

**Item 1 – Cover Page**

HIM Money, Inc.  
302 Bay Street  
12<sup>th</sup> Floor  
Ontario, Canada M5X-1A1  
[www.money.com](http://www.money.com)

March 31, 2011

This Brochure provides information about the qualifications and business practices of HIM Money, Inc. If you have any questions about the contents of this Brochure, please contact us at 312-461-7616 or via email at [brian.meikel@bmo.com](mailto:brian.meikel@bmo.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

HIM Money, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser should provide you with information through which you determine to hire or retain an Adviser.

Additional information about HIM Money also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).  
#801-62435 / CRD No. 128504

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission (SEC) published “Amendments to Form ADV,” which amends the disclosure document that we provide to clients as required by SEC rules. This brochure dated March 31, 2011 (Brochure) is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of the Brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Brian Meikel, CCO at 312-461-7616 or [brian.meikel@bmo.com]. Our Brochure is also available on our web site, [www.money.com](http://www.money.com), also free of charge.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	1
Item 6 – Performance-Based Fees and Side-By-Side Management .....	2
Item 7 – Types of Clients .....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9 – Disciplinary Information.....	3
Item 10 – Other Financial Industry Activities and Affiliations .....	5
Item 11 – Code of Ethics.....	6
Item 12 – Brokerage Practices .....	7
Item 13 – Review of Accounts .....	9
Item 14 – Client Referrals and Other Compensation .....	10
Item 15 – Custody.....	10
Item 16 – Investment Discretion .....	11
Item 17 – Voting Client Securities .....	11
Item 18 – Financial Information .....	12
Brochure Supplement(s)	
Anti-Money Laundering and Privacy Notice	

#### **Item 4 – Advisory Business**

HIM Money, Inc. (Money®) is wholly owned subsidiary of Harris Investment Management, Inc. and is ultimately owned by Bank of Montreal. Money is a member of BMO Financial Group<sup>TM1</sup> and has been registered with the SEC since October 2003.

Money manages accounts on a fully discretionary basis primarily for, or provides investment advice primarily to, institutions including pension funds, mutual funds, banks, and registered investment companies. Money's advisory services may include assistance in establishing investment objectives and guidelines, determining the appropriate industry sectors and risk segments in light of established objectives and guidelines, determining the purchases and sales of securities for client portfolios, monitoring and reviewing holdings and investment performance of portfolios, and providing information on the relative attractiveness of various investments.

Money manages portfolios comprising high yield bonds, bank loans and/or credit derivatives (i.e., credit linked notes, default swaps).

All assets are managed on a fully discretionary basis and, as of February 28, 2011, totaled \$1.7 Billion.

#### **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by Money is established in a client's written agreement. The fees for investment supervisory and management services are typically billed quarterly in arrears. Clients may authorize qualified custodians in writing to pay Money's fee directly from an account maintained with such custodian. In those cases, Money sends fee invoices to both the client and the client's custodian simultaneously. At least quarterly, and in most cases more frequently, the custodians send detailed statements to the clients. Such statements show the amounts of all fees that have been deducted as of the end of each prior month or quarter. Management fees may be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts

---

<sup>1</sup> Trademark of Bank of Montreal and a trade name used by the Bank of Montreal and Harris N.A. in Canada and the U.S.

initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. All fees are subject to negotiation.

Money receives a fee based on a percentage of the market value of assets in the client's investment account under management. The standard fee schedule for separate accounts ranges from 40 basis points to 50 basis points, based on the amount of assets under management. In some cases, the fee may deviate for a particular client.

Money's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties, such as custodial fees, wire transfer and electronic fund fees, and other fees on securities transactions. If mutual funds and/or exchange traded funds not advised by Money are included in a client's portfolio, those vehicles also charge internal management fees, which are disclosed in each fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Money's fee, and Money shall not receive any portion of any such commissions, fees, and costs.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Money currently does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Where appropriate and not prohibited by law, Money will work with a client who wishes to implement a performance-based fee arrangement to develop suitable alternatives to the conventional predetermined percentage of asset-based fee schedules. For instance, a client's fees could be linked to the performance of the assets relative to a mutually agreed benchmark. If Money was to enter into performance fee arrangements with qualified clients: (i) such fees would be subject to individualized negotiation with each such client; and (ii) Money would structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (Advisers Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Money could include realized and unrealized capital gains and losses. Performance-based fee arrangements could create an incentive for Money to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee

arrangement. Such fee arrangements could also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. Money has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients (*see Allocation Policy*).

## **Item 7 – Types of Clients**

Money provides investment advice to banks, investment companies, pension and profit sharing plans, collective investment trusts, other trusts or pooled vehicles, foreign funds, charitable organizations, corporations, and other business entities.

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

Money manages portfolios comprising high yield bonds, bank loans and/or credit derivatives (i.e., credit linked notes, default swaps). Money's objective is to remain a trusted investment partner, building portfolios that generate positive alpha by maximizing expected return for each client's risk appetite while providing relative downside protection.

Money believes that delivering consistently strong performance from credit portfolios requires:

**Discipline:** a disciplined investment process that balances risk and reward through rigorous asset selection criteria and continuous monitoring of portfolio positions.

**Diversification:** high levels of diversification to minimize the portfolio impact of principal losses stemming from unexpected default and other event risk.

**Objectivity:** use of quantitative tools to measure credit risk objectively, and to capture continuous changes in risk and return efficiently, without emotional attachment to individual investments.

**Investment Style:** Our bottom-up investment style is anchored by our proprietary model and associated management information systems (MIS), creating a highly disciplined and objective process.

Investing in securities involves risk of loss. Investing in high yield bonds may subject the portfolio to greater credit and market risks. As interest rates rise, existing bond prices fall and can cause the value of an investment in the portfolio to decline. Changes in interest rates will affect the value of longer-term fixed income securities more than shorter-term securities. Investing internationally involves additional risks such as currency, political, accounting, economic and market risk.

Subsequently, Money employs these additional methods of analysis:

**Quantitative Screens/Management Information Systems.** We calculate a point estimate of default probability for each issuer, which we update at least weekly. System reports incorporate a number of quantitatively-based triggers, geared to enhance efficiency by focusing analyst attention on changing risks and returns.

**Fundamental Overlay.** Portfolio managers and analysts overlay sound judgment and fundamental analysis to supplement our default probability model. Our model and MIS reports identify material changes in risks and returns, which then focus the analysts' time and attention where it is most needed.

**Defensive, Highly Diversified Portfolios.** Linking our decision-making process to our quantitatively-based triggers allows us to maintain high Sharpe Ratio portfolios with objectivity and no emotional attachment to the assets we manage. Shaped by sound risk management principles, we will not take out-sized positions (we rarely hold over 0.9% positions of a given issuer) or barbell our portfolios. We assess the liquidity of the assets we purchase to obtain comfort that we would be able to easily sell positions as required.

**Monitoring.** An essential element of maintaining high Sharpe Ratios is our embedded monitoring of changing risks and returns on a weekly basis, imposing discipline on analysts and portfolio managers, ultimately maintaining portfolios that optimize return for the client's desired level of risk.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Money or the integrity of Money's management. Money has no information applicable to this item.

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

As part of a large global organization, Money has numerous affiliates that are registered brokers dealers, investment company or other pooled investment vehicles, other investment advisers, commodity trading advisors, banks, and sponsor of limited partnerships. A full list of such affiliates is available in Form ADV I.

Money has arrangements with Harris Investment Management, Inc. (Harris Investments<sup>SM</sup>) (which is 100% owned by Harris Bankcorp, Inc.) and with the Bank of Montreal (Money's ultimate parent company). These arrangements are articulated in technical service agreements and other inter-company agreements that are reviewed annually.

Harris Investments provides compliance, back office, accounting, operations, marketing, and Chairmanship services to Money. Money provides investment advisory and research services to Harris Investments. Where such respective services are also available to unrelated parties, Money and/or Harris Investments (as the case may be) will receive fees at prevailing market rates. Where such services are not generally available to unrelated parties, Money and/or Harris Investments (as the case may be) will receive fees based on a cost or "cost-plus" method.

Money is the sub-adviser to the Virtus High Yield Income Bond Fund (Virtus Fund). Harris Bankcorp Inc., BMO's U.S. subsidiary and sole shareholder of Harris Investments, which is the sole shareholder of Money, holds shares representing approximately a minority 23% equity position in Virtus Investment Partners, Inc. (Virtus). Virtus is a wholly-owned asset management company listed on the NASDAQ stock market (VRTS), and is the sponsor of the Virtus Fund. In addition, as part of the terms of the minority investment in Virtus held by Harris Bancorp Inc., Hugh M.S. McKee and Ross F. Kappel, executives of investment management subsidiaries of BMO Financial Group, are also members of the Virtus Board of Directors. Mr. McKee is Co-President and Chief Operating Officer of BMO Investments Inc., and Mr. Kappel is president of Guardian Group of Funds Ltd, affiliates of Bank of Montreal.

Money is also a member of BMO Asset Management<sup>™</sup>, which is a trademark of Bank of Montreal and a trade name used in Canada and the U.S. by the Bank of Montreal and Harris N.A. BMO Asset Management is the umbrella structure for BMO Financial Group's institutional investment management companies: BMO Asset Management, Inc., Harris Investment Management, Inc., HIM Money, Inc. and Pyrford International Ltd. As such, in



this document, the name BMO Asset Management means Bank of Montreal, together with its institutional investment management companies.

When appropriate, employees of BMO Asset Management or Money may also provide information, marketing materials and disclosure documents to clients or potential clients of those institutional investment management companies that are members of BMO Asset Management. These materials are only offered to such investors in those countries and regions in which such offers may legally be made, and in accordance with applicable laws and regulations. Such presentations are generally for informational purposes only and should not be construed as an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide advisory or other services in any jurisdiction in which such offer, solicitation, purchase, or sale would be unlawful under the securities laws of such jurisdiction.

#### **Item 11 – Code of Ethics**

Money, along with other entities within BMO Asset Management, has adopted a code of ethics (Code) as required under the Investment Advisers Act and the Investment Company Act of 1940. The Code sets forth Money's standards of business conduct and puts restrictions and obligations on its employees in order to effect compliance with various federal securities laws. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. The Code is reviewed and revised as necessary on an annual basis. All supervised persons at Money must acknowledge the terms of the Code annually.

The Code sets forth the expectation that covered personnel will adhere to a certain standard of conduct, give first place to client interests, and not take unfair advantage of their positions. The Code is also intended to help ensure that the personal securities transactions of covered personnel are conducted in a manner consistent with the federal securities laws by requiring, among other things, that personnel periodically disclose securities holdings. The Code prohibits employees from trading while in possession of material inside information; prohibits employees from serving on the boards of publicly traded companies without the prior authorization; requires pre-clearance of certain personal securities transactions; and subjects covered personnel to penalties for Code violations, including disgorgement of profits.

The Code's gift and entertainment provisions prohibit employees from giving or accepting any cash gifts or excessive entertainment to or from a client, prospective client, or any person or entity that does or seeks to business with or on behalf of Money; and giving or accepting any non-cash gifts of more than de minimus value to or from any person or entity that does business with or on behalf of HIM. The Code permits the providing or accepting of a business entertainment event, such as dinner or a sporting event, of reasonable value, if the person or entity providing the entertainment is present. The Code requires HIM's employees to report to HIM's Chief Compliance Officer gifts and entertainment received in excess of a specified value received or given. Additionally, all gifts or entertainment to or from Taft-Hartley clients must be reported to Money's Chief Compliance officer, regardless of amount.

Money's clients or prospective clients may request a copy of the firm's Code of Ethics.

## **Item 12 – Brokerage Practices**

Money has authority to determine the securities to be bought and sold, and total amounts of securities to be bought and sold, for most client accounts. However, certain clients may place certain constraints on investable securities such as limiting the percentage of the total portfolio to be invested in one security or one sector of securities, minimum credit quality, and imposing restrictions on investing in social conscience issuers. All such limitations and restrictions are by agreement between Money and the client and are factors considered in determining investment risk and return objectives.

Generally, securities will be bought and sold through brokers or dealers selected by Money. In some instances, however, the clients may direct Money to place trades through or with a designated broker or dealer. In such cases, Money cannot ensure that the best price or services will be obtained. Where Money is vested with brokerage discretion, best efforts will be made to obtain the most favorable price and best execution available. In approving brokers and dealers for its approval list, Money takes into consideration such factors as the financial and operational integrity of the brokers and quality and reliability of execution to be provided. Money's selection of security brokers for each trade is based on a best execution basis that includes the combination of price obtained plus price impact under conditions at the time of the trade, including size of order, difficulty of execution and capital commitments by the broker/dealer.

From time to time, Moneyg may group orders for the same security to be executed at the same time from the Applicant's client accounts. Participating accounts will receive the identical average price of any complete or partial execution of such a single order.

Moneyg may, from time to time and/or at the same or different times, depending upon account guidelines, objectives, cash-flow characteristics, and other criteria, give advice to and effect securities transactions for the accounts of some clients which may be similar to or differ from the advice given or actions taken on behalf of other clients. Moneyg may allocate transactions in securities among clients on such basis as Moneyg determines to be reasonable, including a determination that some clients may not purchase or sell the securities at the same time as others.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Moneyg's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Moneyg will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

In allocating new issues, securities are allocated, insofar as possible, in a pro rata manner across all accounts that have similar guidelines, objectives, and cash flow characteristics. When the new issue allocation is particularly small or the amount of bonds available in the secondary market is insufficient for a complete pro rata allocation, then the allocation objective will be balanced with adequate liquidity and tradable lot sizes. Care will be taken to ensure that no account is systematically favored or disadvantaged over time in this process.

Moneyg may cross transactions between client accounts, only if such transactions are fair to both accounts, not prohibited by law or the instruments governing the relationships, there is no benefit to the Moneyg, and evidence of an independent valuation source is maintained.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an

investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. If it is in the best interest of the client to execute a cross transaction, is within rules and regulations, and is allowed in the investment management agreement, Moneyg will contact the client to disclose the terms of the transactions and obtain consent prior to execution.

Moneyg does not participate in any “soft dollar” arrangements.

### **Item 13 – Review of Accounts**

In addition to its normal investment management and advisory portfolio process, Portfolio Managers formally review the performance of client portfolios on a weekly basis, in the Weekly Investment Team Meeting which all investment professionals and the Head of MIS attend. The meeting agenda includes a review of the performance of each account and firm composites, attribution analysis, account tests/guidelines compliance, high risk positions, significant changes in the credit risk of individual issuers, large price/spread movements of individual securities, etc. It is in this forum that portfolio positioning (including plans for investing cash balances), buy/sell ideas and portfolio strategies are discussed in the context of the market environment and economic developments. As part of the Investment Team Meeting mandate, a senior member of the team will review and sign the meeting minutes.

In addition, the Moneyg Investment Policy Committee (IPC) meetings occur no less than quarterly. The IPC is Chaired by Barry McInerney, Chairman of Moneyg and President and CEO of Harris Investments (parent organization). Its voting members are senior members of Moneyg’s investment team, including all portfolio managers, and also include Harris Investment’s Head of Fixed Income. The US and Canadian Senior Compliance Officers also sit on the committee as non-voting members. Among other things, the IPC is responsible for reviewing performance, executed trades, trade allocation, portfolio tests/guidelines, the investment process and any client or personal trading violations. A formal account review is performed at least annually to ensure the firm is investing in accordance with client guidelines, investment directives and relevant laws and regulations. With respect to new accounts, the IPC will conduct an initial review of the objectives of the account, ensure that “Know Your Client” criteria are met, and provide its approval for the account. After

acceptance of the account, it is included in the process described above, including the cycle of regular portfolio manager reviews, weekly investment team meetings, and the IPC formal portfolio reviews.

In general, clients will receive a quarterly report, which summarizes the performance of the account during the immediately preceding quarter. Clients will also meet with portfolio managers on at least an annual basis as agreed by the client. During such meetings, the portfolio managers review with the client relevant objectives, guidelines, securities in the client's account, investment performance, market outlook, and current investment strategy.

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

Money has a relationship with its parent, Harris Investment Management (“HIM”), whereby it acts as a sub-advisor for HIM accounts, with respect to high yield advisory services. Money receives fees from HIM for sub-advisory services after HIM has paid commissions and client referral fees. Money may also enter into an arrangement where payments are made to the its affiliates, Bank of Montreal, Harris Trust and Savings Bank, The Harris N.A., and other entities in the BMO family of companies for clients referred from certain areas of the Bank. Such payments are made at Money's expense and do not result in any additional fee to advisory clients. Money may from time to time enter into arrangements with individuals for client solicitation and referral, either directly or indirectly through Harris Investment Management its wholly owned subsidiary. Such payments are made at Money's expense and do not result in additional fees to advisory clients. Details of the referral agreement are fully disclosed to the client in a “Solicitor Disclosure Statement” provided to the client prior to the execution of the “Investment Advisory Agreement.” Such agreements will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940.

#### **Item 15 – *Custody***

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. Money urges you to carefully review such statements and compare such official custodial records to the account reports that we may provide to you. Our reporting may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Money receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Money manages accounts on a fully discretionary basis primarily for, or provides investment advice primarily to, institutions including pension funds, mutual funds, banks, and registered investment companies. Money's advisory services may include assistance in establishing investment objectives and guidelines, determining the appropriate industry sectors and risk segments in light of established objectives and guidelines, selecting security issues, determining the purchases and sales of securities for client portfolios, monitoring and reviewing holdings and investment performance of portfolios, and providing information on the relative attractiveness of various investments and issues.

When selecting securities and determining amounts, Money observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Money's authority to trade securities may also be limited by certain federal securities and other laws that require diversification of investments and favor the holding and sales of investments once made.

Investment guidelines and restrictions must be provided to Money in writing.

## **Item 17 – Voting *Client* Securities**

As a manager of fixed income securities, it is unlikely that Money would ever be required to vote proxies. As a matter of firm policy and practice, Money does not have the opportunity and generally has not voted proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios unless specifically directed under the Investment Management Agreement. In the unlikely event that Money needed to vote a proxy, Money would adhere to the Proxy Voting Policy developed with certain of its affiliates, a copy of which is available upon request. As a fiduciary, Money must vote proxies in the sole interest of the beneficiaries, both current and future. The business and/or other

interests of the fiduciary must not be allowed to affect the duty of undivided loyalty to the interests of the beneficiaries.

**Item 18 – Financial Information**

In certain instances registered investment advisers are required in this Item to provide you with certain financial information or disclosures about an adviser's financial condition. Money has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Anti- Money Laundering and Privacy Policy**

We respect your right to privacy and seek to manage your assets efficiently. To do so, we collect and maintain certain information about you from account applications and other forms, and from transactions you conduct with us, our affiliates, or others. Except for disclosure to our affiliates and service providers and as permitted by law, we do not disclose to anyone any personal information about you or about any of our former customers. We may disclose information about you to companies or individuals that perform administrative or marketing services on our behalf. Those entities may use such information only for the services for which we engaged them and are not permitted to use or share the information for any other purpose. To protect your personal information, we maintain physical, electronic, and procedural safeguards, and we permit access only to those employees who need the information to serve you.

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

A corporation, partnership, trust or other legal entity may need to provide other information such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement. We may be required to disclose this information pursuant to applicable laws, rules or regulations, but it will otherwise be retained in confidence according to our privacy policy.