

**BMO Harris Financial Advisors, Inc.**

**Form ADV Part 2A**

**Item 1 - Cover Page**

**FORM ADV, PART 2A**

**ADVISORY PROGRAM BROCHURE**

**BMO Harris Financial Advisors, Inc.**

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[www.bmoharris.com/financialadvisors](http://www.bmoharris.com/financialadvisors)

**May 18, 2020**

This brochure provides information about the qualifications and business practices of BMO Harris Financial Advisors, Inc. ("BHFA"). If you have any questions about the contents of this brochure, please contact us at 877-225-3863 or [www.bmoharris.com/financialadvisors](http://www.bmoharris.com/financialadvisors). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about BHFA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The Firm's CRD number is 137115. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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**Item 2 - Material Changes**

There were no Material Changes since the last ADV update dated April 1, 2020.

BHFA will continue the practice of offering and/or delivering the most current brochure to clients at least annually, and if there is a material change. In addition, you may request copies of this brochure, free of charge at any time by contacting us at 877-225-3863 or [www.bmoharris.com/financialadvisors](http://www.bmoharris.com/financialadvisors).

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## **BMO Harris Financial Advisors, Inc.**

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#### **Item 4 - Advisory Business**

##### **Description of Firm**

BMO Harris Financial Advisors, Inc. (“BHFA”) is a wholly-owned subsidiary of BMO Financial Corp., whose parent company is Bank of Montreal. BHFA is headquartered in Chicago, Illinois, and was formed in August, 2005. BHFA is a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). BHFA is also an introducing broker dealer through a clearing firm, Pershing LLC (“Pershing”), a member of the Financial Industry Regulatory Authority (“FINRA”), and is licensed in the states where BHFA sells securities and insurance. BHFA offers investment advisory, brokerage and insurance services to a variety of individuals, trusts, non-profit organizations, corporations and retirement accounts (“Client” or “Clients”).

BHFA had approximately \$4.6 billion in discretionary assets under management as of December 31, 2019. BHFA does not have any non-discretionary assets under management. Throughout this brochure “BHFA” or “We” or “Us” will be used to refer to the BHFA. Throughout this brochure “Client” or “you” will be used to refer to the client.

##### **Description of Advisory Services**

BHFA is the program manager (“Program Manager”) for all advisory programs provided to BHFA clients. BHFA's advisory programs offer discretionary account management to its clients under an asset-based fee arrangement with no separate brokerage commissions.

##### **Advisory Account Types**

BHFA provides advisory services to Clients by opening an account (“Account”) and comprising of either:

(1) a wrap account where Client assets are invested across various asset classes into one or more open-end mutual funds and exchange traded funds (“ETFs”), collectively “Funds”, and fixed income instruments based on various asset allocation models (each a “Model” and together the “Models”), which are managed by various Investment Strategists as provided below (“Wrap Accounts”); or

(2) a wrap account where Client Assets are invested in either (1) separately managed accounts, as described below (“SMAs”), or (2) a combination of certain Wrap Account Models and SMAs (together with the Wrap Accounts, the “Program Account”).

##### **Separately Managed Accounts**

SMAs are managed by affiliate and third party managers (“SMA Managers”) who have discretion over client assets in the particular SMA. The SMA Managers generally invest in one asset class per SMA. For example, a SMA can be used to fill out the equity or fixed income portion of the asset allocation within a Client’s Account. Clients pay SMA Fees in addition to any Program Fees, as described more fully below in Item 5.

##### **Program Accounts**

Program Accounts are managed by a (1) BHFA Investment Advisor (“Financial Advisor”), (2) BHFA affiliates or (3) third parties (collectively, each an “Investment Strategist” and together the “Investment Strategists”).

For the Program Accounts not managed by Financial Advisors, BHFA has retained the following affiliated and third party Investment Strategists:

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- BMO Asset Management Corp. (“BMO AM”)
- BMO Harris Bank N.A.’s Private Bank Division (“BMO PB”)
- Investnet Asset Management, Inc. (“Investnet”)
- BlackRock Investment Management, LLC (“BlackRock”)
- Vanguard Advisor Services (“Vanguard”)
- JA Forlines Asset Management (“JA Forlines”)
- Russell Investment Group (“Russell”)
- SEI Investments Management Corporation (“SIMC”)

BMO AM and BMO PB are affiliates of BHFA and are referred to herein as “Affiliated Investment Strategists”.

Investnet, Russell, SIMC, WFM, BlackRock, Vanguard and JA Forlines are third parties and are referred to herein as “Third Party Investment Strategists”.

Client assets are invested in a manner consistent with their chosen Model, or applicable SMA, which are designed to meet particular investment goals by allocating client investments among different asset classes with varying levels of risk and return.

Descriptions of the Program Accounts are provided below:

#### **1. STRATEGIC FUND PORTFOLIO PROGRAM**

BMO PB is the Investment Strategist that manages the Strategic Fund Portfolio Program (“SFP Program”).

BMO PB manages the SFP Program through Models comprised of primarily non-affiliated ETFs, but also some mutual funds, cash and cash equivalents. BMO PB has designed each Model to accomplish one of the SFP Program’s investment objectives. The SFP Program Models could include BMO Funds though there are currently no BMO Fund holdings within the SFP Program.

Financial Advisors will recommend a SFP Model best suited to the client’s individual investment objectives and risk tolerances. Once the client has selected a SFP Model, BHFA opens an Account and implements the Investment Strategists’ Model recommendations.

The Investment Strategist evaluates each Model on a periodic basis, makes changes to such Model based on market conditions and instructs BHFA to change the securities in the Account to match any of the Investment Strategist’s changes to the respective Model. The Investment Strategist also makes periodic determinations whether to rebalance an Account to align the securities in program Accounts to match the composition (including percentage proportion) of securities in the respective Model. BHFA implements those replacement and rebalancing trades.

The continuing role of the Financial Advisor is to monitor a Client’s Account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually.

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The minimum Account size for the SFP Program is \$75,000.

**Conflicts**

BHFA has an inherent conflict by maintaining the SFP Program because the SFP Program is managed by BHFA's affiliate, BMO PB. BHFA pays BMO PB to manage the SFP Program and therefore, BHFA as Program Manager receives the Program Fee and pays its affiliate the Investment Strategist fee. BMO PB is the only Investment Strategist for the SFP Program and no third party managers have been evaluated to manage the SFP Program.

**In addition, please see Item 10 for Potential Conflicts of Interest from BHFA's use of BMO Funds and Affiliate Investment Strategists.**

**2. INCOME OPPORTUNITIES PORTFOLIO**

BMO AM is the Investment Strategists for the Income Opportunities Portfolio Program ("IOP Program").

BMO AM has created a Model seeking stable income through ETFs, mutual funds, cash and cash equivalents for the IOP Program. BMO AM designed the Model to accomplish an income investment objective. The IOP Program may include BMO Funds, though there are currently no BMO Fund holdings within the IOP Program.

Once the client has selected the IOP Program, BHFA opens an Account and implements the Investment Strategists' Model recommendations.

The Investment Strategist evaluates the Model on a periodic basis, makes changes to the Model based on market conditions and instructs BHFA to change the securities in the Account to match any of the Investment Strategist's changes to the Model. The Investment Strategist also makes periodic determinations whether to rebalance an Account to align the securities in program Accounts to match the composition (including percentage proportion) of securities in the Model. BHFA implements those replacement and rebalancing trades.

The continuing role of the Financial Advisor is to monitor a client's Account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually.

The minimum Account size for the IOP Program is \$100,000.

**Conflicts**

BHFA has an inherent conflict by maintaining the IOP Program on its platform because the IOP Program is managed by BHFA's affiliate, BMO AM. BHFA pays BMO AM to manage the IOP Program and, therefore, BHFA as Program Manager receives the Program Fee and pays its affiliate the Investment Strategist fee. BMO AM is the only Investment Strategist and no third party managers have been evaluated or selected to manage the IOP Program.

**See Item 10 for Potential Conflicts of Interest from BHFA's use of BMO Funds and Affiliate Investment Strategists.**

**3. BMO MANAGED ASSET ALLOCATION PORTFOLIO**

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BMO AM is the Investment Strategist for the Managed Asset Allocation Portfolio (“MAAP”) Program. MAAP consists of Models that correspond to particular risk based investment objectives.

BMO AM manages the MAAP Program through Models comprised primarily of mutual funds, but also may include ETFs, cash and cash equivalents. BMO AM has designed each Model to accomplish one of the MAAP Program’s investment objectives.

Mutual funds within the Models will include BMO Funds. When selecting a fund for a particular strategy BMO AM will compare a BMO Fund, if available, to non-affiliated funds in the same asset class. BMO AM does not review all funds available for each category. BMO AM weighs multiple factors when selecting a fund, but if funds from other fund families are, in BMO AM’s judgment, comparable, BMO AM will select the BMO Fund over a non-affiliated fund.

Financial Advisors will recommend a MAAP Model best suited to the client’s individual investment objectives and risk tolerances. Once the client has selected a MAAP Model, BHFA opens an Account and implements the Investment Strategists’ Model recommendations.

The Investment Strategist evaluates each Model on a periodic basis, makes changes to such Model based on market conditions and instructs BHFA to change the securities in the Account to match any of the Investment Strategist’s changes to the respective Model. The Investment Strategist also makes periodic determinations whether to rebalance an Account to align the securities in program Accounts to match the composition (including percentage proportion) of securities in the respective Model. BHFA implements those replacement and rebalancing trades.

The continuing role of the Financial Advisor is to monitor a client’s Account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually.

The minimum Account size for the MAAP Program is \$75,000.

#### **Conflicts**

BHFA has an inherent conflict by maintaining the MAAP Program on its platform because the MAAP Program is managed by BHFA’s affiliate, BMO AM. BHFA pays BMO AM to manage the MAAP Program and therefore, BHFA as Program Manager receives the Program Fees and pays its affiliate the Investment Strategist fee. BMO AM is the only Investment Strategist and no third party managers have been evaluated or selected for inclusion in the MAAP Program.

**In addition, please see Item 10 for Potential Conflicts of Interest from BHFA’s use of BMO Funds and Affiliate Investment Strategists.**

#### **4. BMO MANAGED ASSET ALLOCATION PLUS MANAGERS PORTFOLIO**

**The same conflicts that apply to the BMO MAAP Accounts as described above also apply to BMO MAAP Plus Accounts.**

BMO AM is the Investment Strategists for the BMO Managed Asset Allocation Plus Managers Portfolio (“MAAP Plus” or “MAAP Plus Account”).

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MAAP Plus is designed to allow clients to diversify their investments through one Account. MAAP Plus accounts invest in certain MAAP Portfolios and SMAs in accordance with recommendations made by BMO AM. In addition to the MAAP Model investments, Client assets are invested in a portfolio of mutual funds and individual securities through investment in an SMA that fits within the objectives of the specific investment portfolio selected by the Client.

SMAs are managed by an SMA Manager and are separate from the MAAP Models. The SMA may not be diversified in its equity or fixed income investments and should constitute only a portion of the client's overall investment portfolio.

The continuing role of the Financial Advisor is to monitor a client's Account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually.

The minimum account size for the MAAP Plus is \$250,000.

#### **Conflicts**

BHFA has an inherent conflict by maintaining the MAAP Plus Program on its platform because the MAAP Plus Program is managed by BHFA's affiliate, BMO AM. BHFA pays BMO AM to manage the MAAP Plus Program and therefore, BHFA as Program Manager receives the Program Fees and pays its affiliate the Investment Strategist fee. BMO AM is the only Investment Strategist and no unaffiliated Investment Strategists have been evaluated or selected for inclusion in the MAAP Plus Program.

**In addition, please see Item 10 for Potential Conflicts of Interest from BHFA's use of BMO Funds and Affiliate Investment Strategists.**

**Tax Management Overlay:** If a client has an equity SMA within the MAAP Plus Program, and the account is non-qualified, the client may choose to add the option of Tax Management Overlay provided by Envestnet PMC, a third party, ("Envestnet"), to the account. The goal of the Tax Management Overlay is to maximize the tax savings for a SMA client through-out the year. The Tax Management Overlay may be added to improve ongoing tax harvesting, and/or to improve overall performance of the account by adding a tax benefit to the client. Envestnet will consider the client's tax situation when making trading decisions within the equity SMA portion of the MAAP plus client account. If the client chooses to accept the tax overlay service, they will be charged an additional 0.10% tax overlay fee ("Tax Overlay Fee").

#### **5. BMO CHOICE PORTFOLIO**

Financial Advisors act as Investment Strategists for the BMO Choice Portfolios ("Choice Program" or "Choice Account")

The Financial Advisors manage Clients' Choice Accounts under the supervision of the Program Manager, using Models created and updated by BMO PB, consisting of any of the following: mutual funds, ETFs, fixed income instruments, cash and cash equivalents.

The Financial Advisor selects investments from a working list that BHFA maintains ("Choice Working List") and recommends a Choice Model best suited to the client's individual investment objectives and risk tolerances. The mutual funds on the Choice Working List may include BMO Funds, although there are currently no BMO Funds in the Choice Program.

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Once the client has selected a Model, BHFA opens an account and the Financial Advisor invests the client assets in accordance with the Model. Securities that are not on the Choice Working List that transfer into the Choice Account will be liquidated and reinvested according to the client's selected Model.

The Financial Advisor has discretionary authority to maintain the designated allocation in the client's Choice Account. The Financial Advisor will select the securities from the Choice Working List which has an approved list for each asset class, and monitor the Choice Account, review progress toward investment objectives and seek to conduct regular periodic reviews with the client, not less than annually, and rebalance Account as needed.

The minimum account size for the Choice Program is \$75,000.

**Conflicts**

BHFA has an inherent conflict by maintaining the Choice Program on its platform because BMO Family Office, LLC ("BMOFO") provides recommendations of investments to be included on the Choice Working List. BHFA pays BMOFO for this service and, therefore, there is a financial incentive for BMO's affiliates when clients are invested in the Choice Program

**Please see Item 10 for Potential Conflicts of Interest from BHFA's use of BMO Funds and Affiliate Investment Strategists.**

**6. BMO FLEX PORTFOLIO**

Financial Advisors act as the Investment Strategist for the BMO Flex Portfolios ("Flex Program" or "Flex Account").

The Financial Advisors manage Clients' Flex Accounts under the supervision of the Program Manager, using either a Model created by BMO PB or a Model created by BMO AM, consisting of any of the following: mutual funds, ETFs, fixed income instruments, cash and cash equivalents.

The Financial Advisor selects investments from a working list that BHFA maintains ("Flex Working List") and recommends the Flex Model best suited to the client's individual investment objectives and risk tolerances. The mutual funds on the Flex Working List for include BMO Funds.

Once the client selects a Model, BHFA opens an account and the Financial Advisor invests the client assets in accordance with the Model.

BMO PB and BMO AM evaluate their respective Models on a periodic basis, make changes based on market conditions and provide updates to the Program Manager.

Mutual funds within the Portfolios may include BMO Funds. When selecting a fund for a particular strategy BMOFO compares a BMO Fund, if available, to non-affiliated funds in the same asset class. BMOFO does not review all funds available for each category. BMOFO weighs multiple factors when selecting a fund, but if funds from other fund families are, in BMOFO's judgment comparable, BMOFO will select the BMO Fund over a non-affiliated fund.

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The continuing role of the Financial Advisor is to monitor a client's account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually. The Financial Advisor also will take discretionary action to adjust the selected investments within the allocation as deemed appropriate for each client's situation.

The minimum account size for the Flex Program is \$75,000.

#### **Conflicts**

BHFA has an inherent conflict by maintaining the Flex Program on its platform because the Flex Program asset allocation models are managed by BHFA's affiliates, BMO AM and BMO PB. BMOFO also provides recommendations of investments to include on the Flex Working List BHFA pays BMO AM and BMO PB to deliver the Models and BMOFO for their service and, therefore, there is a financial incentive for BMO's affiliates when clients are invested in the Flex Program. BMO AM and BMO PB are the only Investment Strategists used to develop the Models; however, third parties outside of BMOFO are used by the Program Manager to augment the investment selections on the Flex Working List.

**In addition, please see Item 10 for Potential Conflicts of Interest from BHFA's use of BMO Funds and Affiliate Investment Strategists.**

#### **7. BMO FLEX PLUS MANAGERS PORTFOLIO**

**The same conflicts that apply to the BMO Flex Accounts as described above also apply to BMO Flex Plus Accounts.**

Financial Advisors act as the Investment Strategist for the BMO Flex Plus Managers Portfolios ("Flex Plus" or "Flex Plus Account").

Flex Plus is designed to allow clients to diversify their investments through one Account. Flex Plus accounts are invested in a Flex Models and SMAs. In addition to the Flex Model investments, Client assets may be invested in a portfolio of mutual funds and individual securities through investment in an SMA that fits within the objectives of the specific investment portfolio selected by the Client.

SMAs are managed by an SMA Manager and are separate from the Flex Models. The SMA may not be diversified in its equity or fixed income investments and should constitute only a portion of the client's overall investment portfolio.

The continuing role of the Financial Advisor is to monitor a client's account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually. The Financial Advisor also will take discretionary action to adjust the selected investments within the allocation as deemed appropriate for each client's situation.

**Tax Management Overlay:** If a client has an equity SMA within the Flex Plus program, and the account is non-qualified, the client may choose to add the option of Tax Management Overlay provided by Investnet, to the account. The goal of the Tax Management Overlay is to maximize the tax savings for a SMA client through-out the year. The Tax Management Overlay may be added to improve ongoing tax harvesting, and/or to improve overall performance of the account by adding a tax benefit to the client. Investnet will consider the client's tax situation when making trading decisions within the equity SMA portion of the FLEX plus client account. If the client chooses to accept the tax overlay service, they will be charged an additional 0.10% Tax Overlay Fee.

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The minimum account size for the Flex Plus is \$250,000.

#### **Conflicts**

BHFA has an inherent conflict by maintaining the Flex Plus Program on its platform because the Flex Plus Program asset allocation is managed by BHFA's affiliates, BMO AM and BMO PB. BHFA pays BMO AM and BMO PB to manage the Flex Program allocation and provide the initial Flex Working List of products available and therefore, BHFA as Program Manager receives the Program Fees and pays its affiliate the Investment Strategist fee. BMO AM and BMO PB are the only Program Strategists giving advice on the allocations and the initial Flex Working List, however where there is a gap in an asset class from the Flex Working List, the Program Manager will get support from third party Investment Strategists to provide due diligence on additions to the Flex Working List. The Flex Working List will include BMO Funds and BMO SMAs. BMO AM weighs multiple factors when selecting a fund, but if the funds are comparable, BMO AM will select the BMO Fund over a non-affiliated fund.

**In addition, please see Item 10 for Potential Conflicts of Interest from BHFA's use of BMO Funds and Affiliate Investment Strategists.**

**8. BMO PORTFOLIO STRATEGIST SOLUTIONS** BHFA has entered into an arrangement with Investnet, whereby one of the advisory solutions offered to clients of BHFA are the Portfolio Strategist Solutions programs managed by Russell Investments, BlackRock Investments, PMC American Funds, Vanguard, and JA Forlines (each a "Strategist Manager") . The Portfolio Strategist Solutions provide advisory services to BHFA clients to assist with the investment and allocation of their assets in certain mutual funds, or ETFs selected by the Investment Manager. BHFA pays the Program Strategist for the investment and allocation of clients' assets. The amount paid by BHFA comes from the Program Fee paid by the client.

Once the client has selected a model portfolio, BHFA opens an Account. The Third Party Investment Strategist will have discretionary authority to maintain the designated allocation in the client's Portfolio Strategist Solutions Account. The account is managed in accordance with its investment guidelines and restrictions and generally is not tailored to the individualized needs of any particular investor.

The continuing role of the Financial Advisor is to monitor a client's account, review progress towards investment objectives and seek to conduct regular periodic reviews with the client, not less than annually.

The minimum account size for the Portfolio Strategist Solutions is \$20,000.

**BHFA Managed Solutions Closed to New Investors:** BHFA has managed account solutions that have been closed to new investors. These solutions remain active for clients who have invested in the programs prior to the closure to new accounts and are described below.

#### **9. SIGMA MUTUAL FUND WRAP INVESTMENT PROGRAM**

The Sigma Mutual Fund Wrap Investment Program ("MFW Program") is an advisory program. BHFA has entered into an arrangement with Investnet, whereby Investnet provides advisory services to BHFA to assist with the investment and allocation of client assets in certain mutual funds selected by Investnet. BHFA pays Investnet for the investment and allocation of clients' assets. The amount paid by BHFA is not in addition to the Program Fee paid.

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There are seven MFW Program asset allocation strategies, Aggressive Growth, Growth, Moderate Growth, Moderate, Conservative Growth, Conservative and Capital Preservation, as well as Tax Advantaged strategies for each of the strategies detailed above, or such other classifications as may be established from time to time. The client approves the strategy before the client's MFW Program account ("MFW Account") is established, and the client makes the final determination on the initial allocation and investment of the client's assets in the MFW Account. The continuing role of the Financial Advisor will be to monitor a client's account, review progress toward investment objectives and seek to conduct regular periodic reviews with the client, not less than annually.

Investnet will have discretionary authority to maintain the designated allocation in the client's MFW Account. The MFW's Program is managed in accordance with its investment guidelines and restrictions and generally is not tailored to the individualized needs of any particular fund shareholder or fund investor. The Financial Advisor will monitor the MFW Account, review performance and seek to conduct regular periodic reviews with the client, not less than annually.

**10. SEI MODEL STRATEGIES**

The SEI Model Strategies ("SEI Program") is an advisory program offered by the SEI Investments Management Corporation ("SIMC"), an investment adviser registered with the SEC. SEI is not affiliated with BHFA. BHFA has entered into an arrangement with Investnet, whereby one of the wrap strategies offered to clients of BHFA is the SEI Program in which SIMC provides advisory services to BHFA to assist with the investment and allocation of client assets in certain mutual funds selected by SIMC. BHFA pays SIMC for the investment and allocation of clients' assets. The amount paid by BHFA is not in addition to the Program Fee paid.

There are five SIMC asset allocation strategies are Institutional Equity, Institutional Capital Growth, Institutional Growth & Income, Institutional Moderate Growth & Income, and Institutional Fixed Income as well as Tax Managed strategies for each of the strategies detailed above. The client approves the strategy before the client's SEI Program account ("SEI Account") is established and the client makes the final determination on the initial allocation and investment of the client's assets in the SEI Account.

SIMC will have discretionary authority to maintain the designated allocation in the client's SEI Account. SEI's Program is managed in accordance with its investment guidelines and restrictions and generally is not tailored to the individualized needs of any particular fund shareholder or fund investor. The Financial Advisor will monitor the SEI Account, review progress toward investment objectives and seek to conduct regular periodic reviews with the client, not less than annually. This Program is currently closed to new investors and is not available.

**For all of the Programs (1-10) above Pershing serves as the custodian for the accounts of clients and will send clients a monthly or quarterly statement of all transactions in client's account.**

**SMA Managers**

SMA Managers provide the following services in relation to their SMAs:

- (1) determine the asset type and security selection for each of their SMAs;
- (2) recommend and/or place orders for the purchase of securities to implement the allocation instructions;

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- (3) monitor their SMA investments and make changes to the SMA allocations based on their investment philosophies; and
- (4) implement client-imposed restrictions where available.

#### **Financial Planning**

BHFA provides financial planning services. Financial planning is an evaluation of a client's current and future financial state which uses currently known information to predict future cash flows, asset values and withdrawal plans. Through the financial planning process information and analyses are considered as they impact and are impacted by the financial and life situation of the client. Clients, who request this service, receive advice designed to assist them in achieving their financial goals and objectives. We gather information from our clients through personal interviews and the review of various financial documents, including a confidential questionnaire completed by the client. Information gathered includes the client's current financial status, tax situation, future goals and attitude toward risk. We review the information gathered and deliver the plan to the client.

Should a client choose to implement any recommendation contained in the plan, we advise the client to work closely with his/her attorney, accountant, or insurance agent regarding the implementation. Implementation of a financial plan recommendation is entirely at the client's discretion.

#### **Termination of Advisory Services**

Advisory services may be terminated upon written notice by either party, and accounts initiated or terminated during a calendar month are charged a prorated fee.

When advisory services cease, but the investor retains the investments with BHFA, BHFA will convert the account to a brokerage account. After conversion, the client brokerage account will be subject to the applicable brokerage commissions. For mutual funds in a Program Account, if the mutual funds are in share classes only available to advisory Program clients, BHFA typically will convert the mutual fund to the share class available to brokerage clients (generally, the retail share class) without your consent or notice to you. The retail share class may be more expensive than the share class available for Program Accounts.

#### **Item 5 - Fees and Compensation**

Clients pay account fees to BHFA for advisory accounts and the account fees include Advisory Fees (defined below), applicable Tax Overlay Fees and Additional Fees as described below ("Account Fees")

##### **Program Fees**

Clients pay investment advisory service fees ("Program Fees") to BHFA for participating in any of the BHFA Programs. A Program Fees is a single fee for all advisory, brokerage, and custodial services provided to Program Accounts. A client is not charged any commissions. The fees for each Program are outlined in the charts below.

##### **SMA Fees**

Clients pay investment advisory service fees and if applicable, a sponsor fee (together the "SMA Fees", and together with the Program Fees, the "Advisory Fees") to BHFA for participating in any of the BHFA SMAs. SMA Fees are for all advisory, brokerage, and custodial services provided to SMA Accounts. A client is not charged any commissions. The fee for any assets placed with one of the selected SMA Managers generally range from 0.25% to 0.70%. The Program Manager may add an SMA Manager that

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falls outside the range and in those cases will notify the Client of the difference in fees.

Clients prior to 11/29/2018

For those clients that have Flex Plus that are 100% invested in an SMA , if you opened such Account prior to 11/29/2018 the SMA fee is embedded within the Program Fees.

**BMO Capital Markets SMAs**

For those clients that are invested in a SMA provided by BMO Capital Markets, Corp. ("BMO CM"), an affiliate of BHFA, model SMAs are provided by BMO CM. Financial Advisors will recommend a BMO CM SMA best suited to the client's individual investment objectives and risk tolerances. Once the client has selected a BMO CM SMA, BHFA opens an Account and implements the BMO CM's model SMA recommendations.

BMO CM evaluates each model SMA on a periodic basis, makes changes to such model SMA based on market conditions and instructs BHFA to change the securities in the Account to match any of the BMO CM's changes to the respective model SMA. BMO CM also makes periodic determinations whether to rebalance an Account to align the securities in Accounts to match the composition (including percentage proportion) of securities in the respective model SMA. BHFA implements those replacement and rebalancing trades.

**Other Fees**

From time to time, SMA Managers make transactions in clients' accounts using a broker dealer other than Pershing. In addition to our Advisory Fees, clients are also responsible for the fees and expenses charged by custodians and imposed by these third party broker dealers for these transactions. Please refer to the "Brokerage Practices" Section in Item 12 of this brochure for additional information.

#### Conflicts

BHFA has an inherent conflict by maintaining affiliate SMAs on its platform because they are managed by BHFA affiliates, BMO AM, BMO PB and BMO CM. BHFA as Program Manager, receives the SMA Fees and pays its affiliate all or a portion of that fee.

BHFA SMAs may be managed by employees of either BMO AM, BMO CM or BMO PB, affiliates of BHFA, or third party managers. This creates a conflict of interest because these affiliates receive fees when BHFA clients invest in a BMO AM, BMO PB or BMO CM managed SMA.

#### **Additional Fees**

In addition to Program Fees, clients pay certain Administrative Fees (as described below) and Mutual Fund Fees (as described below)

**Administrative Fees**

Clients pay certain fees and expenses charged by Pershing for various functions including but not limited to safekeeping fees, fees for delivery of checks, fund wire fees, account closing fees, exchange transaction fees and certain other administrative fees.

**Mutual Fund Fees**

Clients pay the fees and expenses charged by mutual fund companies and/or ETFs, as described in the

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respective Fund prospectus. These fees charged by Fund companies will generally include a management fee, other fund expenses (e.g., shareholder servicing or 12b-1 fees), custody fees, administrative fees, and a possible distribution fee. Fund companies charge these fees directly to shareholders out of the share price for each share. Clients will also pay a redemption fee for the Funds that charge for liquidation activity, in accordance with their prospectus.

If you participate in a Program, you will not pay up-front sales charges for purchases of mutual funds.

Some mutual funds will have a 12b-1 (i.e., marketing and distribution) fee. If the fund charges this fee, that fee will be rebated to the client account and not accepted by BHFA.

**Consolidation of Balances for Fee Breakpoints:** Available upon request, clients may consolidate their balances across multiple Program accounts (e.g. MAAP, SFP, etc.) to lower the Program Fees charged across all accounts.

**Program Fees**

| <b>SFP</b>                                |                    |
|---|--------------------|
| SFP Account Assets                        | Annual Program Fee |
| First \$250,000                           | 1.50%              |
| Next \$250,000 (\$250,001 to \$500,000)   | 1.25%              |
| Next \$250,000 (\$500,001 to \$750,000)   | 1.00%              |
| Next \$250,000 (\$750,001 to \$1,000,000) | 0.85%              |
| Balance over \$1,000,000+                 | 0.75%              |
| Minimum Annual Fee                        | \$1,000            |

| <b>IOP</b>                                |                    |
|---|--------------------|
| IOP Account Assets                        | Annual Program Fee |
| First \$250,000                           | 1.25%              |
| Next \$250,000 (\$250,001 to \$500,000)   | 1.00%              |
| Next \$250,000 (\$500,001 to \$750,000)   | 0.85%              |
| Next \$250,000 (\$750,001 to \$1,000,000) | 0.75%              |
| Balance over \$1,000,000+                 | 0.70%              |
| Minimum Annual Fee                        | \$750              |

| <b>MAAP</b>                            |   |   |   |
|--|---|---|---|
| MAAP Account Assets                    | Annual Program Fee<br>MAAP Fixed Income<br>Strategies | Annual Program<br>Fee MAAP<br>Income Strategy | Annual Program<br>Fee MAAP<br>Equity/Balanced<br>Strategies |
| First \$250,000                        | 1.00%   | 1.25%   | 1.50%   |
| Next \$250,000 (\$250,001 - \$500,000) | 0.85%   | 1.00%   | 1.25%   |
| Next \$250,000 (\$500,001 - \$750,000) | 0.75%   | 0.85%   | 1.0%  |

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|  |       |       |         |
|--|-------|-------|---------|
| Next \$250,000 (\$750,001 – 1,000,000)   | 0.65% | 0.75% | 0.85%   |
| Balance over \$1,000,000 +   | 0.60% | 0.70% | 0.75%   |
| Minimum Annual Fee   | \$500 | \$750 | \$1,000 |
| This fee schedule is effective for all MAAP accounts opened on or after April 23, 2012. MAAP accounts that were opened prior to April 23, 2012 will remain subject to the fee schedules in effect for such accounts prior to April 30, 2012, until such time as written notice, including details of the fee schedule to which the account will be subject, is provided to the holder of the MAAP account. |       |       |         |

|   |                    |
|---|--------------------|
| <b>MAAP Plus</b>  |                    |
| In addition to the charges below there is a sponsor fee of 0.25% that is assessed on assets under management in an SMA and a SMA Fee. |                    |
| Account Assets  | Annual Program Fee |
| First \$250,000   | 1.50%              |
| Next \$250,000 (\$250,001 to \$500,000)   | 1.25%              |
| Next \$250,000 (500,001 to \$750,000)   | 1.00%              |
| Next \$250,000 (\$750,000 to \$1,000,000)   | 0.85%              |
| Balance over \$1,000,000  | 0.75%              |
| Minimum Annual Fee  | \$3,375            |

|   |  |                                       |   |
|---|--|---------------------------------------|---|
| <b>Flex Plus Managed for accounts that have a combination of a Model and SMAs</b>   |  |                                       |   |
| In addition to the charges below there is a sponsor fee of 0.25% that is assessed on assets under management in an SMA and a SMA Fee. |  |                                       |   |
| Account Assets  | Annual Program Fee<br>Capital Preservation<br>Strategy | Annual Program<br>Fee Income<br>Model | Annual Program<br>Fee All Other<br>Models |
| First \$250,000   | 1.00%  | 1.25%                                 | 1.50%                                     |
| Next \$250,000 (\$250,001 to \$500,000)   | 0.85%  | 1.00%                                 | 1.25%                                     |
| Next \$250,000 (500,001 to \$750,000)   | 0.75%  | 0.85%                                 | 1.00%                                     |
| Next \$250,000 (\$750,000 to \$1,000,000)   | 0.65%  | 0.75%                                 | 0.85%                                     |
| Balance over \$1,000,000  | 0.60%  | 0.70%                                 | 0.75%                                     |
| Minimum Annual Fee  | \$2250   | \$2,825                               | \$3,375                                   |

|  |  |   |
|--|--|---|
| <b>Flex Plus Managed accounts that are 100% invested with a Separately Managed Account Manager.</b> In addition to the charges below there is a SMA Fee. |  |   |
| Account Assets   | Annual Program Fee Large Cap<br>Managers | Annual Program Fee Fixed Income<br>Managers |
| First \$500,000  | 1.25%                                    | 0.85%                                       |
| Next \$250,000   | 0.85%                                    | 0.75%                                       |
| Next \$250,000   | 0.75%                                    | 0.70%                                       |

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|                          |       |       |
|--------------------------|-------|-------|
| Next \$1,000,000         | 0.70% | 0.60% |
| Next \$3,000,000         | 0.60% | 0.50% |
| Balance over \$5,000,000 | 0.50% | 0.40% |

| <b>BMO Choice and BMO Flex</b>               |   |                                    |  |
|--|---|------------------------------------|--|
| Account Assets                               | Annual Program Fee<br>Capital Preservation<br>Model | Annual Program Fee<br>Income Model | Annual Program Fee All<br>Other Models |
| First \$250,000                              | 1.00%   | 1.25%                              | 1.50%                                  |
| Next \$250,000 (\$250,001 to<br>\$500,000)   | 0.85%   | 1.00%                              | 1.25%                                  |
| Next \$250,000 (\$500,001 to<br>\$750,000)   | 0.75%   | 0.85%                              | 1.00%                                  |
| Next \$250,000 (\$750,001 to<br>\$1,000,000) | 0.65%   | 0.75%                              | 0.85%                                  |
| Balance over \$1,000,000+                    | 0.60%   | 0.70%                              | 0.75%                                  |
| Minimum Annual Fee                           | \$500   | \$750                              | \$1,000                                |

**Optional Tax Management Overlay:** Clients within the, Flex Plus and MAAP Plus products may select to add ongoing tax management to their Equity SMA accounts. This ongoing tax management will be an additional 0.10% fee on top of the Program and SMA fees.

| <b>BMO Portfolio Strategist Solutions</b>    |   |   |  |  |
|--|---|---|--|--|
| Account Assets                               | Annual Program Fee<br>Capital Preservation<br>Portfolio | Annual Program Fee<br>Conservative<br>Portfolio | Annual Program<br>Fee All Other<br>Target<br>Allocations | Annual Program<br>Fee Tactical<br>Management |
| First \$250,000                              | 1.00%   | 1.25%   | 1.50%  | 1.75%  |
| Next \$250,000 (\$250,001<br>to \$500,000)   | 0.85%   | 1.00%   | 1.25%  | 1.50%  |
| Next \$250,000 (\$500,001<br>to \$750,000)   | 0.75%   | 0.85%   | 1.00%  | 1.25%  |
| Next \$250,000 (\$750,001<br>to \$1,000,000) | 0.65%   | 0.75%   | 0.85%  | 1.00%  |
| Balance over \$1,000,000+                    | 0.60%   | 0.70%   | 0.75%  | 0.85%  |
| Minimum Annual Fee                           | \$150   | \$185   | \$225  | \$250  |

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Not all Small Account solutions will have Capital Preservation portfolios. All JA Forlines portfolios are Tactical Asset Management.

**BHFA Managed Solutions Closed to New Investors**

BHFA has managed account portfolios that are closed to new investors. These portfolios remain active for clients who have invested in the programs prior to the closure to new accounts.

| <b>MFW</b>  |   |   |
|---|---|---|
| MFW Account Assets  | Annual Capital Preservation Program Fee | Annual Program Fee All Other MFW Models |
| First \$250,000   | 1.00%                                   | 1.50%                                   |
| Next \$250,000 (250,001 to 500,000)   | .85%                                    | 1.25%                                   |
| Next \$250,000 (500,001 to 750,000)   | .75%                                    | 1.00%                                   |
| Next \$250,000 (750,001 to 1,000,000)   | .65%                                    | 0.85%                                   |
| Balance over \$1,000,000  | .60%                                    | 0.75%                                   |
| Minimum Annual Fee  | \$500                                   | \$750                                   |
| This Program is currently closed to new investors. Clients may terminate their MFW Account at any time upon written notice to BHFA. |   |   |

| <b>SEI</b>  |                                 |   |
|---|---------------------------------|---|
| SEI Account Assets  | Annual Fixed Income Program Fee | Annual Program Fee All Other SEI Models |
| First \$250,000   | 1.00%                           | 1.50%                                   |
| Next \$250,000 (\$250,001 to \$500,000)   | .85%                            | 1.25%                                   |
| Next \$250,000 (\$500,001 to \$750,000)   | .75%                            | 1.00%                                   |
| Next \$250,000 (\$750,001 to \$1,000,000)   | .65%                            | 0.85%                                   |
| Balance over \$1,000,000  | .60%                            | 0.75%                                   |
| Minimum Annual Fee  | \$500                           | \$1000                                  |
| This Program is currently closed to new investors. Clients may terminate their SEI Account at any time upon written notice to BHFA. |                                 |   |

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Billing**

Advisory Fees are calculated and payable on a monthly basis in advance beginning with the day the account is established. Advisory Fees are calculated based on the market value of the assets in the Account on the last business or trading day of the month. In valuing assets, we use information provided by recognized independent quotation and valuation services. We believe this information to be reliable but do not verify the accuracy of the information provided by these services. If any information provided by these services is unavailable or is believed to be unreliable, we will value the assets in a manner that we determine, in good faith, to reflect fair market value. Monthly fees are charged directly to and

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deducted from Accounts. Certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded in the next billing cycle. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

BHFA reserves the right to adjust the amount of monthly fees billed to an Account depending on the addition or withdrawal of assets during the month that would move the account to a different fee tier. BHFA reserves the right to waive fees at its discretion or charge additional fees, with the prior consent of each investor whose account is affected, as the circumstances of any Account may dictate.

Fees for the Programs described in this Brochure are negotiable based on factors such as the type and size of the account and the range of services we provide. The fee for your Account may be (i) higher or lower than the fees that we would charge the account if you had purchased the services covered by the Program separately; (ii) higher or lower than the fees that we charge other clients, depending on, among other things, the extent of services provided to those clients and the asset based cost of such services; and (iii) higher or lower than the cost of similar services offered through other financial firms.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200, more than six months in advance of services rendered.

#### **Direct Investment**

A client could invest in a portfolio of individual mutual funds directly, without BHFA's advisory services. In that case, the client would not bear the Program Fees we charge. However, the client would not receive the advisory services which are designed, among other things, to assist the client in allocating his or her assets across asset classes, and help determine which mutual funds, ETFs or other investments are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the advisory fees to fully understand the total amount to be paid by the client and to thereby evaluate the advisory services being provided. For important information about each Fund, including investment objectives, risks, charges, and expenses, the client should read each Fund's prospectus carefully and consider all of the information in it before investing.

#### **Share Classes**

Mutual fund companies typically offer different ways to buy mutual fund shares, called "share classes." In general, these varying share classes contain the same underlying investments, but charge different internal fees. Some mutual funds only offer one share class for a particular fund. Typically, a fund company offers a "retail" share class (e.g., A, B, C, or Y shares), and an "institutional" or "advisory" share class (e.g., I shares), and may also offer a "retirement" share class (e.g., R or N shares) or other type of share class. Institutional share classes typically are less expensive than retail share classes, because institutional classes typically charge lower internal fees. BHFA seeks to invest its advisory clients in the institutional share class of a mutual fund. Each mutual fund company makes its own determination whether an institutional share class will be made available to BHFA Program Accounts. If an institutional share class of a mutual fund is not available for BHFA Program Accounts, then BHFA invests its advisory clients in the lowest price share class of the mutual fund that is available.

Certain share classes of mutual funds that are available to BHFA Program Accounts are charged a "surcharge" by our clearing firm, Pershing. The fund surcharge is assessed to BHFA, each time a buy or

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sell transaction is made in a fund to which a surcharge applies. BHFA reserves the right to not include share classes of mutual funds that result in the application of a surcharge and anticipates that it will avoid inclusion of such funds in the Programs. This creates a conflict of interest, as certain investment share classes available through the Programs will be more expensive than a share class that the investor might be eligible to own or for similar products that might be available elsewhere.

We may, without notice to you, convert any mutual fund in your account to a share class of the same mutual fund with a lower expense ratio. If a fund company determines that the less expensive share class is no longer available to the Program Accounts, we may convert that mutual fund to the more expensive share class without notice to you. If an advisory account includes mutual fund class "A" shares, the mutual fund companies have agreed to waive the sales charges.

Program Accounts invested in BMO Funds, a mutual fund family advised by BMO AM, are invested in the institutional share class of BMO Funds, with the exception of an account invested in a BMO AM Money Market Fund. Clients are invested in the retail shares of BMO AM Money Market Funds and therefore pay a shareholder servicing fee to BMO AM.

#### **Mutual Fund Revenue Sharing**

Pershing has a mutual fund no-transaction-fee program, where participating mutual funds pay servicing fees to Pershing. Firms who use Pershing's clearing services, as BHFA does, can participate in the no-transaction fee program and receive a portion of the servicing fees paid by the mutual funds, when the firms' customers transacts in a participating mutual fund. Participation in the revenue sharing program is optional for the participating firms.

BHFA participates in this program. Pershing shares the servicing fees it receives from participating mutual fund companies with BHFA, subject to certain program conditions. Typically, only certain share classes (usually the retail share class) of a mutual fund participate in the program. BHFA receives a portion of the servicing fees only when a client is invested in the share class of a mutual fund participating in the Pershing no-transaction-fee program. When BHFA recommends funds that pay servicing fees to Pershing, BHFA receives a portion of these fees, creating a conflict because BHFA receives additional revenue when its customers purchase funds that participate in this program.

This conflict is mitigated by disclosing it to you. The list of the participating funds is available to the general public on the Pershing website.

BHFA's eligibility for participation in these recurring fees is subject to certain minimum client investment and other criteria and is based on the value of the assets BHFA's clients invest in mutual funds that participate in the program. Accordingly, BHFA has a conflict of interest arising from its financial incentive in selecting mutual funds (and qualifying share classes) that participate in the program.

BHFA uses the fees it receives from Pershing through the program to offset fees BHFA would otherwise incur for trading, execution and clearance if such client's assets were invested in mutual funds that are not part of Pershing's no-transaction-fee program. The overall fee structure for funds available in the no-transaction fee program is higher than comparable funds from other fund families, bought outside of this program.

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For additional details regarding Pershing's mutual fund no-transaction-fee program, including for a list of participating funds, or a listing of funds that pay Pershing networking or omnibus fees, please refer to [www.pershing.com/mutual\\_fund.htm](http://www.pershing.com/mutual_fund.htm).

#### **Financial Advisor Compensation**

Your Financial Advisor has a conflict, because of the financial incentive to recommend Program and Program Models that charge a higher Program Fee and will result in higher compensation to them. Your Financial Advisor receives, on an ongoing basis, a percentage of the Program Fees you pay to us in connection with your Program Account(s). The higher the fee you pay, the more your Financial Advisor receives in compensation. The amount we allocate to your Financial Advisor in connection with your Accounts may be more than if you participate in other BHFA Programs, or if you pay separately for investment advice, brokerage and other services. The rate of compensation we pay Financial Advisors with respect to Program Fees may be higher than the rate we pay Financial Advisors on trades executed in transaction-based brokerage accounts.

Your Financial Advisor has discretion, with firm approval, to charge you a lower fee than the maximum fee stated above for your chosen Program. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. If your fee rate is below a certain threshold, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Your Financial Advisor has a conflict of interest *not* to reduce your fees below that highest threshold because your financial advisor receives lower compensation if your fees are reduced.

We address these conflicts of interest by disclosing it to you and by requiring each Financial Advisor's supervisor to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

#### **Item 6 - Performance Based Fees and Side-by-Side Management**

BHFA does not charge performance-based fees. BHFA does not offer portfolios with side-by-side management.

#### **Item 7 - Account Requirements and Types of Clients**

##### **Client Profile and Account Opening**

BHFA provides advisory services to individuals, trusts, non-profit organizations, corporations and retirement accounts. In general, BHFA has four investment minimum advisory account sizes, \$250,000, \$100,000, \$75,000 and \$20,000 depending on the Program that a client chooses. However, at BHFA's discretion, we may reduce the account minimum based on certain criteria (e.g., anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition and negotiations with clients, etc.). Investment strategists may also deem a BHFA Program minimum to be too low for a Strategy they manage. In those cases, where the minimum for a Model is higher than the published minimum for the Program, clients interested in such a Model will be notified of the higher account minimum. At the Program Manager's discretion, Accounts may be opened below the Program stated minimum. However, accounts will not be opened for any amount below 80% of the Program stated minimum.

Prior to opening an advisory account, a BHFA Financial Advisor meets with the Client to collect the Client's personal information, such as his or her financial situation, investment experience, investment objectives, time horizon and risk tolerance to determine if the Program and the appropriate investment

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strategy in that Program is in the client's best interest.

Once the Client selects the Investment Strategy, the Client will sign the Statement of Investment Selection ("SIS") and a new account application. For Individual Retirement Accounts, the Client will also have to sign an adoption agreement. There may be additional forms required depending on the type of account the Client is opening. The Investment Strategist will implement the selected Investment Strategy at the Strategist's discretion and may not invest at the opening of the account.

If a Client uses securities to fund a Program Account, the Investment Strategist may instruct BHFA, as the Program Manager, to sell any securities in the account that are not consistent with the Investment Strategy. As an accommodation to the Client, we will not charge a commission or spread on the trade(s) (applies to advisory accounts only). If non US denominated securities are sold, the Client will not incur a currency conversion charge.

#### **Item 8 - Risk of Loss, Methods of Analysis, and Investment Strategies**

BHFA does not guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products. You may experience a loss of value in your investments. Past performance does not guarantee future results, and there is no guarantee that a client's investment objectives will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear.

#### **Risk of Loss**

Investing involves risk, including possible loss of the client's principal investment. The client should be prepared to bear these risks. Investments are not deposits or obligations of, or endorsed or guaranteed by, BHFA, BMO Harris Bank N.A., BMO AM, or any other BHFA affiliate. Investments are not insured or guaranteed by the FDIC, the Federal Reserve Board or any other government agency. As in all securities investments, past performance does not guarantee future results. A manager who has been successful in the past may not be able to replicate that success in the future.

- **Asset Allocation Risk:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of investment types, industries, and/or market sectors based on the client's investment goals and risk tolerance. However, a risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of investments will change over time due to market movements and, if not rebalanced, will no longer be appropriate for the client's goals.
- **Management and Strategy Risks:** An advisory account may not achieve its investment objective. The ability of a portfolio to meet its investment objective is directly related to the Investment Strategy for the portfolio. The Investment Strategy implemented used could fail to achieve the investment objective and cause investments to lose value.

#### **Risks for All Forms of Analysis**

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we try to be

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alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate, incomplete or misleading information.

- **Mutual Funds Risks:** Mutual funds are subject to investment advisory, transactional, operating and other expenses. Each mutual fund is subject to specific risks, depending on its investments. The value of mutual funds' underlying investments and the net asset value of mutual funds' shares will fluctuate in response to changes in market and economic conditions, as well as the financial condition and prospects of companies and other investments in which the funds invest. The performance of each fund will depend on whether the fund's portfolio manager is successful in pursuing the fund's investment strategy. For shareholders in the underlying mutual funds held in an advisory account, please refer to the prospectuses and statements of additional information of those funds for a complete description of risks associated with the funds. In addition, as we do not control the underlying investments in a fund, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager of the fund may deviate from the stated mandate or strategy of that fund, which could make the holding(s) less appropriate for the client's portfolio.
- **Equity Security Risks:** Client accounts with all or a portion of the underlying assets invested in equity-based mutual funds and SMAs, made up of individual equity securities, are subject to the following risks:
- **Stock Market Risks:** Investments in equity securities are subject to fluctuations in the stock market, which has periods of increasing and decreasing values. Stocks are historically more volatile than debt securities.
- **Growth Style Risks:** A growth stock is one whose revenues and earnings are expected to increase at a faster rate than the average company within the same industry. Due to their relatively high valuations, growth stocks are typically more volatile than value stocks. Further, growth stocks may pay lower dividends than value stocks or may not pay dividends period. This means they depend more on price changes for returns and may be more adversely affected in a down market compared to value stocks that pay higher dividends.
- **Value Style Risks:** Value stocks are generally priced lower than stocks of similar companies in the same industry and may be undervalued. Investments in value stocks are subject to the risk that their intrinsic values may never be realized by the market, that a stock judged to be undervalued may actually be appropriately priced or that their prices may decline, even though in theory they are already undervalued. Value stocks can react differently to issuer, political, market and economic developments than the market, as a whole, and other types of stocks (e.g., growth stocks).
- **Company Size Risks:** Generally, a company with smaller market capitalization has fewer shares traded daily, making the stock less liquid and its price more volatile. Companies with smaller market capitalizations also tend to have unproven track records, a limited product or service base and a limited access to capital. These factors increase the risk that these companies are historically more likely to fail than companies with larger market capitalizations.

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- **Foreign Investing Risks:** Investments in foreign companies and markets carry a number of economic, financial and political considerations that are not associated with U.S. companies and markets, which could unfavorably affect account performance. The potential risks are greater price volatility, weak supervision and regulation of securities exchanges, brokers and issuers, higher brokerage costs, fluctuation in foreign currency exchange rates and related conversion costs, adverse tax consequences, and settlement delays.

#### Risks Associated with Fixed Income Securities

Client accounts with all or a portion of the assets and/or mutual funds whose underlying assets are invested in fixed income are subject to the following risks:

- **Interest Rate Risks:** Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. Fixed income securities with longer maturities are generally more affected by interest rate changes.
- **Credit Risks:** Credit risk is the possibility that an issuer or counterparty will default on a security or repurchase agreement by failing to pay interest or principal when it is due. If an issuer defaults, a fund holding securities of that issuer may lose money. Fixed income securities with higher credit risk typically have lower credit ratings, and at a certain rating level are considered speculative. Bonds that are rated BBB or Baa have speculative characteristics.
- **Call Risks:** Fixed income securities with a call date (“callable bonds”) may be redeemed (“called”) by the issuer before maturity. A fund that invests in callable bonds that are called may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the portfolio’s overall yield. This is generally likely to happen when interest rates are declining.
- **Liquidity Risks:** Liquidity risk refers to the possibility that a fund may not be able to sell or buy a security or close out an investment contract at a favorable price or time. Consequently, the fund may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the fund’s performance. Infrequent trading of securities also may lead to an increase in their price volatility.
- **Asset-Backed/Mortgage-Backed Securities Risks:** Asset-backed and mortgage-backed securities are subject to risks of prepayment. A fund’s yield will be reduced if cash from prepaid securities is reinvested in securities with lower interest rates. The risk of prepayment also may decrease the value of mortgage-backed securities. Asset-backed securities may have a higher level of default and recovery risk than mortgage-backed securities. Both of these types of securities may decline in value because of mortgage foreclosures or defaults on the underlying obligations. Credit risk is greater for mortgage-backed securities that are subordinate to another security.

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- **Government Obligations Risks:** The United States government is not legally obligated to provide financial support to United States government-sponsored agencies or instrumentalities. As a result, there is risk that these entities will default on a financial obligation.
- **High Yield Securities Risks:** Low rated/high yield securities tend to be more sensitive to economic conditions than higher-rated securities and generally involve more credit risk than securities in the higher-rated categories. The risk of loss due to default by an issuer of low rated/high yield securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. Low rated/high yield securities may also have liquidity risk. A fund may have difficulty disposing of certain low rated/high yield securities because there may be a thin trading market for such securities.
- **Municipal Securities Risks:** Municipal bonds are subject to risks, including economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. The value of municipal securities may be more affected by liquidity risk or credit risk than by market interest rate risk. Repayment of municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is a risk that the interest on an otherwise tax-exempt municipal security may be subject to federal income tax.
- **Municipal Sector Risks:** A fund may invest in a municipal securities sector that finances specific projects, such as those relating to education, health care, transportation and utilities. To the extent a fund is invested in a particular sector, the fund's performance may be more susceptible to any economic, business or other developments that generally affect that sector.

#### **Risks Associated with Exchange Traded Funds ("ETFs")**

ETFs are investment funds that can track an index, commodity, currency, or sector and are traded like common stock on a stock exchange. They experience price changes throughout the day as they are bought and sold. ETFs try to replicate the performance of their corresponding index, not outperform it.

- **ETF Risks:** In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager of the fund or ETF may deviate from the stated mandate or strategy of that fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

#### **Risks Associated with ADRs**

American Depositary Receipts ("ADRs") are a negotiable certificate issued by a U.S. bank representing a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. dollars, with the underlying security held by a U.S. financial institution overseas. ADRs help to reduce administration and duty costs that would otherwise be levied on each transaction. ADRs are listed on the NYSE, AMEX or NASDAQ as well as OTC.

- **ADR Risks:** ADRs do not eliminate the currency and economic risks for the underlying shares in another country. For example, dividend payments in euros would be converted to U.S. dollars, net of conversion expenses and foreign taxes and in accordance with the deposit agreement.

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Inflation can negatively affect foreign business because the currency of a country with high inflation is less valuable. If a country's currency is devalued, such devaluation may result in a decrease in the value of your ADR. This may result in a loss, even if the company had been performing well.

#### **Methods of Analysis**

##### **Selection of Investment Strategists**

The Program Manager is responsible for selecting the Investment Strategists. As described above in the context of each Program, the Investment Strategists perform, portfolio construction, asset allocation, Fund selection, and evaluate the investment products they select on an ongoing basis, subject to the oversight of the Program Manager. The Program Manager performs due diligence and reviews the Investment Strategist models to assure that they are in accordance with the program guidelines.

The description of each investment selection is included in the applicable prospectus or other relevant offering documentation. Only the applicable Fund or Registered Investment Advisor ("RIA"), not the Program Manager, or the Investment Strategist, is responsible for the performance of any Fund and the Fund's or RIA's compliance with its prospectus or brochure, laws or regulations.

##### **Selection of Choice Working List**

The Program Manager is responsible for selecting the securities on the Choice Working List based on the recommendations provided by BMOFO or Envestnet.

##### **Selection of Flex Working List**

The Program Manager is responsible for selecting the securities on the Flex Working List based on the recommendations provided by BMOFO or Envestnet.

##### **Selection of SMAs**

The Program Manager is responsible for selecting the SMAs on the SMA Working List based on the recommendations provided by BMOFO or Envestnet.

##### **Ongoing Review**

The Program Manager is responsible for conducting an ongoing review of the Investment Models, securities on the Choice Working List, securities on the Flex Working List, and the SMAs on the SMA Working List ("Advisory Products"). Each Advisory Product goes through a due diligence review performed by the Program Manager on at least an annual basis. Should one of the Advisory Product not meet the due diligence standards, the Advisory Product is placed on a "Watch List," and sales into such Advisory Product may be limited.

##### **Removal**

If an Advisory Product continues to remain on the Watch List then BHFA may elect to remove the Advisory Product from its Advisory product platform.

##### **Investment Strategies**

BHFA attempts to select investment strategies that are appropriate for the needs of its Clients and consistent with the Clients' investment objectives, risk tolerance, and time horizons, among other considerations.

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While long-term purchases, ideally holding the securities in the account over a market cycle, typically three to five years, represent the typical investment strategy deployed by BHFA, BHFA may utilize a variety of other investment strategies if BHFA deems one or more of the other strategies to be in the clients' best interest.

Other investment strategies may include:

- Short term purchases (i.e., securities sold within a year)
- Selling securities within 30 days of purchases
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options, or spread strategies

#### **Item 9 - Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

#### **The following are disciplinary events relating to the Firm and/or our management personnel within the past 10 years:**

On September 27, 2019, BHFA and its affiliate BMO Asset Management Corp. (both, the "Settling Parties") entered into a settlement with the U.S. Securities and Exchange Commission ("SEC"). The SEC order made findings, which the Settling Parties neither admitted nor denied, and the Settling Parties consented to the entry of the order findings that the Settling Parties violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder (the "Order"). The SEC alleged that from July 2012 through March 2016, the Settling Parties did not disclose that they preferred proprietary mutual funds for retail investors in a specific investment advisory program and from July 2012 through September 2015, BHFA invested client assets—in the same investment advisory program—in higher-cost share classes for certain mutual funds when lower-cost share classes were available. This allowed BHFA to receive certain benefits from its clearing broker. The Order found that BHFA breached its duty of best execution, and the Settling Parties insufficiently implemented policies and procedures reasonably designed to detect and prevent conflicts of interest. The Order censures the Settling Parties and directs them to cease-and-desist from committing or causing any violations and any future violations of the above-enumerated statutory provisions. Additionally, the Order requires Settling Parties to pay a total of \$37,983,542 in disgorgement, prejudgment interest, and civil penalty, and to use those monies to establish a Fair Fund to repay affected clients.

#### **Item 10 - Other Financial Industry Activities and Affiliations**

In addition to BHFA being a registered investment adviser, the management persons and other employees of BHFA are: (1) a FINRA-registered broker-dealer, registered supervisors and registered representatives and, (2) a licensed insurance agency and licensed insurance agents. These individuals may also be insurance agents for one or more insurance companies. In their separate capacities as registered representatives and/or insurance agents, these individuals are able to effect securities transactions and/or purchase insurance and insurance-related investment products for BHFA's advisory clients, for which these individuals will receive separate and additional compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities or insurance. The implementation of any or all recommendations is solely at the discretion of the client.

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While BHFA and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest. These conflicts are mitigated through disclosure to you and maintaining supervisory procedures overseeing the execution of Financial Advisors' recommendations into these Model Programs.

Our affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

BHFA is an affiliate of BMO Harris Bank N.A., a national bank that offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients. Both are wholly-owned by BMO Financial Corp. As an affiliate of BMO Harris Bank N.A., BHFA is under common ownership and control with several financial institutions with which we have a material business relationship (referred to collectively as the "Related Companies"). Our affiliated financial institutions are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Where appropriate, BHFA and our employees may recommend the services of BHFA affiliates to our advisory clients. These BHFA affiliates may also recommend the advisory services of BHFA to their clients. The services provided by the BHFA affiliates are separate and distinct from our advisory services, and are provided for separate and additional compensation. There may also be arrangements between BHFA and its affiliates through which BHFA and/or its affiliates and their employees receive payment in exchange for client referrals to each other. No BHFA client is obligated to use the services of any BHFA affiliate.

BHFA's Financial Advisors may receive compensation for referring BHFA clients to BMO Harris Bank N.A. for banking products and services offered, such as deposit and lending products.

Clients should be aware that the receipt of compensation by BHFA and its management persons or employees creates conflicts of interest that may impair the objectivity of the Firm and these individuals when making advisory recommendations. BHFA endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for BHFA and our employees to earn compensation from advisory clients in addition to BHFA's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or Related Companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- BHFA reviews that recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;

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- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by BHFA; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

#### **Potential Conflicts of Interest from BHFA's Use of BMO Funds and Affiliate Investment Strategists**

There is an inherent conflict of interest when BHFA recommends that clients invest in one of the Affiliate Investment Strategies because BHFA receives the clients' Program Fee and a BMO affiliate receives a fee from BHFA rather than a third party investment strategist receiving that fee. These conflicts are mitigated through disclosure. In addition, our affiliates receive compensation from the BMO Funds for other services. Please refer to each fund's prospectus for more information about the fees and other payments that a BMO company receives in connection with clients' participation in the program.

Conflicts of interest exist when BHFA has an actual or perceived economic or other incentive to act in a way that benefits BHFA and BMO as a whole. Conflicts exist, for example: (1) when BHFA invests in an investment product, such as a BMO Fund, issued or managed by BMO AM; (2) when BHFA obtains services from an affiliate, and pays for those services; (3) when BHFA receives payment as a result of a client's investment; or (4) when BHFA receives payment for providing services to or for the benefit of clients.

When clients invest in BMO Funds, affiliates of BHFA receive management, custody, administrative and servicing fees based on the amount of assets held in Program Accounts. The client should review the applicable Fund prospectuses for more information about these fees and expenses. The Investment Strategists have allocated a significant portion of the assets in the MAAP and MAAP Plus Program to BMO Funds. That portion varies depending on market or other conditions. The prior composition of BMO Funds in the Program is not intended to predict the future composition of BMO Funds in the Program.

If a Program Account owned by a qualified retirement plan holds any BMO Funds, the account will receive a credit in the actual amount of the BMO Funds' management fees associated with Program Account. See "IRAs and ERISA Accounts" below in Item 19.

Non-affiliated funds, or their sponsors, will have other business relationships with BHFA or its affiliates, which may provide brokerage or other services that pay commissions, fees, and other compensation, such as 12b-1 fees. This is a conflict because it provides additional revenue to BHFA and its affiliates. We mitigate this conflict by disclosing it to you.

BHFA will use affiliated money market funds as temporary investment vehicles for certain of its investment advisory clients as permitted by law and subject to applicable restrictions. BHFA also uses non-affiliated money market funds. When it selects affiliated money market funds, BHFA has an inherent conflict because BMO AM and other BMO affiliates receive fees for services provided in connection to those funds. This conflict is mitigated through disclosure to you.

The following chart shows the allocation of BMO Funds, including Money Market Funds, and third-party funds in the MAAP Program as of the dates indicated:

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| MAAP<br>Asset<br>Allocation                  | Year End 2015 |                            | Year End 2016 |                            | Year End 2017 |                            | Year End 2018 |                            | Year End 2019 |                            |
|--|---------------|----------------------------|---------------|----------------------------|---------------|----------------------------|---------------|----------------------------|---------------|----------------------------|
|  | BMO %         | 3 <sup>rd</sup><br>Party % |
| Aggressive<br>Balanced                       | 54.50%        | 45.50%                     | 54.40%        | 45.60%                     | 49.30%        | 50.70%                     | 50.41%        | 49.59%                     | 47.36%        | 52.64%                     |
| Aggressive<br>Balanced<br>Tax-<br>Advantaged | 62.00%        | 38.00%                     | 51.78%        | 48.22%                     | 53.30%        | 46.70%                     | 54.40%        | 45.60%                     | 45.74%        | 54.26%                     |
| Aggressive<br>Stock                          | 67.00%        | 33.00%                     | 65.50%        | 34.50%                     | 65.50%        | 34.50%                     | 69.25%        | 30.75%                     | 66.75%        | 33.25%                     |
| Diversified<br>Income                        | 54.50%        | 45.50%                     | 44.15%        | 55.85%                     | 42.80%        | 57.20%                     | 41.79%        | 58.21%                     | 40.09%        | 59.91%                     |
| Diversified<br>Income Tax-<br>Advantaged     | 62.00%        | 38.00%                     | 64.05%        | 35.95%                     | 71.20%        | 28.80%                     | 68.18%        | 31.82%                     | 49.58%        | 50.42%                     |
| Diversified<br>Stock                         | 67.00%        | 33.00%                     | 51.70%        | 48.30%                     | 52.30%        | 46.80%                     | 53.05%        | 46.95%                     | 48.25%        | 51.75%                     |
| Fixed<br>Income                              | 62.50%        | 37.50%                     | 70.85%        | 29.15%                     | 63.20%        | 36.80%                     | 63.20%        | 36.80%                     | 39.80%        | 60.20%                     |
| Fixed<br>Income Tax-<br>Advantaged           | 80.00%        | 20.00%                     | 82.17%        | 17.83%                     | 82.20%        | 17.80%                     | 86.84%        | 13.16%                     | 53.83%        | 46.17%                     |
| Growth<br>Balanced                           | 54.50%        | 45.50%                     | 47.44%        | 52.56%                     | 47.70%        | 52.30%                     | 48.50%        | 51.50%                     | 45.50%        | 54.50%                     |
| Growth<br>Balanced<br>Tax-<br>Advantaged     | 62.00%        | 38.00%                     | 56.35%        | 43.65%                     | 59.40%        | 40.60%                     | 60.15%        | 39.85%                     | 47.96%        | 52.04%                     |
| Moderate<br>Balanced                         | 54.50%        | 45.50%                     | 46.02%        | 53.98%                     | 45.40%        | 54.60%                     | 45.68%        | 54.32%                     | 42.59%        | 57.41%                     |
| Moderate<br>Balanced<br>Tax<br>Advantaged    | 62.00%        | 38.00%                     | 60.57%        | 39.43%                     | 64.20%        | 35.80%                     | 64.49%        | 35.51%                     | 48.31%        | 51.69%                     |
| Strategic<br>Balanced                        | 53.00%        | 47.00%                     | 46.91%        | 53.09%                     | 45.90%        | 54.10%                     | 47.13%        | 52.87%                     | 47.28%        | 52.72%                     |
| Strategic<br>Balanced<br>Tax<br>Advantaged   | 67.00%        | 33.00%                     | 59.24%        | 40.76%                     | 61.60%        | 38.40%                     | 62.83%        | 37.17%                     | 50.50%        | 49.50%                     |
| Strategic<br>Stock                           | 70.00%        | 30.00%                     | 54.87%        | 45.13%                     | 50.70%        | 49.30%                     | 53.46%        | 46.54%                     | 50.93%        | 49.07%                     |

Allocations shown here are illustrative only and are representative of the model allocations as of December 31 of the year mentioned. With the fluctuation in markets, and the fact that the models do not rebalance daily, the actual allocation in a client portfolio will vary from the model allocations. These percentages will change without notice. BMO AM, as the Investment Strategist has full discretionary authority to select

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securities, investment vehicles, and managers and is not required to adhere to the illustrative allocations pictured here. Each Client's periodic statement will show the client's actual investments.

#### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Firm has adopted a code of ethics ("Code of Ethics") which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

BHFA and our personnel owe duties of care, loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code of Ethics.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

BHFA's Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at 877-225-3863.

As disclosed in the preceding section of this Brochure (Item 10), related persons of the Firm are separately registered as securities representatives, investment advisor representatives, and licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for an explanation of these relationships and important conflict of interest disclosures.

It is BHFA's policy that employees are prohibited from participating in transactions with clients, subject to certain exceptions, such as transactions with family members who are BHFA clients.

BHFA monitors its Financial Advisors' personal trading through the use of a vendor's software program and other methods.

Except for fixed income riskless principal transactions the Program Strategist do not act in a principal capacity in transactions with clients. Employees of BHFA are prohibited from engaging in front running trades by clients or effecting cross trades between clients.

#### **Item 12 - Brokerage Practices**

BHFA brokerage and advisory transactions are cleared through Pershing LLC, an unaffiliated entity.

From time to time, independent managers make transactions in clients' accounts using a broker dealer other than BHFA. In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by these third party broker dealers for these transactions.

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BHFA does not have any soft dollar arrangements through which it receives compensation for research or other services provided to a third party. We do not have directed brokerage arrangements through which clients direct BHFA to execute transactions through specified broker-dealers.

BHFA will process all trades on a “best execution” basis to the extent permitted by law. The majority of our trades are placed through Pershing. BHFA reviews Pershing’s policies and best execution through our due diligence process. From time to time, the SMA Manager may process trades away from Pershing and will utilize their own clearing firm if they believe it is in the best interest of their clients. BHFA will review the SMA Manager’s best execution policies, available in their Form ADV, as part of the annual due diligence process. The SMA Manager may also submit trades by allocating the trades in a manner that is equitable and within fiduciary responsibility for all clients. In order to obtain fair and equitable pricing for all clients, the manager may submit trades in formats based on pro-rata allocation, random allocation or on a rotational allocation basis. Block trades performed and executed by BHFA are allocated to the clients based on the average price for the aggregate order.

#### **Item 13 - Review of Accounts**

On an annual basis clients may be provided with an account profile questionnaire, reminding them of the importance of reviewing their financial plans, and if desired, to schedule an account review. Changes in clients’ personal or financial situations may require adjustments to financial plans. Clients may schedule appointments with their Financial Advisors at any time to discuss account performance and changes to financial plans. Material market events or changes in the clients’ personal situations may cause more frequent reviews.

As part of our investment supervisory services, investment reports are provided to clients on a periodic basis, typically after the end of every calendar quarter (i.e., March, June, September, and December). These reports are available via email notification and access to a secure website. BHFA will provide hard copies of these reports if a client does not have an email address or prefers hard copy delivery. In addition to quarterly reports, BHFA also offers through a third party secure website (Investnet or Pershing), client access to performance and appraisal reports. The purpose of these reports is to review the portfolio detail and investment performance of the accounts under supervision.

If a trade error is made in a Program Account, BHFA will take action to correct the trade error. BHFA may use a firm account to make the correction. If bonds are erroneously sold from a Program Account, BHFA or the Investment Strategist may not be able to find the same bonds to purchase for the Account. In that case, BHFA or the Investment Strategist will purchase bonds that it believes are substantially similar in quality and yield.

#### **Rebalancing**

BHFA will periodically rebalance an account to align the securities in the account with a Program’s model weightings.

When shares of Funds and/or securities held in the models are underweight or overweight compared to their asset class percentage in the Investment Strategy (outside of applicable drift parameters), Investment Strategists will buy or sell shares, as applicable, to rebalance the Client’s account until the Account holdings are consistent with the Investment Strategy. Over time, the Funds and/or individual securities in the Account will appreciate (or depreciate) in value at different rates. Without rebalancing,

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the change in the percentages of each asset class held may change the level of risk from the risk level that is associated with the allocations in the selected Investment Strategy. Since rebalancing has tax implications for most Clients, unless the Account is in an Individual Retirement Account ("IRA") or other qualified retirement plan, Program Accounts will be rebalanced at least annually or only if the percentage variance at the asset class level exceeds a threshold amount that has been established as effective for rebalancing to the Investment Strategy. We may choose not to rebalance portfolios where the trade amount would be less than \$1,000 to rebalance.

#### **Item 14 - Client Referrals and Other Compensation**

BHFA will in certain circumstances compensate third party solicitors, including affiliate employees and its related persons, for referring advisory clients to it. As applicable, such referral arrangements will comply with Rule 206(4)-3 of the Investment Advisers Act of 1940. Referral fees may be based on a percentage or portion of the advisory fees earned by BHFA or may be fixed payments. Certain employees of BHFA or its affiliates will be compensated for client referrals, either directly or through a discretionary bonus. Under the referral arrangements, referred clients will receive BHFA's Form ADV Part 2A (or equivalent brochure) and, as applicable, an additional solicitor's disclosure statement. BHFA affiliates may have similar arrangements.

#### **Item 15 - Custody**

Pershing LLC, an SEC registered FINRA and NYSE member broker-dealer, serves as the custodian for the Program Accounts. Pershing also provides clearing and trade execution services.

As disclosed above in the "Fees and Compensation" section in Item 5 of this Brochure, BHFA directly debits advisory fees from client accounts.

As part of this billing process, Pershing is advised of the amount of the fee to be deducted from the Client's account. On at least a quarterly basis, Pershing sends a statement to the client showing all transactions within the account during the reporting period.

Investnet calculates the fees and the Program Manager reviews their calculations, to determine the amount of the fee to be deducted from the client accounts, it is important for clients to carefully review their statements for accuracy generally, and to verify the fee calculations specifically. Clients should contact BHFA directly if they believe there may be an error in their statements.

#### **Item 16 - Investment Discretion**

A client who invests in an advisory program gives BHFA discretionary trading authority, to be exercised consistently with the Investment Strategy selected by the client. The client will receive discretionary asset management services, in which case BHFA places trades in the client's account without contacting the client prior to each trade to obtain the client's permission. Our discretionary authority includes the ability to do the following without contacting the client.

- Determine the security to buy and/or sell
- Determine the amount of the security to buy and/or sell
- Determine when to buy and/or when to sell a particular security
- Determine the allocation of assets among asset classes

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- Determine, at appropriate asset levels, one or more Investment Strategists
- Determine whether to add, remove, or replace securities or Investment Strategists

Clients give BHFA discretionary authority when they open a managed account by signing a New Account Application with BHFA in which they acknowledge and agree to the terms and conditions in BHFA's Managed Account Customer Agreement. BHFA has delegated this discretionary authority to the Investment Strategists described in this Brochure, which include affiliates BMO AM and BMO PB.

#### **Item 17 - Voting Client Securities**

BHFA uses the services of Fidelity National Information Services Inc. as voting agent ("FIS" or "Agent") to vote BHFA's proxies for its managed accounts. FIS is not affiliated with BHFA. BHFA instructs the Agent to vote with management except for the following two situations. First, when the frequency of future advisory votes on the compensation of the company's named executive officers, the Agent is instructed to elect one year, regardless of how management is voting. Second, if there is a proposal for specifying Declassification, the Agent is instructed to vote "For."

#### **Conflicts of Interest**

A conflict will exist if the Agent votes on proxies issued by a BHFA affiliate. The conflict is mitigated through disclosure to you and because the Agent is instructed to vote the same on all proxies, whether for an affiliate or a non-affiliate.

Clients may obtain a copy of BHFA's complete proxy voting policies and procedures upon request, including how BHFA voted any proxies on behalf of their accounts.

#### **Item 18 - Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations.

BHFA does not have any financial conditions that would impair its ability to meet a contractual obligation.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

BHFA has not been the subject of a bankruptcy petition at any time during the past ten years.

#### **Item 19 - IRAs and ERISA Accounts**

This Item applies exclusively to accounts governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and individual retirement accounts ("IRAs"). The management fees BMO AM earns on managing the BMO Funds selected as investments within the Programs will be credited back to ERISA and IRA accounts. In addition, in the case of non-affiliated mutual funds (i.e., mutual funds other than the BMO Funds), any shareholder servicing fees, including 12b-1 fees, or any other revenue sharing payments between the mutual fund and BHFA will be credited back to ERISA and IRA accounts by the amount of revenue paid to BHFA. In the case of investments in the BMO Funds, BHFA and its affiliates may receive and retain shareholder servicing fees and/or 12b-1 fees (provided that such fees

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are for administrative and personal/customer account maintenance services) from the BMO Funds in exchange for services described in the applicable fund prospectus and in certain agreements that such funds may have with third parties to provide administrative and personal/customer account services to the funds.

**Item 20 - Additional Information**

**Legal Proceedings**

BHFA will not act for clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held in accounts or the issuers of such securities. Clients are responsible for knowing the rights and terms of their securities and for taking action to realize the value of advantageous transactions.

**Privacy Notice**

BHFA's Privacy Notice is available upon request. BHFA's Privacy Notice details its privacy practices, including how a client's information may be shared with BHFA's affiliates and third parties, as required or permitted by law, and the client's options on limiting certain sharing.