.09)	$ 0.60

Effective January 4, 2004, the Company changed its method for recognizing gains and losses for both its domestic pension and postretirement benefit plans. The Company began recognizing experience gains and losses on a more current basis, while under its previous methods, the Company amortized experience gains and losses over future service periods. As a result of this accounting change, the Company recorded an after-tax charge of $839 million, or $3.81 per share, in the first quarter of 2004 for the cumulative effect of change in accounting principle. The charge represents the recognition of unamortized experience losses at the beginning of 2004 in accordance with the new accounting methods.

The results of operations for the 13-week period ended March 29, 2003 include the results of operations for the divested businesses, Credit and Financial Products and NTB.

Merchandise sales and service revenues were $7.7 billion in the first quarter of 2004, an increase of 3.1% from the prior year quarter. The increase is due to increases in several key Full-line Store home group categories, strengthening of the Canadian dollar and revenues earned under the Company s long-term alliance with Citigroup. Domestic comparable store sales for the first quarter of 2004 increased 1.6% with strong growth in lawn and garden, tools and home electronics. These strengths were partially offset by comparable store sales declines in apparel.

Credit and financial products revenues were lower than the prior year quarter as a result of the sale of the Credit and Financial Products business in the fourth quarter of 2003. Domestic revenues generated in the prior year quarter were $1.3 billion. The current year revenues reflect solely the credit business of Sears Canada.

The modest improvement in first quarter of 2004 gross margin rate compared with the prior year quarter is reflective of revenues earned under the long-term alliance with Citigroup.

Selling and administrative expenses as a percentage of total revenues increased primarily due to a reduction in expense leverage resulting from the divestiture of the Credit and Financial Products and NTB businesses, increased domestic advertising expense and a charge recorded in Sears Canada related to the decision to

Table of Contents

SEARS, ROEBUCK AND CO.
13 Weeks Ended April 3, 2004 and March 29, 2003

license its auto centers to three auto service providers. These increases were partially offset by a $30 million curtailment gain attributable to the change in retiree medical benefits offered to employees.

The increase in other income of $15 million was primarily related to an $11 million gain on the sale of a Sears Canada real estate joint venture.

The Company believes that an understanding of its reported results and its ongoing financial performance is not complete without excluding the impact of the divested businesses, negative carry and debt retirement costs and reflecting the impact of the change in accounting for domestic retirement plans on the results of operations for the 13-week periods ended April 3, 2004 and March 29, 2003.

The table below provides an understanding through this reconciliation.

	13 Weeks Ended			
millions, except per share data	**April 3, 2004**		**March 29, 2003**	
	Pretax	**Loss per share**	**Pretax**	**Earnings per share**
As reported:				
(Loss)/income before income taxes, minority interest and cumulative effect of change in accounting principle	$ (25)		$ 310	
(Loss)/earnings per share		$ (3.90)		$ 0.60
Significant items:				
Cumulative effect of change in accounting for retirement plans		3.81		
Curtailment gain on retiree medical plans	(30)	(0.09)		
Negative carry and debt retirement costs	38	0.11		
Pro forma effects on the prior year:				
Divested businesses:				
As reported			(405)	(0.80)
Zero-percent financing costs			56	0.12
Pro forma revenues earned under Citigroup alliance			32	0.07
			(317)	(0.61)
Retirement plan accounting change			16	0.03
				0.02
Pro forma	$ (17)	$ (0.07)	$ 9	$ **Low ($)**

2008	First Quarter	27.68	20.40
	Second Quarter	25.30	19.98
	Third Quarter	38.00	20.07
	Fourth Quarter	31.20	20.39
2009	First Quarter	28.16	15.50
	Second Quarter	23.85	18.31
	Third Quarter	22.65	18.68
	Fourth Quarter	24.03	21.06
2010	First Quarter	24.74	20.02
	Second Quarter	25.00	21.36
	Third Quarter	22.92	18.91
	Fourth Quarter	22.96	19.91
2011	First Quarter	23.02	19.43
	Second Quarter	20.47	18.10
	Third Quarter	19.27	14.80
	Fourth Quarter	21.78	14.70
2012	First Quarter	24.19	21.18
	Second Quarter	23.76	19.31
	Third Quarter	24.66	21.54
	Fourth Quarter	24.96	20.76
2013	First Quarter	26.49	23.76
	Second Quarter	26.57	23.74
	Third Quarter	31.03	26.62

	Fourth Quarter	32.37	27.00
2014	First Quarter	32.96	28.14
	Second Quarter	33.15	27.41
	Third Quarter	28.77	26.89
	Fourth Quarter	30.94	26.32
2015	First Quarter	31.36	28.35
	Second Quarter	34.20	30.06
	Third Quarter	34.28	30.32
	Fourth Quarter	37.05	31.67
2016	First Quarter	36.22	29.70
	Second Quarter	39.92	34.66
	Third Quarter	46.72	36.02
	Fourth Quarter	55.44	41.23
2017	First Quarter	54.81	48.42
	Second Quarter	50.71	44.97
	Third Quarter	52.26	44.06
	Fourth Quarter	57.41	51.41
2018	First Quarter	59.18	52.62
	Second Quarter	58.98	53.43
	Third Quarter (through the pricing date)	58.55	54.52

Comcast Corporation

Comcast Corporation provides media and television broadcasting services. The company offers video streaming, television programming, high-speed Internet, cable television, and communication services. Its common stock trades on the Nasdaq under the symbol "CMCSA."

Historical Information of the Common Stock of Comcast Corporation

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	10.27	8.31
	Second Quarter	11.36	9.31
	Third Quarter	11.14	9.01
	Fourth Quarter	9.68	6.54
2009	First Quarter	9.00	5.61
	Second Quarter	8.35	6.77
	Third Quarter	8.78	6.63
	Fourth Quarter	8.82	7.03
2010	First Quarter	9.41	7.61
	Second Quarter	10.20	8.39
	Third Quarter	9.78	8.50
	Fourth Quarter	11.13	8.83
2011	First Quarter	12.89	11.19
	Second Quarter	13.34	11.72
	Third Quarter	12.99	9.89
	Fourth Quarter	12.41	10.18
2012	First Quarter	15.18	12.27
	Second Quarter	15.99	14.14
	Third Quarter	18.21	15.55
	Fourth Quarter	19.06	17.57
2013	First Quarter	21.01	18.95

	Second Quarter	21.86	19.45
	Third Quarter	22.92	20.33
	Fourth Quarter	25.98	22.17
2014	First Quarter	27.62	24.55
	Second Quarter	27.05	23.98
	Third Quarter	28.62	26.34
	Fourth Quarter	29.44	24.80
2015	First Quarter	30.29	26.57
	Second Quarter	30.64	28.14
	Third Quarter	32.25	26.93
	Fourth Quarter	31.53	28.20
2016	First Quarter	30.54	26.78
	Second Quarter	32.60	30.13
	Third Quarter	33.96	32.39
	Fourth Quarter	35.51	30.33
2017	First Quarter	38.30	34.53
	Second Quarter	41.99	37.14
	Third Quarter	41.90	36.93
	Fourth Quarter	40.82	35.15
2018	First Quarter	42.99	32.99
	Second Quarter	34.60	30.59
	Third Quarter (through the pricing date)	37.90	33.09

CyrusOne Inc.

CyrusOne Inc. owns, operates, and develops of enterprise-class and carrier-neutral data center properties. The company provides data center facilities that are designed to protect and ensure the continued operation of IT infrastructure. Its common stock trades on the Nasdaq under the symbol “CONE.”

Historical Information of the Common Stock of CyrusOne Inc.

The following table sets forth the high and low closing prices of this Reference Share from January 18, 2013 (the date this Reference Share began trading) through the pricing date.

		High ($)	**Low ($)**
2013	First Quarter (from January 18, 2013)	23.03	21.08
	Second Quarter	24.23	18.98
	Third Quarter	22.05	17.98
	Fourth Quarter	22.41	18.06
2014	First Quarter	23.08	20.44
	Second Quarter	24.90	19.84
	Third Quarter	26.74	24.04
	Fourth Quarter	28.16	23.94
2015	First Quarter	32.62	27.29
	Second Quarter	32.64	29.22
	Third Quarter	34.85	29.57
	Fourth Quarter	38.13	32.58
2016	First Quarter	45.65	33.61
	Second Quarter	55.66	42.70
	Third Quarter	55.64	47.57
	Fourth Quarter	49.11	39.66
2017	First Quarter	51.47	46.37
	Second Quarter	58.88	50.96
	Third Quarter	64.95	54.02
	Fourth Quarter	64.12	57.41
2018	First Quarter	59.07	48.48
	Second Quarter	58.73	48.72

Third Quarter (through the pricing date)	68.63	58.52

PS-27

Cisco Systems, Inc.

Cisco Systems, Inc. designs, manufactures, and sells Internet Protocol (IP)-based networking and other products related to the communications and information technology (IT) industry and provide services associated with these products and their use. The company provides products for transporting data, voice, and video within buildings, across campuses, and globally. Its common stock is traded on the Nasdaq under the symbol "CSCO."

Historical Information of the Common Stock of Cisco Systems, Inc.

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	**Low ($)**
2008	First Quarter	26.75	22.86
	Second Quarter	27.54	23.11
	Third Quarter	24.91	21.04
	Fourth Quarter	21.95	14.47
2009	First Quarter	17.79	13.62
	Second Quarter	20.10	16.85
	Third Quarter	23.66	18.13
	Fourth Quarter	24.38	22.67
2010	First Quarter	26.65	22.47
	Second Quarter	27.57	21.31
	Third Quarter	24.77	20.05
	Fourth Quarter	24.51	19.07
2011	First Quarter	22.06	17.00
	Second Quarter	18.07	14.85
	Third Quarter	16.67	13.73
	Fourth Quarter	19.12	15.19
2012	First Quarter	21.15	18.66
	Second Quarter	21.20	15.97
	Third Quarter	19.73	15.14
	Fourth Quarter	20.39	16.82
2013	First Quarter	21.94	20.30

	Second Quarter	24.82	20.38
	Third Quarter	26.37	23.31
	Fourth Quarter	23.99	20.24
2014	First Quarter	22.85	21.35
	Second Quarter	25.04	22.46
	Third Quarter	25.98	24.43
	Fourth Quarter	28.46	22.82
2015	First Quarter	30.19	26.37
	Second Quarter	29.76	27.13
	Third Quarter	29.03	24.62
	Fourth Quarter	29.36	25.73
2016	First Quarter	28.47	22.51
	Second Quarter	29.22	26.21
	Third Quarter	31.87	28.33
	Fourth Quarter	31.70	29.25
2017	First Quarter	34.44	29.98
	Second Quarter	34.39	31.21
	Third Quarter	33.76	30.37
	Fourth Quarter	38.74	33.26
2018	First Quarter	45.55	38.77
	Second Quarter	46.30	40.73
	Third Quarter (through the pricing date)	48.56	41.78

CVS Health Corporation

CVS Health Corporation is an integrated pharmacy health care provider. The company's offerings include pharmacy benefit management services, mail order, retail and specialty pharmacy, disease management programs, and retail clinics. The company operates drugstores throughout the U.S., the District of Columbia, and Puerto Rico. Its common stock trades on the NYSE under the symbol "CVS."

Historical Information of the Common Stock of CVS Health Corporation

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	41.25	35.49
	Second Quarter	44.12	39.48
	Third Quarter	39.20	32.67
	Fourth Quarter	33.77	24.42
2009	First Quarter	29.80	23.98
	Second Quarter	32.98	28.10
	Third Quarter	37.52	30.68
	Fourth Quarter	38.01	28.87
2010	First Quarter	37.07	31.07
	Second Quarter	37.37	29.32
	Third Quarter	31.54	27.00
	Fourth Quarter	35.00	29.65
2011	First Quarter	35.71	32.24
	Second Quarter	38.80	34.77
	Third Quarter	38.54	32.06
	Fourth Quarter	41.16	32.97
2012	First Quarter	45.65	41.46
	Second Quarter	46.73	43.25
	Third Quarter	48.61	44.12
	Fourth Quarter	49.24	44.70
2013	First Quarter	55.30	49.68

	Second Quarter	60.35	54.13
	Third Quarter	62.17	56.75
	Fourth Quarter	71.58	56.64
2014	First Quarter	75.30	65.44
	Second Quarter	78.92	72.58
	Third Quarter	82.24	76.04
	Fourth Quarter	98.25	78.81
2015	First Quarter	104.56	94.16
	Second Quarter	106.47	98.74
	Third Quarter	113.45	95.12
	Fourth Quarter	105.29	91.56
2016	First Quarter	104.05	89.65
	Second Quarter	106.10	93.21
	Third Quarter	98.06	88.99
	Fourth Quarter	88.80	73.53
2017	First Quarter	83.92	74.80
	Second Quarter	82.79	75.95
	Third Quarter	83.31	75.35
	Fourth Quarter	80.91	66.80
2018	First Quarter	83.63	60.60
	Second Quarter	72.18	60.71
	Third Quarter (through the pricing date)	79.59	63.78

Delta Air Lines, Inc.

Delta Air Lines, Inc. provides scheduled air transportation for passengers, freight, and mail over a network of routes throughout the United States and internationally. Its common stock is traded on the NYSE under the symbol "DAL."

Historical Information of the Common Stock of Delta Air Lines, Inc.

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	18.53	8.35
	Second Quarter	10.48	5.00
	Third Quarter	9.94	4.64
	Fourth Quarter	11.52	5.64
2009	First Quarter	12.38	3.93
	Second Quarter	8.11	5.40
	Third Quarter	9.65	5.68
	Fourth Quarter	11.81	6.95
2010	First Quarter	14.65	11.22
	Second Quarter	14.93	11.31
	Third Quarter	12.61	9.97
	Fourth Quarter	14.33	11.24
2011	First Quarter	13.00	9.79
	Second Quarter	11.51	9.00
	Third Quarter	9.41	6.62
	Fourth Quarter	9.02	6.65
2012	First Quarter	11.30	8.01
	Second Quarter	12.10	9.81
	Third Quarter	11.12	8.55
	Fourth Quarter	11.94	9.33
2013	First Quarter	17.07	12.23
	Second Quarter	18.97	14.39
	Third Quarter	24.01	18.41

	Fourth Quarter	29.34	24.02
2014	First Quarter	35.37	27.70
	Second Quarter	42.23	31.73
	Third Quarter	40.93	35.61
	Fourth Quarter	49.23	30.90
2015	First Quarter	50.70	43.42
	Second Quarter	47.40	40.57
	Third Quarter	47.99	40.00
	Fourth Quarter	52.26	44.87
2016	First Quarter	50.12	40.77
	Second Quarter	48.49	33.36
	Third Quarter	40.98	35.58
	Fourth Quarter	51.78	38.94
2017	First Quarter	51.44	45.52
	Second Quarter	53.87	44.03
	Third Quarter	55.48	45.21
	Fourth Quarter	56.43	48.07
2018	First Quarter	60.13	50.46
	Second Quarter	55.87	49.54
	Third Quarter (through the pricing date)	59.61	48.78

Delek US Holdings, Inc

Delek US Holdings, Inc., through its subsidiaries, focuses on the petroleum refining, logistics, and convenience store retailing. The company gathers and transports crude oil, as well as markets, distributes, and stores refined production in the Southeast United States and West Texas. Its common stock is traded on the NYSE under the symbol “DK.”

Historical Information of the Common Stock of Delek US Holdings, Inc

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	20.18	12.67
	Second Quarter	13.75	9.01
	Third Quarter	10.75	7.42
	Fourth Quarter	8.85	3.85
2009	First Quarter	11.32	5.49
	Second Quarter	11.90	8.01
	Third Quarter	8.90	7.02
	Fourth Quarter	8.54	5.80
2010	First Quarter	8.37	6.79
	Second Quarter	8.17	6.19
	Third Quarter	7.77	6.34
	Fourth Quarter	7.62	6.90
2011	First Quarter	13.62	6.89
	Second Quarter	15.70	12.84
	Third Quarter	17.25	11.27
	Fourth Quarter	16.60	9.88
2012	First Quarter	15.51	11.13
	Second Quarter	17.59	14.87
	Third Quarter	27.39	18.22
	Fourth Quarter	26.74	23.01
2013	First Quarter	40.50	24.83
	Second Quarter	39.48	28.60

	Third Quarter	30.73	20.69
	Fourth Quarter	34.41	20.17
2014	First Quarter	34.48	26.80
	Second Quarter	33.61	28.07
	Third Quarter	35.77	27.60
	Fourth Quarter	33.89	25.87
2015	First Quarter	39.91	26.31
	Second Quarter	40.86	35.40
	Third Quarter	39.99	27.41
	Fourth Quarter	29.72	22.45
2016	First Quarter	23.61	12.87
	Second Quarter	17.14	11.90
	Third Quarter	18.24	11.88
	Fourth Quarter	24.89	15.13
2017	First Quarter	25.54	21.68
	Second Quarter	27.64	21.30
	Third Quarter	27.58	20.88
	Fourth Quarter	35.08	25.23
2018	First Quarter	40.70	31.04
	Second Quarter	59.81	40.00
	Third Quarter (through the pricing date)	55.42	43.39

Fastenal Company

Fastenal Company sells industrial and construction supplies on a wholesale and retail basis. The company markets its products and services in the United States, Canada, Mexico, Puerto Rico, Singapore, China, and the Netherlands. Its common stock is traded on the Nasdaq under the symbol "FAST."

Historical Information of the Common Stock of Fastenal Company

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	23.47	16.57
	Second Quarter	25.88	21.58
	Third Quarter	27.75	21.12
	Fourth Quarter	22.63	15.94
2009	First Quarter	18.77	13.08
	Second Quarter	19.37	16.08
	Third Quarter	20.07	15.28
	Fourth Quarter	21.10	17.25
2010	First Quarter	24.50	20.61
	Second Quarter	28.24	24.17
	Third Quarter	26.93	22.55
	Fourth Quarter	30.06	25.61
2011	First Quarter	32.42	28.88
	Second Quarter	36.01	30.97
	Third Quarter	36.65	29.47
	Fourth Quarter	44.32	32.23
2012	First Quarter	54.59	43.76
	Second Quarter	54.65	38.37
	Third Quarter	45.30	39.03
	Fourth Quarter	46.69	40.20
2013	First Quarter	53.18	46.46
	Second Quarter	52.18	44.95

	Third Quarter	50.98	43.99
	Fourth Quarter	51.90	45.62
2014	First Quarter	50.43	42.70
	Second Quarter	51.20	47.80
	Third Quarter	50.08	43.74
	Fourth Quarter	48.21	40.78
2015	First Quarter	47.40	39.82
	Second Quarter	43.41	40.01
	Third Quarter	42.82	36.13
	Fourth Quarter	41.64	35.50
2016	First Quarter	49.87	36.53
	Second Quarter	48.93	42.70
	Third Quarter	45.36	39.92
	Fourth Quarter	49.17	38.16
2017	First Quarter	52.22	46.17
	Second Quarter	51.76	42.10
	Third Quarter	45.73	39.97
	Fourth Quarter	55.14	44.51
2018	First Quarter	58.36	52.06
	Second Quarter	55.59	48.13
	Third Quarter (through the pricing date)	60.87	47.69

F.N.B. Corporation

F.N.B. Corporation operates as a diversified financial services company. The company, through its subsidiaries, provides financial commercial banking, consumer banking and wealth management solutions. Its common stock is traded on the NYSE under the symbol "FNB."

Historical Information of the Common Stock of F.N.B. Corporation

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	16.04	13.29
	Second Quarter	16.86	11.78
	Third Quarter	17.50	9.87
	Fourth Quarter	15.95	9.75
2009	First Quarter	13.39	5.38
	Second Quarter	9.30	5.80
	Third Quarter	7.83	5.98
	Fourth Quarter	7.41	6.36
2010	First Quarter	8.57	6.74
	Second Quarter	9.69	7.97
	Third Quarter	8.83	7.53
	Fourth Quarter	10.16	8.24
2011	First Quarter	10.63	9.87
	Second Quarter	11.41	9.85
	Third Quarter	10.61	8.19
	Fourth Quarter	11.46	8.20
2012	First Quarter	12.44	11.36
	Second Quarter	12.32	9.95
	Third Quarter	12.00	10.63
	Fourth Quarter	11.41	10.41
2013	First Quarter	12.10	10.89
	Second Quarter	12.08	11.06

	Third Quarter	13.29	11.96
	Fourth Quarter	13.02	11.75
2014	First Quarter	13.51	11.49
	Second Quarter	13.65	11.98
	Third Quarter	13.02	11.93
	Fourth Quarter	13.48	11.70
2015	First Quarter	13.39	11.89
	Second Quarter	14.58	12.97
	Third Quarter	14.64	12.03
	Fourth Quarter	14.57	12.61
2016	First Quarter	13.39	11.18
	Second Quarter	13.49	11.76
	Third Quarter	13.35	11.92
	Fourth Quarter	16.40	12.09
2017	First Quarter	16.30	14.35
	Second Quarter	14.84	13.20
	Third Quarter	14.42	12.12
	Fourth Quarter	14.47	12.90
2018	First Quarter	14.76	13.11
	Second Quarter	14.11	12.77
	Third Quarter (through the pricing date)	13.81	12.67

The Home Depot, Inc.

The Home Depot, Inc. is a home improvement retailer that sells building materials and home improvement products. The company sells a wide assortment of building materials, home improvement and lawn and garden products, and provides a number of services. The company operates in the United States, Canada, China, and Mexico. Its common stock is traded on the NYSE under the symbol "HD."

Historical Information of the Common Stock of The Home Depot, Inc.

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	30.67	24.71
	Second Quarter	30.12	23.42
	Third Quarter	30.16	21.46
	Fourth Quarter	25.92	18.51
2009	First Quarter	25.26	18.00
	Second Quarter	26.34	22.68
	Third Quarter	28.23	22.40
	Fourth Quarter	29.29	24.96
2010	First Quarter	32.75	27.34
	Second Quarter	36.49	28.07
	Third Quarter	31.81	27.07
	Fourth Quarter	35.24	30.21
2011	First Quarter	38.49	34.38
	Second Quarter	38.17	33.45
	Third Quarter	37.05	28.51
	Fourth Quarter	42.22	31.59
2012	First Quarter	50.31	42.14
	Second Quarter	52.99	47.02
	Third Quarter	60.37	50.70
	Fourth Quarter	65.07	59.01
2013	First Quarter	71.37	62.85

	Second Quarter	79.82	69.67
	Third Quarter	80.54	72.70
	Fourth Quarter	82.34	74.14
2014	First Quarter	82.91	74.97
	Second Quarter	81.13	75.70
	Third Quarter	93.50	79.40
	Fourth Quarter	104.97	87.85
2015	First Quarter	117.49	100.95
	Second Quarter	115.59	106.98
	Third Quarter	122.80	110.97
	Fourth Quarter	134.74	117.03
2016	First Quarter	133.43	111.85
	Second Quarter	137.51	124.67
	Third Quarter	138.77	125.45
	Fourth Quarter	137.11	119.89
2017	First Quarter	149.60	133.53
	Second Quarter	158.81	145.91
	Third Quarter	163.56	144.58
	Fourth Quarter	190.36	162.71
2018	First Quarter	207.23	171.80
	Second Quarter	201.31	172.51
	Third Quarter (through the pricing date)	213.85	193.10

PS-34

Hewlett Packard Enterprise Company

Hewlett Packard Enterprise Company provides information technology solutions. The company offers enterprise security, analytics and data management, applications development and testing, data center care, cloud consulting, and business process services. Its common stock is traded on the NYSE under the symbol "HPE."

Historical Information of the Common Stock of Hewlett Packard Enterprise Company

The following table sets forth the high and low closing prices of this Reference Share from November 2, 2015 (the date this Reference Share began trading) through the pricing date.

		High ($)	Low ($)
2015	Fourth Quarter (from November 1, 2015)	9.88	7.68
2016	First Quarter	10.40	7.01
	Second Quarter	11.48	9.11
	Third Quarter	13.51	10.58
	Fourth Quarter	14.34	12.36
2017	First Quarter	14.40	12.87
	Second Quarter	14.82	12.79
	Third Quarter	14.89	12.78
	Fourth Quarter	14.97	13.10
2018	First Quarter	19.41	14.61
	Second Quarter	17.75	14.61
	Third Quarter (through the pricing date)	17.02	14.77

Ladder Capital Corp

Ladder Capital Corp is a commercial real estate company. The company offers commercial mortgage lending, investments in securities secured by first mortgage loans, and investments in selected net leased and other commercial real estate assets. The company serves clients in the States of New York, California, and Florida. Its common stock is traded on the NYSE under the symbol “LADR.”

Historical Information of the Common Stock of Ladder Capital Corp

The following table sets forth the high and low closing prices of this Reference Share from February 11, 2014 (the date this Reference Share began trading) through the pricing date.

		High ($)	Low ($)
2014	First Quarter (from February 11, 2014)	19.00	16.65
	Second Quarter	19.75	16.64
	Third Quarter	19.64	16.89
	Fourth Quarter	20.45	18.02
2015	First Quarter	19.98	17.63
	Second Quarter	18.49	17.16
	Third Quarter	17.33	14.32
	Fourth Quarter	15.17	11.63
2016	First Quarter	12.78	9.60
	Second Quarter	12.96	11.35
	Third Quarter	13.85	11.69
	Fourth Quarter	15.41	12.18
2017	First Quarter	14.91	13.56
	Second Quarter	15.05	13.41
	Third Quarter	13.85	12.90
	Fourth Quarter	13.93	13.41
2018	First Quarter	15.34	13.46
	Second Quarter	16.04	13.77
	Third Quarter (through the pricing date)	17.46	15.69

Leggett & Platt, Incorporated

Leggett & Platt, Incorporated manufactures a wide range of engineered products. The company's products include components for bedding, furniture, and other residential furnishings, as well as office and institutional furnishings components, retail store fixtures, and displays, specialty wire products, and automotive seating suspension and lumbar systems. Its common stock is traded on the NYSE under the symbol “LEG.”

Historical Information of the Common Stock of Leggett & Platt, Incorporated

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	19.22	14.88
	Second Quarter	19.34	14.30
	Third Quarter	23.98	14.56
	Fourth Quarter	22.55	12.24
2009	First Quarter	15.68	10.21
	Second Quarter	16.38	13.16
	Third Quarter	19.96	14.05
	Fourth Quarter	20.82	18.28
2010	First Quarter	21.78	18.26
	Second Quarter	25.02	20.06
	Third Quarter	23.05	19.01
	Fourth Quarter	24.08	19.83
2011	First Quarter	24.59	22.37
	Second Quarter	26.37	22.72
	Third Quarter	24.90	17.87
	Fourth Quarter	23.92	18.61
2012	First Quarter	23.60	21.36
	Second Quarter	23.67	19.49
	Third Quarter	25.17	20.85
	Fourth Quarter	27.85	24.45
2013	First Quarter	33.78	27.40

	Second Quarter	34.19	30.09
	Third Quarter	32.34	28.86
	Fourth Quarter	31.08	28.64
2014	First Quarter	32.64	29.06
	Second Quarter	34.80	31.94
	Third Quarter	35.51	32.55
	Fourth Quarter	42.95	33.18
2015	First Quarter	46.42	41.68
	Second Quarter	49.72	42.47
	Third Quarter	51.00	40.68
	Fourth Quarter	47.15	41.65
2016	First Quarter	48.40	37.79
	Second Quarter	51.11	47.24
	Third Quarter	54.53	45.58
	Fourth Quarter	50.40	44.39
2017	First Quarter	50.58	46.99
	Second Quarter	54.04	50.10
	Third Quarter	53.80	43.50
	Fourth Quarter	49.45	45.38
2018	First Quarter	48.80	41.80
	Second Quarter	45.04	40.38
	Third Quarter (through the pricing date)	46.40	42.58

Marathon Petroleum Corporation

Marathon Petroleum Corporation refines, supplies, markets, and transports petroleum products. The company serves customers in the United States. Its common stock is traded on the NYSE under the symbol “MPC.”

Historical Information of the Common Stock of Marathon Petroleum Corporation

The following table sets forth the high and low closing prices of this Reference Share from June 23, 2011 (the date this Reference Share began trading) through the pricing date.

		High ($)	**Low ($)**
2011	Second Quarter (from June 23, 2011)	20.70	18.63
	Third Quarter	22.49	13.53
	Fourth Quarter	19.46	13.58
2012	First Quarter	22.61	15.48
	Second Quarter	22.46	17.14
	Third Quarter	27.81	21.72
	Fourth Quarter	31.50	26.53
2013	First Quarter	45.57	30.13
	Second Quarter	44.92	35.19
	Third Quarter	37.55	31.50
	Fourth Quarter	45.87	31.05
2014	First Quarter	47.25	41.16
	Second Quarter	48.35	39.04
	Third Quarter	46.20	37.90
	Fourth Quarter	48.46	38.14
2015	First Quarter	53.52	38.43
	Second Quarter	52.44	48.54
	Third Quarter	58.79	43.77
	Fourth Quarter	59.34	46.78
2016	First Quarter	51.24	30.73
	Second Quarter	41.46	32.81
	Third Quarter	43.74	35.48
	Fourth Quarter	51.12	40.96

2017	First Quarter	52.93	47.71
	Second Quarter	55.03	48.19
	Third Quarter	56.53	49.45
	Fourth Quarter	66.84	55.72
2018	First Quarter	73.68	62.79
	Second Quarter	82.93	69.20
	Third Quarter (through the pricing date)	84.34	69.60

MSC Industrial Direct Co., Inc.

MSC Industrial Direct Co., Inc. is a direct marketer and supplier of a broad range of metalworking and maintenance and repair supplies. The company markets its products to industrial customers throughout the United States. Its common stock is traded on the NYSE under the symbol "MSM."

Historical Information of the Common Stock of MSC Industrial Direct Co., Inc.

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	43.20	35.13
	Second Quarter	54.50	42.60
	Third Quarter	52.14	42.43
	Fourth Quarter	42.54	28.35
2009	First Quarter	38.89	27.43
	Second Quarter	41.45	32.13
	Third Quarter	43.90	34.83
	Fourth Quarter	48.39	41.61
2010	First Quarter	51.40	43.19
	Second Quarter	57.47	49.56
	Third Quarter	54.04	44.57
	Fourth Quarter	65.81	54.00
2011	First Quarter	68.47	58.57
	Second Quarter	75.04	64.33
	Third Quarter	70.48	50.17
	Fourth Quarter	72.20	56.13
2012	First Quarter	84.27	71.49
	Second Quarter	84.27	62.42
	Third Quarter	73.88	61.90
	Fourth Quarter	75.38	67.18
2013	First Quarter	87.79	73.65
	Second Quarter	84.26	76.33
	Third Quarter	84.62	76.00

	Fourth Quarter	83.70	75.55
2014	First Quarter	88.62	80.19
	Second Quarter	96.13	85.80
	Third Quarter	95.53	84.95
	Fourth Quarter	86.07	77.04
2015	First Quarter	81.24	70.97
	Second Quarter	73.02	69.37
	Third Quarter	72.03	61.03
	Fourth Quarter	64.99	55.01
2016	First Quarter	76.31	56.53
	Second Quarter	77.76	69.25
	Third Quarter	74.17	70.73
	Fourth Quarter	94.73	70.28
2017	First Quarter	105.50	90.92
	Second Quarter	103.02	82.15
	Third Quarter	89.04	65.62
	Fourth Quarter	97.26	74.44
2018	First Quarter	99.26	86.52
	Second Quarter	94.86	84.85
	Third Quarter (through the pricing date)	88.78	80.86

Old Republic International Corporation

Old Republic International Corporation is an insurance holding company whose subsidiaries market, underwrite, and provide risk management services. The company provides services for a variety of coverages in the property and liability, mortgage guaranty, title, and life and health insurance fields. Its common stock is traded on the NYSE under the symbol "ORI."

Historical Information of the Common Stock of Old Republic International Corporation

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	15.91	12.31
	Second Quarter	15.46	11.84
	Third Quarter	16.50	9.32
	Fourth Quarter	12.07	7.39
2009	First Quarter	12.61	7.40
	Second Quarter	12.17	9.00
	Third Quarter	12.71	9.15
	Fourth Quarter	12.41	10.08
2010	First Quarter	12.68	10.12
	Second Quarter	15.29	12.13
	Third Quarter	13.85	12.04
	Fourth Quarter	14.11	12.52
2011	First Quarter	13.84	11.73
	Second Quarter	13.26	11.62
	Third Quarter	12.20	8.75
	Fourth Quarter	10.16	7.18
2012	First Quarter	11.19	9.00
	Second Quarter	10.76	8.16
	Third Quarter	9.70	7.83
	Fourth Quarter	10.80	9.27
2013	First Quarter	12.71	10.89

	Second Quarter	14.45	12.12
	Third Quarter	15.40	12.99
	Fourth Quarter	17.36	14.55
2014	First Quarter	17.12	14.70
	Second Quarter	17.23	15.79
	Third Quarter	16.82	14.28
	Fourth Quarter	15.36	13.74
2015	First Quarter	15.26	13.87
	Second Quarter	16.23	14.85
	Third Quarter	16.84	15.05
	Fourth Quarter	19.02	15.50
2016	First Quarter	18.68	17.19
	Second Quarter	19.29	17.80
	Third Quarter	19.98	17.61
	Fourth Quarter	19.11	16.58
2017	First Quarter	21.08	18.82
	Second Quarter	20.83	19.42
	Third Quarter	20.15	18.11
	Fourth Quarter	21.46	19.43
2018	First Quarter	22.21	19.76
	Second Quarter	21.84	19.68
	Third Quarter (through the pricing date)	22.95	19.81

PacWest Bancorp

PacWest Bancorp is a bank holding company. The company, through its banking subsidiary, offers a wide range of commercial banking services. Its common stock is traded on the Nasdaq under the symbol "PACW."

Historical Information of the Common Stock of PacWest Bancorp

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	40.30	24.78
	Second Quarter	28.42	14.88
	Third Quarter	35.25	12.75
	Fourth Quarter	32.10	19.31
2009	First Quarter	26.65	9.75
	Second Quarter	19.41	12.00
	Third Quarter	20.81	11.96
	Fourth Quarter	20.90	15.66
2010	First Quarter	23.43	19.44
	Second Quarter	24.64	18.31
	Third Quarter	21.41	17.06
	Fourth Quarter	22.00	16.82
2011	First Quarter	22.64	19.73
	Second Quarter	23.27	19.33
	Third Quarter	21.13	13.94
	Fourth Quarter	19.43	13.23
2012	First Quarter	24.42	20.20
	Second Quarter	25.32	21.03
	Third Quarter	25.22	22.25
	Fourth Quarter	25.10	21.73
2013	First Quarter	29.11	25.79
	Second Quarter	30.85	26.55
	Third Quarter	36.17	31.51

	Fourth Quarter	42.78	34.40
2014	First Quarter	45.10	38.12
	Second Quarter	47.09	38.57
	Third Quarter	44.39	39.66
	Fourth Quarter	47.58	38.77
2015	First Quarter	47.26	41.61
	Second Quarter	48.35	44.69
	Third Quarter	48.00	40.22
	Fourth Quarter	47.49	42.67
2016	First Quarter	42.15	29.38
	Second Quarter	42.05	35.69
	Third Quarter	43.60	37.86
	Fourth Quarter	55.38	41.31
2017	First Quarter	57.15	50.79
	Second Quarter	52.88	45.68
	Third Quarter	50.55	43.40
	Fourth Quarter	50.75	44.36
2018	First Quarter	54.40	48.17
	Second Quarter	55.62	47.42
	Third Quarter (through the pricing date)	51.74	49.02

Plains GP Holdings, L.P.

Plains GP Holdings LP is a holding company. The company, through its subsidiaries, is involved in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas, as well as develops and operates natural gas storage facilities. Its common shares, representing limited partnership interests, are traded on the NYSE under the symbol "PAGP."

Historical Information of the Common Stock of Plains GP Holdings, L.P.

The following table sets forth the high and low closing prices of this Reference Share from October 21, 2013 (the date this Reference Share began trading) through the pricing date.

		High ($)	**Low ($)**
2013	Fourth Quarter (from October 21, 2013)	71.29	57.28
2014	First Quarter	76.72	65.96
	Second Quarter	85.19	72.65
	Third Quarter	84.76	76.69
	Fourth Quarter	80.10	61.81
2015	First Quarter	76.27	65.30
	Second Quarter	79.01	68.81
	Third Quarter	70.41	43.89
	Fourth Quarter	51.42	19.97
2016	First Quarter	25.78	14.17
	Second Quarter	29.96	21.30
	Third Quarter	34.46	25.78
	Fourth Quarter	36.40	31.40
2017	First Quarter	35.00	30.89
	Second Quarter	31.56	23.39
	Third Quarter	27.60	19.77
	Fourth Quarter	22.20	19.56
2018	First Quarter	24.14	20.19
	Second Quarter	25.72	21.51
	Third Quarter (through the pricing date)	26.91	22.93

PS-42

Union Pacific Corporation

Union Pacific Corporation is a rail transportation company. The company's railroad hauls a variety of goods, including agricultural, automotive, and chemical products. The company offers long-haul routes from all major West Coast and Gulf Coast ports to eastern gateways as well as connects with Canada's rail systems and serves the major gateways to Mexico. Its common stock is traded on the NYSE under the symbol “UNP.”

Historical Information of the Common Stock of Union Pacific Corporation

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	Low ($)
2008	First Quarter	32.33	27.26
	Second Quarter	41.16	31.99
	Third Quarter	41.95	34.58
	Fourth Quarter	34.72	21.41
2009	First Quarter	27.01	16.81
	Second Quarter	27.18	20.80
	Third Quarter	31.81	24.45
	Fourth Quarter	33.12	27.53
2010	First Quarter	37.00	30.25
	Second Quarter	38.83	33.97
	Third Quarter	41.15	33.72
	Fourth Quarter	47.28	40.02
2011	First Quarter	49.51	45.74
	Second Quarter	52.49	47.68
	Third Quarter	53.38	40.84
	Fourth Quarter	52.97	39.92
2012	First Quarter	58.06	53.40
	Second Quarter	59.66	52.49
	Third Quarter	64.22	58.15
	Fourth Quarter	63.58	58.73
2013	First Quarter	71.21	64.23
	Second Quarter	79.96	67.88

	Third Quarter	81.69	76.77
	Fourth Quarter	84.00	75.29
2014	First Quarter	94.70	82.58
	Second Quarter	102.42	90.54
	Third Quarter	109.58	97.48
	Fourth Quarter	123.31	98.08
2015	First Quarter	123.83	108.17
	Second Quarter	111.42	95.37
	Third Quarter	98.82	80.56
	Fourth Quarter	97.05	75.43
2016	First Quarter	84.42	68.79
	Second Quarter	89.63	78.00
	Third Quarter	97.53	87.16
	Fourth Quarter	106.33	87.89
2017	First Quarter	110.42	102.13
	Second Quarter	113.53	104.78
	Third Quarter	116.64	101.40
	Fourth Quarter	136.32	110.27
2018	First Quarter	141.97	124.14
	Second Quarter	147.02	130.02
	Third Quarter (through the pricing date)	164.99	138.26

Walmart Inc.

Walmart Inc. operates discount stores, supercenters, and neighborhood markets. The company offers merchandise such as apparel, house wares, small appliances, electronics, musical instruments, books, home improvement, shoes, jewelry, toddler, games, household essentials, pets, pharmaceutical products, party supplies, and automotive tools. Its common stock is traded on the NYSE under the symbol "WMT."

Historical Information of the Common Stock of Walmart Inc.

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	**Low ($)**
2008	First Quarter	53.62	45.72
	Second Quarter	59.80	54.08
	Third Quarter	63.17	56.02
	Fourth Quarter	59.73	49.67
2009	First Quarter	57.18	46.42
	Second Quarter	53.80	47.87
	Third Quarter	51.88	47.57
	Fourth Quarter	54.96	49.00
2010	First Quarter	55.99	52.61
	Second Quarter	55.53	48.07
	Third Quarter	54.08	48.00
	Fourth Quarter	55.36	53.25
2011	First Quarter	57.57	51.37
	Second Quarter	56.06	52.13
	Third Quarter	54.52	48.41
	Fourth Quarter	59.99	51.96
2012	First Quarter	62.48	58.46
	Second Quarter	69.72	57.36
	Third Quarter	75.14	69.35
	Fourth Quarter	77.15	67.61
2013	First Quarter	74.85	68.30
	Second Quarter	79.86	73.03

	Third Quarter	78.77	72.38
	Fourth Quarter	81.21	71.87
2014	First Quarter	78.91	72.66
	Second Quarter	79.76	74.91
	Third Quarter	77.51	73.34
	Fourth Quarter	87.54	73.82
2015	First Quarter	90.47	80.69
	Second Quarter	81.03	70.93
	Third Quarter	73.88	63.10
	Fourth Quarter	66.93	56.42
2016	First Quarter	68.80	60.84
	Second Quarter	73.02	63.15
	Third Quarter	74.30	70.30
	Fourth Quarter	72.01	67.39
2017	First Quarter	72.39	65.66
	Second Quarter	80.26	71.43
	Third Quarter	81.61	73.23
	Fourth Quarter	99.62	78.45
2018	First Quarter	109.55	85.42
	Second Quarter	88.46	82.40
	Third Quarter (through the pricing date)	98.64	84.00

Weyerhaeuser Company

Weyerhaeuser Company is an integrated forest products company. The company primarily grows and harvests trees, develops and construct real estate, and makes a range of forest products. Weyerhaeuser is also classified as a REIT. Its common stock is traded on the NYSE under the symbol “WY.”

Historical Information of the Common Stock of Weyerhaeuser Company

The following table sets forth the high and low closing prices of this Reference Share from the first quarter of 2008 through the pricing date.

		High ($)	**Low ($)**
2008	First Quarter	29.55	24.14
	Second Quarter	27.70	20.54
	Third Quarter	25.67	19.35
	Fourth Quarter	24.40	11.84
2009	First Quarter	13.11	7.92
	Second Quarter	15.40	11.42
	Third Quarter	16.32	11.33
	Fourth Quarter	18.07	14.28
2010	First Quarter	18.55	16.06
	Second Quarter	21.81	14.41
	Third Quarter	17.50	14.04
	Fourth Quarter	19.00	15.23
2011	First Quarter	25.20	19.55
	Second Quarter	25.14	20.01
	Third Quarter	22.57	15.55
	Fourth Quarter	18.88	15.25
2012	First Quarter	22.28	18.78
	Second Quarter	22.36	18.69
	Third Quarter	27.15	22.16
	Fourth Quarter	28.52	24.99
2013	First Quarter	31.50	28.78
	Second Quarter	32.60	27.01

	Third Quarter	29.86	26.65
	Fourth Quarter	31.57	28.12
2014	First Quarter	31.34	28.84
	Second Quarter	33.09	27.72
	Third Quarter	34.46	31.23
	Fourth Quarter	36.64	31.77
2015	First Quarter	36.69	33.03
	Second Quarter	33.00	31.12
	Third Quarter	32.06	26.87
	Fourth Quarter	32.37	27.00
2016	First Quarter	31.05	22.22
	Second Quarter	32.32	26.77
	Third Quarter	32.91	29.70
	Fourth Quarter	33.12	28.64
2017	First Quarter	34.19	30.21
	Second Quarter	34.96	32.59
	Third Quarter	34.43	31.17
	Fourth Quarter	36.55	34.12
2018	First Quarter	37.85	33.60
	Second Quarter	38.36	34.61
	Third Quarter (through the pricing date)	37.27	33.01

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 a Reference Share Issuer 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 a Reference Share Issuer 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 by Reference Share Issuers 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 document as a pre-paid cash-settled contingent income bearing derivative contract in respect of the Basket 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 interest payments is uncertain, we intend to take the position, and the following discussion assumes, that such 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 so treated, 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 Share 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 is possible that a holder would be required to include the Dividend Amount (including any interest earned thereon) in income over the term of the notes even though the holder will not receive any payments from us until maturity of the notes. In addition, it would also 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 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 document 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-U.S. 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-U.S. holders of the notes. A non-U.S. 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.

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-U.S. 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, 2021. Because the delta of the notes with respect to the Basket will be one, dividend equivalent payments will be subject to withholding. The dividend equivalent amounts may not necessarily be the same as the Dividend Amounts. We will not pay any additional amounts in respect of any dividend equivalent withholding.

Payments on the notes will not be subject to withholding if such payments are effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States (in which case, to avoid withholding, the non-U.S. holder will be required to provide a Form W-8ECI). To claim benefits under an income tax treaty, a non-U.S. 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 an Internal Revenue Service 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-U.S. holders. A non-U.S. 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. Non-U.S. holders must consult their tax advisors in this regard.

Except as discussed below, a non-U.S. 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 dividend equivalent withholding, which would be subject to the rules discussed above) 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 an Internal Revenue Service 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 U.S. 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-U.S. 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.

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 and we will not be required to pay any additional amounts in respect of such withholding. Prospective investors should consult their own tax advisors in this regard.

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 IRS 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 Shares, or listed or over-the-counter options, futures and other instruments linked to the Reference Shares. 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 Shares or positions in listed or over-the-counter options, futures or other instruments linked to one or more of the Reference Shares.

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 one or more of the Reference Shares. We expect these steps to involve sales of instruments linked to the Reference Shares on or shortly before the valuation date. 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 compensation set forth on the cover page of this pricing supplement. Raymond James will also receive licensing fees for its research related to the Reference Shares, as described in "Description of the Reference Shares—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 any of the Reference Shares 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 three business days following the first 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.

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 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.

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.