

IRC 2009 Report to Securityholders

December 31, 2009

Dear Securityholder:

As Chair of the Independent Review Committee (IRC) for certain publicly offered mutual funds (Funds) managed by BMO Nesbitt Burns Inc. (the Manager), I am pleased to provide you with the 2009 annual report to securityholders of the Funds, as required under National Instrument 81-107 *Independent Review Committee for Investment 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. A “conflict of interest matter” is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of the Funds. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the Funds.

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, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC, whose identities are listed in the report, bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interests of the Funds are paramount when the Manager is faced with a conflict of interest matter.

Me. Louise Vaillancourt-Châtillon

Chair of the Independent Review Committee

Reporting Period

The Independent Review Committee (IRC) for the publicly offered mutual funds (Funds) managed by BMO Nesbitt Burns Inc. (the Manager), as listed in Schedule "A" to this report, became operational on September 12, 2007. The information disclosed in this report covers the period beginning January 1, 2009 and ending December 31, 2009, the financial year-end for the Funds (inclusively, the Period).

Members of the IRC

Name	Residence	First Appointed
Allen B. Clarke	Toronto, Ontario	May 1, 2007
Kenneth W. McArthur	Toronto, Ontario	May 1, 2007
John K. McBride	Ottawa, Ontario	May 1, 2007
R. Jamie Plant	Knoltown, Quebec	May 1, 2007

The members of the IRC also serve as members of the IRC for BMO Exchange-Traded Funds, BMO Guardian Funds, BMO Harris Private Portfolios and BMO Mutual Funds. In addition, Allen B. Clarke serves as an IRC member for EnerVest Funds and T. Boone Pickens Energy Fund. Each member of the IRC is independent of the Funds, the Manager and any person or company related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member's independence.

On April 29, 2009, Charles W. White (the former Chair of the IRC) was appointed a Judge of the Court of Appeal of the Supreme Court of Newfoundland and Labrador. As a result of this appointment, Mr. White resigned from his position on the IRC on April 29, 2009. On May 28, 2009, the Fund's IRC appointed Louise Vaillancourt-Châtillon (a former IRC member) to act as Chair.

Holdings of Securities

Funds

As at December 31, 2009, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units of each class or series of the Funds

Manager

The Manager is an indirect subsidiary of the Bank of Montreal (the Bank). As at December 31, 2009, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank's outstanding common shares.

Service Providers

As at December 31, 2009, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material person or company that provided mutual fund services to the Funds or the Manager during the Period.

IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The aggregate compensation, including expenses, paid by the Funds to the IRC for the Period was \$17,724.05. This amount was allocated among the Funds, in an equitable and reasonable manner.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- (a) the best interests of the Funds;
- (b) the number, nature and complexity of the Funds;
- (c) the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- (d) industry best practices, including industry averages and surveys on IRC compensation, if available;
- (e) the IRC's most recent annual self-assessment, and
- (f) the Manager's recommendations about IRC compensation and expenses, if made.

During the Period, no amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds to the IRC.

Conflict of Interest Matters

National Instrument 81-107 *Independent Review Committee for Investment Funds* requires the IRC to review all 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 certain cases, the IRC may also issue standing instructions to the Manager in conjunction with an approval or a recommendation to enable the Manager

to act in the particular conflict of interest matter on a continuing basis.

Below is a brief summary of the conflict of interest matters that have been identified by the Manager and referred by the Manager to the IRC for the IRC's review and decision:

Conflict of Interest Matter	IRC Decision	Standing Instruction Issued	Date of Initial IRC Decision
1. Investing in BMO common shares	Approval	Yes	September 12, 2007
2. Investing in BMO preferred shares	Approval	Yes	November 26, 2009
3. Investing in BMO debt securities in the secondary market	Approval	Yes	November 26, 2009
4. Investing in BMO long-term debt securities in a primary offering	Approval	Yes	February 24, 2009
5. Purchasing mortgages from and/or selling mortgages to an entity related to the Manager	Approval	Yes	February 24, 2009
6. Investing in securities during the period of distribution of those securities or during the 60-day period following the period of distribution where the Manager acts as an underwriter in the distribution of those securities	Approval	Yes	September 12, 2007
7. Purchasing government and/or non-government debt securities from the Manager, who holds the debt securities as principal and/or selling government or non-government debt securities to the Manager who purchases that debt security as principal	Approval	Yes	September 12, 2007
8. Monitoring services provided by portfolio managers of the Funds, including portfolio managers related to the Manager	Positive Recommendation	Yes	September 12, 2007
9. Voting securities held by the Funds (proxy voting)	Positive Recommendation	Yes	September 12, 2007

Conflict of Interest Matter	IRC Decision	Standing Instruction Issued	Date of Initial IRC Decision
10. Personal trading by employees of the Manager	Positive Recommendation	Yes	September 12, 2007
11. Frequent trading and trading by large securityholders of the Funds	Positive Recommendation	Yes	September 12, 2007
12. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment	Positive Recommendation	Yes	September 12, 2007
13. Identifying and correcting net asset value (NAV) errors	Positive Recommendation	Yes	September 12, 2007
14. Valuing assets of the Funds	Positive Recommendation	Yes	September 12, 2007
15. Allocating expenses of the Funds	Positive Recommendation	Yes	September 12, 2007
16. Making an investment on behalf of BMO Nesbitt Burns Balanced Fund in units of BMO U.S. High Yield Bond Fund, a fund managed and advised by entities related to the Manager	Positive Recommendation	Yes	November 28, 2007

Compliance

The IRC has not been informed of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval, recommendation and/or standing instruction. The Manager has an obligation to notify the IRC of any such instance.

Schedule "A"

BMO Nesbitt Burns

BMO Nesbitt Burns Canadian Stock Selection Fund
BMO Nesbitt Burns U.S. Stock Selection Fund
BMO Nesbitt Burns Bond Fund
BMO Nesbitt Burns Balanced Fund
BMO Nesbitt Burns International Equity Fund
BMO Nesbitt Burns Balanced Portfolio Fund
BMO Nesbitt Burns Growth Portfolio Fund
BMO Nesbitt Burns Maximum Growth Portfolio Fund