

IRC 2007 Report to Securityholders

December 31, 2007

BMO Nesbitt Burns Group of Funds

Dear Securityholder:

As Chair of the Independent Review Committee (“IRC”) for the funds (the “Funds”) managed by BMO Nesbitt Burns Inc. (the “Manager”), I am pleased to provide you with the first annual report to securityholders of the Funds, as required under National Instrument 81-107 Independent Review Committee for Investment Funds.

The IRC became operational on September 12, 2007. The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give its approval or 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 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.

All IRC members look forward to working with the Manager to ensure that the best interests of the Funds are paramount when the Manager is faced with a conflict of interest matter.

Charles W. White

Chair of the Independent Review Committee

Reporting Period

The Independent Review Committee (“IRC”) for the funds (the “Funds”) managed by BMO Nesbitt Burns Inc. (the “Manager”) became operational on September 12, 2007. The information disclosed in this report covers the period beginning September 12, 2007 and ending December 31, 2007, the financial year-end for the Funds (inclusively, the “Period”).

Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Charles W. White, Q.C. Chair of the IRC	St. John’s, Newfoundland	May 1, 2007
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	Abercorn, Quebec	May 1, 2007
Louise Vaillancourt-Châtillon	Montréal, Quebec	May 1, 2007

The members of the IRC also serve as members of the IRC for BMO Mutual Funds, BMO Harris Private Portfolios and Guardian Group of Funds. In addition, Allen B. Clarke serves as an IRC member for EnerVest Funds. Each member of the IRC is independent of the Funds, the Manager and other companies related to the Manager. During the Period, there were no changes in the composition or membership of the IRC and there were no relationships that may cause a reasonable person to question a member’s independence.

Holdings of Securities

Funds

As at December 31, 2007, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units of each of the Funds.

Manager

The Manager is an indirect subsidiary of Bank of Montreal (the “Bank”). As at December 31, 2007, 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, 2007, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of any person or company that provides services to the Funds or the Manager with respect to its fund business.

IRC Compensation

The aggregate compensation paid by the Funds to the IRC for the Period was \$4,627. This amount was allocated among the Funds.

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;
- (e) the IRC's most recent annual self-assessment, and
- (f) the recommendations about IRC compensation and expenses of the Manager, if made.

Indemnities

No amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds to the IRC during the Period.

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 its approval or 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 the approval or recommendation that allow the Manager to act in the particular conflict of interest matter on a continuing basis. Where standing instructions have been issued, the Manager must request the IRC to review and renew the standing instructions on an annual basis.

Below is a brief summary of the approvals, recommendations and standing instructions relied on by the Manager during the Period.

Approvals with Standing Instructions

During the Period, the Manager relied on the following approvals of the IRC:

- (a) allowing the Funds to invest in securities during the period of distribution of those securities or during the period of 60 days following the distribution period where an entity that is related to the Manager acts as an underwriter in the distribution of those securities, and

- (b) allowing the Funds to purchase debt securities from an entity that is related to the Manager who holds that debt security as principal and/or sell a debt security to a related entity who purchases that debt security as principal.

For each of these approvals, the IRC also issued standing instructions to the Manager that allow the Manager to act in the particular conflict of interest matter on a continuing basis provided the Manager complies with the related policies and procedures and reports periodically to the IRC.

Positive Recommendations with Standing Instructions

During the Period, the Manager relied on the positive recommendations and standing instructions issued by the IRC with respect to the conflict of interest matters addressed by the following policies and procedures of the Manager:

- (a) Monitoring Services Provided by Portfolio Managers to the Funds (including Related Portfolio Managers);
- (b) Trading Policies – Best Execution and Trade Allocation (including broker selection);
- (c) Proxy Voting Policy;
- (d) Employee Personal Trading Policy;
- (e) Frequent Trading and Trading by Large Unitholders Policy;
- (f) Outside Business Activities, Acceptance of Payments, Gifts and Entertainment Policy;
- (g) Net Asset Value Error Correction Policy;
- (h) Fund Valuations/Fair Value Policy, and
- (i) Fund Operating Expenses and Allocation Policy.

In each of the above cases, the recommendations and standing instructions issued by the IRC require the Manager to comply with the related policies and procedures and report periodically to the IRC.

Negative Recommendations

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC during the Period for which the IRC did not give a positive recommendation. The Manager has an obligation to notify the IRC of any such instance.

Compliance

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

BMO Nesbitt Burns Group of Funds

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 Balanced Portfolio Fund

BMO Nesbitt Burns Growth Portfolio Fund

BMO Nesbitt Burns All Equity Portfolio Fund