

**SECOND AMENDING AGREEMENT TO
GUARANTOR AGREEMENT**

THIS SECOND AMENDING AGREEMENT TO GUARANTOR AGREEMENT (this “**Agreement**”) is made as of the 17th day of October, 2017.

BETWEEN:

- (1) **BMO Covered Bond GP, Inc.**, a corporation incorporated under the laws of Canada;
- (2) **8429065 Canada Inc.**, a corporation incorporated under the laws of Canada;
- (3) **Bank of Montreal**, a bank named in Schedule I to the Bank Act (Canada); and
- (4) **Computershare Trust Company of Canada**, a trust company formed under the laws of Canada.

WHEREAS the parties hereto entered into a limited partnership agreement made as of September 30, 2013, as amended by an amending agreement dated August 16, 2016 (as so amended, the “**Guarantor Agreement**”);

AND WHEREAS the parties hereto have agreed to further amend the Guarantor Agreement pursuant to Section 13.1 and the terms of this Agreement;

NOW THEREFORE IT IS HEREBY AGREED that in consideration of the mutual covenants and agreements herein set forth, the parties agree as follows:

ARTICLE 1 – AMENDMENT

1.01 **Amendments**

(1) Article 5 of the Guarantor Agreement shall be amended by deleting the heading and replacing it with the following:

**“ASSET COVERAGE TEST, AMORTIZATION TEST, PRE-MATURITY TEST,
VALUATION CALCULATION AND OC VALUATION”**

(2) Article 5 in the Table of Contents of the Guarantor Agreement shall be amended by deleting the heading and replacing it with the following:

**“ASSET COVERAGE TEST, AMORTIZATION TEST, PRE-MATURITY TEST,
VALUATION CALCULATION AND OC VALUATION”**

(3) Article 5 of the Guarantor Agreement shall be amended by adding a new Section 5.6 as follows:

Section 5.6 OC Valuation.

Following the 2017 New Guide OC Valuation Implementation Date, for so long as the Covered Bonds remain outstanding, the Partnership must ensure that, on each date that the Asset Coverage Test is calculated, the Partnership (or the Cash Manager on its behalf) performs the OC Valuation as set out in Schedule 11. Once implemented, if it is determined that the Level of Overcollateralization (as defined in Schedule 11) falls below the Guide OC Minimum, the Managing GP (or the Cash Manager on its behalf) shall immediately notify in writing the Partnership, the Partners, the Bond Trustee and CMHC thereof.

(4) Section 7.5 of the Guarantor Agreement shall be amended in the following manner:

- (i) deleting the “and” at the end of Section 7.5(b);
- (ii) replacing the “.” at the end of Section 7.5(c) with “; or”; and
- (iii) the following Section 7.5(d) shall be inserted following Section 7.5(c):
 - (d) (i) subject to the rights of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement, transfer, or (ii) agree with the Seller to withdraw or remove, Loans and Related Security and Substitute Assets (with an aggregate value, in the case of Loans and Related Security, equal to the LTV Adjusted True Balance thereof, and in the case of Substitute Assets, equal to the face value thereof, up to the Voluntary Overcollateralization).

(5) Section 13.1 of the Guarantor Agreement shall be amended in the following manner:

- (i) replacing the words “Subject to 0” with “Subject to Section 13.2”; and
- (ii) deleting the last sentence and replacing it with the following:

For certainty, any amendment to (a) a Ratings Trigger, or a change in the applicable rating type, provided for in this Agreement that lowers the ratings specified therein, or (b) the consequences of breaching a Ratings Trigger, or changing the applicable rating type, provided for in this Agreement that makes such consequences less onerous, shall, with respect to each affected Rating Agency only, be deemed to be a material amendment and shall be subject to confirmation of the satisfaction of the Rating Agency Condition from each affected Rating Agency.

(6) The Guarantor Agreement shall be amended by adding the attached Schedule A as a new Schedule 11.

ARTICLE 2– MISCELLANEOUS

2.01 Further Assurances

Each of the parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as any of the other parties may reasonably

require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

2.02 Other Amendments

Except as expressly amended, modified and supplemented hereby, the provisions of the Guarantor Agreement are and shall remain in full force and effect and shall be read with this Agreement, *mutatis mutandis*. Where the terms of this Agreement are inconsistent with the terms of the Guarantor Agreement (prior to its amendment hereby), the terms of this Agreement shall govern to the extent of such inconsistency.

2.03 Governing Law

This Agreement is governed by and will be construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein.

2.04 Interpretation

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Guarantor Agreement (prior to its amendment hereby).

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first before written.

BANK OF MONTREAL

By: “Stephen Lobo”

Name: Stephen Lobo

Title: Senior Vice-President and Treasurer

BMO COVERED BOND GP, INC.

By: “Chris Hughes”

Name: Chris Hughes

Title: President and Secretary

COMPUTERSHARE TRUST COMPANY OF CANADA

By: “Morag Abraham”

Name: Morag Abraham

Title: Corporate Trust Officer

By: “Stanley Kwan”

Name: Stanley Kwan

Title: Associate Trust Officer

8429065 CANADA INC.

By: “Charles Eric Gauthier”

Name: Charles Eric Gauthier

Title: Vice-President

SCHEDULE A

Schedule 11

OC Valuation

- (a) The “**OC Valuation**” consists of calculating the Level of Overcollateralization (defined below) on the relevant Calculation Date and comparing it with the Guide OC Minimum.
- (b) For purposes of the OC Valuation, the “**Level of Overcollateralization**” means the amount, expressed as a percentage, calculated as at each Calculation Date as follows:

$$A \div B$$

where:

- (A) the lesser of: (i) the total amount of the Cover Pool Collateral; and (ii) the amount of Cover Pool Collateral required to collateralize the Covered Bonds outstanding and ensure that the Asset Coverage Test is met, and
- (B) the Canadian Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

The term “**Cover Pool Collateral**” shall, for the purposes of the foregoing calculation, mean, as calculated on the relevant Calculation Date,

- (a) the Performing Eligible Loans (as defined in Annex D to the CMHC Guide) owned by the Guarantor and such Loans will be valued using their outstanding principal balance;
- (b) Substitute Assets owned by the Guarantor and such assets shall be valued using their outstanding principal balance;

provided that, the “Cover Pool Collateral” shall not include Contingent Collateral Amounts, Swap Collateral Excluded Amounts or Voluntary Overcollateralization (as defined in Section 6.3.4 of the CMHC Guide).