

IRC 2012 Report to Securityholders

December 31, 2012

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered mutual funds (the “Portfolios”) managed by BMO Harris Investment Management, Inc. (the “Manager”), I am pleased to provide you with the 2012 Annual Report to Securityholders of the Portfolios, 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 Portfolios. 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 Portfolios.

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 Portfolios, 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 Portfolios are paramount when the Manager is faced with a conflict of interest matter.

Me. Louise Vaillancourt
Chair of the Independent Review Committee

Reporting Period

The Independent Review Committee (the “IRC”) for the publicly offered mutual funds (the “Portfolios”) managed by BMO Harris Investment Management, 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, 2012 and ending December 31, 2012, the financial year-end for the Portfolios (inclusively, the “Period”).

Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Louise Vaillancourt Chair of the IRC	Montréal, Quebec	May 1, 2007
Allen B. Clarke	Toronto, Ontario	May 1, 2007
John K. McBride	Ottawa, Ontario	May 1, 2007

The members of the IRC also serve as members of the IRC for BMO Exchange-Traded Funds, BMO Guardian Funds, BMO Mutual Funds and BMO Nesbitt Burns Group of Funds. In addition, Allen B. Clarke serves as an IRC member for EnerVest Canoe Funds, Ridgewood Capital, T. Boone Pickens Energy Fund, Coxe Global Agribusiness Income Fund, Star Hedge Managers Corp. II, Star Yield Managers Class (a class of shares of Star Portfolio Corp.), Star Yield Trust and U.S. Housing Recovery Fund. Each member of the IRC is independent of the Portfolios, 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.

Holdings of Securities

Portfolios

As at December 31, 2012, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units of each class or series of the Portfolios.

Manager

The Manager is an indirect subsidiary of the Bank of Montreal (the “Bank”). As at December 31, 2012, 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, 2012, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material persons or companies that provided mutual fund services to the Portfolios or the Manager during the Period.

IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Portfolios and to be indemnified by the Portfolios in appropriate circumstances. The aggregate compensation, including expenses, paid by the Portfolios to the IRC for the Period was \$35,906.44. This amount was allocated among the Portfolios, 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 Portfolios;
- (b) the number, nature and complexity of the Portfolios;
- (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 Portfolios pursuant to indemnities given by the Portfolios 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 approval or recommendation:

Conflict of Interest Matter	IRC Decision	Standing Instruction Issued
1. Investing in BMO common shares	Approval	Yes
2. Investing in BMO preferred shares	Approval	Yes
3. Investing in BMO debt securities in the secondary market	Approval	Yes
4. Investing in BMO long-term debt securities in a primary offering	Approval	Yes
5. Purchasing mortgages from and/or selling mortgages to an entity related to the Manager	Approval	Yes
6. Investing in securities during the period of distribution of those securities or during the 60-day period following the period of distribution where BMO Nesbitt Burns Inc. (BMONBI), an entity related to the Manager, acts as an underwriter in the distribution of those securities	Approval	Yes
7. Purchasing government and/or non-government debt securities from BMONBI who holds the debt securities as principal and/or selling government and/or non-government debt securities to BMONBI who purchases the debt securities as principal	Approval	Yes
8. Purchasing a security from or selling a security to another investment fund managed by the Manager or an affiliate of the Manager (Inter-Fund Trades)	Approval	Yes
9. Monitoring services provided by portfolio managers of the Portfolios, including portfolio managers related to the Manager	Positive Recommendation	Yes
10. Voting securities held by the Portfolios (Proxy Voting)	Positive Recommendation	Yes
11. Personal trading by employees of the Manager	Positive Recommendation	Yes
12. Frequent trading and trading by large securityholders of the Portfolios	Positive Recommendation	Yes
13. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment	Positive Recommendation	Yes
14. Identifying and correcting net asset value (NAV) errors	Positive Recommendation	Yes
15. Valuing assets of the Portfolios	Positive Recommendation	Yes

(continued)

Conflict of Interest Matter (cont'd)	IRC Decision	Standing Instruction Issued
16. Allocating expenses of the Portfolios	Positive Recommendation	Yes
17. BMO Harris U.S. Special Equity Portfolio (formerly BMO Harris International Special Equity Portfolio) – Change of Portfolio Manager	Positive Recommendation	N/A
18. Changes to the Management Expense Ratio (MER) Caps of the Portfolios	Positive Recommendation	N/A
19. Trading practices, including best execution and trade allocation	Positive Recommendation	Yes

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 Harris Private Portfolios

BMO Harris Canadian Money Market Portfolio

BMO Harris Canadian Short-Term Bond Portfolio (formerly, BMO Harris Canadian Bond Income Portfolio)

BMO Harris Canadian Mid-Term Bond Portfolio (formerly, BMO Harris Canadian Total Return Bond Portfolio)

BMO Harris Canadian Corporate Bond Portfolio

BMO Harris Diversified Yield Portfolio

BMO Harris Canadian Income Equity Portfolio

BMO Harris Canadian Conservative Equity Portfolio

BMO Harris Canadian Growth Equity Portfolio

BMO Harris Canadian Special Growth Portfolio

BMO Harris U.S. Equity Portfolio

BMO Harris U.S. Growth Portfolio

BMO Harris U.S. Special Equity Portfolio (formerly, BMO Harris International Special Equity Portfolio)

BMO Harris International Equity Portfolio

BMO Harris Emerging Markets Equity Portfolio