

**BMO LifeStage Plus Funds**  
**Annual Information Form**

BMO LifeStage Plus 2017 Fund  
(Series A and Advisor Series)  
BMO LifeStage Plus 2020 Fund  
(Series A and Advisor Series)

December 22, 2016

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## General Introduction

In this document:

- *we, us, and the Manager* refer to BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal. On November 1, 2009, the Manager amalgamated with its affiliate, Guardian Group of Funds Ltd., to form a single legal entity;
- *you, unitholder and securityholder* refer to anyone who has invested in each of the funds;
- *fund or funds* refer to all of the mutual funds described under this annual information form, which are no longer offered for sale to the public;
- *BMO Mutual Fund or BMO Mutual Funds* refer to any or all of the mutual funds we offer;
- on the front cover and in this document, if the name of a series includes the words “Advisor Series”, we refer to those series as “Advisor Series” securities of the fund;
- *Target End Date* means the scheduled termination date for each the funds, being June 30, 2017 for BMO LifeStage Plus 2017 Fund and June 30, 2020 for BMO LifeStage Plus 2020 Fund; and
- *Guaranteed Maturity Amount* means the greater of the following two values: (i) \$10.00 (the net asset value per security on the start date of the fund) or (ii) the highest net asset value per security during the period from the start date of the fund up to and including the Target End Date.

BMO Investments Inc. is the trustee of the funds (in such capacity, the “Trustee”) and has exclusive authority over the assets and affairs of the funds. BMO Investments Inc. is the manager of the funds, and in such capacity, manages the funds’ investments and directs and administers the day-to-day affairs of each fund. See “*Trustee, directors and officers of the funds*” under “*Responsibility for Operations*” for details.

Each fund has an agreement with us relating to the direction, administration, investment management and distribution of its securities. See “*Management Agreement*” for details.

## Name, Formation and History of the Funds

The funds are trusts established under the laws of the Province of Ontario and are governed by an amended and restated master declaration of trust dated April 3, 2014 (the “LifeStage Plus Master Declaration of Trust”).

| <b>Fund</b>                  | <b>Formation</b>   | <b>Previous name(s), if any in the last 10 years</b> |
|------------------------------|--|--|
| BMO LifeStage Plus 2017 Fund | LifeStage Plus Master Declaration of Trust   |  |
| BMO LifeStage Plus 2020 Fund | Master declaration of trust dated May 2, 2007, and as amended and restated into the LifeStage Plus Master Declaration of Trust |  |

If you have invested in one of the funds, you purchase units of a trust and are a “unitholder”. Units are also called “securities” and holders of units are also called “securityholders”.

The principal office of each fund is located at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

## **Major Events in the Past Ten Years**

### *BMO LifeStage Plus 2017 Fund*

On August 10, 2011, this fund changed its portfolio allocation to a “protected” asset mix. The portfolio of the fund now consists entirely of fixed income investments (including provincial and corporate bonds) and cash equivalents and will continue to do so until its Target End Date to ensure that the fund has sufficient assets at maturity to pay investors the Guaranteed Maturity Amount. Given the shift to a protected portfolio, this fund is closed to all new purchases.

### *BMO LifeStage Plus 2020 Fund*

On November 20, 2008, this fund changed its portfolio allocation to a “protected” asset mix. The portfolio of the fund now consists entirely of fixed income investments (including provincial and corporate bonds) and cash equivalents and will continue to do so until its Target End Date to ensure that the fund has sufficient assets at maturity to pay investors the Guaranteed Maturity Amount. Given the shift to a protected portfolio, this fund is closed to all new purchases.

## **Investment Objectives and Policies**

Each fund offers investors the opportunity to participate with others who share a common investment objective. By pooling your capital with others, you gain access to diversified portfolios of professionally managed investments with clearly stated goals.

The investment objectives of each of the funds are to provide the opportunity for capital appreciation during the term of the fund by investing in mutual funds, fixed income securities and cash equivalents. The percentage allocated to each of these asset classes from time to time will be determined by the fund’s asset allocation strategy.

We may not change the fundamental investment objectives of a fund without first obtaining approval of a majority of the votes cast at a meeting of securityholders called for that purpose.

(See “*Your Rights as a Securityholder*” for details about your entitlement to vote on certain matters).

For those units that are held to the Target End Date of the fund, each fund intends to pay an amount per unit equal to the Guaranteed Maturity Amount. If, on the Target End Date of the fund, the net asset value per unit does not equal the Guaranteed Maturity Amount, Bank of Montreal, as sub-advisor of the fund, will pay the aggregate shortfall to the fund.

Initially, each fund invests primarily in a portfolio of mutual funds. Over time, each fund gradually increased the percentage of its assets allocated to fixed income securities and cash equivalent.

Prior to the Target End Date, the portfolio of each of the funds will be invested only in fixed income securities and cash equivalents. Subject to the approval of the independent review committee of the funds, it is expected that on its applicable Target End Date each fund will be combined with a money market mutual fund managed by us or one of our affiliates. We will send you written notice of this merger at least 60 days prior to the Target End Date.

## **Investment Restrictions and Practices**

### **General**

Except as set out in this document, we manage each fund according to the fund’s investment objectives and the standard investment restrictions and practices of Canadian securities legislation, including National Instrument 81-102 – *Investment Funds* (“NI 81-102”). These restrictions and practices are designed, in part, to ensure the investments of the funds are diversified and relatively liquid, and to ensure the funds are properly administered.

Except as specifically noted, each of the funds adheres to these standard investment restrictions and practices.

### **Self-dealing restrictions and related party investments**

The BMO Mutual Funds have received exemptive relief from Canadian securities regulatory authorities to deviate from the standard investment restrictions and practices governing mutual funds, subject to certain conditions, including obtaining the approval of the independent review committee (“IRC”) of the BMO Mutual Funds. Each of the transactions described below is referred to as a “Related Party Transaction”.

Securities legislation prohibits the BMO Mutual Funds from investing in securities of certain related issuers, unless such investment is made in accordance with National Instrument 81-107 — *Independent Review Committee for Investment Funds* (“NI 81-107”). The IRC of the BMO Mutual Funds has granted approval, pursuant to NI 81-107, to permit the funds to make and hold investments in the securities of issuers related to the BMO Mutual Funds, the Manager or an entity related to the Manager, provided that such purchase is made on an exchange on which the securities of the issuer are listed and traded.

Certain BMO Mutual Funds are deemed to be dealer managed investment funds under securities legislation. As a result, these funds may not, unless otherwise permitted by exemptive relief from Canadian securities regulatory authorities, knowingly make an investment in any issuer if a partner, director, officer or employee of such funds' portfolio manager, or a partner, director, officer or employee of an affiliate or associate of such funds' portfolio manager, is also a partner, director, officer or employee of the issuer of those securities (such issuer is referred to as a "Related Issuer") unless that partner, director, officer or employee:

- does not participate in the formulation of investment decisions made on behalf of the dealer managed investment fund;
- does not have access before implementation to information concerning investment decisions made on behalf of the dealer managed investment fund;
- does not influence, other than through research, statistical and other reports generally available to clients, the investment decisions made on behalf of the dealer managed investment fund; and
- purchases debt securities from or sells debt securities to mutual funds and pooled funds managed by the Manager or BMO Asset Management Inc. or another affiliate of the Manager.

In addition, the dealer managed funds are not permitted to make an investment in securities of an issuer during, or for 60 days after, the period in which the dealer manager of the fund (or an associate or affiliate of the dealer manager) acts as an underwriter in the distribution of such securities, except in certain circumstances provided under securities legislation. In accordance with securities legislation, the dealer managed funds have made such investments in reliance upon IRC approval.

The BMO Mutual Funds and their portfolio managers have obtained exemptive relief to purchase debt securities from or sell debt securities to, a related entity that is a principal dealer in the Canadian debt securities market, subject to certain conditions, including IRC approval.

The BMO Mutual Funds that are dealer managed funds have received exemptive relief from Canadian securities regulatory authorities from the restrictions described above, subject to certain conditions including the approval of the funds' IRC, so that the funds may engage in the following transactions:

- purchase of non-exchange-traded debt securities that have a term to maturity of 365 days or more, other than asset-backed commercial paper, of a Related Issuer under primary offerings;
- purchase of exchange-traded securities and non-exchange-traded securities issued by a Related Issuer in the secondary market;
- purchase of equity securities during the period of distribution of such securities, and during the 60-day period following the distribution, where the distribution of those

securities is made by “private placement” (an offering exempted from the prospectus requirements), notwithstanding that an underwriter related to the portfolio manager of the funds has acted as underwriter in such offering; and

- invest in debt securities of an issuer during the period of distribution (the “Distribution”) or during the period of 60 days after the Distribution, notwithstanding that the Manager, or an associate or affiliate of the Manager, acts or has acted as an underwriter in the Distribution and notwithstanding that the debt securities do not have a designated rating by a designated rating organization as contemplated by section 4.1(4)(b) of NI 81-102.

In addition, all BMO Mutual Funds, including the dealer managed funds, have obtained exemptive relief, subject to certain conditions including the approval of the IRC, to engage in the following transactions:

- purchase of non-exchange traded securities issued by entities related to the Manager or the portfolio manager of the BMO Mutual Funds in the secondary market;
- purchase of debt securities from a related dealer that holds such debt securities as principal, or the sale of debt securities to a related dealer that purchases such debt securities as principal; and
- purchase of debt securities from, or the sale of debt securities to mutual funds and pooled funds managed by the Manager or BMO Asset Management Inc. or another affiliate.

### **Reliance on IRC approval for Related Party Transactions**

Each of the transactions described in this section is referred to as a “Related Party Transaction”.

Subject to certain conditions, the BMO Mutual Funds have relied upon IRC approval to engage in the following Related Party Transactions:

- invest in or continue to invest in securities of Bank of Montreal or another related issuer;
- invest in securities during the period of distribution of those securities or during the period of 60 days following the distribution period where the portfolio manager of a fund or an entity that is related to the portfolio manager acted as an underwriter in the distribution of those securities; and
- purchase debt securities from a related dealer that holds such debt securities as principal and/or sell debt securities to a related dealer that purchases such debt securities as principal.

A BMO Mutual Fund may engage in a Related Party Transaction only if (i) such transaction is consistent with the BMO Mutual Fund’s investment objectives and strategies; (ii) the IRC has approved the transaction; (iii) the Manager complies with certain obligations in connection with these types of transactions; and (iv) the IRC and Manager comply with certain requirements under NI 81-107, among other conditions.

For each Related Party Transaction, the IRC has provided its approval and issued standing instructions. In each case, the standing instructions require the Manager to follow governing policies and procedures and to report periodically to the IRC. The policies and procedures are designed to ensure, among other things, that the Related Party Transactions: (i) are consistent with, or are necessary to meet, the investment objectives of the BMO Mutual Funds; (ii) are free from any influence by an entity related to the Manager or the portfolio manager (an “Affiliate”) and without taking into account any consideration relevant to an Affiliate; (iii) represent the business judgment of the Manager uninfluenced by considerations other than the best interests of the BMO Mutual Funds; and (iv) achieve a fair and reasonable result for the BMO Mutual Funds. In the event an investment decision in respect of a Related Party Transaction is not made in accordance with the foregoing requirements, the Manager is required to notify the IRC and the IRC, as soon as practicable, is required to notify the Canadian securities regulators. The IRC is also required to report such a transaction in its annual report to the securityholders of the BMO Mutual Funds.

Additional information about the mandate, duties and responsibilities of the IRC is disclosed under “*Fund Governance*”.

We have obtained exemptive relief from self-dealing provisions to permit inter-fund trades in debt securities between mutual funds and pooled funds managed by the Manager or an affiliate of the Manager, subject to certain conditions imposed by the regulators, including IRC approval.

The Manager has obtained exemptive relief to permit inter-fund trades among mutual funds, pooled funds and managed accounts managed by the Manager or an affiliate, subject to certain conditions including IRC approval (for mutual funds and pooled funds) and client consent (for managed accounts). Trades involving exchange traded securities are permitted to occur at the last sale price as defined in the Universal Market Integrity Rules, subject to pricing and transparency conditions.

### **Other exemptions for the funds**

We, and all of the BMO Mutual Funds, have obtained exemptive relief, subject to certain conditions, to permit the BMO Mutual Funds to purchase securities of exchange-traded funds managed by the Manager, or an affiliate or associate of the Manager, and to pay the applicable brokerage commissions associated with such purchases in the secondary market.

The BMO Mutual Funds have received exemptive relief from Canadian securities regulatory authorities, subject to certain conditions, to invest in certain exchange traded funds. A BMO Mutual Fund may invest in these exchange traded funds only if: (i) immediately after the purchase, not more than 10% of the net asset value of the BMO Mutual Fund, taken at market value at the time of the purchase, would consist of securities of these exchange traded funds; and (ii) the investment in securities of these exchange traded funds is in accordance with the BMO Mutual Fund’s investment objectives. Furthermore, a BMO Mutual Fund will not invest in these exchange traded funds with an underlying index based (directly or indirectly through a specified derivative or otherwise) on a physical commodity other than gold.



The BMO Mutual Funds have received an exemption to enable them, in certain circumstances, to engage in *in specie* transactions in respect of the purchase and redemption of securities of a fund by an account managed by the Manager or an affiliate (a “managed account”) and in respect of the purchase and redemption of securities of a fund by another fund, another mutual fund that is subject to NI 81-102 for which the Manager or an affiliate acts as portfolio advisor (a “related fund”) or a pooled fund for which the Manager or an affiliate acts as portfolio advisor (a “pooled fund”), subject to certain conditions.

The funds received an exemption to enable them, in certain circumstances, to purchase or sell securities to another fund, a related fund, a pooled fund or a managed account, subject to certain conditions, including the requirement for IRC approval (for mutual funds and pooled funds) and client consent (for managed accounts). Trades involving exchange-traded securities are permitted to occur at the last sale price as defined in the Universal Market Integrity Rules, subject to pricing and transparency conditions.

The BMO Mutual Funds have obtained exemptive relief from the Canadian securities regulatory authorities to permit the funds to invest in certain exchange traded funds that are not considered “index participation units” under NI 81-102, subject to certain conditions.

The BMO Mutual Funds have obtained exemptive relief that permits them to purchase and hold securities of certain Hong Kong exchange traded funds (“Hong Kong ETFs”) and certain United Kingdom exchange traded funds (“UCITS ETFs”) managed by our affiliates, provided that:

- the investment by a fund in securities of the Hong Kong ETFs and UCITS ETFs is in accordance with the fundamental investment objectives of the fund;
- none of the Hong Kong ETFs and UCITS ETFs are synthetic exchange traded funds, meaning that they will not principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index;
- the relief from paragraph 2.5(2)(e) of NI 81-102 only applies to brokerage fees payable in connection with the purchase or sale of securities of the Hong Kong ETFs or the UCITS ETFs;
- the simplified prospectus of each fund that is relying on this relief discloses the fact that the fund has obtained relief to invest in the Hong Kong ETFs or the UCITS ETFs, as applicable;
- the investment by a fund in a Hong Kong ETF or a UCITS ETF otherwise complies with section 2.5 of NI 81-102;
- a fund does not invest more than 10% of its net asset value in securities issued by a single Hong Kong ETF or UCITS ETF, and does not invest more than 20% of its net asset value in securities issued by Hong Kong ETFs or UCITS ETFs in aggregate; and
- a fund does not acquire any additional securities of a Hong Kong ETF or UCITS ETF, and shall dispose of any securities of a Hong Kong ETF or UCITS ETF then held (within six months in the case of UCITS ETFs), in the event the regulatory regime applicable to either the Hong Kong ETF or UCITS ETF is changed in any material way.

## **Eligibility for Registered Plans**

Securities of each fund are a qualified investment under the *Income Tax Act* (Canada) (the “Tax Act”) for registered retirement savings plans (RRSPs), registered retirement income funds

(RRIFs), registered education savings plans (RESPs), deferred profit sharing plans (DPSPs), registered disability savings plans (RDSPs) and tax-free savings accounts (TFSA), (collectively, “registered plans” and each a “registered plan”).

Securities of a fund may be a prohibited investment under the Tax Act for an RRSP, RRIF or TFSA even when the securities are a qualified investment. Securities of a fund will generally not be a prohibited investment for an RRSP, RRIF or TFSA of a planholder if the planholder and persons (and partnerships) who do not deal at arm’s length with the planholder do not, in total, own directly or indirectly 10% or more of the fair market value of that fund.

**Investors should consult their own tax advisor for advice on whether or not securities of a fund are at risk of being or becoming a prohibited investment or whether a particular transaction would constitute a prohibited advantage under the Tax Act for their registered plans.**

## **Your Rights as a Securityholder**

Each fund is divided into units (or “securities”) and is authorized to issue an unlimited number of securities and fractions of securities. Certificates are generally not issued to securityholders.

The funds issue more than one series of securities. The principal differences between all of the series we offer relates to the fees payable by the series, the purchase options under which you may purchase the series, and the type and frequency of distributions you may receive as an investor in the series.

As a securityholder, you are generally entitled to participate *pro rata* in the net income and net capital gains of the fund that are attributable to the securities you hold. On liquidation, you are entitled to participate *pro rata* in the net assets of the fund remaining after satisfaction of outstanding liabilities that are attributable to the series of securities you hold. You may not transfer or assign securities but may redeem securities on demand and pledge securities as security. You have no ownership rights in any assets of a fund. A security of one fund does not carry rights to any other fund. As a securityholder, you have no special rights to buy other securities. Please see below under the subheading “*Meetings of securityholders*” for a description of your voting rights.

All securities are issued as fully paid and non-assessable in Canadian dollars so that you will not be liable for any further payments to the fund for those securities.

### **Meetings of securityholders**

You have a right to exercise one vote for each whole unit or security you hold at meetings of securityholders of your fund or of your series on any matters that require securityholder approval under NI 81-102 and the constating documents of the funds.

You are entitled to vote on the following matters:

- certain reorganizations of your fund (see below for further details);

- in certain circumstances, for holders of Advisor Series securities, any changes in the basis of the calculation of a fee or expense or the introduction of any fee or expense that could result in an increase in the charges to the series or to securityholders of such series, as set out in the simplified prospectus (see below for further details);
- certain material changes to your fund's constating documents (see "*Amendments to the Constating Documents*" for more details);
- the appointment of a new manager of your fund, unless the new manager is an affiliate of the Manager;
- any change in the fundamental investment objectives of your fund; and
- any decrease in the frequency of calculating your fund's net asset value.

If the nature of the business to be transacted at a meeting concerns only a particular series of a fund, generally, only securityholders holding securities of that series of that fund will be entitled to vote and those securities will be voted separately as a series.

In general, the approval of securityholders will not be obtained if the basis of the calculation of a fee or expense that is charged to Series A of a fund (or is charged directly to securityholders of these series by the fund or by us in connection with the holding of securities of such series of the fund) is changed in a way that could result in an increase in charges to the series or to securityholders of such series or if a fee or expense, to be charged to Series A securities of a fund (or to be charged directly to securityholders of these series by the fund or by us in connection with the holding of securities of such series of the fund) that could result in an increase in charges to the series or to securityholders of such series, is introduced. In the cases above, securityholders of such series will be sent a written notice of the change at least 60 days prior to the effective date.

If the basis of the calculation of a fee or expense that is charged to any other series of a fund is changed in a way that could result in an increase in charges to the series or to securityholders of these series or if a fee or expense to be charged directly to securityholders of these series by the fund or by us in connection with the holding of securities of such series of the fund is introduced, and if this fee or expense is charged by an entity that is at arm's length to the fund, then the approval of securityholders of such series will not be obtained. In the cases above, securityholders of such series will be sent a written notice of the change at least 60 days prior to the effective date.

In certain circumstances, in place of you approving a fund merger, the IRC has been permitted under securities legislation to approve a fund merger. In these circumstances, you will receive written notice of any proposed merger at least 60 days prior to the effective date of the merger.

If a fund holds securities of another mutual fund that is managed by us or one of our associates or affiliates, the fund will not vote the securities of the underlying fund. We may, at our discretion, arrange for securities of the underlying fund to be voted by the securityholders of the fund holding those securities.

We may change securityholders' rights for any fund, as permitted by applicable legislation, by amending the LifeStage Plus Master Declaration of Trust. Please see "*Amendments to the Constating Documents*" for more details.

In order to effect any change which requires securityholder approval, unless otherwise required by the constating documents of the funds or by securities legislation, a resolution passed by at least a majority of the votes cast at a meeting of securityholders is required. In the case of an equality of votes, the chairman presiding at the meetings of all of the funds will have a casting vote.

## **Valuation of Portfolio Securities**

### **Assets**

The assets of each fund include:

- all cash on hand, on deposit or on call;
- all bills and notes and accounts receivable;
- all shares and subscription rights and other securities;
- all stock and cash dividends and cash distributions not yet received by the fund but declared to shareholders of record before the net asset value per security is determined;
- all bonds, debentures, mortgages and other evidences of indebtedness;
- interest accrued on any fixed interest bearing securities;
- margin receivable on futures contracts; and
- all other property, including prepaid expenses.

### **Value of assets**

We determine the value of each fund's assets using the following principles:

- Cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends receivable and interest declared or accrued and not yet received are valued at the full amount or at what we consider to be the fair value;
- Money market investments are recorded at their fair value;
- Securities listed on any stock exchange are valued at:
  - the latest closing sale price (or such other value as the Canadian Securities Administrators may permit) last reported on the valuation date; or
  - if no closing sale price is available, the security shall be fair valued;
- Mutual fund securities that are not listed on any stock exchange are valued at their respective net asset values on the relevant valuation date;
- Bonds are valued at bid prices obtained from a recognized pricing service;
- Securities or property which have no available price quotations are valued at our best estimate of the fair value;
- Foreign currency accounts are expressed in Canadian dollars on the following basis:
  - investments and other assets are valued at the rate of exchange at the end of the valuation period; and
  - purchases and sales of investments, income and expenses are recorded at the rate of exchange on the dates of the transactions;
- A fund's holdings are valued in Canadian dollars before we calculate the net asset value of the security;

- Forward foreign exchange contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date. Foreign exchange options are valued at their quoted market value. When the contract or option closes or expires, we will recognize a realized foreign exchange gain or loss;
- Forward contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date;
- Clearing corporation options are valued at the current market value;
- Where a covered clearing corporation option is written, the premium received is considered a deferred credit with a value equal to the current market value of an option that would have the effect of closing the position. We'll treat any difference resulting from revaluation as an unrealized gain or loss. We'll deduct the deferred credit to arrive at the net asset value of the fund;
- Futures contracts are valued at outstanding current margin payable or receivable;
- Bullion, coins, certificates or other evidences of precious metals are valued at current market value;
- Restricted securities are valued at the lesser of (i) the value thereof based on reported quotations in common use, and (ii) the percentage of the market value of unrestricted securities of the same class, equal to the percentage that the Fund's acquisition cost was of the market value of such unrestricted securities at the time of acquisition, provided that if we know the time period during which the restrictions on such securities apply, we may adjust the price to reflect that time period;
- All other assets are valued at our best estimate of fair value; and
- If we consider any of these valuation rules inappropriate, or we cannot value an investment according to these rules, we may estimate the fair value of an investment using established fair valuation procedures such as: consideration of public information, broker quotes and valuation models. We may also use external fair value service providers. The value calculated on fair value securities for the purposes of calculating a fund's net asset value may differ from the securities' most recent closing market price.

We may also fair value securities in the following circumstances:

- when there is a halt trade on a security that is normally traded on an exchange;
- on securities that trade on markets that have closed prior to the time of calculation of the net asset value of the fund and for which there is sufficient evidence that the closing price on that market is not the most appropriate value at the time of valuation; and
- when there are investment or currency restrictions imposed by a country that affect the fund's ability to liquidate the assets held in that market.

An example of when the closing market price of a security may not be appropriate would be when exchanges are closed by a local government or regulator and the securities involved are a relatively small portion of a fund's total portfolio. In such cases, we may look at the available evidence of value of these securities in North American markets and make an adjustment where appropriate.

The Manager has valued the securities in the funds in accordance with the disclosed practices, and in particular, in accordance with the foregoing outlined principles. In doing so, the manager has not in the last three years had to exercise discretion to deviate from the funds' stated valuation practices outlined in this annual information form.

## Liabilities

The liabilities of each fund include:

- all bills and notes and accounts payable and/or accrued;
- all administrative and operating expenses payable or accrued or both, including management fees;
- all contractual obligations for money or property, including any unpaid distribution credited to securityholders the day before the net asset value per security is determined;
- all allowances authorized or approved by the Manager for taxes (if any) or contingencies;
- the value of margin payable on futures contracts; and
- all other liabilities of the fund.

Securities are still considered outstanding on the day we receive a request to redeem them. They are valued at the redemption price per security on that day, but are considered a liability of a fund only after the close of business on that day.

## How we calculate net asset value

The issue and redemption price of securities of a fund is based on the security's net asset value next determined after the receipt of a purchase order or a redemption order.

We determine the net asset value per security as at 4:00 p.m. Eastern Time on each day that the Toronto Stock Exchange is open for business, or any other time as we may from time to time determine to be a day for valuation of any fund (the "Valuation Day"). The net asset value per security remains in effect until we determine the next net asset value per security. The net asset value per security is published each Valuation Day and is available, at no cost to you, on our websites at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) if you purchased your securities through a BMO Bank of Montreal branch or through the BMO Investment Centre and [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) if you purchased your securities through a dealer, as applicable.

To determine the net asset value for each series of securities we first calculate four values:

- A = the total market value in Canadian dollars of the series' proportionate share of the assets of the fund
- L = the liabilities of the fund attributable to the series of securities
- N = net assets attributable to the series of the fund
- U = total number of securities of that series outstanding
- N = A minus L.

The following equation then determines the net asset value per security:

$$N \div U$$

## **Buying Securities**

### **How to buy securities of a fund**

The funds have changed their portfolio allocations to a “protected” asset mix. Given the shift to protected portfolios, the funds are closed to all new purchases.

### **Purchase options**

If you purchased Series A securities of the funds, you did not pay any sales or redemption charges.

If you purchased Advisor Series securities of the funds, you had the option of purchasing, through your dealer, Advisor Series securities at the net asset value per security plus a negotiated initial sales charge payable at the time of purchase (“Sales Charge option”), or at the net asset value per security with no initial sales charge, but where you may have to pay a redemption fee in certain circumstances (the “Deferred Charge options”). There are two Deferred Charge options available: the Low Load Deferred Charge option and the Standard Deferred Charge option.

Series A securities are not offered under any sales charge option. The purchase option chosen will affect the amount of sales commissions and service fees paid to your dealer. See “*Fees and expenses*” in the simplified prospectus.

## **Redeeming Securities**

### **How to request a redemption**

Securities of the funds may be redeemed at the option of the investor on any Valuation Day.

You may redeem some or all of your Series A securities: (1) in person, at any Bank of Montreal branch; (2) by telephone, once you have completed the prescribed redemption form with your Bank of Montreal branch or through the BMO Investment Centre; (3) through the internet (other than from an RDSP) at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) after completion of an authorization form; or (4) by mail. You may also redeem securities through your dealer. For your protection, you must sign your redemption request and we may ask that your signature be guaranteed by a bank, trust company or your dealer. Your redemption request will be forwarded to us by courier, priority post or telecommunication facility at no charge to you on the same business day you complete the form. However, if you have not completed the form in full, we cannot fulfill your redemption request.

If you are redeeming your securities through your dealer, whenever practicable, your dealer is required to transmit your redemption request by courier or telecommunications facilities in order to expedite the redemption request’s receipt by the Manager. The cost of this transmittal, regardless of its form, must be borne by your dealer. As a security measure, the Manager will not accept a redemption request sent by telecommunications facilities directly from an investor. Your redemption request must be forwarded to us by your dealer on the same business day.

If we have not received all the necessary documentation and/or information needed to settle your redemption request within ten (10) business days, we are required under securities legislation to purchase the equivalent number of securities you asked to be redeemed as of the close of business on the tenth business day. If the purchase price of the securities is less than the original redemption price, the fund will keep the difference. If the amount of the purchase price exceeds the original redemption price, we will pay the difference to the fund and may seek reimbursement from your dealer, together with additional costs. Your dealer may be entitled to recover these amounts from you.

If applicable, an investor whose securityholding is evidenced by a registered certificate who wishes to have his or her securities redeemed shall surrender his or her certificate to the Manager with the request that the same shall be redeemed. For the protection of investors, an investor's signature on any redemption request or on the back of any certificate must be guaranteed by a bank, trust company or dealer.

Further documentation may be required for corporations and other accounts that are not in the name of an individual.

If all necessary redemption documents, properly completed, accompany the redemption request, within three business days after we determine the redemption price, we will:

- send you a cheque, make a direct deposit to your bank account or send money to your dealer in payment for the securities you have redeemed; and
- send you or your dealer a transaction confirmation including the balance in your investment account.

### **Redemption price**

You may redeem securities on any Valuation Day at the net asset value per security. If we receive your redemption request before 4:00 p.m. Eastern Time on any Valuation Day, the redemption value will be calculated on that day. If we receive your redemption request after 4:00 p.m. Eastern Time or on a day that is not a Valuation Day, the redemption value will be calculated on the next Valuation Day. This is called the redemption price. If the Toronto Stock Exchange closes earlier than 4:00 p.m. Eastern Time, we may impose an earlier deadline.

If you're redeeming securities, we'll transfer or mail the proceeds to you within three (3) business days after we determine the redemption price provided all necessary documents and/or information have been received. You will receive your redemption proceeds in Canadian dollars when you redeem securities of the funds.

Your dealer may provide in any arrangements it has with you that you are required to compensate your dealer for any losses suffered by it in connection with your failure to satisfy the requirements for a redemption of securities of a fund.

You pay no redemption charges when you buy any Series A securities offered under the 'no load' option through us. You also pay no redemption charges when you buy certain other series



of securities, including Advisor Series securities under the Sales Charge option through your dealer.

### **Calculating redemption fees**

If you purchased securities under the Low Load Deferred Charge option or the Standard Deferred Charge option, you may have to pay a redemption fee when you redeem your securities. The redemption fee is based on the original date of purchase and the original price of your securities.

#### *Low Load Deferred Charge Option*

The redemption fees payable for redeeming securities purchased under the Low Load Deferred Charge option are set out below:

| <b>If redeemed during the following periods after purchase</b> | <b>Redemption fee</b> |
|--|-----------------------|
| First year   | 3.0%                  |
| Second year  | 2.0%                  |
| Third year   | 1.0%                  |
| Thereafter   | Nil                   |

No redemption fee will be payable for:

- switching your investment to another BMO Mutual Fund purchased under the Low Load Deferred Charge option;
- cash distributions or dividends on securities purchased under the Low Load Deferred Charge option; or
- securities received on the reinvestment of distributions or dividends that are distributed as a result of securities purchased under the Low Load Deferred Charge option.

#### *Standard Deferred Charge Option*

The redemption fees payable for redeeming securities purchased under the Standard Deferred Charge option are set out below:

| <b>If redeemed during the following periods after purchase</b> | <b>Redemption fee</b> |
|--|-----------------------|
| First year   | 6.0%                  |
| Second year  | 5.5%                  |
| Third year   | 5.0%                  |
| Fourth year  | 4.5%                  |
| Fifth year   | 4.0%                  |
| Sixth year   | 3.0%                  |
| Seventh year   | 2.0%                  |
| Thereafter   | Nil                   |

No redemption fee will be payable for:

- switching your investment to another BMO Mutual Fund purchased under the Standard Deferred Charge option;
- cash distributions or dividends paid in cash on securities purchased under the Standard Deferred Charge option; or
- securities received on the reinvestment of distributions or dividends that are paid from securities purchased under the Standard Deferred Charge option.

To minimize any redemption fees you may be required to pay under any deferred charge option, the following rules apply:

- the securities first purchased or deemed to be purchased along with any securities received on the reinvestment of distributions of these securities will be redeemed first; and
- any redemptions or re-designations in a calendar year that fall within the “Free Redemption Amount” will not be subject to a redemption fee.

The “Free Redemption Amount” for a calendar year is equal to the sum of: (a) 10% of the number of securities held at the end of the last calendar year; and (b) 10% of the number of securities purchased during the current calendar year up to the time of the redemption. You cannot carry forward any unused portion of the Free Redemption Amount to the next calendar year.

### **Automatic redemption**

If the value of your investment in a fund falls below the minimum amount as determined by us from time to time, we will give you 30 days’ written notice before we redeem all the securities of such fund in your account. If, as a result of market fluctuation, the value of your securities falls below the minimum balance, we may buy your securities from you or redeem them for you after giving you 10 days’ notice. If, as a result of a partial redemption, the value of your remaining holding falls below the minimum balance, we may redeem such remaining holding immediately and without prior notice to you. See “*Your guide to buying, switching and redeeming the funds*” in the BMO Mutual Funds’ simplified prospectus for more details.

### **Suspension of redemptions**

A fund may suspend your right to request a redemption for all or part of a period when:

- normal trading is suspended on a stock, options or futures exchange in Canada or outside Canada on which securities or derivatives that make up more than 50% of the value or underlying exposure of the fund’s total assets are traded; and
- those securities or derivatives are not traded on any other exchange that represents a reasonably practical alternative for the fund.

A fund may postpone a redemption payment during any period when your right to request a redemption is suspended under the circumstances described above or with the approval of the

securities regulatory authorities. You have the option of withdrawing your request for redemption or completing your redemption order at the net asset value per security on the first Valuation Day after the termination of the suspension. A fund will not accept any orders for the purchase of its securities during any period when the redemption of its securities has been suspended.

## **Switching Funds**

At any time you may switch your securities of a BMO Mutual Fund for securities of the same series of another BMO Mutual Fund that is priced in the same currency.

You may also switch your securities of a fund for securities of another series of a BMO Mutual Fund, provided that you are eligible to purchase the series that you are switching into and provided such series is priced in the same currency.

You may request a switch of your Series A securities at no charge: (1) in person at any Bank of Montreal branch; (2) by telephone once you have completed the prescribed form with your Bank of Montreal Branch or through the BMO Investment Centre; (3) through the internet (other than from an RDSP) at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) after completion of an authorization form; or (4) by mail.

You may also switch through your dealer. If you switch your securities through your dealer, you may pay a fee of up to 2% of the value of the securities redeemed for switching between funds. You and your dealer can negotiate this fee. There may also be fees or charges payable on the purchase of the securities of the new fund, depending upon the series of securities purchased and the arrangements between you and your dealer.

You must maintain the minimum account balance in each fund to avoid automatic redemption. See “*Redeeming Securities – Automatic redemption*” for more details.

When we receive your switch request, we will switch your securities in the one BMO Mutual Fund for securities of the other BMO Mutual Fund(s) at the net asset value per security next determined after we receive your switch request.

Switching of securities of a fund for securities of another BMO Mutual Fund will constitute a disposition and may result in the securityholder realizing a capital gain or loss for income tax purposes. Redesignations of securities of a fund to securities of another series of the same fund should not result in a disposition for income tax purposes. See “*Income Tax Considerations*” for more details.

### **Switching between purchase options**

If you are switching securities that you bought under either the Standard Deferred Charge option or Low Load Deferred Charge option, then in order to maintain the deferred charge schedule of your original securities and avoid additional fees, you must switch into the same purchase option. This is true if you switch between any BMO Mutual Funds.

Switches between purchase options may involve a change in the compensation paid to your dealer and redemption fees. We do not recommend that you switch between purchase options as it may result in additional fees.

### **Switching of units by the Manager**

Provided the conditions set out below are met, and upon providing 60 days' prior notice, the Manager may, in its discretion, switch your securities of a fund into securities of another series of the same fund. The Manager may only switch your securities in this circumstance if all the following conditions are satisfied:

- you receive securities of the same value;
- the management fee and administration fee of the new series are not more than that of the securities that you previously owned;
- the switch is done at no cost to you;
- the switch is not a disposition for tax purposes; and
- the service commissions payable to registered dealers, if any, remain the same or lower.

### **Responsibility for Operations**

#### **Trustee**

BMO Investments Inc. is the trustee for each of the funds. The Trustee has the exclusive authority over the assets and affairs of the funds. It has a fiduciary responsibility to act in the best interests of the unitholders of the funds.

#### **The Manager and Principal Distributor**

As Manager of the funds, we are responsible for the day-to-day management of each fund and its investment portfolio in compliance with the funds' constating documents (i.e., the LifeStage Plus Master Declaration of Trust). We are also responsible for performing valuation and fund accounting services of the funds. In addition, we are the principal distributor of the funds. We have taken the initiative in creating all the funds and may be considered the promoter of all of the funds. Our registered and principal office is:

100 King Street West, 43rd Floor  
Toronto, Ontario  
M5X 1A1

If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, you can direct inquiries about the funds to the BMO Investment Centre by calling toll-free 1-800-665-7700 or through our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds).

If you purchased your securities through a dealer, you can direct inquiries about the funds to our administration office by calling us toll free at 1-800-668-7327 or through our website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca). The address of our administration office is:

250 Yonge Street, 9th Floor  
 Toronto, Ontario  
 M5B 2M8

### **Directors and Executive Officers of the Manager**

Below are the names of the directors and executive officers of BMO Investments Inc., along with their municipalities of residence and their principal occupations during the past 5 years:

| <b>Name and Municipality of Residence</b> | <b>Position with the Manager</b>   | <b>Principal Occupation</b>  |
|---|--|--|
| KEVIN GOPAUL<br>Oakville, Ontario         | Chief Executive Officer,<br>Ultimate Designated Officer<br>and Chief Product Officer | Chief Executive Officer, BMO Asset<br>Management Inc. and Chief Executive<br>Officer, BMO Investments Inc. |
| BARRY M. COOPER<br>Toronto, Ontario       | Chairman and Director  | Chairman, BMO Global Asset<br>Management   |
| ROSS F. KAPPELE<br>Toronto, Ontario       | Executive Vice President<br>and Head of Retail<br>Distribution and Director          | Executive Vice-President and Head of<br>Retail Distribution, BMO Investments<br>Inc.                       |
| THOMAS BURIAN<br>Mississauga, Ontario     | Chief Financial Officer and<br>Director  | Vice President and Chief Financial<br>Officer, Wealth Management, BMO<br>Financial Group                   |
| JOAN MOHAMMED<br>Miami Beach, Florida     | Director   | Chief Operating Officer, BMO Global<br>Asset Management  |
| ROBERT JOSEF SCHAUER<br>Toronto, Ontario  | Director   | Chief Financial Officer and Treasurer,<br>BMO Mutual Funds   |
| VIKI LAZARIS<br>Thornhill, Ontario        | Director   | Chief Operating Officer, Canadian<br>Personal and Commercial Banking,<br>BMO Financial Group               |
| STEPHANIE VASS<br>Toronto, Ontario        | Chief Compliance Officer   | Chief Compliance Officer, BMO<br>Investments Inc.  |
| STELLA VRANES<br>Richmond Hill, Ontario   | Senior Vice President and<br>Chief Administrative<br>Officer                         | Chief Administrative Officer, BMO<br>Global Asset Management   |
| BARRY WILLIAMS<br>Toronto, Ontario        | Chief Anti-Money<br>Laundering Officer   | Director and AML Officer – Wealth<br>Management, BMO Financial Group                                       |
| ANDREW AUERBACH<br>Toronto, Ontario       | Director   | Head, Sales and Distribution, Canadian<br>Personal & Commercial Banking, BMO<br>Bank of Montreal           |

During the past 5 years, these directors and executive officers have held their present principal occupations, except for: Kevin Gopaul, who was Senior Vice President from April 2009 to July

2016; Thomas Burian, who was Director, Financial Performance Management, BMO Financial Group from November 2008 to December 2011 and VP, Financial Performance Management from January 2012 to February 2014; Joan Mohammed, who was Chief Risk Officer, Wealth Management and Global Head, Operational Risk, BMO Financial Group from May 2008 to June 2016; Viki Lazaris, who was Senior Vice President, Investor Relations, BMO Financial Group from April 2006 to April 2012, President and Chief Executive Officer, BMO InvestorLine from April 2012 to March 2014 and Senior Vice President and Chief Administrative Officer, Wealth Management, BMO Financial Group from March 2014 to November 2015; Stephanie Vass, who was Chief Compliance Officer of TD Investment Services Inc. from September 2012 to October 2016 and Manager, Compliance, TD Investment Services Inc. from March 2011 to January 2013; Barry Williams, who was Manager Audit Validation QA/QC at Toronto-Dominion Bank from November 2013 to October 2015 and AML Manager – Wealth Management at Toronto-Dominion Bank from June 2011 to November 2013; and Andrew Auerbach who was Senior Vice President, Greater Toronto Division, Personal & Commercial Banking from February 2012 to August 2015 and Senior Vice President & Head, BMO Harris Private Banking from July 2008 to February 2012.

#### **Auditor**

PricewaterhouseCoopers LLP, Chartered Professional Accountants of Toronto, Ontario, is the auditor of the funds.

#### **Registrar and Transfer Agent**

BMO Investments Inc., in Toronto, Ontario, is the registrar and transfer agent for the funds and, in this capacity records all investor investment transactions, issues or cancels certificates, if applicable, and deals with enquiries from investors and dealers. The register of securities of the funds is kept in Toronto, Ontario.

#### **Custodian**

CIBC Mellon Trust Company (“CMT”) of Toronto, Ontario, is the custodian of the funds. As custodian, it holds the cash and securities of all the funds. The parties to the amended and restated master custodial services agreement for certain BMO Mutual Funds dated January 4, 2010, as amended, are the applicable BMO Mutual Funds, BMO Investments Inc., CMT and certain of its affiliates. The custodial services agreements may each be terminated upon 90 days’ written notice in respect of a fund.

All marketable securities are held at CMT’s principal offices in Toronto, with the exception of foreign assets. Foreign assets may be held by local sub-custodians appointed by CMT or under their authority in various foreign jurisdictions where a fund may have assets invested. CMT or the sub-custodians may use the facilities of any domestic or foreign depository or clearing agency authorized to operate a book-based system. The sub-custodians appointed to hold assets of the funds are listed in the most recent Compliance Report prepared by CMT and filed on SEDAR on behalf of the funds by CMT pursuant to the requirements of NI 81-102.

## **Securities Lending Agent**

The Bank of New York Mellon (the “Securities Lending Agent”) acts as agent for securities lending transactions for those BMO Mutual Funds that engage in securities lending. The Securities Lending Agent is independent of the Manager. The principal office of the Securities Lending Agent is located in Toronto, Ontario.

## **Independent Review Committee**

In accordance with NI 81-107, the Manager appointed an Independent Review Committee (“IRC”) for the BMO Mutual Funds.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In each instance where a conflict of interest matter is identified and referred to the IRC, a primary focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the funds.

For a further description of the mandate and responsibilities of the IRC, see “*Fund Governance*”.

## **Management Agreement**

The amended and restated master management agreement dated December 1, 2007, as amended, together with amended and restated Schedule “A” dated October 26, 2016, amended and restated Schedule “B” dated October 26, 2016 and amended and restated Schedule “C” dated October 26, 2016, in respect of each of the funds (the “Management Agreement”) determines how we administer each fund’s day-to-day operations, supervise each fund’s investments, help manage the investment and reinvestment of assets, and serve as principal distributor of the securities of the funds. The Management Agreement also provides that we are entitled to management fees in return for our services. We are supervised by, and act on behalf of, the Trustee of the funds. The Management Agreement may be terminated at any time by any fund or by us in respect of any fund by not less than 90 days’ prior notice in writing.

The Master Management Agreement may be immediately terminated with respect to the fund by either party giving notice in writing if:

- (i) the Manager ceases to be properly registered to provide its services under the Master Management Agreement;
- (ii) the other party ceases to carry on business, becomes bankrupt or insolvent, resolves to wind up or liquidate or a receiver of any of the assets of the other party is appointed; or
- (iii) the other party commits a material breach of the provisions of the Master Management Agreement and does not remedy this breach within 30 days after written notice requiring the remedy.

We use our best efforts to help each fund make suitable investments consistent with its objectives and strategies. We are under an obligation to be fair and reasonable in all of our management responsibilities.

We may hire experts to provide investment advice and portfolio management services for any fund. We may designate any officers or employees of each fund, and compensate them.

As principal distributor, we may designate branches of Bank of Montreal in Canada and engage registered dealers to distribute securities of the funds to the public. We supervise the distribution activity of all the branches of Bank of Montreal.

We are also responsible for ensuring provision of complete administration and accounting services necessary for carrying on the business of each fund, including the daily valuation and pricing of each fund and the preparation of interim and annual reports, prospectuses and other disclosure documents.

### **Portfolio Manager**

BMO Asset Management Inc. (“BMOAM”) in Toronto, Ontario is the portfolio manager of the funds. BMOAM is a wholly-owned indirect subsidiary of Bank of Montreal. As set out in our agreement, BMOAM helps us formulate policies and strategies for the funds, and provides specific investment recommendations from time to time. Under our direction, it buys and sells investments according to the objectives and strategies of the funds and the criteria approved by the Trustee. At its own expense, it may retain other investment advisers and securities brokers in any country. However, we are responsible at all times for managing the funds’ portfolios, and we are answerable to the Trustee.

The agreement prescribes the duties and powers of the portfolio manager, including setting benchmarks and investment policies, stipulating the standard of care each shall exercise and deciding upon the frequency and nature of reports to be furnished to the Manager and the Custodian. The portfolio manager is obliged to adhere to all applicable legislative and regulatory requirements and such other guidelines and restrictions as the Manager may stipulate. We pay the portfolio manager a fee for its services.

The agreement with BMOAM can be terminated upon 60 days’ prior written notice or if the portfolio manager becomes insolvent (or for certain other technical reasons), in which event the agreement will terminate immediately.

Investment decisions are made by a team at BMOAM. The team has a manager or lead person and investment decisions are overseen by a committee. The list below provides information about each fund’s portfolio manager and sub-advisor, as well as the individuals principally responsible for managing the investments of the fund.

| <b>Fund</b>                  | <b>Portfolio Manager(s)</b>                    | <b>Individual(s) Principally Responsible</b>                          |
|------------------------------|--|---|
| BMO LifeStage Plus 2017 Fund | BMOAM<br><br>Bank of Montreal (as sub-advisor) | Steven Shepherd<br>Paul Taylor<br><br>Deland Kamanga<br>Abid Chaudhry |



| <b>Fund</b>                  | <b>Portfolio Manager(s)</b>                    | <b>Individual(s) Principally Responsible</b>                          |
|------------------------------|--|---|
| BMO LifeStage Plus 2020 Fund | BMOAM<br><br>Bank of Montreal (as sub-advisor) | Steven Shepherd<br>Paul Taylor<br><br>Deland Kamanga<br>Abid Chaudhry |

The table below contains descriptions of the individuals principally responsible for managing the investments of the funds and their relevant experience:

| <b>Name and Title</b>   | <b>Length of Service with Portfolio Manager or Sub-Advisor</b> | <b>Other Business Experience in the Last 5 Years</b>                             |
|---|--|--|
| Abid Chaudry<br>Managing Director & Co-Head, Cross Asset Trading, BMO Capital Markets<br>Bank of Montreal | since 2002   |  |
| Deland Kamanga<br>Managing Director & Head, Investor Solutions, BMO Capital Markets<br>Bank of Montreal   | since 2006   |  |
| Steven Shepherd<br>Vice President and Portfolio Manager<br>BMOAM  | since 2009   |  |
| Paul Taylor<br>Senior Vice President and Chief Investment Officer, Fundamental Equity<br>BMOAM            | since 2012   | Chief Investment Officer, BMO Private Investment Counsel Inc. (2004-March 2012). |

## **Brokerage Arrangements**

Decisions regarding the purchase and sale of portfolio securities for the BMO Mutual Funds are made by the fund's portfolio manager or, for funds that have a sub-advisor, the sub-advisor, taking into consideration the particular investment objectives, investment strategies and policies of the fund.

Brokerage business is allocated to dealers based on quality of service and the terms offered for specific transactions including price, volume, speed and certainty of execution, the competitiveness of commission terms and prices, the range of services and the quality of research provided and total transaction cost. The process for allocation of brokerage business is the same as described above for dealers that are affiliated entities.

There are no ongoing contractual arrangements with any brokers with respect to securities transactions.

In addition to order execution goods and services, dealers or third parties may provide research goods and services, which include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such research goods and services may be provided by the executing

dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third party research).

In the event of the provision of a good or service that contains an element that is neither research goods and services nor order execution goods and services (“mixed-use goods and services”), such as data analysis, software applications and data feeds, brokerage commissions will only be used to pay for the portion of such goods and services which would qualify as either research goods and services or order execution goods and services. The applicable portfolio manager would itself pay for the remainder of the costs of such mixed-use goods and services. Records detailing the payment allocations will be kept.

The portfolio manager makes a good faith determination that the fund, on whose behalf it directs to a dealer any brokerage transactions involving client brokerage commissions, in return for research and order execution goods and services from such dealer or third party, receives reasonable benefit, considering both the use of the goods or services and the amount of the client brokerage commissions paid, by conducting extensive trade cost analyses.

Research and order execution goods and services may benefit not only the funds whose trades generated the brokerage commission, but may also benefit other funds and clients to whom the portfolio manager provides advice. Such research and order execution goods and services may also be shared with affiliates of the Manager. Similarly, a fund may benefit from research and order execution goods and services obtained with brokerage commissions generated by client accounts of affiliates of the Manager. There are policies and procedures in place to ensure that, over a reasonable period of time, all clients, including the funds, receive a fair and reasonable benefit in return for the commissions generated.

Since the date of the last annual information form of each BMO Mutual Fund, no affiliated companies have provided investment decision making services in the nature of research analysis and reports concerning securities and portfolio strategies and statistical or other similar services to the Manager or a person appointed by the Manager in return for the allocation of brokerage transactions. Since the date of the last annual information form of each BMO Mutual Fund, services other than order execution provided to portfolio managers by non-affiliated dealers and third parties in return for the allocation of brokerage transactions have included research, market data subscriptions, and economic analysis.

The name of any non-affiliated dealer or third party that provided such goods or services to the funds in return for the allocation of brokerage transactions will be provided upon request. If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, you can direct inquiries about the funds to the BMO Investment Centre by calling toll-free 1-800-665-7700 or through our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds). If you purchased your securities through an investment dealer or mutual fund dealer, you can direct inquiries about the funds to our administration office by calling us toll free at 1-800-668-7327 or through our website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca).

## Conflicts of Interest

### Principal Holders of Securities

#### *The Funds*

As of December 22, 2016, the directors and officers of the Trustee, as well as the members of the IRC of the funds, in the aggregate, owned less than 2% of each series of securities of each fund, directly or indirectly.

As of December 22, 2016, the directors and officers of the Manager, in the aggregate, owned less than 2% of each series of securities of the funds, directly or indirectly.

As of December 22, 2016, the following persons owned of record, or are known by the fund or the Manager to own beneficially, directly or indirectly, more than 10% of the outstanding securities of the following series of the funds:

| Name*                 | Fund                         | Type of ownership        | Number of securities        | % of series of securities outstanding |
|-----------------------|------------------------------|--------------------------|-----------------------------|---------------------------------------|
| Individual Investor A | BMO LifeStage Plus 2020 Fund | of record and beneficial | 3,908.150<br>Advisor Series | 72.8%                                 |
| Individual Investor B | BMO LifeStage Plus 2020 Fund | of record and beneficial | 935.892<br>Advisor Series   | 17.4%                                 |
| Individual Investor C | BMO LifeStage Plus 2020 Fund | of record and beneficial | 429.922<br>Advisor Series   | 8.0%                                  |

\* To protect the privacy of investors who are individuals and are not directors or officers of the Manager, we have omitted the names of certain beneficial owners. This information is available on request by contacting us at the telephone number on the back cover of this annual information form.

We will not redeem any of the securities we own in the fund if it would bring the net assets of the fund below \$1 million, with the exception of any redemption of securities that may occur in the context of a fund merger, termination or reorganization.

#### *The Manager*

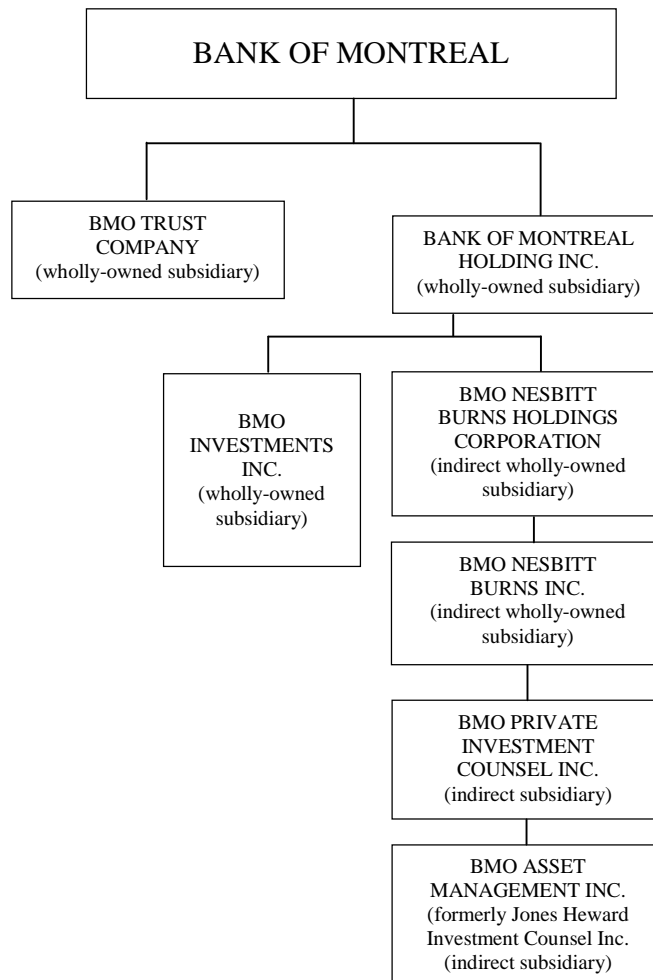
The Manager is an indirect wholly-owned subsidiary of Bank of Montreal. To the knowledge of Bank of Montreal, no person owns 10% or more of the common shares of Bank of Montreal, directly or indirectly. The directors and senior officers of Bank of Montreal, in aggregate, own less than 1% of Bank of Montreal's outstanding common shares.

#### *The IRC*

As of December 22, 2016, the members of the IRC, in aggregate, owned less than 1% of Bank of Montreal's outstanding common shares. The members of the IRC, in aggregate, do not own any voting or equity securities of any other person or company that provides services to the funds or the Manager.

### *Affiliated Entities*

The diagram below sets out the relationships among the affiliated entities that provide services to the funds or to the Manager in connection with the funds. All entities below are wholly-owned by Bank of Montreal, directly or indirectly, unless otherwise indicated.



The disclosure of the amount of fees received from the funds by each affiliated entity that provides services to the funds or to the Manager in relation to the funds is, or will be, contained in the audited financial statements of the funds.

The following individuals are directors or executive officers of BMO Investments Inc. and are also directors or officers of an affiliated entity of BMO Investments Inc.:

| <b>Name</b>     | <b>Position with the Manager</b>   | <b>Position with Affiliates</b>  |
|-----------------|--|--|
| KEVIN GOPAUL    | Chief Executive Officer, Ultimate Designated Officer and Chief Product Officer | Chief Executive Officer, Ultimate Designated Officer, Chief Investment Officer, ETFs and Mutual Funds and Director, BMO Asset Management Inc.; Chief Executive Officer, BMO Global Tax Advantage Funds Inc.; Chief Executive Officer, BMO Monthly Dividend Fund Ltd.   |
| BARRY M. COOPER | Chairman and Director  | Director and Chair, BMO Asset Management Inc.; Director, BMO Private Investment Counsel Inc.; Director and Chairman, BMO Monthly Dividend Fund Ltd.; Director and Chairman, GGOF Canadian Equity Fund Ltd.; Director and Chairman, BMO Global Tax Advantage Funds Inc.; Director and Chairman, Pyrford International Limited; Director and Chair, Money, Inc.; Director and Chairman, BMO Asset Management Corp.; Director and Chairman, LGM (Bermuda) Limited; Director and Chairman of the Board, Lloyd George Investment Management (Bermuda) Limited; Director and Chairman, LGM Investments Limited; Director, F&C Asset Management plc |
| ROSS F. KAPPELE | Executive Vice President and Head of Retail Distribution and Director          | Director, BMO Global Tax Advantage Funds Inc.; Director, GGOF Canadian Equity Fund Ltd.; Executive Vice President and Head of Retail Distribution, BMO Asset Management Inc.   |
| THOMAS BURIAN   | Chief Financial Officer and Director   | Chief Financial Officer and Treasurer, BMO Trust Company; Director, BMO Monthly Dividend Fund Ltd.; Chief Financial Officer and Director, BMO Asset Management Inc.; Director, BMO Private Investment Counsel Inc.; Director, BMO Life Assurance Company; Director, BMO Life Insurance Company   |
| JOAN MOHAMMED   | Director   | Director, BMO Asset Management Corp.; Director, BMO Asset Management Inc.; Director, BMO Corporate Services Asia Limited; Director, BMO Global Tax Advantage Funds Inc.; Director, BMO Monthly Dividend Fund Ltd.; Director, BMO Reinsurance Limited; Director, BMO Trustee Asia Limited; Director, F&C Asset Management plc; Director, LGM (Bermuda) Limited; Director, Lloyd George Investment Management (Bermuda) Limited; Director, Head and Ultimate Designated Officer, Money, Inc.   |

| <b>Name</b>          | <b>Position with the Manager</b>                       | <b>Position with Affiliates</b>  |
|----------------------|--|--|
| ROBERT JOSEF SCHAUER | Director   | Director and Chief Financial Officer, BMO Monthly Dividend Fund Ltd.; Chief Financial Officer, GGOF Canadian Equity Fund Ltd.; Chief Financial Officer, BMO Mutual Funds; Vice President, BMO Asset Management Inc.; Director, Chief Financial Officer and Treasurer, BMO Global Tax Advantage Funds Inc.; Chief Financial Officer, BMO Private Portfolios; Chief Financial Officer, BMO Exchange Traded Funds |
| VIKI LAZARIS         | Director   | Director, BMO InvestorLine Inc.; Director, Moneris Solutions Corporation   |
| STEPHANIE VASS       | Chief Compliance Officer                               | n/a  |
| STELLA VRANES        | Senior Vice President and Chief Administrative Officer | Senior Vice President, Chief Administrative Officer and Director, BMO Asset Management Inc.  |
| BARRY WILLIAMS       | Chief Anti-Money Laundering Officer                    | Chief Anti-Money Laundering Officer, BMO Asset Management Inc., BMO Private Investment Counsel Inc., BMO InvestorLine Inc., BMO Estate Insurance Advisory Services Inc., BMO Trust Company, Money, Inc., BMO Life Assurance Company and BMO Life Insurance Company   |
| ANDREW AUERBACH      | Director   | n/a  |

## **Fund Governance**

### **General oversight**

As stated above, the Trustee has the exclusive authority over the assets and affairs of the funds and is ultimately responsible for the funds. The Trustee delegates the day-to-day administration and operation of the funds to the Manager.

We also have an Investment Management Committee that meets monthly to examine and review investment performance, compliance, industry trends, ideas, opportunities and related matters in connection with the funds. This committee reports performance and significant issues to the Trustee.

We have hired BMOAM to provide investment advice and portfolio management for the funds. Its activities are carefully and regularly monitored by the Manager's Investment Management Committee to help ensure observance of investment guidelines, conduct and financial performance. BMOAM may also report to the Trustee from time to time.

We have established appropriate policies, procedures, practices and guidelines to ensure the proper management of the funds, including the policies and procedures relating to conflicts of interest as required by NI 81-107. Included among these policies is a personal trading policy for employees of the Manager. The personal trading policy is designed to prevent potential,

perceived or actual conflicts between the interests of the Manager and its employees, and the interests of the funds. Under the policy, certain senior personnel of the Manager are required to obtain prior approval before placing any trades in securities for their personal accounts in order to ensure that the trades do not conflict with the best interests of the funds and have not been made available to the employee because of his or her position, knowledge of or relationship with the funds.

We are the principal distributor of securities of the funds. There are branch compliance officers overseeing the sale and distribution of the funds, a provincial/divisional compliance officer ensuring that branch compliance officers are carrying out their compliance responsibilities, and a BMO Mutual Funds' compliance department overseeing trading surveillance, regulatory changes, training courses and materials and transactions involving actual or potential conflicts of interest.

### **Independent Review Committee**

In accordance with NI 81-107, the Manager appointed an IRC for the BMO Mutual Funds. The mandate of the IRC is to:

- (a) review the written policies and procedures established by the Manager and referred to the IRC on conflict of interest matters;
- (b) review conflict of interest matters referred to the IRC by the Manager and provide the Manager with an approval or a recommendation (an IRC decision) depending on the nature of the conflict of interest matter;
- (c) perform any other function required of an independent review committee under applicable Canadian securities legislation; and
- (d) perform any other function, as may be agreed to in writing by the IRC and the Manager, from time to time.

The current members of the IRC are Louise Vaillancourt (Chair), John K. McBride and Mark Brown. Each member is independent of the funds, the Manager and other companies related to the Manager.

Each IRC member receives compensation for the duties he or she performs as an IRC member. The annual retainer for each IRC member (other than the Chair) in respect of all of the BMO Mutual Funds is \$48,366; the annual retainer for the Chair is \$69,526. In addition, each IRC member is entitled to the reimbursement of all reasonable expenses in connection with his or her duties as an IRC member. For the most recently completed financial year of the funds, the IRC members received aggregate annual fees and reimbursement of expenses of \$196,903, inclusive of HST, which was allocated among the BMO Mutual Funds in a manner that was fair and reasonable.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager's written policies and procedures relating to conflict of interest matters in respect of the funds, in addition to any standing instructions the IRC has provided to the Manager to enable the

Manager to act in a particular conflict of interest matter on a continuing basis. This review will include an assessment of the Manager's and the funds' compliance with the related policies and procedures and the conditions imposed by the IRC in the applicable standing instruction.

On an annual basis, the IRC will also conduct a self-assessment of the IRC's independence, compensation and effectiveness. The IRC will provide the Manager with a report of the results of such self-assessment.

In accordance with NI 81-107, for each financial year of the funds, the IRC will prepare a report to securityholders that describes the IRC and its activities for the financial year. Securityholders can get a copy of this report, at no cost by writing to us at BMO Investments Inc., 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1 or going to the website of SEDAR at [www.sedar.com](http://www.sedar.com). If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, you can direct your request for the IRC's report to securityholders to the BMO Investment Centre by calling us toll-free 1-800-665-7700 or through our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds).

If you purchased your securities through an investment dealer or mutual fund dealer, you can get a copy of this report, at no cost by writing to us at BMO Investments Inc., 250 Yonge Street, 9th Floor, Toronto, Ontario, M5B 2M8 or by calling us toll free at 1-800-668-7327 or through our website at [www.bmo.com//gam/ca](http://www.bmo.com//gam/ca).

## **Risk management**

Risk management is dealt with on a number of levels. The agreements between the Manager and the portfolio managers set out the objectives and strategies of a fund, the investment restrictions and policies prescribed by the Canadian securities regulators and any additional guidelines and criteria considered by the Manager to be appropriate. Various measures to assess risk are used, including mark to market security valuation, fair value accounting, effective exposure reporting, and monthly reconciliations of security and cash positions. Compliance monitoring of the funds' portfolios is ongoing. The funds are priced daily, which aims to ensure that the valuation accurately reflects market movements.

## **Securities lending, repurchase and reverse repurchase transactions**

On behalf of certain BMO Mutual Funds, including the fund, the Manager has entered into a securities lending agreement (the "Securities Lending Agreement") with the Custodian, Canadian Imperial Bank of Commerce ("CIBC"), the Securities Lending Agent and CIBC Mellon Global Securities Services Company ("GSS"). The securities lending program is administered by GSS. The Securities Lending Agent acts as agent for securities lending transactions for those funds that engage in securities lending. The securities lending program administrator, GSS, will value the loaned securities and the collateral daily to ensure that the collateral is worth at least 102% of the market value of the loaned securities. Pursuant to the terms of the Securities Lending Agreement, the Custodian, GSS, CIBC and the Securities Lending Agent will indemnify and hold harmless the Manager, on behalf of the applicable funds, from all losses, damages, liabilities, costs or expenses (including reasonable counsel fees and expenses, but excluding consequential damages) suffered by the Manager of the fund(s) arising



from (a) the failure of the Securities Lending Agent or GSS to perform any obligations under the Securities Lending Agreement, (b) any inaccuracy of any representation or warranty made by GSS or the Securities Lending Agent in the Securities Lending Agreement or (c) fraud, bad faith, wilful misconduct or reckless disregard of the duties by the Securities Lending Agent or GSS. The Securities Lending Agreement may be terminated at any time at the option of any party upon thirty (30) days' prior notice to the other parties.

The Securities Lending Agreement complies with the applicable provisions of NI 81-102. The Manager manages the risks associated with securities lending by requiring the Securities Lending Agent to:

- (a) enter into securities lending transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions (“counterparties”);
- (b) maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- (c) establish daily the market value of both the securities loaned by a fund under a securities lending transaction or sold by a fund under a repurchase transaction and the cash or collateral held by the fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the fund to make up the shortfall; and
- (d) ensure that the collateral to be delivered to the fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the fund.

The transaction may be terminated by the fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Manager will review its written policies and procedures at least annually to ensure that the risks associated with securities lending transactions are being properly managed. The funds' securities lending agent will use risk measurement procedures or simulations to test each portfolio under stress, where applicable.

Although permitted to do so, none of the funds currently engage in repurchase or reverse repurchase transactions.

#### **Transactions with related or connected persons or companies**

The Manager is a member of a group of related companies known as the “BMO Financial Group”. Applicable securities legislation contains restrictions on the circumstances in which the funds, or the Manager on behalf of the funds, may enter into transactions or arrangements with or involving other members of the BMO Financial Group.

From time to time the Manager may, on behalf of the funds, enter into transactions or arrangements with or involving other members of the BMO Financial Group, or certain other persons or companies that are related or connected to the Manager or the funds. These may include transactions or arrangements with or involving Bank of Montreal, BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., Money, Inc., BMOAM, BMO InvestorLine Inc., BMO Asset Management Corp., the LGM Investments group of companies, Pymfords International Limited, F&C Asset Management plc or other related mutual funds, and may involve the purchase or sale of portfolio securities through or from a member of the BMO Financial Group, the purchase or sale of securities issued or guaranteed by a member of the BMO Financial Group, a fund entering into forward contracts, options on forwards or swaps with a member of the BMO Financial Group acting as counterparty, the purchase or redemption of securities of other mutual funds managed by us or by another member of the BMO Financial Group (including exchange traded funds) or the provision of services to the Manager. However, these transactions and arrangements will only be entered into where they are permitted under applicable securities legislation or by securities regulatory authorities having jurisdiction and, if applicable, approved by the IRC (or after having received the IRC's positive recommendation) and where they are, in the opinion of the Manager, in the best interests of the funds.

### **Proxy voting policies and procedures**

The Manager has delegated the voting of proxies of each fund's portfolio securities to BMOAM as part of its management of the fund's portfolio, subject to the Manager's continuing oversight. BMOAM must vote proxies on behalf of a fund in a manner consistent with the best interests of the fund and its unitholders.

The Manager has established policies and procedures to be considered by BMOAM, in conjunction with BMOAM's own policies and procedures, in determining how to vote on matters for which the funds receive proxy materials for a meeting of securityholders of an issuer. Due to the variety of proxy voting issues that may arise, the following summary of the proxy voting policies and procedures is not exhaustive and is intended to provide guidance but does not necessarily dictate how each issue must be voted in each instance. Further, the Manager or BMOAM may depart from their respective proxy voting policies and procedures or not vote a proxy, in order to avoid voting decisions that may be contrary to the best interests of a fund and its securityholders.

The policies and procedures established by the Manager (the "Proxy Voting Guidelines") include:

- (a) a standing policy for dealing with routine matters on which a fund may vote. In particular, the Proxy Voting Guidelines apply general guidelines to a number of routine matters. These guidelines vary, depending on the specific matter involved. Routine matters include: election of directors; appointment of auditors; changes in capital structure; and an increase in authorized stock;
- (b) the circumstances under which a fund will deviate from the standing policy for routine matters. The Proxy Voting Guidelines provide that a fund's portfolio manager may depart from the general guidelines with respect to routine matters, in order to avoid voting decisions that may be contrary to the best interests of the

- fund and the fund's securityholders. For example, the Proxy Voting Guidelines provide that funds will typically support management's recommendations regarding the appointment of an auditor, but may vote against such a recommendation if the fees for services are excessive or if there are other reasons to question the independence or quality of the company's auditors;
- (c) the policies under which, and the procedures by which, a fund will determine how to vote or refrain from voting on non-routine matters. These policies vary depending on the specific matter involved. Non-routine matters include: corporate restructurings; mergers and acquisitions; proposals affecting shareholder rights; corporate governance; executive compensation; social and environmental issues; and shareholder proposals. For example, with respect to shareholders rights, the Proxy Voting Guidelines provide that the funds will typically vote in favour of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights; and
  - (d) procedures to ensure that portfolio securities held by a fund are voted in accordance with the instructions of the Manager. This includes the requirement of each portfolio manager to provide to the Manager on a quarterly basis a certificate confirming that it has voted all securities held by the funds it manages in accordance with the Proxy Voting Guidelines.

The following three situations involving the voting of proxies present a potential material conflict of interest:

- (a) voting proxies in respect of a shareholders meeting of the Manager or any of its affiliates;
- (b) voting proxies of an issuer in respect of a proposed merger or other corporate reorganization or transaction involving the issuer (or any of its affiliates) and the Manager, or any of its affiliates; and
- (c) voting proxies of an issuer in regard to the nomination or election of any officer or director of the Manager to the board of directors of that issuer.

BMOAM has procedures in place to identify potential conflicts of interest. When BMOAM becomes aware of any vote that presents a conflict, BMOAM must vote such proxy question in a manner consistent with, and uninfluenced by considerations other than, the best interest of the fund and its securityholders.

In those instances where the Manager or an affiliate is not acting as portfolio manager, the voting responsibility will be outsourced to the portfolio manager who will vote the proxies in the best interests of the fund without reference to, or influence from the Manager. In those instances where the Manager or an affiliate acts as portfolio manager, the Manager will employ a leading, independent proxy agent (the "Proxy Agent") who provides in-depth analysis, guidelines and voting recommendations for proxy proposals (e.g., Glass, Lewis & Co.) and vote the proxies to be consistent with the Proxy Agent's recommendation.

A conflict of interest may exist if BMOAM, its personnel or another related entity has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy

or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Conflicts of interest also may arise if an individual employed by BMOAM that is involved in the proxy vote decision has a direct or indirect personal relationship or other interest in either the company soliciting the proxy or in a third party that has a material interest in the outcome of a proxy vote, or that is lobbying for a particular outcome of a proxy vote.

The policies and procedures that the funds follow when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-800-665-7700 if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre or by calling 1-800-668-7327 if you purchased your securities through a dealer or by writing to the Manager, 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

Each fund's proxy voting record for the most recent period ended June 30 of each year is, or will be, available free of charge to any securityholder of the fund upon request at any time after August 31 of the relevant year by calling 1-800-665-7700 if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre, or by calling 1-800-668-7327 if you purchased your securities through a dealer.

The proxy voting record is also available on the funds' websites at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) or at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca).

### **Policies and procedures on short-term trading**

We have policies and procedures to detect and deter short-term or excessive trading that include the ability to refuse your present or future order(s) to buy or switch securities and charging a short-term trading fee.

We monitor for potential timing abuses both in branch offices and at our head office. We use an electronic trade surveillance system to review and flag trades for potential problems and we also review transaction records daily to detect short-term or excessive trading. Flagged trades are reviewed by compliance officers and warnings, verbal or written, may be sent. If, in our sole discretion, we determine that you are engaging in short-term trading, in addition to taking other available remedies, the relevant fund may reject your purchase or switch order(s) or may charge a short-term trading fee to be paid directly to the fund out of the redemption proceeds, reducing the amount otherwise payable to you on the redemption or switch. We have the option to waive this penalty at any time. If further short-term trading occurs, any further transactions, other than redemptions, may be refused.

The restrictions imposed on short-term trading, including the short-term trading fees, will generally not apply in connection with redemptions or switches: from money market funds and similar funds; initiated by us; under special circumstances, as determined by us in our sole discretion; or made under optional plans, including rebalancing in connection with the BMO MatchMaker<sup>®</sup> Investment Service and BMO Intuition<sup>®</sup> Investment Service and Systematic Withdrawal Plans.

## **Interest of management**

We are entitled to receive management fees from the funds. See “*Management Agreement*” for more details. The fees received by us as management fees are disclosed in the audited financial statements of the funds.

BMOAM is related to us and, as portfolio manager for the funds, is entitled to receive fees from the Manager for investment advisory and portfolio management services.

The funds pay standard brokerage commissions at market rates to BMO Nesbitt Burns Inc. for trades executed by BMO Nesbitt Burns Inc.

Bank of Montreal, BMO Nesbitt Burns Inc. and BMO InvestorLine Inc. may buy or sell debt securities to or from the funds subject to certain conditions set out in NI 81-102, NI 81-107 and the requirements of the Canadian securities regulators. See “*Investment Restrictions and Practices*” for further information.

## **Fees and Expenses**

### **Management fees**

In return for our services, each series of each fund pays us a management fee (plus applicable taxes). The fee is calculated daily and payable monthly. The maximum management fee paid by each series was disclosed in the funds’ simplified prospectus at the time the securities were purchased.

We are responsible for paying:

- all expenses incurred for advice and recommendations about investment policies;
- fees charged by portfolio managers, other advisors or sub-distributors; and
- fees and expenses for services relating to the day-to-day operations of each fund including, but not limited to advertising and promotional services, office overhead expenses related to the Manager’s activities, and all other services necessary or desirable to conduct and operate the funds’ business in an efficient manner.

If the basis of the calculation of a fee or expense that is charged to Series A securities of a fund (or is charged directly to the securityholders by the fund or by us in connection with the holding of the securities of the fund) is changed in a way that could result in an increase in charges to the series or to its securityholders or if such a fee or expense is introduced, then the approval of securityholders will not be obtained. In the cases above, securityholders will be sent a written notice of the change at least 60 days prior to the effective date.

In addition, if the basis of the calculation of a fee or expense that is charged to Advisor securities of a fund is changed in a way that could result in an increase in charges to the series or to its securityholders or if such a fee or expense is introduced, and if this fee or expense is charged by an entity that is at arm’s length to the fund, then the approval of securityholders will not be

obtained. In the cases above, securityholders will be sent a written notice of the change at least 60 days prior to the effective date.

We may waive all or a portion of any management fees from time to time without notice.

To encourage large investments in the funds or to accommodate special situations, we may reduce or rebate all or a portion of the management fees we charge. The reduction is based on a number of factors, including the type of investor, the number and value of securities held by an investor and the relationship between the investor and the Manager.

If your investments qualify, we will calculate the reduction in the management fees according to a schedule that we may change at our discretion. If we reduce our usual management fee for an investment in a fund, the fund will pay the reduction to you in the form of a special distribution, which is called a management fee distribution.

We calculate management fee distributions or rebates on each Valuation Day. They are distributed or paid regularly to eligible investors. We will reinvest the distribution or rebate in additional securities of the fund.

Management fee distributions are made first out of net income and net realized capital gains and then out of capital. See “*Income Tax Considerations*” below for information on the tax consequences of management fee distributions and management fee rebates.

At all times, the Manager is entitled to charge the fund or the investor, as applicable, the maximum rate of management fee as was set out in the simplified prospectus at the time the securities were purchased. The Manager may reduce the rate of any management fee reductions or cancel any management fee reduction at any time.

#### **Administration fee and operating expenses**

We pay certain operating expenses of each fund, including: audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by us (collectively, the “Administration Expenses”). In return, each fund pays us a fixed administration fee. The administration fee may vary by fund. The administration fee paid by each fund is a fixed annual percentage of the average net assets of each fund.

Each fund also pays certain operating expenses directly (“Fund Expenses”), including: expenses incurred in respect of preparing and distributing fund facts; interest or other borrowing expenses; all reasonable costs and expenses incurred in relation to compliance with NI 81-107, including compensation and expenses payable to IRC members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings; taxes of all kinds to which the fund is or might be subject; and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007. Each fund allocates

Fund Expenses proportionately among its series. Fund Expenses that are specific to a series are allocated to that series.

The administration fee and Fund Expenses are included in the management expense ratio of the funds. The administration fee and certain operating expenses are subject to applicable taxes. Administration Expenses and Fund Expenses are known collectively as “Operating Expenses”.

## **Income Tax Considerations**

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act as of the date hereof generally applicable to the funds and to a securityholder of a fund who is, at all relevant times, a Canadian resident individual (other than a trust) holding securities directly as capital property or in a registered plan, dealing at arm’s length with the funds and not affiliated with the funds, each within the meaning of the Tax Act.

THIS SUMMARY IS OF A GENERAL NATURE ONLY, IS NOT EXHAUSTIVE OF ALL POSSIBLE INCOME TAX CONSIDERATIONS, AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE. ACCORDINGLY, SECURITYHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THEIR PARTICULAR CIRCUMSTANCES.

This summary is based on the current provisions of the Tax Act in force on the date hereof, the regulations enacted pursuant thereto, all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, government or judicial decision or action or changes in the administrative policies or assessing practices of the Canada Revenue Agency, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

This summary assumes that each of the funds will, at all material times, qualify as a mutual fund trust under the Tax Act.

### **Taxation of the Funds**

The LifeStage Plus Master Declaration of Trust requires each fund to distribute to securityholders a sufficient amount of net income and net capital gains, if any, for each taxation year of the fund so that the fund will not be liable for ordinary income tax under Part I of the Tax Act for any taxation year, after taking into account the capital gains refund.

Each fund is required to calculate its net income, including net taxable capital gains, in Canadian dollars, for each taxation year according to the rules in the Tax Act. A fund is generally required to include in the calculation of its income, interest as it accrues and capital gains and losses when they are realized. Each year a fund is required to include in the calculation of its income, an amount as notional interest accrued on zero-coupon bonds and certain other prescribed debt

obligations held by the fund even though the fund is not entitled to receive interest on the debt instrument.

Each fund will include in computing income any amounts received by the fund from Bank of Montreal pursuant to the Sub Advisory Agreement in order to cover a shortfall.

In calculating a fund's net income, all of the fund's deductible expenses, including expenses common to all series of securities of the fund and expenses specific to a particular series of securities of the fund, will be taken into account for the fund as a whole.

A fund will generally become subject to loss restriction rules at any time when a person or partnership (counted together with affiliates), or a group of persons, becomes a holder of securities representing more than 50% of the fair market value of the fund. Under the loss restriction rules, the taxation year of the fund will be deemed to end. The fund will realize its capital losses and may elect to realize its capital gains. Unused capital losses will expire and the ability of the fund to carryforward non-capital losses will be restricted. Recent amendments to the Tax Act in many circumstances provide relief to an investment fund that meets certain asset diversification requirements. These amendments are expected to preclude a fund from being subject to the loss restriction rules in many circumstances.

#### **Taxation of Securityholders – Securities held Directly**

Generally, an individual who holds securities of a fund directly (not in a registered plan) will be required to include in computing his or her income the amount of the net income and the taxable portion of the net realized capital gains that is paid or payable to him or her by the fund in the year (including by way of management fee distributions).

Provided the appropriate designations are made by a fund, the amount, if any, of net realized taxable capital gains paid or payable to unitholders will, effectively, retain its character for tax purposes and be treated as taxable capital gains realized by the securityholders.

Upon the disposition or deemed disposition of a security by a securityholder, whether by redemption or otherwise, the securityholder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the security, less any expenses of disposition, are greater (or less) than the securityholder's adjusted cost base of the security as determined for the purposes of the Tax Act. In particular, a disposition of a security will occur if it is switched for securities of another BMO Mutual Fund. The redesignation of a security of one series of a fund for securities of another series of the same fund should not be a disposition and the cost of the new securities should be equal to the adjusted cost base of the securities redesignated. The redemption of securities of a fund on the Target End Date will be a disposition of those securities unless the fund is merged into another mutual fund trust on a tax-deferred basis.

One-half of any capital gain realized by a securityholder will generally be included in the securityholder's income as a taxable capital gain and one-half of any capital loss realized by a securityholder may generally be deducted from taxable capital gains in accordance with the provisions of the Tax Act.



## **Taxation of Securityholders – Securities held in a Registered Plan**

If securities of a fund are held in a registered plan, generally neither the planholder nor the registered plan will be subject to tax on the value of the securities or the income or capital gains distributed by the fund or a gain realized on the disposition of the securities of the fund provided the securities are a qualified investment under the Tax Act for the registered plan and, in the case of an RRSP, RRIF and TFSA, not a prohibited investment under the Tax Act for the registered plan. See “Eligibility for Registered Plans” for further information about each fund’s status under the Tax Act.

**Investors should consult their own tax advisor for advice regarding the implications of acquiring, holding or disposing of any security of a fund in their registered plan, including whether or not securities of a fund are at risk of being or becoming a prohibited investment under the Tax Act for their registered plans.**

## **Exchange of Tax Information**

As a result of due diligence and reporting obligations in the Tax Act, securityholders may be asked to provide their dealer with information about their citizenship and tax residence. If a securityholder is identified as a U.S. citizen (including a U.S. citizen living in Canada) or a foreign tax resident, information about the securityholder and their investment in the Funds will be reported to the CRA, unless securities of the Funds are held in a registered plan. The CRA is expected to provide that information to the applicable foreign tax authorities if the applicable foreign government has entered into an exchange of information agreement with Canada.

## **Amendments to the Constating Documents**

We may make certain amendments to the applicable constating documents (i.e., the LifeStage Plus Declaration of Trust) of each fund, as permitted by applicable legislation. You will be entitled to vote on certain material changes to a fund’s constating documents. Please see “*Meetings of securityholders*” for more details.

## **Changes requiring written notice to securityholders**

In respect of any fund and subject to any longer notice requirements imposed under applicable securities legislation, the Trustee is permitted to amend the LifeStage Plus Master Declaration of Trust by giving not less than 30 days’ notice to securityholders of the fund affected by the proposed amendment in circumstances where:

- (a) applicable securities legislation requires that written notice be given to securityholders before the change takes effect; or
- (b) the change would not be prohibited by applicable securities legislation and the Trustee reasonably believes that the proposed amendment has the potential to materially adversely impact the financial interests or rights of the securityholders,

so that it is equitable to give securityholders advance notice of the proposed change.

### **Changes not requiring written notice to securityholders**

In respect of any fund, the Trustee is permitted to amend the LifeStage Plus Master Declaration of Trust, without the approval of or prior notice to the securityholders of such fund, if the Trustee reasonably believes that the proposed amendment does not have the potential to materially adversely impact the financial interests or rights of securityholders of the fund or that the proposed amendment is necessary:

- (a) to ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the fund or the distribution of its securities;
- (b) to remove any conflicts or other inconsistencies that may exist between any of the terms of the LifeStage Plus Master Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the fund, the Trustee or its agents;
- (c) to make any change or correction in the LifeStage Plus Master Declaration of Trust that is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) to facilitate the administration of the fund as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the fund or its unitholders; or
- (e) for the purpose of protecting the securityholders of the fund.

### **Material Contracts**

The material contracts relating to, or executed by each fund, are

- LifeStage Plus Master Declaration of Trust, as amended;
- Management Agreement, as amended;
- Custodial Services Agreement, as amended;
- Investment management agreement between BMO Investments Inc. and BMOAM, as amended; and
- Sub-advisory agreement between Bank of Montreal, BMOAM, BMO Investments Inc. and the funds, as amended.

You may inspect copies of these contracts during normal business hours at our head office at 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1. To receive a copy of the LifeStage Plus Master Declaration of Trust, send us a written request.

## **BMO LifeStage Plus Funds**

### **Annual Information Form**

BMO LifeStage Plus 2017 Fund  
(Series A and Advisor Series)

BMO LifeStage Plus 2020 Fund  
(Series A and Advisor Series)

The funds' Fund Facts, management reports of fund performance and financial statements contain more information about the funds. You can obtain a copy of these documents and other information about the funds, such as information circulars and material contracts, at no cost by:

- calling us toll-free at 1-800-665-7700 if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre or at 1-800-668-7327 if you purchased your securities through a dealer
- visiting BMO Investments Inc.'s website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) (in English) or [www.bmo.com/fonds](http://www.bmo.com/fonds) (en français) if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre
- visiting BMO Investment Inc.'s website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) (in English), or [www.bmo.com/gma/ca](http://www.bmo.com/gma/ca) (en français) if you purchased your securities through a dealer
- emailing us at [mutualfunds@bmo.com](mailto:mutualfunds@bmo.com) if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre
- emailing us at [clientservices.mutualfunds@bmo.com](mailto:clientservices.mutualfunds@bmo.com) if you purchased your securities through a dealer
- contacting your dealer directly
- visiting [www.sedar.com](http://www.sedar.com)

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