

**SCHEDULE
to the
ISDA Master Agreement**

dated as of September 30, 2013

between

- (1) BANK OF MONTREAL ("**Party A**"); and
- (2) BMO COVERED BOND GUARANTOR LIMITED PARTNERSHIP ("**Party B**").

Part 1. **Termination Provisions**

- (a) "**Specified Entity**" means in relation to Party A for the purpose of:

Section 5(a)(v), none

Section 5(a)(vi), none

Section 5(a)(vii), none

Section 5(b)(iv), none

and in relation to Party B for the purpose of:-

Section 5(a)(v), none

Section 5(a)(vi), none

Section 5(a)(vii), none

Section 5(b)(iv), none

- (b) "**Specified Transaction**" will have the meaning specified in Section 14.
- (c) The "**Cross-Default**" provisions of Section 5(a)(vi) will apply to Party A where Party A is the Issuer, and will not apply to Party B.

If such provisions apply:

Clauses (1) and (2) of Section 5(vi) of the Agreement shall be deleted and replaced with "an Issuer Event of Default in respect of Party A which has resulted in Covered Bonds becoming due and payable under their respective terms."

- (d) The "**Credit Event Upon Merger**" provisions of Section 5(b)(iv) will not apply to Party A and will not apply to Party B.
- (e) The "**Automatic Early Termination**" provision of Section 6(a) will not apply to Party A and will not apply to Party B.

- (f) **Payments on Early Termination.** For the purposes of Section 6(e) of this Agreement:
- (i) Market Quotation will apply.
 - (ii) The Second Method will apply.
- (g) "**Termination Currency**" means Canadian Dollars.
- (h) **Additional Termination Event** will apply as set forth in Part 5(h) of this Schedule.
- (i) **Right of Party B to Terminate.** Notwithstanding any other provision of this Agreement to the contrary:
- (a) if, at any time, Party B is Independently Controlled and Governed (as such term is defined in the CMHC Guide) but, subject to Part 1(i)(b) below, without prejudice to any other rights Party B may have hereunder, Party B shall have the discretion, but not be required, to:
 - (A) waive the requirement of Party A to provide credit support, obtain an Eligible Guarantee or replace itself as a party hereunder, in each case, pursuant to the terms of Part 5(h) of this Schedule, and
 - (B) refrain from forthwith terminating this Agreement or finding a replacement counterparty, in each case, upon the occurrence of an Event of Default or Additional Termination Event hereunder where Party A is the sole Defaulting Party or the sole Affected Party, as applicable; and
 - (b) if, at any time, Party B is not Independently Controlled and Governed (as such term is defined in the CMHC Guide), Party B shall not:
 - (A) waive the requirement of Party A to provide credit support, obtain an Eligible Guarantee or replace itself as a party hereunder, in each case, pursuant to the terms of Part 5(h) of this Schedule, or
 - (B) refrain from forthwith terminating this Agreement or finding a replacement counterparty, in each case, upon the occurrence of an Event of Default or Additional Termination Event hereunder where Party A is the sole Defaulting Party or the sole Affected Party, as applicable.
- (j) **Failure to Pay or Deliver.** Section 5(a)(i) does not apply to Party B in the case of a failure to pay or deliver caused by the assets then available to Party B being insufficient to make the related payment or delivery in full on the relevant payment or delivery date or the first Local Business Day or Local Delivery Day, as the case may be, after notice of such failure is given to Party B.

Part 2. Tax Representations

- (a) **Payer Representations.** For the purpose of Section 3(e) of this Agreement, Party A and Party B will each make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of this Agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party

pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of this Agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) ***Payee Representations.***

(i) For the purposes of Section 3(f) of this Agreement, Party A makes the representation specified below:

(A) It is not a non- resident of Canada for the purposes of the *Income Tax Act* (Canada).

(B) It is a bank organized under the laws of Canada.

(ii) For the purposes of Section 3(f) of this Agreement, Party A makes the representation specified below:

(A) It is a “Canadian partnership” as defined in the *Income Tax Act* (Canada).

(B) It is a limited partnership organized under the laws of the Province of Ontario.

Part 3. Agreement to Deliver Documents

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:-

(a) Tax forms, documents or certificates to be delivered are:-

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered
	None	

(b) Other documents to be delivered are:-

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A and Party B	Appropriate evidence of its signatory's authority	On signing of this Agreement	Yes
Party B	Copy of the Guarantor Agreement of Party B certified as at the date hereof as true and in full force and effect	On signing of this Agreement	No

Part 4. Miscellaneous

(a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:-

Address for notices or communications to Party A:

With respect to Transactions:

Address: Bank of Montreal, 250 Yonge Street, 10th Floor, Toronto, Ontario M5B 2L7, Canada

Attention: Head, Derivative Operations

Facsimile No.: (416) 552-7905

Telephone No.: (416) 552-7809

Any other notice sent to Party A (including, without limitation, any notice in connection with Section 5, 6 or 9(b)) of this Agreement shall be copied to the following address:

Address: Bank of Montreal, 55th Floor, 100 King Street West, Toronto, Ontario M5X 1H3

Attention: Managing Director, Documentation
Facsimile No.: (416) 956-2318
Telephone No: (416) 867-4710

Address for notices or communications to Party B:-

Address: c/o Bank of Montreal, 18th Floor, 1 First Canadian Place, 100 King Street West, Toronto, Ontario M5X 1A1

Attention: Senior Manager, Securitization Finance and Operations
Facsimile No.: (416) 867-4166

With a copy to the Bond Trustee:-

Name: Computershare Trust Company of Canada

Address: 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1

Attention: Manager, Corporate Trust
Facsimile No.: (416) 981-9777

(b) **Process Agent.** For the purpose of Section 13(c) of this Agreement:-

Party A appoints as its Process Agent: Not applicable.

Party B appoints as its Process Agent: Not applicable.

(c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party.** For the purpose of Section 10(c) of this Agreement:-

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

(e) **Credit Support Document.** Details of any Credit Support Document:-

In respect of Party A, any Eligible Guarantee.

In respect of Party B, none.

(f) **Credit Support Provider.**

Credit Support Provider means in relation to Party A, any guarantor under any Eligible Guarantee.

Credit Support Provider means in relation to Party B, none.

(g) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

- (h) **Netting of Payments.** Subparagraph (ii) of Section 2(c) of this Agreement will apply to Transactions entered into under this Agreement unless otherwise specified in a Confirmation.
- (i) "**Affiliate**" will have the meaning specified in Section 14 of this Agreement.
- (j) **Additional Agreements.** Party A agrees to (i) comply with and perform all of its agreements and obligations hereunder and each other Transaction Document to which it is a party in any capacity, and (ii) comply with the CMHC Guide.

Part 5. Other Provisions

(a) **No Set-Off**

(i) All payments under this Agreement shall be made without set-off or counterclaim, except as expressly provided for in Section 6.

(ii) Section 6(e) shall be amended by the deletion of the following sentence:

"The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off."

(b) **Security Interest**

Notwithstanding Section 7, Party A hereby agrees and consents to the assignment by way of security by Party B of its interests under this Agreement (without prejudice to, and after giving effect to, any contractual netting provision contained in this Agreement) to the Bond Trustee (or any successor thereto) pursuant to and in accordance with the Security Agreement and acknowledges notice of such assignment. Each of the parties hereby confirms and agrees that the Bond Trustee shall not be liable for any of the obligations of Party B hereunder.

(c) **Disapplication of Certain Events of Default**

Sections 5(a)(ii), 5(a)(iii), 5(a)(iv), 5(a)(vii)(2), (7) and (9), and 5(a)(viii) will not apply in respect of Party B. 5(a)(v) will not apply to Party A or to Party B.

Section 5(a)(vii)(3) will not apply to Party B to the extent that it refers to any assignment, arrangement or composition that is effected by or pursuant to the Transaction Documents.

Section 5(a)(vii)(4) will not apply to Party B to the extent that it refers to any proceedings or petitions instituted or presented by Party A or any of its Affiliates.

Section 5(a)(vii)(6) will not apply in respect of Party B to the extent that it refers to (i) any appointment that is effected by or pursuant to the Transaction Documents, or (ii) any appointment that Party B has not become subject to.

Section 5(a)(vii)(8) will apply to Party B only to the extent that it applies to Section 5(a)(vii)(1), (3), (4), (5) and (6), as amended above as applicable.

(d) **Disapplication of Certain Termination Events**

The "Tax Event" and "Tax Event Upon Merger" provisions of Section 5(b)(ii) and 5(b)(iii) will not apply to Party A or to Party B.

(e) *Amendments*

- (i) Section 9(b) is amended by adding “(i)” after “unless” in the first line of that Section, and by adding “, (ii) in respect of any material amendment, modification or waiver, the Rating Agency Condition has been satisfied with respect thereto; provided that any amendment to (1) a ratings trigger provided for in this Agreement that lowers the threshold ratings, or (2) the consequences of breaching any such ratings trigger 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 satisfaction of the Rating Agency Condition with respect to each affected Rating Agency, and (iii) such amendment, modification or waiver shall be in compliance with the CMHC Guide” after “system” and before the “.” in the third line of that Section;
- (ii) Party B shall notify Moody’s, Fitch and DBRS of all non-material amendments, modifications and waivers in respect of this Agreement, provided that failure to deliver such notice shall not constitute a breach of the obligations of Party B under this Agreement; and
- (iii) Notwithstanding anything in this Agreement, if at any time the Issuer determines that any one of DBRS, Fitch or Moody’s shall no longer be a Rating Agency in respect of the Program, then, so long as (a) the Program is in compliance with the terms of the CMHC Guide with respect to the ratings of the Covered Bonds, and (b) each outstanding Series of Covered Bonds is rated by at least two Rating Agencies, the ratings triggers for such rating agency as set out in this Agreement will no longer be applicable without any further action or formality, including for greater certainty any requirement for satisfaction of the Rating Agency Condition with respect to the remaining Rating Agencies or consent or approval of the Bond Trustee or the holders of the Covered Bonds. Any amendments to this Agreement to reflect the foregoing shall be deemed not to be a material amendment and may be made by the parties thereto without the requirement for satisfaction of the Rating Agency Condition with respect to the remaining Rating Agencies or consent or approval of the Bond Trustee or the holders of the Covered Bonds.

(f) ***Failure to Pay and Deliver***

Section 5(a)(i) does not apply to Party B in the case of a failure to pay or deliver caused by the assets then available to Party B being insufficient to make the related payment or delivery in full on the relevant payment or delivery date or the first Local Business Day or Local Delivery Day, as the case may be, after notice of such failure is given to Party B.

(g) ***Transfers***

Section 7 of this Agreement is replaced in its entirety with the following:

"(a) ***General.*** Save as provided in Parts 5(b), (g) and (h) of the Schedule to this Agreement and this Section 7, neither party may transfer its interest hereunder or under any Transaction to another party.

(b) ***Transfers by Party A.*** Without prejudice to Section 6(b)(ii), Party A may transfer all but not part of its interest and obligations in and under this Agreement upon providing five Local Business Days' prior written notice to Party B and the Bond Trustee, to any entity (the "**Transferee**") provided that:

- (i) the Transferee is a party that satisfies the Minimum Ratings requirement for all Rating Agencies or the Transferee's obligations under this Agreement are guaranteed by a party that satisfies the Minimum Ratings requirement for all Rating Agencies;
- (ii) as of the date of such transfer, the Transferee will not, as a result of such transfer, be required to withhold or deduct on account of any Tax under this Agreement;
- (iii) a Termination Event or an Event of Default will not occur under this Agreement as a direct result of such transfer;
- (iv) no additional amount will be payable by Party B to Party A or the Transferee on the next succeeding Scheduled Payment Date as a result of such transfer;
- (v) the Transferee enters into documentation identical or substantially identical to this Agreement and the documents executed in connection with this Agreement; and
- (vi) the Rating Agency Condition has been satisfied with respect to such transfer.

(c) ***Transfers by Party B.*** Neither this Agreement nor any interest in or under this Agreement or any Transaction may be transferred by Party B to any other entity save with Party A's prior written consent; except that such consent is not required in the case of a transfer, charge or assignment to the Bond Trustee as contemplated in the Security Agreement."

(h) ***Additional termination provisions.***

- (i) If (1) the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations or, respectively, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of Party A or any Credit Support Provider or guarantor from time to time in respect of Party A cease to be rated at least as high as, respectively, "Prime-1" or "A2" or, if Party A, such Credit Support Provider or guarantor does not have a short-term rating assigned by Moody's, the long-term unsecured, unsubordinated and unguaranteed debt obligations of Party A or any credit support provider or guarantor cease to be rated at least as high as "A1" (the "**Minimum Moody's Rating**") by Moody's Investors Service Inc. ("**Moody's**"), (2) the short-term issuer default rating or the long-term issuer default rating of Party A or any credit support provider or guarantor from time to time in respect of Party A

ceases to be at least as high as, respectively, “F1” and “A” (the “**Minimum Fitch Rating**”) by Fitch Ratings, Inc. (“**Fitch**”), or (3) the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations or, respectively, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of Party A or any Credit Support Provider or guarantor from time to time in respect of Party A cease to be rated at least as high as, respectively, “R-1 (middle)” or “A(high)” (the “**Minimum DBRS Rating**”) and, together with the Minimum Moody’s Rating and Minimum Fitch Rating, the “**Minimum Ratings**” and each a “**Minimum Rating**”) by DBRS Limited (“**DBRS**” and, together with Moody’s and Fitch and each of their respective successors, the “**Rating Agencies**” and each a “**Rating Agency**”), (each such cessation being an “**Initial Rating Event**”), then Party A will, at its own cost, either:

- (A) transfer credit support in accordance with the provisions of the Annex within 10 Business Days of the occurrence of the first such Initial Rating Event;
- (B) subject to Part 5(g), transfer all of its rights and obligations with respect to this Agreement to a replacement third party that satisfies the Minimum Ratings requirement of all Rating Agencies, in respect of which the Rating Agency Condition has been satisfied, and that is satisfactory to the Bond Trustee (whose consent shall be given if the replacement third party has the relevant Minimum Rating and the Rating Agency Condition has been satisfied with respect thereto) within (x) 30 calendar days of the occurrence of the first such Initial Rating Event caused by a failure to maintain the ratings specified by Moody’s or DBRS or (y) 14 calendar days of the occurrence of the first such Initial Rating Event caused by a failure to maintain the ratings specified by Fitch, provided that Party A transfers credit support in accordance with the provisions of the Annex within 10 Business Days of the occurrence of the first such Initial Rating Event; or
- (C) obtain a guarantee (an “**Eligible Guarantee**”) of its rights and obligations with respect to this Agreement from a third party that satisfies the Minimum Ratings requirement of all Rating Agencies, in respect of which the Rating Agency Condition has been satisfied, and that is satisfactory to the Bond Trustee (whose consent shall be given if the third party has the relevant Minimum Rating and the Rating Agency Condition has been satisfied with respect thereto) within (x) 30 calendar days of the occurrence of the first such Initial Rating Event caused by a failure to maintain the ratings specified by Moody’s or DBRS or (y) 14 calendar days of the occurrence of the first such Initial Rating Event caused by a failure to maintain the ratings specified by Fitch, provided that Party A transfers credit support in accordance with the provisions of the Annex within 10 Business Days of the occurrence of the first such Initial Rating Event.

If any of sub-paragraphs (i)(B) or (i)(C) above are satisfied at any time, Party A will not be required to transfer any additional credit support in respect of such Initial Rating Event.

- (ii) If, (1) the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations or, respectively, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of Party A or any Credit Support Provider or guarantor from time to time in respect of Party A cease to be rated at least as high as, respectively “Prime-2” or “A3” by Moody’s, (2) the short-term issuer default rating or the long-term issuer default rating of Party A or any credit support provider or guarantor from time to time in respect of Party A ceases to be at least as high as, respectively, “F3” and “BBB-” by Fitch, or (3) the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations or, respectively, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of Party A or any credit support provider or guarantor from time to time in respect of Party A

cease to be rated at least as high as, respectively, “R-2 (high)” or “BBB (high)” by DBRS (each such event, a “**Subsequent Rating Event**”) with respect to Party A, then Party A will:

- (A) immediately and in any event no later than 15 calendar days after such Subsequent Rating Event at its own cost and expense, shall (i) transfer all of its rights and obligations with respect to this Agreement to a replacement third party that satisfies the Minimum Ratings requirement of all Rating Agencies, in respect of which the Rating Agency Condition has been satisfied, and that is satisfactory to the Bond Trustee (whose consent shall be given if the third party has the relevant Minimum Rating and the Rating Agency Condition has been satisfied with respect thereto), or (ii) obtain an Eligible Guarantee of its rights and obligations with respect to this Agreement from a third party that satisfies the Minimum Ratings requirement of all Rating Agencies, in respect of which the Rating Agency Condition has been satisfied, and that is satisfactory to the Bond Trustee (whose consent shall be given if the third party has the relevant Minimum Rating and the Rating Agency Condition has been satisfied with respect thereto); and
- (B) transfer credit support pursuant to the Annex in no event later than 10 Business Days following the occurrence of a Subsequent Rating Event and until such time as the action set out in sub-paragraph (ii)(A) above has been taken.

If the action set out in sub-paragraph (ii)(A) above is taken at any time following a Subsequent Rating Event, Party A will not be required to transfer any additional credit support in respect of such Subsequent Rating Event.

(iii)

- (A) Without prejudice to the consequences of Party A breaching any provision of this Agreement (other than sub-paragraph (i) above) or failing to transfer credit support under the Annex, if Party A does not take any of the measures described in sub-paragraph (i) above, such failure shall not be or give rise to an Event of Default but shall constitute an Additional Termination Event with respect to Party A which shall be deemed to have occurred on (x) the tenth Business Day following the applicable Initial Rating Event with respect to the measures set out in sub-paragraph (i)(A) and (y) with respect to the measures set out in sub-paragraphs (i)(B) and (i)(C), the last day of the remedy period specified in such sub-paragraph, and in each case Party A shall be the sole Affected Party and all Transactions as Affected Transactions.
- (B) Without prejudice to the consequences of Party A breaching any provision of this Agreement (other than sub-paragraph (ii) above) or failing to transfer credit support under the Annex, if, at the time a Subsequent Rating Event occurs, Party A fails to transfer credit support as required by the Annex, such failure will not be or give rise to an Event of Default but will constitute an Additional Termination Event with respect to Party A and will be deemed to have occurred on the tenth Business Day following such Subsequent Rating Event with Party A as the sole Affected Party and all Transactions as Affected Transactions. Further, an Additional Termination Event with respect to Party A shall be deemed to have occurred if, even if Party A continues to transfer credit support as required by sub-paragraph (ii)(B) above and notwithstanding Section 5(h)(ii), Party A does not take any measure specified in sub-paragraph (ii)(A) above. Such Additional Termination Event will be deemed to have occurred on the fifteenth day following the Subsequent Rating Event, with Party A as the sole Affected Party and all Transactions as Affected Transactions.

- (C) If any of the Covered Bonds then outstanding have been assigned a rating by Moody's, Party B were to designate an Early Termination Date and there would be a payment due to Party A, then Party B may only designate such an Early Termination Date in respect of an Additional Termination Event under this Part 5(h)(iii) if Party B has found a replacement counterparty willing to enter into a new transaction on terms that reflect as closely as reasonably possible, as determined by Party B in its sole and absolute discretion, the economic, legal and credit terms of the Terminated Transactions, and Party B has acquired the Bond Trustee's prior written consent.

Each of Party B and the Bond Trustee (at the expense of Party A) shall use their reasonable endeavours to co-operate with Party A in connection with any of the measures which Party A may take under this Part 5(h) following the rating events described herein.

- (i) **Constitution of Partnership.** Party B is a limited partnership formed under the *Limited Partnerships Act* (Ontario), a limited partner of which is, except as expressly required by law, only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital. Without prejudice to any rights of Party A against any former or departing partner of Party B, upon any reconstitution of BMO Covered Bond Guarantor Limited Partnership, the rights and obligations of Party B under this Agreement and any Transaction thereunder shall become the rights and obligations of the partnership as newly constituted and, for greater certainty, Party A has the rights under Section 6 with respect to any and all Transactions entered into by Party B however constituted.
- (j) **Security, Enforcement and Limited Recourse.** Party A agrees with Party B to be bound by the terms of the Trust Deed and the Security Agreement and, in particular, confirms and agrees that:
- (i) all obligations of Party B are limited in recourse to the Charged Property and no sum shall be payable by or on behalf of Party B to it except in accordance with the provisions of the Trust Deed and Security Agreement; and
- (ii) it shall not institute or join any other person or entity in instituting against, or with respect to, Party B or any of its general partners any bankruptcy or insolvency event so long as any Covered Bonds issued by Bank of Montreal under the Program shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such Covered Bonds shall have been outstanding. The foregoing provision shall survive the termination of this Agreement by either party.
- (k) **Additional Representations**
- (i) Section 3 of this Agreement is amended by the addition at the end thereof of the following additional representations:
- "(g) **No Agency.** It is entering into this Agreement and each Transaction as principal and not as agent of any person."
- (ii) The following additional representations shall be given by Party A only:
- "(h) **Pari Passu.** Party A's obligations under this Agreement rank pari passu with all of its other unsecured, unsubordinated obligations except those obligations preferred by operation of law."

- (i) **Qualifications.** Party A possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities in relation to its duties and obligations under this Agreement.
- (j) **Compliance with Laws.** Party A is in regulatory good standing and in material compliance with and under all Laws applicable to its duties and obligations under this Agreement. Party A is in good standing with OSFI.
- (k) **Compliance with Internal Policies.** Party A is in material compliance with its internal policies and procedures (including risk management policies) relevant to its duties and obligations under this Agreement.
- (l) **Minimum Ratings.** The rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations or, respectively, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of Party A or any credit support provider or guarantor from time to time in respect of Party A satisfies the respective Minimum Ratings of each Rating Agency.
- (m) **Compliance with Laws.** It is and will continue to be in regulatory good standing and in material compliance with and under all Laws applicable to its duties and obligations hereunder and the other Transaction Documents to which it is a party; and
- (n) **Compliance with Policies and Procedures.** It is and will continue to be in material compliance with its internal policies and procedures (including risk management policies) relevant to its duties and obligations hereunder and the other Transaction Documents to which it is a party."

(l) **Recording of Conversations**

Each party to this Agreement acknowledges and agrees to the tape recording of conversations between the parties to this Agreement whether by one or the other or both of the parties.

(m) **Relationship between the Parties**

This Agreement is amended by the insertion after Section 14 of an additional Section 15, reading in its entirety as follows:

"15. **Relationship between the Parties**

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

- (a) **Non Reliance.** It is acting for its own account, and it has made its own decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. It has not received from the other party any assurance or guarantee as to the expected results of that Transaction.

- (b) ***Assessment and Understanding.*** It is capable of assessing the merits of and understanding (through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the financial and other risks of that Transaction.
- (c) ***Status of Parties.*** The other party is not acting as a fiduciary or an adviser for it in respect of that Transaction."

(n) **Tax**

This Agreement is amended by deleting Section 2(d) in its entirety and replacing it with the following:

"(d) ***Deduction or Withholding for Tax***

(i) ***Requirement to Withhold***

All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required (including, for the avoidance of doubt, if such deduction or withholding is required in order for the payer to obtain relief from Tax) by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party ("X") is so required to deduct or withhold, then that party (the "***Deducting Party***"):

- (1) will promptly notify the other party ("Y") of such requirement;
- (2) will pay or procure payment to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any Gross Up Amount (as defined below) paid by the Deducting Party to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) will promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
- (4) if X is Party A, X will promptly pay in addition to the payment to which Party B is otherwise entitled under this Agreement, such additional amount (the "***Gross Up Amount***") as is necessary to ensure that the net amount actually received by Party B will equal the full amount which Party B would have received had no such deduction or withholding been required.

(ii) ***Liability***

If:

- (1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding for or on account of any Tax in respect of payments under this Agreement; and
- (2) X does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent that Y has satisfied or then satisfies the liability resulting from such Tax, (A) where X is Party B, Party A will promptly pay to Party B the amount of such liability (the "**Liability Amount**") (including any related liability for interest and together with an amount equal to the Tax payable by Party B on receipt of such amount but including any related liability for penalties only if Party A has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)) and Party B will promptly pay to the relevant government revenue authority the amount of such liability (including any related liability for interest and penalties) and (B) where X is Party A and Party A would have been required to pay a Gross Up Amount to Party B, Party A will promptly pay to the relevant government revenue authority the amount of such liability (including any related liability for interest and penalties).

(o) ***Condition Precedent***

Section 2(a)(iii) shall be amended by the deletion of the words "or Potential Event of Default" in respect of obligations of Party A only.

(p) ***Representations***

Section 3(b) shall be amended by the deletion of the words "or Potential Event of Default" in respect of the representation given by Party B only.

(q) ***Additional Definitions***

Words and expressions defined in the Master Definitions and Construction Agreement made between the parties to the Transaction Documents (as defined therein) on September 30, 2013 (as the same may be amended, restated and/or supplemented from time to time) (the "**Master Definitions and Construction Agreement**") shall, except so far as the context otherwise requires, have the same meaning in this Agreement. In the event of any inconsistency between the definitions in this Agreement and in the Master Definitions and Construction Agreement the definitions in this Agreement shall prevail. The rules of interpretation set out in the Master Definitions and Construction Agreement shall apply to this Agreement.

(r) ***Notice of Termination/Novation to CMHC***

Upon any termination or novation of this Agreement, Party B shall provide notice to CMHC of such termination or novation contemporaneously with the earlier of (i) notice of such termination or novation being provided to a Rating Agency, (ii) notice of such termination or novation being provided to or otherwise made available to Covered Bondholders, and (iii) five Toronto Business Days following such termination or novation. Any such notice shall include the reasons for the termination or novation, and if this Agreement has been novated, all information relating to the replacement counterparty to this Agreement required by the CMHC Guide to be provided to CMHC in relation to such counterparty, together with all applicable documents governing such contractual relationship.

(s) ***Ontario Jurisdiction.***

Section 13(b) is restated as follows:

"(b) Jurisdiction. With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party irrevocably:

- i) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario;

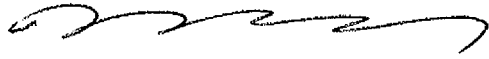
- ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object with respect to such Proceeding, that such court does not have any jurisdiction over such party; and
 - iii) agrees, to the extent permitted by applicable law, that the bringing of Proceedings in any one or more jurisdictions will not preclude the bringing of Proceedings in any other jurisdiction.”
- (t) ***Payments on Early Termination.*** For the purposes of Section 6(e) of this Agreement, in determining a party’s Close-out Amount under this Agreement, all outstanding Transactions shall be deemed to be in effect at the time of such determination notwithstanding the Effective Date thereof as set out in the relevant Confirmation.

BANK OF MONTREAL

**BMO COVERED BOND GUARANTOR
LIMITED PARTNERSHIP**, by its managing
general partner, **BMO COVERED BOND GP,
INC.**

By: _____

Name: Michael Bubas
Title: Senior Counsel & Director,
Documentation



By: _____

Name:
Title:

BANK OF MONTREAL

By: _____
Name:
Title:

**BMO COVERED BOND GUARANTOR
LIMITED PARTNERSHIP**, by its managing
general partner, **BMO COVERED BOND GP,
INC.**

By: Chris Hughes
Name: Chris Hughes
Title: President and Secretary