BANK OF MONTREAL /CAN/
Form 424B2
July 26, 2018

Registration Statement No. 333-217200

Filed Pursuant to Rule 424(b)(2)

Pricing Supplement dated July 24, 2018 to the Prospectus dated April 27, 2017,
the Prospectus Supplement dated April 27, 2017, and the Product Supplement dated May 1, 2017

$1,094,000

Senior Medium-Term Notes, Series D

Autocallable Barrier Notes with Contingent Coupons due August 27, 2019

Linked to SPDR® S&P® Regional Banking ETF

- The notes are designed for investors who are seeking monthly contingent periodic interest payments (as described in more detail below), as well as a return of principal if the closing price of the SPDR® S&P® Regional Banking ETF (the "Reference Stock") on any monthly Observation Date beginning in October 2018 is greater than 110% of its Initial Stock Price (the "Call Level"). Investors should be willing to have their notes automatically redeemed prior to maturity and be willing to lose some or all of their principal at maturity.
- The notes will pay a Contingent Interest Payment on each monthly Interest Payment Date at the rate set forth below if the closing price of the Reference Stock on the applicable monthly Observation Date is greater than the Coupon Barrier. However, if the closing price of the Reference Stock is less than or equal to the Coupon Barrier on an Observation Date, the notes will not pay the Contingent Interest Payment for that Observation Date.
- If on any monthly Observation Date beginning in October 2018, the closing price of the Reference Stock is greater than the Call Level, the notes will be automatically called. On the Call Settlement Date, for each $1,000 principal amount, investors will receive the principal amount plus the Contingent Interest Payment.
- The notes do not guarantee any return of principal at maturity. Instead, if the notes are not automatically called, the payment at maturity will be based on the Final Stock Price of the Reference Stock and whether the closing price of that Reference Stock has declined from the Initial Stock Price below the Trigger Price during the Monitoring Period (a "Trigger Event"), as described below.
- If the notes are not automatically redeemed, a Trigger Event has occurred, and the Final Stock Price is lower than the Initial Stock Price on the Valuation Date, investors will be subject to one-for-one loss of the principal amount of the notes for any percentage decrease from the Initial Stock Price to the Final Stock Price. In such a case, you will receive a cash amount at maturity that is less than the principal amount, together with the final Contingent Interest Payment, if payable.
- The notes will not be listed on any securities exchange.
- All payments on the notes are subject to the credit risk of Bank of Montreal.
- The notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000.

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

Terms of the Notes:

Pricing Date:	July 24, 2018	**Maturity Date:**	August 27, 2019
Settlement Date:	July 27, 2018	**Call Level:**	110% of the Initial Stock Price
Valuation Date:	August 22, 2019		

Specific Terms of the Notes:

Autocallable RevEx Number	**Reference Stock Issuer**	**Ticker Symbol**	**Initial Stock Price**	**Coupon Barrier and Trigger Price**	**Contingent Interest Rate**	**CUSIP**	**Principal Amount**	**Price to Public (1)**	**Agent's Commission (1)**	**Proceeds to Bank of Montreal**
410	SPDR® S&P® Regional Banking ETF	KRE	$62.60	$53.21, 85% of the Initial Price	8.70% (0.725% per month)	06367WAG8	$1,094,000	100%	2.00% US$21,880	98.00% US$1,072,120

(1) Certain dealers who purchased the notes for sale to certain fee-based advisory accounts may have foregone some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the notes in these accounts may be between $980 and $1,000 per $1,000 in principal amount.

Investing in the notes involves risks, including those described in the "Selected Risk Considerations" section beginning on page P-5 of this pricing supplement, the "Additional Risk Factors Relating to the Notes" section beginning on page PS-4 of the product supplement, and the "Risk Factors" sections beginning on page S-1 of the prospectus supplement and on page 8 of the prospectus.

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

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

On the date of this pricing supplement, based on the terms set forth above, the estimated initial value of the notes is $970.60. As discussed in more detail in this pricing supplement, the actual value of the notes at any time will reflect many factors and cannot be predicted with accuracy.

BMO CAPITAL MARKETS

Key Terms of the Notes:

Reference Stock:	SPDR® S&P® Regional Banking ETF (NYSE Arca symbol: KRE). See the section below entitled "The Reference Stock" for additional information about the Reference Stock.
Contingent Interest Payment Dates:	Interest, if payable, will be paid on the 27th day of each month (or the next business day, if the 27th is not a business day) beginning on October 29, 2018, and until the Maturity Date, subject to the automatic redemption feature. The final Contingent Interest Payment Date will be the Maturity Date.
Contingent Interest Payments:	If the price of the Reference Stock on an Observation Date is greater than the Coupon Barrier, a Contingent Interest Payment will be paid on the Interest Payment Date, at the rate specified on the cover page.
Contingent Interest Rate:	8.70% per annum (0.725% of the principal amount per month) unless earlier redeemed. Accordingly, each interest payment, if payable, will equal $7.25 for each $1,000 in principal amount per month.
Coupon Barrier and Trigger Price:	$53.21, which is 85% of the Initial Stock Price
Automatic Redemption:	If, on any monthly Observation Date beginning in October 2018, the closing price of the Reference Stock is greater than the Call Level, the notes will be automatically redeemed.
Payment upon Automatic Redemption:	If the notes are automatically redeemed, then, on the applicable Call Settlement Date, for each $1,000 principal amount, investors will receive the principal amount plus the applicable Contingent Interest Payment.
Observation Dates:	Three trading days prior to the applicable Contingent Interest Payment Date.
Call Settlement Dates:	The Contingent Interest Payment Date immediately following the applicable Observation Date.
Payment at Maturity:	If the notes are not automatically redeemed, the payment at maturity for the notes is based on the performance of the Reference Stock. You will receive $1,000 for each $1,000 in principal amount of the note, unless (a) a Trigger Event has occurred **and** (b) the Final Stock Price is less than the Initial Stock Price. If a Trigger Event has occurred, and if the Final Stock Price is less than the Initial Stock Price, you will receive at maturity, for each $1,000 in principal amount of your notes, a cash amount equal to:

$1,000 + [$1,000 x Percentage Change]

This amount will be less than the principal amount of your notes, and may be zero.

In each case, you will also receive the final Contingent Interest Payment, if payable.

Trigger Event:	A Trigger Event will be deemed to occur if the closing price of the Reference Stock is less than the Trigger Price on any trading day during the Monitoring Period.
Monitoring Period:	The period from the Pricing Date to and including the Valuation Date.
Percentage Change:	Final Stock Price ¾ Initial Stock Price / Initial Stock Price, expressed as a percentage
Initial Stock Price:	$62.60, which was the closing price of the Reference Stock on the Pricing Date. The Initial Stock Price is subject to adjustment in certain circumstances. See “General Terms of the Notes — Payment at Maturity” and “— Anti-dilution Adjustments” in the product supplement for additional information about these adjustments.
Call Level:	$68.86, which is 110% of the Initial Stock Price.
Final Stock Price:	The closing price of the Reference Stock on the Valuation Date.
Pricing Date:	July 24, 2018
Settlement Date:	July 27, 2018
Valuation Date:	August 22, 2019
Maturity Date:	August 27, 2019

P-2

Physical Delivery Amount:	We will only pay cash on the maturity date, and you will have no right to receive any shares of the Reference Stock.
Calculation Agent:	BMOCM
Selling Agent:	BMOCM

Additional Terms of the Notes

You should read this pricing supplement together with the product supplement dated May 1, 2017, the prospectus supplement dated April 27, 2017 and the prospectus dated April 27, 2017. **This pricing supplement, together with the documents listed below, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours or the agent.** You should carefully consider, among other things, the matters set forth in "Additional Risk Factors Relating to the Notes" in the product supplement, as the notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the notes.

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

- Product supplement dated May 1, 2017: https://www.sec.gov/Archives/edgar/data/927971/000121465917002873/j427172424b5.htm
- Prospectus supplement dated April 27, 2017: https://www.sec.gov/Archives/edgar/data/927971/000119312517142764/d381374d424b5.htm
- Prospectus dated April 27, 2017: https://www.sec.gov/Archives/edgar/data/927971/000119312517142728/d254784d424b2.htm

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

Selected Risk Considerations

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

- **Your investment in the notes may result in a loss.** — The notes do not guarantee any return of principal. If the notes are not automatically redeemed, the payment at maturity will be based on the Final Stock Price and whether a Trigger Event has occurred. If a Trigger Event has occurred, and if the Final Stock Price is less than the Initial Stock Price, you will be subject to a one-for-one loss of the principal amount of the notes for any Percentage Change from the Initial Stock Price. In such a case, you will receive at maturity a cash payment that is less than the principal amount of the notes and may be zero. **Accordingly, you could lose up to the entire principal amount of your notes, and your payments on the notes could be limited to the Contingent Interest Payments, if any.**

- **The protection provided by the Trigger Price may terminate on any day during the Monitoring Period. —** If the closing price of the Reference Stock on any trading day during the Monitoring Period is less than the Trigger Price, you will be fully exposed at maturity to any decrease in the price of the Reference Stock. Under these circumstances, if the Percentage Change on the Valuation Date is less than zero, you will lose 1% (or a fraction thereof) of the principal amount of your investment for every 1% (or a fraction thereof) that the Final Stock Price is less than the Initial Stock Price. You will be subject to this potential loss of principal even if, after the Trigger Event, the price of the Reference Stock increases above the Trigger Price.

- **You may not receive any Contingent Interest Payments with respect to your notes.** — We will not necessarily make periodic interest payments on the notes. If the closing price of the Reference Stock on an Observation Date is less than the Coupon Barrier, we will not pay you the Contingent Interest Payment applicable to that Observation Date. If the closing price of the Reference Stock is less than the Coupon Barrier on each of the Observation Dates, we will not pay you any Contingent Interest Payments during the term of the notes, and you will not receive a positive return on the notes. Furthermore, the non-payment of the Contingent Interest Payment as to the final Observation Date will coincide with a loss of principal on the notes if a Trigger Event has previously occurred, because in such a case, the Final Stock Price will be less than the Trigger Price.

- **Your notes are subject to automatic early redemption.** — We will redeem the notes if the closing price of the Reference Stock on any Observation Date beginning in October 2018 is greater than the Call Level. Following an automatic redemption, you will not receive any additional Conditional Interest Payments on the notes, and you may not be able to reinvest your proceeds in an investment with returns that are comparable to the notes.

- **Your return on the notes is limited to the Contingent Interest Payments, if any, regardless of any appreciation in the value of the Reference Stock.** — You will not receive a payment at maturity with a value greater than your principal amount plus the final Contingent Interest Payment, if payable. In addition, if the notes are automatically called, you will not receive a payment greater than the principal amount plus the applicable Contingent Interest Payment, even if the Final Stock Price exceeds the Call Level by a substantial amount. Accordingly, your maximum return on the notes is limited to the potential return represented by the Contingent Interest Payments.

- **Your investment is subject to the credit risk of Bank of Montreal.** — Our credit ratings and credit spreads may adversely affect the market value of the notes. Investors are dependent on our ability to pay any amounts due on the notes, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the notes.

- **Potential conflicts.** — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the notes. We or one or more of our affiliates may also engage in trading of shares of the Reference Stock or the securities held by the Reference Stock on a regular basis as part of our general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for our customers. Any of these activities could adversely affect the price of the Reference Stock and, therefore, the market value of, and the payments on, the notes. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of the Reference Stock. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the market value of the notes.

· **Our initial estimated value of the notes is lower than the price to public. —** Our initial estimated value of the notes is only an estimate, and is based on a number of factors. The price to public of the notes exceeds our initial estimated value, because costs associated with offering, structuring and hedging the notes are included in the price to public, but are not included in the estimated value. These costs include the underwriting discount and selling concessions, the profits that we and our affiliates expect to realize for assuming the risks in hedging our obligations under the notes and the estimated cost of hedging these obligations.

· **Our initial estimated value does not represent any future value of the notes, and may also differ from the estimated value of any other party.** — Our initial estimated value of the notes as of the date of this pricing supplement is derived using our internal pricing models. This value is based on market conditions and other relevant factors, which include volatility of the Reference Stock, dividend rates and interest rates. Different pricing models and assumptions could provide values for the notes that are greater than or less than our initial estimated value. In addition, market conditions and other relevant factors after the Pricing Date are expected to change, possibly rapidly, and our assumptions may prove to be incorrect. After the Pricing Date, the value of the notes could change dramatically due to changes in market conditions, our creditworthiness, and the other factors set forth in this pricing supplement and the product supplement. These changes are likely to impact the price, if any, at which we or BMOCM would be willing to purchase the notes from you in any secondary market transactions. Our initial estimated value does not represent a minimum price at which we or our affiliates would be willing to buy your notes in any secondary market at any time.

· **The terms of the notes were not determined by reference to the credit spreads for our conventional fixed-rate debt.** — To determine the terms of the notes, we used an internal funding rate that represents a discount from the credit spreads for our conventional fixed-rate debt. As a result, the terms of the notes are less favorable to you than if we had used a higher funding rate.

· **Certain costs are likely to adversely affect the value of the notes.** — Absent any changes in market conditions, any secondary market prices of the notes will likely be lower than the price to public. This is because any secondary market prices will likely take into account our then-current market credit spreads, and because any secondary market prices are likely to exclude all or a portion of the underwriting discount and selling concessions, and the hedging profits and estimated hedging costs that are included in the price to public of the notes and that may be reflected on your account statements. In addition, any such price is also likely to reflect a discount to account for costs associated with establishing or unwinding any related hedge transaction, such as dealer discounts, mark-ups and other transaction costs. As a result, the price, if any, at which BMOCM or any other party may be willing to purchase the notes from you in secondary market transactions, if at all, will likely be lower than the price to public. Any sale that you make prior to the maturity date could result in a substantial loss to you.

· **Owning the notes is not the same as owning shares of the Reference Stock or a security directly linked to the Reference Stock.** — The return on your notes will not reflect the return you would realize if you actually owned shares of the Reference Stock or a security directly linked to the performance of the Reference Stock and held that investment for a similar period. Your notes may trade quite differently from the Reference Stock. Changes in the price of the Reference Stock may not result in comparable changes in the market value of your notes. Even if the price of the Reference Stock increases during the term of the notes, the market value of the notes prior to maturity may not increase to the same extent. It is also possible for the market value of the notes to decrease while the price of the Reference Stock increases. In addition, any dividends or other distributions paid on the Reference Stock will not be reflected in the amount payable on the notes. The return on the notes may be less than the return on an investment in the Reference Stock.

You will not have any shareholder rights and will have no right to receive any shares of the Reference Stock at maturity. — Investing in your notes will not make you a holder of any shares of the Reference Stock, or any securities held by the Reference Stock. Neither you nor any other holder or owner of the notes will have any voting rights, any right to receive dividends or other distributions, or any other rights with respect to those securities.

- **No Delivery of Shares of the Reference Stock.** — The notes will be payable only in cash. You should not invest in the notes if you seek to have the shares of the Reference Stock delivered to you at maturity.

- **Changes that affect the Underlying Index will affect the market value of the notes, whether the notes will be automatically called, and the amount you will receive at maturity.** — The policies of the index sponsor, NYSE Arca for the Underlying Index, concerning the calculation of the Underlying Index, additions, deletions or substitutions of the components of the Underlying Index and the manner in which changes affecting those components, such as stock dividends, reorganizations or mergers, may be reflected in the Underlying Index and, therefore, could affect the share price of the Reference Stock, the amounts payable on the notes, whether the notes are automatically called, and the market value of the notes prior to maturity. The amounts payable on the notes and their market value could also be affected if the index sponsor changes these policies, for example, by changing the manner in which it calculates the Underlying Index, or if the index sponsor discontinues or suspends the calculation or publication of the Underlying Index.

- **We have no affiliation with the index sponsor of the Underlying Index and will not be responsible for its actions.** — The sponsor of the Underlying Index is not our affiliate, and will not be involved in the offering of the notes in any way. Consequently, we have no control over the actions of the index sponsor of the Underlying Index, including any actions of the type that would require the calculation agent to adjust the payment to you at maturity. The index sponsor of the Underlying Index has no obligation of any sort with respect to the notes. Thus, the index sponsor of the Underlying Index has no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the notes. None of our proceeds from the issuance of the notes will be delivered to the index sponsor of the Underlying Index.

- **We and our affiliates do not have any affiliation with the investment advisor or the Reference Stock Issuer and are not responsible for its public disclosure of information.** — The investment advisor of the Reference Stock Issuer advises the Reference Stock Issuer on various matters, including matters relating to the policies, maintenance and calculation of the Reference Stock. We and our affiliates are not affiliated with the investment advisor or the Reference Stock Issuer in any way and have no ability to control or predict its actions, including any errors in or discontinuance of disclosure regarding the methods or policies relating to the Reference Stock. Neither the investment advisor nor the Reference Stock Issuer is involved in the offering of the notes in any way or has any obligation to consider your interests as an owner of the notes in taking any actions relating to the Reference Stock Issuer that might affect the value of the notes. Neither we nor any of our affiliates has independently verified the adequacy or accuracy of the information about the investment advisor, the Reference Stock Issuer or the Reference Stock contained in any public disclosure of information. You, as an investor in the notes, should make your own investigation into the Reference Stock Issuer.

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

- **The Reference Stock is subject to management risks.** — The Reference Stock is subject to management risk, which is the risk that the investment advisor's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the investment advisor may invest a portion of the

Reference Stock Issuer's assets in securities not included in the relevant industry or sector but which the investment advisor believes will help the Reference Stock track the relevant industry or sector.

- **Adjustments to the Reference Stock could adversely affect the notes.** — The sponsor and advisor of the Reference Stock, SSgA Funds Management, Inc. ("SSFM"), is responsible for calculating and maintaining the Reference Stock. The sponsor and advisor of the Reference Stock can add, delete or substitute the stocks comprising the Reference Stock or make other methodological changes that could change the share price of the Reference Stock at any time. If one or more of these events occurs, the calculation of the amount payable at maturity may be adjusted to reflect such event or events. Consequently, any of these actions could adversely affect the amounts payable on the notes and/or the market value of the notes.

- **Lack of liquidity.** — The notes will not be listed on any securities exchange. BMOCM may offer to purchase the notes in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the notes easily. Because other dealers are not likely to make a secondary market for the notes, the price at which you may be able to trade the notes is likely to depend on the price, if any, at which BMOCM is willing to buy the notes.

- **Hedging and trading activities.** — We or any of our affiliates may have carried out or may carry out hedging activities related to the notes, including in the Reference Stock, the securities that it holds, or instruments related to the Reference Stock. We or our affiliates may also trade in the Reference Stock, such securities, or instruments related to the Reference Stock from time to time. Any of these hedging or trading activities on or prior to the Pricing Date and during the term of the notes could adversely affect the payments on the notes.

- **Many economic and market factors will influence the value of the notes.** — In addition to the price of the Reference Stock and interest rates on any trading day, the value of the notes will be affected by a number of economic and market factors that may either offset or magnify each other, and which are described in more detail in the product supplement.

- **You must rely on your own evaluation of the merits of an investment linked to the Reference Stock.** — In the ordinary course of their businesses, our affiliates from time to time may express views on expected movements in the price of the Reference Stock or the securities held by the Reference Stock. One or more of our affiliates have published, and in the future may publish, research reports that express views on the Reference Stock or these securities. However, these views are subject to change from time to time. Moreover, other professionals who deal in the markets relating to Reference Stock at any time may have significantly different views from those of our affiliates. You are encouraged to derive information concerning the Reference Stock from multiple sources, and you should not rely on the views expressed by our affiliates.

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

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

The Internal Revenue Service has released a notice that may affect the taxation of holders of “prepaid forward contracts” and similar instruments. According to the notice, the Internal Revenue Service and the U.S. Treasury are actively considering whether the holder of such instruments should be required to accrue ordinary income on a current basis. While it is not clear whether the notes would be viewed as similar to such instruments, it is possible that any future guidance could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect.

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

- **The stocks included in the Underlying Index of SPDR® S&P® Regional Banking ETF are concentrated in one sector.** — All of the stocks included in the Underlying Index are issued by companies in the banking sector. As a result, the stocks that will determine the performance of the Underlying Index, which the Reference Stock seeks to replicate, are concentrated in one sector. Although an investment in the notes will not give holders any ownership or other direct interests in the stocks comprising the Underlying Index, the return on an investment in the notes will be subject to certain risks associated with a direct equity investment in companies in the banking sector. Accordingly, by investing in the notes, you will not benefit from the diversification which could result from an investment linked to companies that operate in multiple sectors.

Examples of the Hypothetical Payment at Maturity for a $1,000 Investment in the Notes

The following table illustrates the hypothetical payments on a note at maturity, assuming that the notes are not automatically called. The hypothetical payments are based on a $1,000 investment in the note, a hypothetical Initial Stock Price of $100.00, a hypothetical Trigger Price of $85.00 (85% of the hypothetical Initial Stock Price), a hypothetical Call Level of $110.00 (110% of the hypothetical Initial Stock Price), a range of hypothetical Final Stock Prices and the effect on the payment at maturity if (i) a Trigger Event occurs or (ii) if a Trigger Event does not occur.

The hypothetical examples shown below are intended to help you understand the terms of the notes. If the notes are not automatically called, the actual cash amount that you will receive at maturity will depend upon the Final Stock Price of the Reference Stock, and whether a Trigger Event occurs. If the notes are automatically called prior to maturity, the hypothetical examples below will not be relevant, and you will receive on the applicable Call Settlement Date, for each $1,000 principal amount, the principal amount plus the applicable Contingent Interest Payment.

As discussed in more detail above, your total return on the notes will depend on the number of Contingent Interest Payment Dates on which the Contingent Interest Payment is payable. It is possible that the only payments on your notes will be the payment, if any, due at maturity. The payment at maturity will not exceed the principal amount, and may be significantly less.

		Payment at Maturity (Excluding Interest Payments)	
Hypothetical Final Stock Price	**Hypothetical Final Stock Price Expressed as a Percentage of the Initial Stock Price**	**(i) if the closing market price of the Reference Stock does not fall below the Trigger Price on any day during the Monitoring Period**	**(ii) if the closing market price of the Reference Stock falls below the Trigger Price on any day during the Monitoring Period**
$150.00	150.00%	$1,000.00	$1,000.00
$125.00	125.00%	$1,000.00	$1,000.00

$110.00	110.00%	$1,000.00	$1,000.00
$100.00	100.00%	$1,000.00	$1,000.00
$90.00	90.00%	$1,000.00	$900.00
$85.00	85.00%	$1,000.00	$850.00
$80.00	80.00%	N/A	$800.00
$75.00	75.00%	N/A	$750.00
$70.00	70.00%	N/A	$700.00
$65.00	65.00%	N/A	$650.00
$50.00	50.00%	N/A	$500.00
$25.00	25.00%	N/A	$250.00
$0.00	0.00%	N/A	$0.00

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 the Reference Stock or any of the entities whose stock is owned by the Reference Stock 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 Stock or any of the entities whose stock is owned by the Reference Stock 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 the Reference Stock or any of the entities whose stock is owned by the Reference Stock and consult your tax advisor regarding the possible consequences to you in this regard.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a note with terms described in this pricing supplement as a pre-paid cash-settled contingent income-bearing derivative contract in respect of the Reference Stock for U.S. federal income tax purposes, and the terms of the notes require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the notes for all tax purposes in accordance with such characterization. Although the U.S. federal income tax treatment of the Contingent Interest Payments is uncertain, we intend to take the position, and the following discussion assumes, that such Contingent Interest Payments (including any interest payment on or with respect to the maturity date) constitute taxable ordinary income to a United States holder at the time received or accrued in accordance with the holder's regular method of accounting. If the notes are treated as described above, 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 ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations.

Alternative Treatments

Alternative tax treatments of the notes are also possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. For example, it would be possible to treat the notes, and the Internal Revenue Service might assert that the notes should be treated, as a single debt instrument. Such a debt instrument would be subject to the tax rules governing short-term 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.

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 pricing supplement unless and until such time as the Treasury Department and Internal Revenue Service determine that some other treatment is more appropriate.

Backup Withholding and Information Reporting

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

Non-United States Holders

The following discussion applies to non-United States holders of the notes. A non-United States holder is a beneficial owner of a note that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, or a foreign estate or trust.

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

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

A “dividend equivalent” payment is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-United States holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, Internal Revenue Service guidance provides that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the notes are not “delta-one” instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the notes. However, it is possible that the notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stock or the notes, and following such occurrence the notes could be treated as delta-one specified ELIs that are subject to withholding on dividend equivalent payments. Non-United States holders that enter, or have entered, into other transactions in respect of the Reference Stock or the notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable paying agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

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

Foreign Account Tax Compliance Act

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

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

Supplemental Plan of Distribution (Conflicts of Interest)

BMOCM will purchase the notes from us at a purchase price reflecting the commission set forth on the cover page of this pricing supplement. BMOCM has informed us that, as part of its distribution of the notes, it will reoffer the notes to other dealers who will sell them. Each such dealer, or each additional dealer engaged by a dealer to whom BMOCM reoffers the notes, will receive a commission from BMOCM, which will not exceed the commission set forth on the cover page.

Certain dealers who purchase the notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the notes in these accounts may be less than 100% of the principal amount, as set forth on the cover page of this document. Investors that hold their notes in these accounts may be charged fees by the investment advisor or manager of that account based on the amount of assets held in those accounts, including the notes.

We will deliver the notes on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934 (the "Exchange Act"), 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.

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

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

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

We may use 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.

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

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 factors such as the traded market prices of comparable derivative instruments and on other inputs, which include volatility, dividend rates, interest rates and other factors. As a result, the estimated initial value of the notes on the Pricing Date was determined based on the market conditions on the Pricing Date.

The Reference Stock

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

The selection of the Reference Stock is not a recommendation to buy or sell the shares of the Reference Stock. Neither we nor any of our affiliates make any representation to you as to the performance of the shares of the Reference Stock. Information provided to or filed with the SEC under the Exchange Act and the Investment Company Act of 1940 relating to the Reference Stock may be obtained through the SEC's website at http://www.sec.gov.

SPDR® S&P® Regional Banking ETF

The Reference Stock is an investment portfolio maintained and managed by SSFM. The Reference Stock trades on the NYSE Arca under the ticker symbol "KRE." Information provided to or filed with the SEC by the SPDR® Series Trust ("SPDR") under the Securities Exchange Act of 1934 can be located by reference to its Central Index Key, or CIK, 1064642 through the SEC's website at http://www.sec.gov. Additional information about SSFM and the Reference Stock may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly available documents. We have not made any independent investigation as to the accuracy or completeness of such information.

Investment Objective and Strategy

The Reference Stock seeks to provide investment results that correspond generally to the total return performance, before fees and expenses, of the S&P Regional Banks Select Industry Index (the "index"). Prior to October 24, 2011, the Reference Stock's investment strategy sought to track the total return performance, before fees and expenses, of an index different from the S&P Regional Banks Select Industry Index. Performance of the Reference Stock prior to October 24, 2011 is therefore based on the Reference Stock's investment strategy with respect to the prior index, the KBW Regional Banking Index.

The Reference Stock uses a representative sampling strategy to try to achieve its investment objective, which means that the Reference Stock is not required to purchase all of the securities represented in the index. Instead, the Reference Stock may purchase a subset of the securities in the index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the index. Under normal market conditions, the Reference Stock generally invests substantially all, but at least 80%, of its total assets in the securities comprising the index. The Reference Stock will provide shareholders with at least 60 days' notice prior to any change in this 80% investment policy. In addition, the Reference Stock may invest in equity securities not included in the index, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by SSGA).

In certain situations or market conditions, the Reference Stock may temporarily depart from its normal investment policies and strategies provided that the alternative is consistent with the Reference Stock's investment objective and is in the best interest of the Reference Stock. For example, the Reference Stock may make larger than normal investments in derivatives to maintain exposure to the index if it is unable to invest directly in a component security.

The board may change the Reference Stock's investment strategy, index and other policies without shareholder approval. The board may also change the Reference Stock's investment objective without shareholder approval.

Notwithstanding the Reference Stock's investment objective, the return on the notes will not reflect any dividends paid on the Reference Stock shares, on the securities purchased by the Reference Stock or on the securities that comprise the index.

Correlation

Although SSGA seeks to track the performance of the index (i.e., achieve a high degree of correlation with the index), the Reference Stock's return may not match the return of the index. The Reference Stock incurs a number of operating expenses not applicable to the index, and incurs costs in buying and selling securities. In addition, the Reference Stock may not be fully invested at times, generally as a result of cash flows into or out of the Reference Stock or reserves of cash held by the Reference Stock to meet redemptions. SSGA may attempt to replicate the index return by investing in fewer than all of the securities in the index, or in some securities not included in the index, potentially increasing the risk of divergence between the Reference Stock's return and that of the index.

Industry Concentration Policy

The Reference Stock's assets will generally be concentrated in an industry or sector to the extent that the index concentrates in a particular industry or sector. By focusing its investments in a particular industry or sector, financial, economic, business and other developments affecting issuers in that industry or sector will have a greater effect on the Reference Stock than if it had not focused its assets in that industry or sector, which may increase the volatility of the Reference Stock.

The Underlying Index: S&P® Regional Banks Select Industry™ Index

We have derived all information contained in this document regarding the Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, S&P.

The S&P Regional Banks Select Industry Index (Bloomberg symbol, "SPSIRBK Index") is managed by S&P Dow Jones Indices LLC ("S&P") and is an equal-weighted index that is designed to measure the performance of stocks in the S&P Total Market Index that both (i) are classified under the Global Industry Classification Standard ("GICS®") in the regional banks sub-industry and (ii) satisfy certain liquidity and market capitalization requirements. The S&P Total Market Index tracks all U.S. common stocks with a primary listing on the NYSE, NYSE Arca, NYSE MKT, NASDAQ Global Select Market, NASDAQ Select Market, NASDAQ Capital Market, Bats BZX, Bats BYX, Bats EDGA or Bats EDGX exchanges. The index is one of the 21 sub-industry sector indices S&P maintains that are derived from a portion of the stocks comprising the S&P Total Market Index. An equal-weighted index is one where every stock has the same weight in the index. As such, the index must be rebalanced from time to time to re-establish the proper weighting.

The ETF tracks the performance of the total version of the index. A total return index represents the total return earned in a portfolio that tracks the price index and reinvests dividend income in the overall index, not in the specific stock paying the dividend. The difference between the price return calculation and the total return calculation is that, with respect to the price return calculation, changes in the index level reflect changes in stock prices, whereas with respect to the total return calculation of the index, changes in the index level reflect both movements in stock prices and the reinvestment of dividend income. Notwithstanding that the ETF tracks the performance of the total return version of the index, the return on the notes will not reflect any dividends paid on the ETF shares, on the securities purchased by the ETF or on the securities that comprise the index.

Eligibility for Inclusion in the Index

Selection for the index is based on a company's GICS® classification, as well as liquidity and market capitalization requirements. In addition, only U.S. companies are eligible for inclusion in the index. GICS® classifications are determined by S&P using criteria it has selected or developed. Index and classification system sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed only in one sector. As a result, sector comparisons between indices with different sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

To be eligible for inclusion in the index, stocks must be in the S&P Total Market Index and satisfy the following combined liquidity and market capitalization criteria: (i) a float-adjusted market capitalization above $500 million with a float-adjusted liquidity ratio above 90% or (ii) a float-adjusted market capitalization above $400 million with a float-adjusted liquidity ratio above 150%. The float-adjusted liquidity ratio is defined as the dollar value traded over the previous 12 months divided by the float-adjusted market capitalization as of the index's rebalancing reference date.

All stocks in the related GICS® sub-industry satisfying the above requirements are included in the index and the total number of stocks in the index should be at least 35. If there are fewer than 35 stocks in the index, the market capitalization requirements may be relaxed to reach at least 22 stocks. With respect to liquidity, the length of time to evaluate liquidity is reduced to the available trading period for companies that recently became public or companies that were spun-off from other companies, the stocks of which therefore do not have 12 months of trading history.

Calculation of the Total Return of the Index

The price return index is calculated as the index market value divided by the divisor. The total return calculation begins with the price return of the index. Given the index is an equal-weighted index, the market capitalization of each stock used in the calculation of the index market value is redefined so that each stock has an equal weight in the index on each rebalancing date. The adjusted market capitalization for each stock in the index is calculated as the product of the stock price, the number of shares outstanding, the stock's float factor and the adjustment factor.

A stock's float factor refers to the number of shares outstanding that are available to investors. S&P indices exclude shares closely held by control groups from the index calculation because such shares are not available to investors. For each stock, S&P calculates an Investable Weight Factor (IWF) which is the percentage of total shares outstanding that are included in the index calculation.

The adjustment factor for each stock is assigned at each rebalancing date and is calculated by dividing a specific constant set for the purpose of deriving the adjustment factor (often referred to as modified index shares) by the number of stocks in the index multiplied by the float adjusted market value of such stock on such rebalancing date.

Adjustments are also made to ensure that no stock in the index will have a weight that exceeds the value that can be traded in a single day for a theoretical portfolio of $2 billion. Theoretical portfolio values are reviewed annually and any updates are made at the discretion of the index committee, as defined below.

The maximum basket liquidity weight for each stock in the index will be calculated using the ratio of its three-month median daily value traded to the theoretical portfolio value of $2 billion. Each stock's weight in the index is then compared to its maximum basket liquidity weight and is set to the lesser of (1) its maximum basket liquidity weight or (2) its initial equal weight. All excess weight is redistributed across the index to the uncapped stocks. If necessary, a final adjustment is made to ensure that no stock in the index has a weight greater than 4.5%. No further adjustments are made if the latter step would force the weight of those stocks limited to their maximum basket liquidity weight to exceed that weight. If the index contains exactly 22 stocks as of the rebalancing effective date, the index will be equally weighted without basket liquidity constraints.

If a company has more than one share class line in the S&P Total Market Index, such company will be represented once by the primary listing (generally the most liquid share line). In the event that a company issues a secondary share class to the index share class holders by means of a mandatory distribution, the newly issued share class line will be added to the index on the distribution ex-date, provided that the distributed class is not considered to be de minimis. Both share class lines will then remain in the index until the next rebalancing, at which time only the primary share class line will be considered for continued inclusion.

The index is calculated by using the divisor methodology used in all S&P equity indices. The initial divisor was set to have a base value of 1,000 on June 20, 2003. The index level is the index market value divided by the index divisor. In order to maintain index series continuity, it is also necessary to adjust the divisor at each rebalancing. Therefore, the divisor (after rebalancing) equals the index market value (after rebalancing) divided by the index value before rebalancing. The divisor keeps the index comparable over time and is one manipulation point for adjustments to the index, which we refer to as maintenance of the index.

Once the price return index has been calculated, the total return index is calculated. First, the total daily dividend for each stock in the index is calculated by multiplying the per share dividend by the number of shares included in the index. Then the index dividend is calculated by aggregating the total daily dividends for each of the index stocks (which may be zero for some stocks) and dividing by the divisor for that day. Next the daily total return of the index is calculated as a fraction *minus* 1, the numerator of which is the sum of the index level *plus* the index dividend and the denominator of which is the index level on the previous day. Finally, the total return index for that day is calculated as the *product* of the value of the total return index on the previous day *times* the *sum* of 1 *plus* the index daily total return for that day.

Maintenance of the Index

The composition of the index is reviewed quarterly. Rebalancing occurs after the closing of the relevant U.S. trading markets on the third Friday of the month ending that quarter. The reference date for float-adjusted market capitalization and the float-adjusted liquidity ratio is after the closing of the last trading day of the previous month. The reference date for GICS® classification is as of the rebalancing effective date. Existing stocks in the index are removed at the quarterly rebalancing if either their float-adjusted capitalization falls below $1 billion or their float-adjusted liquidity ratio falls below 50%. A company will also be deleted from the index if the S&P Total Market Index deletes that company. Companies are added between rebalancings only if a company deletion causes the number of companies in the index to fall below 22. The newly added company will be added to the index at the weight of the deleted company. If the stock was deleted at $0.00, the newly added stock will be added at the deleted stock's previous day's closing value (or the most immediate prior business day that the deleted stock was not valued at $0.00) and an adjustment to the divisor will be made (only in the case of stocks removed at $0.00). At the next rebalancing, the index will be rebalanced based on the eligibility requirements and equal-weight methodology discussed above. In the case of GICS® changes, where a stock no longer qualifies to belong to the index after the classification change, it is removed from the index on the next rebalancing date. In the case of a spin-off, the spin-off company will be added to the index at a zero price after the close of the trading on the day before the ex-date. In general and subject to certain exceptions, both the parent company and spin-off companies will remain in the index until the next index rebalancing.

In the case of mergers involving two index constituents, the merged entity will remain in the index provided that it meets all general eligibility requirements. The merged entity will be added to the index at the weight of the stock deemed to be the surviving stock in the transaction. The surviving stock will not experience a weight change and its subsequent weight will not be equal to that of the pre-merger weight of the merged entities.

Index Committee

The Americas Thematic and Strategy Index Committee (the "index committee") maintains the index and consists of full-time professional members of S&P staff. At monthly meetings, the index committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for additions to the index and any significant market events. The index committee may also revise index policy, such as the rules for selecting constituents, the treatment of dividends, share counts or other matters.

Historical Information of the SPDR® S&P® Regional Banking ETF

The following table sets forth the high and low closing prices of the Reference Stock from the first quarter of 2008 through the Pricing Date.

		High (in $)	Low (in $)
2008	First Quarter	39.62	31.82
	Second Quarter	36.97	26.63
	Third Quarter	41.75	22.83
	Fourth Quarter	37.50	24.32
2009	First Quarter	29.12	14.68
	Second Quarter	23.81	17.85
	Third Quarter	23.28	17.51
	Fourth Quarter	22.67	19.58
2010	First Quarter	26.81	22.01
	Second Quarter	29.70	23.09
	Third Quarter	25.12	20.94
	Fourth Quarter	26.88	22.03
2011	First Quarter	27.54	25.52
	Second Quarter	27.36	24.14
	Third Quarter	26.14	19.02
	Fourth Quarter	24.73	18.57
2012	First Quarter	29.10	25.00
	Second Quarter	28.71	24.94
	Third Quarter	29.95	26.43
	Fourth Quarter	29.20	26.25
2013	First Quarter	31.91	28.93
	Second Quarter	33.97	29.91
	Third Quarter	37.54	34.49
	Fourth Quarter	40.77	35.04
2014	First Quarter	42.47	36.84
	Second Quarter	42.16	37.30
	Third Quarter	41.14	37.61
	Fourth Quarter	41.18	36.05
2015	First Quarter	41.58	36.54
	Second Quarter	45.37	40.78
	Third Quarter	45.03	38.56
	Fourth Quarter	45.93	40.47

2016	First Quarter	40.89	32.89
	Second Quarter	41.98	35.51
	Third Quarter	43.09	36.85
	Fourth Quarter	56.46	41.71
2017	First Quarter	59.36	52.59
	Second Quarter	55.75	51.71
	Third Quarter	56.76	49.59
	Fourth Quarter	60.35	54.35
2018	First Quarter	65.03	58.91
	Second Quarter	65.74	59.21
	Third Quarter (through the Pricing Date)	63.29	60.85

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.

-align:right;font-size:10pt;">21,483

24,510

67,821

72,244

Income (loss) before income taxes

(18,287
)

(25,534
)

(195,607
)

(4,936
)
Income tax expense (benefit)

(8,027
)

(10,020
)

(71,243
)

(2,169
)
NET INCOME (LOSS)

$
(10,260
)

$
(15,514
)

$
(124,364
)

$

(2,767
)

Earnings (loss) per share

Basic

$
(0.02
)

$
(0.04
)

$
(0.27
)

$
(0.01
)
Diluted

$
(0.02
)

$
(0.04
)

$
(0.27
)

$
(0.01
)

Weighted-average common shares outstanding

Basic

465,149

413,846

454,060

413,636

Diluted

465,149

413,846

454,060

413,636

Dividends per common share

$
0.02

$
0.02

$
0.06

$
0.06

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

CABOT OIL & GAS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30,	
(In thousands)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(124,364)	$(2,767)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation, depletion and amortization	448,910	472,335
Deferred income tax expense (benefit)	(59,413)	8,226
(Gain) loss on sale of assets	768	(3,814)
Exploratory dry hole cost	18	184
(Gain) loss on derivative instruments	1,286	(44,668)
Net cash received (paid) in settlement of derivative instruments	3,204	133,827
Earnings on equity method investments	(208)	(4,581)
Amortization of debt issuance costs	3,888	3,395
Stock-based compensation and other	23,051	11,622
Changes in assets and liabilities:		
Accounts receivable, net	(1,135)	112,712
Income taxes	(11,235)	(10,158)
Inventories	2,860	(4,256)
Other current assets	(917)	(2,106)
Accounts payable and accrued liabilities	(17,230)	(66,350)
Interest payable	(17,618)	(17,082)
Other assets and liabilities	784	(1,565)
Net cash provided by operating activities	252,649	584,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(245,033)	(819,839)
Acquisitions	—	(16,312)
Proceeds from sale of assets	49,068	7,380
Investment in equity method investments	(24,176)	(20,798)
Net cash used in investing activities	(220,141)	(849,569)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from debt	90,000	790,000
Repayments of debt	(587,000)	(505,000)
Sale of common stock, net	995,279	—
Dividends paid	(26,885)	(24,812)
Capitalized debt issuance costs	(3,223)	(7,838)
Other	—	84
Net cash provided by financing activities	468,171	252,434
Net increase (decrease) in cash and cash equivalents	500,679	(12,181)
Cash and cash equivalents, beginning of period	514	20,954
Cash and cash equivalents, end of period	$501,193	$8,773
Supplemental non-cash investing transactions:		
Change in accrued capital costs	$17,072	$(159,102)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

CABOT OIL & GAS CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
1. Financial Statement Presentation
During interim periods, Cabot Oil & Gas Corporation (the Company) follows the same accounting policies disclosed in its Annual Report on Form 10-K for the year ended December 31, 2015 (Form 10-K) filed with the Securities and Exchange Commission (SEC). The interim financial statements should be read in conjunction with the notes to the consolidated financial statements and information presented in the Form 10-K. In management's opinion, the accompanying interim condensed consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments, necessary for a fair statement. The results for any interim period are not necessarily indicative of the expected results for the entire year.
Certain reclassifications have been made to prior year statements to conform with the current year presentation. These reclassifications have no impact on previously reported stockholder's equity, net income (loss) or cash flows.
Recently Adopted Accounting Pronouncements
Debt Issuance Costs. In March 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The update provides authoritative guidance for debt issuance costs related to line-of-credit arrangements, noting the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance is effective for interim and annual periods beginning after December 15, 2015.
Effective January 1, 2016, the Company adopted ASU No. 2015-03 as a change in accounting principle. The Condensed Consolidated Balance Sheet as of December 31, 2015 has been retrospectively adjusted to reflect the adoption of this guidance, resulting in a decrease of $8.9 million in both other assets and long term debt related to the debt issuance costs on our senior notes. There was no impact to the Company's Condensed Consolidated Statement of Operations or Statement of Cash Flows.
Recently Issued Accounting Pronouncements
Stock-based Compensation. In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, as an amendment to Accounting Standards Codification (ASC) Topic 718. The areas for simplification in this update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted. An entity that elects early adoption must adopt all of the amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method.
The Company expects to adopt this guidance effective January 1, 2017. The recognition of previously unrecognized windfall tax benefits is expected to result in a cumulative-effect adjustment of between $45.0 million and $50.0 million (net of tax), which would increase retained earnings and decrease net deferred tax liabilities by the same amount as of the beginning of 2017. The remaining provisions of this amendment are not expected to have a material

effect on the Company's financial position, results of operations or cash flows.

6

Table of Contents

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases, as a new Topic, ASC Topic 842. The new lease guidance supersedes Topic 840. The core principle of the guidance is that a company should recognize the assets and liabilities that arise from leases. This ASU does not apply to leases to explore for or use minerals, oil, natural gas and similar nonregenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. The guidance is effective for interim and annual periods beginning after December 15, 2018. This ASU can be adopted using a modified retrospective approach. The Company expects to adopt this standard effective January 1, 2019 and is currently evaluating the effect that adopting this guidance will have on its financial position, results of operations or cash flows.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as a new Topic, ASC Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), which deferred the effective date of ASU No. 2014-09 by one year, making the new standard effective for interim and annual periods beginning after December 15, 2017. This ASU can be adopted either retrospectively or as a cumulative-effect adjustment as of the date of adoption.

Additionally, in March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus agent considerations (reporting revenue gross versus net), which clarifies the implementation guidance on principal versus agent considerations on such matters. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying performance obligations and licensing, which clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-scope improvements and practical expedients, which addresses narrow-scope improvements to the guidance on collectibility, non-cash consideration, and completed contracts at transition. Additionally, the amendments in this update provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The Company is currently evaluating the effect that adopting this guidance will have on its financial position, results of operations or cash flows.

Statement of Cash Flows. In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance addresses eight specific cash flow issues for which current GAAP is either unclear or does not include specific guidance. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted, provided that all of the amendments are adopted in the same period. This guidance must be adopted using a retrospective transition method. The Company is currently evaluating the effect that adopting this guidance will have on its cash flows.

2. Properties and Equipment, Net

Properties and equipment, net are comprised of the following:

(In thousands)	September 30, 2016	December 31, 2015
Proved oil and gas properties	$ 7,669,157	$ 8,821,146
Unproved oil and gas properties	287,007	390,434
Gathering and pipeline systems	189,393	243,672
Land, building and other equipment	81,537	117,848
	8,227,094	9,573,100
Accumulated depreciation, depletion and amortization	(3,504,496)	(4,596,221)
	$ 4,722,598	$ 4,976,879

At September 30, 2016, the Company did not have any projects that had exploratory well costs capitalized for a period of greater than one year after drilling.

In February 2016, the Company completed the divestiture of certain proved and unproved oil and gas properties in east Texas for approximately $56.4 million and recognized a $0.5 million gain on sale of assets. The purchase price included a $6.3 million deposit that was received in the fourth quarter of 2015.

7

Table of Contents

3. Equity Method Investments

The Company holds a 25% equity interest in Constitution Pipeline Company, LLC (Constitution) and a 20% equity interest in Meade Pipeline Co LLC (Meade). Activity related to these equity method investments is as follows:

	Constitution Nine Months Ended September 30,		Meade Nine Months Ended September 30,		Total Nine Months Ended September 30,	
(In thousands)	2016	2015	2016	2015	2016	2015
Balance at beginning of period	$90,345	$64,269	$13,172	$3,760	$103,517	$68,029
Contributions	8,325	13,500	15,851	7,298	24,176	20,798
Earnings (loss) on equity method investments	211	4,608	(3)	(27)	208	4,581
Balance at end of period	$98,881	$82,377	$29,020	$11,031	$127,901	$93,408

During 2016, the Company expects to contribute approximately $30.0 million to its equity method investments. For further information regarding the Company’s equity method investments, refer to Note 4 of the Notes to the Consolidated Financial Statements in the Form 10-K.

Constitution

The following table represents summarized financial information for Constitution as derived from the respective unaudited financial statements of Constitution for the nine months ended September 30, 2016 and 2015, respectively:

	Nine Months Ended September 30, 2016	
(In thousands)	2016	2015
Revenues	$—	$—
Income (loss) from continuing operations	$(10,974)	$19,366
Net income (loss)	$(10,974)	$19,366

The Company records the activity for its equity method investments on a one month lag; however, the above summarized financial information represents Constitution's operations for the nine months ended September 30, 2016 and 2015, respectively.

On April 22, 2016, Constitution announced that the New York State Department of Environmental Conservation (NYSDEC) denied Constitution's application for a section 401 Water Quality Certification (Certification) for the New York State portion of its proposed 124-mile route. During second quarter of 2016, Constitution filed legal actions in the U.S Court of Appeals for the Second Circuit and the U.S District Court for the Northern District of New York challenging the legality and appropriateness of the NYSDEC’s decision. Both courts have granted Constitution's motions to expedite the schedules for the legal actions.

Constitution stated that it remains committed to pursuing the project and that it intends to pursue all available options to challenge the NYSDEC’s decision. In light of the denial of the Certification and ongoing litigation, Constitution has revised its target in-service date to the second half of 2018, assuming that the challenge process is satisfactorily and promptly concluded.

In light of the NYSDEC’s denial and resulting litigation, the Company evaluated its investment in Constitution for other-than-temporary impairment (OTTI) and as of September 30, 2016, does not believe there is an indication of an OTTI. The Company’s evaluation considered various factors, including but not limited to prior Federal Energy Regulatory Commission approval and the related economic viability of the project, legal actions filed by Constitution and the expected duration of the legal proceedings, which are at very early stages, and the other members’ commitment to the project. To the extent that the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is no longer viable or elects to not go forward as legal and regulatory actions progress, the Company will reevaluate the facts and circumstances relative to its conclusions with respect to OTTI. In the event that facts and circumstances change, the Company may be required to recognize an impairment charge up to its investment value at such time, net of any cash and working capital held by Constitution. The Company will continue to monitor the carrying value of its investment as required.

8

Table of Contents

At this time, the Company remains committed to funding the project in an amount in proportion to its ownership interest for the development and construction of the new pipeline. The Company's total contributions for this project are expected to be approximately $240.0 million. As of September 30, 2016, the Company has made contributions of approximately $87.9 million since inception of the project.

Meade

In October 2016, Meade revised its expected in-service date to mid-2018; however, this estimate is contingent on the timely issuance of remaining outstanding permits.

4. Debt and Credit Agreements

The Company’s debt and credit agreements consisted of the following:

(In thousands)	September 30, 2016	December 31, 2015
7.33% weighted-average senior notes	$ —	$ 20,000
6.51% weighted-average senior notes	361,000	425,000
9.78% senior notes	67,000	67,000
5.58% weighted-average senior notes	175,000	175,000
3.65% weighted-average senior notes	925,000	925,000
Revolving credit facility	—	413,000
	1,528,000	2,025,000
Unamortized debt issuance costs	(7,810)	(8,861)
Total debt, net[(1)]	$ 1,520,190	$ 2,016,139

(1) Includes $20.0 million of current portion of long-term debt at December 31, 2015.

The borrowing base under the terms of the Company's revolving credit facility is redetermined annually in April. In addition, either the Company or the banks may request an interim redetermination twice a year or in connection with certain acquisitions or divestitures of oil and gas properties. Effective April 19, 2016, the Company’s borrowing base was reduced from $3.4 billion to $3.2 billion. The maximum credit amount under the revolving credit facility remained unchanged at $1.8 billion; however, the available commitments were reduced to $1.6 billion at the time of the redetermination.

In May 2016, the Company repurchased $64.0 million principal amount of its 6.51% weighted-average senior notes for approximately $68.3 million. A $4.7 million extinguishment loss was recognized in the second quarter of 2016 associated with the premium paid and the write-off of a portion of the associated deferred financing costs due to early repayment. As a result of the repurchase of these senior notes, the available commitments under the revolving credit facility increased to $1.7 billion and remained at that level as of September 30, 2016.

At September 30, 2016, the Company was in compliance with all restrictive financial covenants for both its revolving credit facility and senior notes. As of September 30, 2016, based on the Company's asset coverage and leverage ratios, there were no interest rate adjustments required for the Company's senior notes.

At September 30, 2016, the Company had no borrowings outstanding under its revolving credit facility and had unused commitments of $1.7 billion. There were no borrowings under the revolving credit facility during the second and third quarters of 2016. The Company’s weighted-average effective interest rate for the revolving credit facility for the three months ended September 30, 2015 was approximately 2.1% and for the nine months ended September 30, 2016 and 2015 was approximately 2.3% and 2.2%, respectively.

Table of Contents

5. Derivative Instruments and Hedging Activities

As of September 30, 2016, the Company had the following outstanding commodity derivatives:

				Collars					Basis
				Floor		Ceiling		Swaps	Swaps
Type of Contract	Volume		Contract Period	Range	Weighted-Average	Range	Weighted-Average	Weighted-Average	Weighted-Average
Natural gas	7.5	Bcf	Oct. 2016					$ 2.51	
Natural gas	35.5	Bcf	Jan. 2017 - Dec. 2017					$ 3.12	
Natural gas	35.5	Bcf	Jan. 2017 - Dec. 2017	$—$	3.09	$3.42-$3.45	$ 3.43		
Natural gas	17.7	Bcf	Jan. 2018 - Dec. 2019						$ 0.42
Crude oil	0.5	Mmbbl	Oct. 2016 - Dec. 2016	$—$	38.00	$47.10-$47.50	$ 47.28		

In the table above, natural gas prices are stated per Mcf and crude oil prices are stated per barrel.

Effect of Derivative Instruments on the Condensed Consolidated Balance Sheet

		Derivative Assets		Derivative Liabilities	
(In thousands)	Balance Sheet Location	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Commodity contracts	Other current assets	$ 518	$ —	$ —	$ —
Commodity contracts	Other assets (non-current)	1,144	—	—	—
Commodity contracts	Derivative instruments (current)	—	—	5,818	—
Commodity contracts	Other liabilities (non-current)	—	—	335	—
		$ 1,662	$ —	$ 6,153	$ —

Offsetting of Derivative Assets and Liabilities in the Condensed Consolidated Balance Sheet

(In thousands)	September 30, 2016	December 31, 2015
Derivative assets		
Gross amounts of recognized assets	$ 2,668	$ —
Gross amounts offset in the statement of financial position	(1,006)	—
Net amounts of assets presented in the statement of financial position	1,662	—
Gross amounts of financial instruments not offset in the statement of financial position	—	—
Net amount	$ 1,662	$ —
Derivative liabilities		
Gross amounts of recognized liabilities	$ 7,159	$ —
Gross amounts offset in the statement of financial position	(1,006)	—
Net amounts of liabilities presented in the statement of financial position	6,153	—
Gross amounts of financial instruments not offset in the statement of financial position	—	—
Net amount	$ 6,153	$ —

Table of Contents

Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

(In thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Cash received (paid) on settlement of derivative instruments				
Gain (loss) on derivative instruments	$(8,101)	$45,097	$3,204	$133,827
Non-cash gain (loss) on derivative instruments				
Gain (loss) on derivative instruments	15,005	(27,733)	(4,490)	(89,159)
	$6,904	$17,364	$(1,286)	$44,668

6. Fair Value Measurements

The Company follows the authoritative guidance for measuring fair value of assets and liabilities in its financial statements. For further information regarding the fair value hierarchy, refer to Note 1 of the Notes to the Consolidated Financial Statements in the Form 10-K.

Financial Assets and Liabilities

The following fair value hierarchy table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis:

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2016
Assets				
Deferred compensation plan	$ 12,297	$ —	$ —	$ 12,297
Derivative instruments	—	(233)	1,895	1,662
Total assets	$ 12,297	$ (233)	$ 1,895	$ 13,959
Liabilities				
Deferred compensation plan	$ 25,088	$ —	$ —	$ 25,088
Derivative instruments	—	4,722	1,431	6,153
Total liabilities	$ 25,088	$ 4,722	$ 1,431	$ 31,241

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Assets				
Deferred compensation plan	$ 12,921	$ —	$ —	$ 12,921
Total assets	$ 12,921	$ —	$ —	$ 12,921
Liabilities				
Deferred compensation plan	$ 22,371	$ —	$ —	$ 22,371
Total liabilities	$ 22,371	$ —	$ —	$ 22,371

The Company's investments associated with its deferred compensation plan consist of mutual funds and deferred shares of the Company's common stock that are publicly traded and for which market prices are readily available.

The derivative instruments were measured based on quotes from the Company's counterparties. Such quotes have been derived using an income approach that considers various inputs including current market and contractual prices for the underlying instruments, quoted forward prices for natural gas and crude oil, basis differentials, volatility factors and interest rates, such as a LIBOR curve for a similar length of time as the derivative contract term as applicable. Estimates are verified using relevant NYMEX futures contracts and/or are compared to multiple quotes obtained from counterparties for reasonableness. The determination of the fair values presented above also incorporates a credit adjustment for non-performance risk. The Company measured the non-performance risk of its counterparties by reviewing credit default swap spreads for the various financial institutions with which it has derivative transactions, while non-performance risk of the Company is evaluated

11

Table of Contents

using a market credit spread provided by the Company’s bank. The Company has not incurred any losses related to non-performance risk of its counterparties and does not anticipate any material impact on its financial results due to non-performance by third parties.

The most significant unobservable inputs relative to the Company’s Level 3 derivative contracts are basis differentials and volatility factors. An increase (decrease) in these unobservable inputs would result in an increase (decrease) in fair value, respectively. The Company does not have access to the specific assumptions used in its counterparties’ valuation models. Consequently, additional disclosures regarding significant Level 3 unobservable inputs were not provided.

The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy:

	Nine Months Ended September 30,	
(In thousands)	2016	2015
Balance at beginning of period	$—	$85,958
Total gain (loss) included in earnings	381	23,867
Settlement (gain) loss	83	(77,532)
Transfers in and/or out of level 3	—	—
Balance at end of period	$464	$32,293
Change in unrealized gain (loss) relating to assets and liabilities still held at the end of the period	$464	$(53,665)

There were no transfers between Level 1 and Level 2 fair value measurements for the nine months ended September 30, 2016 and 2015.

Non-Financial Assets and Liabilities

The Company discloses or recognizes its non-financial assets and liabilities, such as impairments, at fair value on a nonrecurring basis. As none of the Company’s non-financial assets and liabilities were measured at fair value as of September 30, 2016 and December 31, 2015, additional disclosures were not required.

The estimated fair value of the Company’s asset retirement obligation at inception is determined by utilizing the income approach by applying a credit-adjusted risk-free rate, which takes into account the Company’s credit risk, the time value of money, and the current economic state to the undiscounted expected abandonment cash flows. Given the unobservable nature of the inputs, the measurement of the asset retirement obligations was classified as Level 3 in the fair value hierarchy.

Fair Value of Other Financial Instruments

The estimated fair value of other financial instruments is the amount at which the instrument could be exchanged currently between willing parties. The carrying amount reported in the Condensed Consolidated Balance Sheet for cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. Cash and cash equivalents are classified as Level 1 in the fair value hierarchy and the remaining financial instruments are classified as Level 2.

The Company uses available market data and valuation methodologies to estimate the fair value of debt. The fair value of debt is the estimated amount the Company would have to pay a third party to assume the debt, including a credit spread for the difference between the issue rate and the period end market rate. The credit spread is the Company’s default or repayment risk. The credit spread (premium or discount) is determined by comparing the Company’s senior notes and revolving credit facility to new issuances (secured and unsecured) and secondary trades of similar size and credit statistics for both public and private debt. The fair value of all senior notes and the revolving credit facility is based on interest rates currently available to the Company. The Company’s debt is valued using an income approach and classified as Level 3 in the fair value hierarchy.

Table of Contents

The carrying amount and fair value of debt is as follows:

(In thousands)	September 30, 2016 Carrying Amount	September 30, 2016 Estimated Fair Value	December 31, 2015 Carrying Amount	December 31, 2015 Estimated Fair Value
Debt, net	$1,520,190	$ 1,507,258	$2,016,139	$ 1,839,530
Current maturities	—	—	(20,000)	(20,378)
Long-term debt, excluding current maturities	$1,520,190	$ 1,507,258	$1,996,139	$ 1,819,152

7. Asset Retirement Obligations

Activity related to the Company's asset retirement obligations is as follows:

(In thousands)	Nine Months Ended September 30, 2016
Balance at beginning of period	$145,606
Liabilities incurred	2,861
Liabilities settled	(708)
Liabilities divested	(16,353)
Accretion expense	5,295
Balance at end of period	$136,701

8. Commitments and Contingencies

Contractual Obligations

The Company has various contractual obligations in the normal course of its operations. There have been no material changes to the Company's contractual obligations described under "Transportation and Gathering Agreements," "Drilling Rig Commitments" and "Lease Commitments" as disclosed in Note 9 in the Notes to Consolidated Financial Statements included in the Form 10-K.

Legal Matters

The Company is a defendant in various legal proceedings arising in the normal course of business. All known liabilities are accrued when management determines they are probable based on its best estimate of the potential loss. While the outcome and impact of these legal proceedings on the Company cannot be predicted with certainty, management believes that the resolution of these proceedings will not have a material effect on the Company's financial position, results of operations or cash flows.

Contingency Reserves

When deemed necessary, the Company establishes reserves for certain legal proceedings. The establishment of a reserve is based on an estimation process that includes the advice of legal counsel and subjective judgment of management. While management believes these reserves to be adequate, it is reasonably possible that the Company could incur additional losses with respect to those matters in which reserves have been established. The Company believes that any such amount above the amounts accrued would not be material to the Condensed Consolidated Financial Statements. Future changes in facts and circumstances not currently foreseeable could result in the actual liability exceeding the estimated ranges of loss and amounts accrued.

9. Capital Stock

On February 22, 2016, the Company entered into an underwriting agreement, pursuant to which the Company sold an aggregate of 44,000,000 shares of common stock at a price to the Company of $19.675 per share. On February 26, 2016, the Company received $865.7 million in net proceeds, after deducting underwriting discounts and commissions. On March 2, 2016, the Company sold an additional 6,600,000 shares of common stock as a result of the exercise of the underwriters' option to purchase additional shares and received $129.9 million in net proceeds. These net proceeds were used for general corporate purposes, including repaying indebtedness under the Company's revolving credit facility and certain of our senior notes and funding a portion of our capital program.

13

Table of Contents

10. Stock-based Compensation
General
From time to time the Company grants certain stock-based compensation awards, including restricted stock awards, restricted stock units and performance share awards. Stock-based compensation expense (benefit) associated with these awards was $5.1 million and $(2.9) million in the third quarter of 2016 and 2015, respectively, and $23.0 million and $11.6 million during the first nine months of 2016 and 2015, respectively. Stock-based compensation expense is included in general and administrative expense in the Condensed Consolidated Statement of Operations.
During the first nine months of 2016, the Company recorded a tax shortfall of $2.1 million, resulting in a reduction of the Company's windfall tax benefit that is recorded in additional paid in capital in the Condensed Consolidated Balance Sheet. There was no tax benefit recognized from stock-based compensation during the first nine months of 2015. The tax shortfall is a result of book compensation cost for employee stock-based compensation exceeding the federal and state tax deductions for certain awards that vested during the period. The Company is able to recognize a tax benefit only to the extent it reduces the Company’s income taxes payable.
Refer to Note 13 of the Notes to the Consolidated Financial Statements in the Form 10-K for further description of the various types of stock-based compensation awards and the applicable award terms.
Restricted Stock Units
During the first nine months of 2016, 67,000 restricted stock units were granted to non-employee directors of the Company with a weighted-average grant date value of $20.55 per unit. The fair value of these units is measured based on the closing stock price on grant date and compensation expense is recorded immediately. These units immediately vest and are issued when the director ceases to be a director of the Company.
Performance Share Awards
The performance period for the awards granted in 2016 commenced on January 1, 2016 and ends on December 31, 2018. The Company used an annual forfeiture rate assumption ranging from 0% to 6% for purposes of recognizing stock-based compensation expense for its performance share awards.
Performance Share Awards Based on Internal Performance Metrics
The fair value of performance share award grants based on internal performance metrics is based on the closing stock price on the grant date. Each performance share award represents the right to receive up to 100% of the award in shares of common stock. Based on the Company’s probability assessment at September 30, 2016, it is considered probable that the criteria for all performance awards based on internal metrics awards will be met.
Employee Performance Share Awards. During the first nine months of 2016, 435,990 Employee Performance Share Awards were granted at a grant date value of $20.49 per share. The performance metrics are set by the Company’s compensation committee and are based on the Company’s average production, average finding costs and average reserve replacement over a three-year performance period.
Hybrid Performance Share Awards. During the first nine months of 2016, 271,938 Hybrid Performance Share Awards were granted at a grant date value of $20.49 per share. The 2016 awards vest 25% on each of the first and second anniversary dates and 50% on the third anniversary, provided that the Company has $100 million or more of operating cash flow for the year preceding the vesting date, as set by the Company’s compensation committee. If the Company does not meet the performance metric for the applicable period, then the portion of the performance shares that would have been issued on that anniversary date will be forfeited.
Performance Share Awards Based on Market Conditions
These awards have both an equity and liability component, with the right to receive up to the first 100% of the award in shares of common stock and the right to receive up to an additional 100% of the value of the award in excess of the equity component in cash. The equity portion of these awards is valued on the grant date and is not marked to market, while the liability portion of the awards is valued as of the end of each reporting period on a mark-to-market basis. The Company calculates the fair value of the equity and liability portions of the awards using a Monte Carlo simulation model.

Table of Contents

TSR Performance Share Awards. During the first nine months of 2016, 407,907 TSR Performance Share Awards were granted and are earned, or not earned, based on the comparative performance of the Company's common stock measured against a predetermined group of companies in the Company's peer group over a three-year performance period.

The following assumptions were used to determine the grant date fair value of the equity component (February 17, 2016) and the period-end fair value of the liability component of the TSR Performance Share Awards:

	Grant Date		September 30, 2016
Fair value per performance share award	$ 18.57		$5.26 - $9.14
Assumptions:			
Stock price volatility	34.4	%	30.4% - 38.4%
Risk free rate of return	0.9	%	0.3% - 0.8%

11. Earnings per Common Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS is similarly calculated except that the common shares outstanding for the period is increased using the treasury stock method to reflect the potential dilution that could occur if outstanding stock appreciation rights were exercised and stock awards were vested at the end of the applicable period.

Anti-dilutive shares represent potentially dilutive securities that which are excluded from the computation of diluted income or loss per share as their impact would be anti-dilutive.

The following is a calculation of basic and diluted weighted-average shares outstanding:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2016	2015	2016	2015
Weighted-average shares - basic	465,149	413,846	454,060	413,636
Dilution effect of stock appreciation rights and stock awards at end of period	—	—	—	—
Weighted-average shares - diluted	465,149	413,846	454,060	413,636

The following is a calculation of weighted-average shares excluded from diluted EPS due to the anti-dilutive effect:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2016	2015	2016	2015
Weighted-average stock appreciation rights and stock awards excluded from diluted EPS due to the anti-dilutive effect due to net loss	1,784	1,692	1,326	1,390
Weighted-average stock appreciation rights and stock awards excluded from diluted EPS due to the anti-dilutive effect calculated using the treasury stock method	—	—	1	3
Weighted-average stock appreciation rights and stock awards excluded from diluted EPS due to the anti-dilutive effect	1,784	1,692	1,327	1,393

Table of Contents

12. Additional Balance Sheet Information

Certain balance sheet amounts are comprised of the following:

(In thousands)	September 30, 2016	December 31, 2015
Accounts receivable, net		
Trade accounts	$ 118,840	$ 116,772
Joint interest accounts	1,618	2,013
Other accounts	1,986	2,557
	122,444	121,342
Allowance for doubtful accounts	(1,143)	(1,113)
	$ 121,301	$ 120,229
Inventories		
Tubular goods and well equipment	$ 10,962	$ 14,685
Natural gas in storage	2,525	2,364
	$ 13,487	$ 17,049
Other current assets		
Prepaid balances and other	$ 3,588	$ 2,671
Derivative instruments	518	—
	$ 4,106	$ 2,671
Other assets		
Deferred compensation plan	$ 12,297	$ 12,921
Debt issuance costs	12,258	14,871
Derivative instruments	1,144	—
Other accounts	78	64
	$ 25,777	$ 27,856
Accounts payable		
Trade accounts	$ 26,439	$ 30,038
Natural gas purchases	2,815	2,231
Royalty and other owners	70,631	75,106
Accrued capital costs	44,551	27,479
Taxes other than income	10,349	14,628
Other accounts	5,357	10,925
	$ 160,142	$ 160,407
Accrued liabilities		
Employee benefits	$ 8,040	$ 13,870
Taxes other than income	5,910	5,073
Asset retirement obligations	2,000	2,000
Other accounts	2,249	3,980
	$ 18,199	$ 24,923
Other liabilities		
Deferred compensation plan	$ 25,088	$ 22,371
Other accounts	4,330	3,653
	$ 29,418	$ 26,024

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following review of operations for the three and nine month periods ended September 30, 2016 and 2015 should be read in conjunction with our Condensed Consolidated Financial Statements and the Notes included in this Form 10-Q and with the Consolidated Financial Statements, Notes and Management's Discussion and Analysis included in the Cabot Oil & Gas Corporation Annual Report on Form 10-K for the year ended December 31, 2015 (Form 10-K).

OVERVIEW

Financial and Operating Overview

Financial and operating results for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 are as follows:

- Equivalent production increased 11.5 Bcfe, or 3%, from 451.5 Bcfe, or 1,653.8 Mmcfe per day, in 2015 to 463.0 Bcfe, or 1,689.6 Mmcfe per day, in 2016.
- Natural gas production increased 18.6 Bcf, or 4%, from 423.2 Bcf in 2015 to 441.8 Bcf in 2016, as a result of drilling and completion activities in Pennsylvania, partially offset by the divestiture of certain oil and gas properties in east Texas.
- Crude oil/condensate/NGL production decreased 1.2 Mmbbls, or 25%, from 4.7 Mmbbls in 2015 to 3.5 Mmbbls in 2016, as result of a decrease in drilling activities in south Texas.
- Average realized natural gas price was $1.62 per Mcf, 27% lower than the $2.23 per Mcf realized in the comparable period of the prior year.
- Average realized crude oil price was $35.85 per Bbl, 25% lower than the $48.00 per Bbl realized in the comparable period of the prior year.
- Drilled 28 gross wells (28.0 net) with a success rate of 100% compared to 114 gross wells (105.5 net) with a success rate of 100% for the comparable period of the prior year.
- Total capital expenditures were $262.1 million compared to $676.9 million in the comparable period of the prior year.
- Average rig count during 2016 was approximately 1.1 rigs in the Marcellus Shale and approximately 0.3 rigs in the Eagle Ford Shale, compared to an average rig count in the Marcellus Shale of approximately 3.7 rigs and approximately 2.1 rigs in the Eagle Ford Shale in 2015.
- In the first quarter of 2016, we completed a public offering of our common stock and received net proceeds of $995.6 million, after deducting underwriting discounts and commissions.
- In the first nine months of 2016, we received proceeds of $49.1 million primarily related to the divestiture of certain proved and unproved oil and gas properties in east Texas.
- In the second quarter of 2016, we repurchased $64.0 million principal amount of our 6.51% weighted-average senior notes for approximately $68.3 million.

Market Conditions and Commodity Prices

Our financial results depend on many factors, particularly the price of natural gas and crude oil and our ability to market our production on economically attractive terms. Commodity prices are affected by many factors outside of our control, including changes in market supply and demand, which are impacted by pipeline capacity constraints, inventory storage levels, basis differentials, weather conditions and other factors. In addition, our realized prices are further impacted by our hedging activities. As a result, we cannot accurately predict future commodity prices and, therefore, we cannot determine with any degree of certainty what effect increases or decreases in these prices will have on our capital program, production volumes or revenues. Location differentials have increased in certain regions, such as in the Appalachian region, resulting in further declines in natural gas prices. We expect natural gas and crude oil prices to remain volatile. In addition to production volumes and commodity prices, finding and developing sufficient amounts of natural gas and crude oil reserves at economical costs are critical to our long-term success. For information about the impact of realized commodity prices on our natural gas and crude oil and condensate revenues, refer to "Results of Operations" below.

Table of Contents

We account for our derivative instruments on a mark-to-market basis with changes in fair value recognized in operating revenues in the Condensed Consolidated Statement of Operations. As a result of these mark-to-market adjustments associated with our derivative instruments, we will likely experience volatility in our earnings due to commodity price volatility. Refer to "Impact of Derivative Instruments on Operating Revenues" below and Note 5 to the Condensed Consolidated Financial Statements for more information.

Commodity prices have remained volatile but have improved during 2016 compared to the fourth quarter of 2015. In the event that commodity prices significantly decline, management would test the recoverability of the carrying value of its oil and gas properties and, if necessary, record an impairment charge. Following the $771.0 million and $114.9 million impairments recorded in the fourth quarter of 2014 and 2015, respectively, and the improvement in commodity prices since the fourth quarter of 2015, we do not believe that further impairment of our oil and gas properties is reasonably likely to occur in the near future; however, in the event that commodity prices significantly decline from current levels, additional impairments of our oil and gas properties may be required.

We believe that we are well-positioned to manage the challenges presented in the current commodity pricing environment, and that we can endure the current cyclical downturn in the oil and gas industry and the continued volatility in current and future commodity prices by:

- Continuing to exercise discipline in our capital program by reducing our capital expenditures and number of wells drilled compared to the prior year.
- Continuing to optimize our drilling, completion and operational efficiencies, resulting in lower operating costs per unit of production.
- Continuing to manage our balance sheet, including the issuance of common stock in February 2016 which allowed us to pay down the outstanding balance under our revolving credit facility and certain of our senior notes, leaving us with sufficient availability under our revolving credit facility and existing cash balances to meet our capital requirements and maintain compliance with our debt covenants.
- Continuing to manage price risk by strategically hedging our natural gas and crude oil production.

Outlook

As a result of lower natural gas and crude oil prices expected in 2016, we reduced our budgeted capital expenditures compared to 2015. Our full year 2016 capital spending program includes approximately $380.0 million in capital expenditures related to our drilling and completion program and contributions of approximately $30.0 million to our equity method investments. All such expenditures are expected to be funded by existing cash, operating cash flow and if required, borrowings under our revolving credit facility.

In 2016, we plan to drill approximately 42 gross wells (40.0 net) compared to 142 gross wells (132.8 net) in 2015. In 2016, we plan to operate an average of approximately 1.4 rigs, a decrease from an average of approximately 5.4 rigs in 2015. We allocate our planned program for capital expenditures among our various operating areas based on market conditions, return expectations, availability of services and human resources. We will continue to assess the natural gas and crude oil price environment along with our liquidity position and may increase or decrease our capital expenditures accordingly.

Financial Condition

Capital Resources and Liquidity

Our primary sources of cash for the nine months ended September 30, 2016 were from funds generated from the sale of common stock, the sale of natural gas and crude oil production and proceeds from the sale of assets. These cash flows were primarily used to fund our capital expenditures (including contributions to our equity method investments), repayment of indebtedness under our revolving credit facility and certain of our senior notes, interest payments and payment of dividends. See below for additional discussion and analysis of cash flow.

In the first quarter of 2016, we sold an aggregate of 50.6 million shares of common stock at a price of $19.675 per share and received $995.6 million in net proceeds, after deducting underwriting discounts and commissions. These net proceeds were used for general corporate purposes, including repaying indebtedness under our revolving credit facility and certain of our senior notes and funding a portion of our capital program.

The borrowing base under the terms of our revolving credit facility is redetermined annually in April. In addition, either we or the banks may request an interim redetermination twice a year or in connection with certain acquisitions or

18

Table of Contents

divestitures of oil and gas properties. Effective April 19, 2016, our borrowing base was reduced from $3.4 billion to $3.2 billion. The maximum credit amount under the revolving credit facility remain unchanged at $1.8 billion; however, the available commitments were reduced to $1.6 billion at the time of redetermination. We do not believe these reductions will have a significant impact on our ability to service our debt and fund our drilling program and related operations.

In May 2016, we repurchased $64.0 million principal amount of our 6.51% weighted-average senior notes for approximately $68.3 million. A $4.7 million extinguishment loss was recognized in the second quarter of 2016 associated with the premium paid and the write-off of a portion of the associated deferred financing costs due to early repayment. As a result of the repurchase of these senior notes, the available commitments under the revolving credit facility increased to $1.7 billion and remained at that level as of September 30, 2016.

We strive to manage our debt at a level below the available credit line in order to maintain borrowing capacity. Our revolving credit facility includes a covenant limiting our total debt. We believe that, with the proceeds received from our equity offering in February 2016, internally generated cash flow and availability under our revolving credit facility, we have the capacity to finance our spending plans.

At September 30, 2016, we were in compliance with all restrictive financial covenants for both the revolving credit facility and senior notes. As of September 30, 2016, based on our asset coverage and leverage ratios, there were no interest rate adjustments required for our senior notes. See our Form 10-K for further discussion of our restrictive financial covenants.

Cash Flows

Our cash flows from operating activities, investing activities and financing activities are as follows:

	Nine Months Ended September 30,	
(In thousands)	2016	2015
Cash flows provided by operating activities	$252,649	$584,954
Cash flows used in investing activities	(220,141)	(849,569)
Cash flows provided by financing activities	468,171	252,434
Net increase (decrease) in cash and cash equivalents	$500,679	$(12,181)

Operating Activities. Operating cash flow fluctuations are substantially driven by commodity prices and changes in our production volumes and operating expenses. Prices for natural gas and crude oil have historically been volatile, primarily as a result of supply and demand for natural gas and crude oil, pipeline infrastructure constraints and seasonal influences. In addition, fluctuations in cash flow may result in an increase or decrease in our capital expenditures. See “Results of Operations” for a review of the impact of prices and volumes on revenues.

Our working capital is substantially influenced by the variables discussed above and fluctuates based on the timing and the amount of borrowings and repayments under our revolving credit facility, the timing of cash collections and payments on our trade accounts receivable and payable, respectively, the issuance of common stock and changes in the fair value of our commodity derivative activity. From time to time, our working capital will reflect a deficit, while at other times it will reflect a surplus. This fluctuation is not unusual. At September 30, 2016 and December 31, 2015, we had a working capital surplus (deficit) of $458.9 million and $(90.8) million