

## ITEM 1: COVER PAGE

### FORM ADV, PART 2A APPENDIX 1

#### BMO SMART PORTFOLIO WRAP FEE PROGRAM BROCHURE

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Chicago, IL 60606  
312-461-5200

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

March 28, 2023

This wrap fee program brochure provides information about the qualifications and business practices of BMO Direct Invest Inc. (“BDI”) with respect to its BMO Smart Portfolio Wrap Fee Program (BMO Smart Portfolio). If you have any questions about the contents of this brochure, please call us at 312-461-5200. 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 BDI also is available on the SEC’s [website](http://www.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our CRD number is 317064.

BDI is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.

Pershing Advisor Solutions LLC (“PAS”) is the broker-dealer for all BMO Smart Portfolio accounts and PAS’s affiliate Pershing LLC (“Pershing”) acts as clearing broker and custodian for the accounts. You can contact Pershing at the following address:

Pershing LLC  
One Pershing Place  
Jersey City, New Jersey 07399

**Investment advisory products are offered through BDI, and carried by Pershing, member FINRA/NYSE/SIPC. Bank products are offered through BMO Harris Bank, N.A. (BHB). BDI is affiliated with BHB. BDI and BHB are separate entities, and when you buy or sell securities and bank products you are doing business with BDI and BHB separately. Investment advisory products made available through BDI are:**

<b>NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY</b>
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## **ITEM 2: MATERIAL CHANGES**

Under SEC Rules, you will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year, which is in December. We may also provide you with a new Brochure or other ongoing disclosure information about material changes as necessary, without charge. This section addresses only specific material changes that have been made to the Brochure since the last annual amendment and is intended to provide clients with a summary of such changes.

- **Item 5: Account Requirements and Types of Clients**

While BDI does not believe it is a material change, the minimum account size for the BMO Smart Portfolio was changed from \$10,000 to \$5,000 in 2022.

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## **ITEM 4: SERVICES, FEES AND COMPENSATION**

### **About BDI and the BMO Smart Portfolio Wrap Fee Program**

BMO Direct Invest Inc. (“BDI”; “our”; “us”; “we”), is an investment adviser organized as a Delaware corporation, and was formed in March 2021. Our principal place of business is in Chicago, Illinois. We are a wholly owned subsidiary of BMO Financial Corp., a Delaware corporation which is a wholly owned subsidiary of Bank of Montreal (“BMO”). BDI is also an affiliate and related adviser of BMO Family Office, LLC (“BMOFO”). (See Item 9, Other Financial Industry Activities and Affiliations).

BDI is an affiliate and a “related adviser” of BMOFO, an SEC registered investment adviser (CRD No. 110264). As a related adviser, BDI is registered with the SEC because BDI and BMOFO are under common control of BMO Financial Corp. They have the same principal office and place of business as BMOFO.

BDI provides the investment advisory and financial planning services listed in this brochure. BDI may refine its investment advisory product and service offerings and introduce new products and services as part of its efforts to meet the investment needs of its Clients, respond to changing markets, and take advantage of recent technological or other innovations.

BDI is a digital portfolio advisor, and its investment advisory service is the Wrap Fee Program BMO Smart Portfolio. BDI offers BMO Smart Portfolio to its advisory account customers and prospective customers (“Clients”). BDI is the “Wrap Fee Program Sponsor,” of its wrap fee program (“Wrap Fee Program” or “Program”), which offers certain investment advisory products through online digital access (“Advisory Products”) listed in this brochure. As Program Sponsor, BDI is responsible, among other activities set forth in this brochure, for: approving the Portfolio Manager, Model Provider and other service providers for participation in the Program; approving Models for use in the Program; and recommending Models to individual Clients through the Digital Platform (as described below), based on a Client’s responses to a risk tolerance questionnaire and application with respect to the Client’s risk tolerance, financial situation and investment objectives.

As part of the Wrap Fee Program, BDI also offers financial planning services as part of its investment advisory services to Clients. BDI may impose eligibility requirements on the availability of its financial planning services. BDI provides those services using one or more computer software programs, including but not limited to, MoneyGuidePro™ which is a product of PIETech, Inc., a subsidiary of Envestnet, Inc. BDI does not charge Clients for financial planning services.

BDI operates under our legal name BMO Direct Invest Inc., as well as under the brand names “BMO Smart Portfolio,” which is BDI’s wrap fee program and “BMO Wealth Management.”

BMO Wealth Management is a brand delivering investment management services, trust, deposit and loan products and services through BMO Harris Bank N.A., a national bank with trust powers; family office services and investment advisory services through BMO Family Office, LLC, an SEC-registered investment adviser; investment advisory services through Stoker Ostler Wealth Advisors, Inc., an SEC-registered investment adviser; digital investment advisory and financial planning services through BMO Direct Invest Inc., an SEC-registered investment adviser; and trust and investment management services through BMO Delaware Trust Company, a Delaware limited purpose trust company. “BMO Family Office” is a brand name that refers to BMO Harris Bank N.A., BMO Family Office, LLC, and BMO Delaware Trust Company. The BMO Family Office brand provides family office, investment advisory, investment management, trust, banking, deposit and loan products and services. These entities are all affiliates and owned by BMO Financial Corp., a wholly-owned subsidiary of the Bank of Montreal.

BMO Delaware Trust Company does not offer depository, financing or other banking products, and is not FDIC insured. You must be an existing customer of BMO Harris Bank N.A. and enrolled in BMO Digital Banking to qualify for services from BMO Direct Invest Inc. Not all products and services are available in every state and/or location. Family Office Services are not fiduciary services and are not subject to the Investment Advisers Act of 1940 or the rules promulgated thereunder.

You must be an existing customer of BMO Harris Bank N.A. and enrolled in BMO Digital Banking to qualify for services from BMO Direct Invest Inc. Not all products and services are available in every state and/or location. Investment products and services: **ARE NOT A DEPOSIT – NOT INSURED BY THE FDIC OR ANY FEDERAL GOVERNMENT AGENCY – NOT GUARANTEED BY ANY BANK – MAY LOSE VALUE.** Capital Advisory Services are offered by a division of BMO Harris Bank N.A.

## **Relationships and Affiliates**

BDI has hired the following affiliates and third parties to provide various services as part of its Wrap Fee Program to Clients. BDI's Investment Direct Product Committee ("IDPC") conducts oversight of affiliates' and third parties' performance of their services.

### BMO Harris Bank N.A. (Model Provider)

BDI has hired BMO Harris Bank N.A. ("BHB") as a model provider ("Model Provider") to the Wrap Fee Program. BHB is a national bank and is an affiliate of BDI. BDI and BHB are both wholly-owned subsidiaries of BMO Financial Corp. Pursuant to the Investment Advisers Act, BHB, as a bank, is excepted from the definition of investment adviser, and as a result is not registered as an investment adviser.

As Model Provider for BDI Wrap Fee Program, BHB has developed strategic asset allocation models (the "BMO Models"; "Models"; or "Model Portfolios") which are constructed based on non-proprietary Exchange Traded Funds (ETFs) and Money Market Funds. BHB designs each Model for a certain level of risk tolerance and investment objective and selects ETFs that it believes are appropriate for each Model. BHB provides the Models for use by Lockwood Advisors Inc. ("Lockwood") in managing individual Client accounts and advises Lockwood on the structure and rebalancing of its Models.

BDI has also retained BHB to create the Risk Tolerance Questionnaire ("RTQ") for BDI's use with Clients and which Clients must answer to open an account in the Program. After a Client completes the RTQ, the answers are calculated digitally, which BDI uses, through the Digital Platform, to recommend a Model for a Client to select for the investment strategy for the Client's account.

As set forth above, BHB makes its Models available to Lockwood for its use in managing individual Client accounts. BDI uses a technology platform provided by Lockwood to upload and make adjustments to its Models. BHB makes its RTQ available to PAS for PAS to open advisory accounts for Clients.

The Model Provider selects, reviews, adds, removes, and replaces the ETFs and their tactical weightings in constructing its Models. The Model Provider's review and selection of ETFs to construct its Models is based on multiple factors, including that the investment closely tracks the benchmark index, the competitiveness of its fees, the reasonability of the trading volume, the existence (or lack thereof) of factors that would likely inhibit the execution of the strategy, and the amount of assets under management. Security analysis methods include quantitative (mathematical), fundamental (financial), technical (price and market), and cyclical (trend and time series) analyses. There is no particular analytical discipline that can predict the absolute outcomes of a planned investment strategy, and any such discipline must consider various uncertainties and risks. The Model Provider undertakes monthly and

quarterly reviews of the ETFs used in constructing the Models for purposes of potential tactical changes to its Models.

As Model Provider, BHB provides purchase and sale recommendations to BDI for implementation by Lockwood in the form of its Models. The Model Provider does not receive information regarding a Client's identity, circumstances, financial condition, portfolio holdings, tax situation, regulatory status or financial needs or goals, and the Model Provider has no obligation for the provision of advice specifically to individual Clients. The Model Provider is not responsible for determining the appropriateness or suitability of investment model(s), or of any of the securities included from time to time in the investment model(s), for specific Clients.

BDI's hiring of BHB is a conflict of interest because BHB is an affiliate, and BDI uses BHB instead of recommending non-affiliated model providers and models. For further information with respect to this conflict see Item 9, Service Agreement with Affiliate BHB.

BMOFO is also an affiliate of BHB and provides investment research to BHB, which BHB uses in its analysis and selection of ETFs for constructing its Models. There is a potential conflict between BDI and BMOFO because BHB relies upon research from its affiliate BMOFO. BDI manages this potential conflict through the IDPC in its oversight of the Model Provider.

#### Lockwood Advisors, Inc. (Portfolio Manager)

BDI has hired Lockwood to serve as the discretionary portfolio manager ("Portfolio Manager") for Client accounts in the BMO Smart Portfolio Wrap Free Program. Lockwood is an investment adviser registered with the SEC and is an affiliate of Pershing Advisor Solutions, LLC ("PAS") and of Pershing, LLC ("Pershing"), which, as set forth below, respectively serve as the Introducing Broker and the Custodian for Client accounts in the Wrap Fee Program. Lockwood, PAS, and Pershing are BNY Mellon companies, and none of these companies are affiliated with BDI or BMO Harris Bank.

When a Client establishes an account, the Client grants Lockwood limited discretionary trading authority with respect to assets in the Client's account, which includes the authority to implement, in Lockwood's discretion, Model changes received from the Model Provider, and to rebalance the Client's account in accordance with target allocations and program trading parameters established by BDI. Lockwood, as Portfolio Manager, will, in its discretion, implement and manage Client accounts based on the selected Model for a Client's account. When the Model Provider makes Model changes, the Model Provider will notify BDI, which will then notify Lockwood, which will make the necessary changes to the Client's account at its sole discretion. Lockwood does not make any investment decision on the Client's behalf other than such decisions necessary to implement and maintain Model portfolios provided by the Model Provider in its sole discretion. Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Client's chosen Model.

#### Pershing Advisor Solutions, LLC (Introducing Broker)

Pershing Advisor Solutions LLC ("PAS") is an unaffiliated broker-dealer registered with the SEC, a member of the Financial Industry Regulatory Authority ("FINRA"), and an affiliate of Lockwood and Pershing LLC. Pursuant to an agreement between BDI and PAS, PAS serves as Introducing Broker for Wrap Fee Program Client accounts. BMO Smart Portfolio Clients enter into a separate brokerage account with PAS. PAS then introduces BMO Smart Portfolio Clients to Pershing LLC. Pershing LLC serves as clearing and carrying broker-dealer for the accounts.

### Pershing LLC (Custodian)

Pershing LLC (“Pershing”) is an unaffiliated broker-dealer registered with the SEC, a member firm of FINRA, and an affiliate of PAS and Lockwood. Pershing provides execution, clearing, settlement, custody, and other brokerage-related services for BMO Smart Portfolio accounts through the Client agreement with PAS and an agreement between BDI and Pershing.

Pershing also acts as a third-party service provider to BDI by making its digital manager technology offering (“Digital Portfolios”) available to BDI. BDI uses Pershing’s Digital Portfolios to provide a front-end interface site for use with Wrap Fee Program Clients and potential Clients as discussed in this brochure. Pershing also provides BDI access to an internal technology platform, which BDI uses to view and administer Client accounts.

Pershing will act as sole custodian for all assets in a Client’s account and will perform all custodial functions, including but not limited to crediting of interest and dividends on account assets, debiting the Wrap Fee, Platform Access Fee, and other fees, costs, and expenses applicable to the account from Account balances, together with other custodial functions customarily performed with respect to securities brokerage accounts. Clients retain ownership of all cash, securities, and other instruments in their accounts. For each month in which there is activity in an account or, if there is no activity, on a quarterly basis, the Client will receive through Pershing an account statement, which includes a summary of transactions, an inventory of holdings, and other information. Client also understands and agrees that the Custodian will forward to Lockwood copies of confirmations of the transactions effected by Custodian, if any, as required by applicable law, and copies of the account statements sent to a Client. Clients will also receive copies of individual confirmations of the transactions, if receipt of such confirmations is not waived.

BDI’s IDPC conducts oversight of affiliates’ and third parties’ performance of services.

### **Programs and Services**

#### Digital Advisory Hybrid Program with Access to Investment Advisor Representatives

BDI provides investment advisory services to Clients through BMO Smart Portfolio. BMO Smart Portfolio is a digital investment service offering, which provides a wrap fee account for discretionary management of trading of Client accounts by Lockwood as Portfolio Manager, in accordance with the model portfolio strategy a Client selects for the Client’s account. BDI also provides Clients with access to interact with an investment advisor representative (“Smart Portfolio Advisor”) via telephone. Smart Portfolio Advisors assist Clients by answering questions regarding BMO Smart Portfolio, the Client’s Investment Proposal, the Model recommended for the Client’s account, the RTQ, requested restrictions related to the management of their account, financial planning services if requested by the Client (See Item 4, Financial Planning Services), or other account related questions. Clients are not assigned a specific Smart Portfolio Advisor for their account. BMO Smart Portfolio Advisors do not provide investment advice regarding whether a prospective client should open an account with BDI or should select a proposed Model.

Clients complete an application form and RTQ on Pershing’s technology platform whereby they provide information with respect to their individual financial needs, investment objectives, investor suitability profile information, liquidity needs, and risk tolerance. BDI, through Pershing’s technology platform, provides, on a non-discretionary basis, an Investment Proposal recommendation based on the Client’s completed application and RTQ concerning which Program Model is most appropriate for the Client’s account. Clients decide on a self-directed basis whether to open a BDI Wrap Fee Program Account based on the Investment Proposal. Should a prospective client wish to engage BDI for its program services, the

Client must then enter into a written agreement with BDI to initiate the process, described below (the “Advisory Agreement”), in addition to a brokerage custody account agreement with PAS.

BDI will periodically monitor the investment options a Client chooses to ensure the investment option(s) remain in the Client’s best interests based on the information provided by Client, and to arrange for and monitor the provision of trade execution, reporting and custodial services by Program service providers for the account. For further information, please see Item 4, Reasonable Restrictions and Item 9, Review of Accounts.

We will use our best judgment and good faith effort in rendering services to Clients. BDI cannot warrant or guarantee any level of account performance or that an account will be profitable over time. While BMO Smart Portfolio has no performance history, as a general matter, past performance is not indicative of future results. (See Item 4, Performance History).

#### Reasonable Restrictions

Clients can request reasonable restrictions on the management of their account. Reasonable restrictions will be considered; however, restrictions are not guaranteed. The Portfolio Manager may refuse any restriction it believes may interfere with its investment discipline or may reject an account if it deems the number of restrictions requested to be excessive or unreasonable. The accounts hold pooled investment vehicles, such as ETFs, and trading is conducted at the fund level and not with respect to the underlying holdings. As such, restrictions cannot be applied to the underlying holdings within pooled investment vehicles. During the new account opening process, if you would like to request a restriction, you will have the option to select that a member of the Smart Portfolio Advisor team contact you.

In addition, BDI will send notices to you on a quarterly basis to request that you advise BDI whether there has been a change to your financial situation or investment objectives, and whether you wish to impose reasonable restrictions on the management of your account or wish to reasonably modify any existing restrictions you may have placed on the management of your account. For further information see Item 9, Review of Accounts.

#### Risk Tolerance Questionnaire & Investment Proposal

Prior to enrolling a Client in the BMO Smart Portfolio Wrap Fee Program, BDI determines the Client’s financial situation and investment objectives by gathering and analyzing customer profile and risk tolerance information (together the “Investor Profile”). The Digital Platform, offered by BDI for the BMO Smart Portfolio, is designed to complete a review of the Client’s information. The Risk Tolerance Questionnaire scores the Client’s Investor Profile to recommend a model portfolio strategy for the Client’s account based on the Client’s responses. The RTQ elicits information, among other categories, related to the Client’s net worth, investment objective, liquidity needs (i.e., how long you plan to invest in the portfolio before requiring a withdrawal of assets), and risk tolerance (i.e., your ability and acceptance to withstand volatility in your portfolio in exchange for the potential for greater returns).

Based on the RTQ and Investor Profile, Clients receive an Investment Proposal to select the recommended Model for purposes of managing trading in their account. Our Model Portfolios use an asset allocation strategy and are comprised of ETFs. Each Model is designed to manage a Client’s account in accordance with a particular investment objective and risk tolerance. The recommendation will be shown on a screen on the Digital Platform over the internet. Clients may print a copy for their consideration. Clients may contact a Smart Portfolio Advisor to ask questions about their Investment Proposal. Should Clients wish to engage BDI for its investment advisory services, the Client must then enter into a written advisory agreement with BDI to accept the Model recommendation and open an account through the digital portal.



While completing the RTQ, the Client will also be offered our current wrap fee program brochure (“Form ADV, Part 2A, Appendix 1”; “Form ADV”; “brochure”), Customer Relationship Summary (“Form CRS”), BDI’s Fee Schedule of additional charges (“Fee Schedule”), and our Privacy Policy statement. The brochure, Form CRS, Fee Schedule, and Privacy Policy statement are available to our Clients in PDF format for their download and may be printed on their own local printer.

After the account is open and funded, the Portfolio Manager will invest the Client’s funds in accordance with the selected Model strategy for the Client’s account. The Portfolio Manager uses discretion to manage the Client’s account based on the Model allocation recommended by the Model Provider.

Clients should be careful when entering responses to the RTQ. The investment advice offered is based solely on the information that Clients provide through the RTQ, and inaccurate or incomplete information will affect the investment recommendation. If there are issues or questions in completing the RTQ, Clients should contact a Smart Portfolio Adviser.

#### Model Portfolios in the BMO Smart Portfolio

The Model Provider has created the Models for BDI’s use in the Program. In constructing the Models, the Model Provider performs due diligence prior to selecting, adding, or replacing the ETFs for the Models and conducts ongoing monitoring of the ETFs and their allocations within the Models. The Model Provider structures the Models to provide that approximately 2% of Model assets are maintained in “cash” asset allocation, but the percentages of cash in Client accounts will vary as a Model is applied to individual Client accounts depending on a Client’s additional funds and withdrawals, including fees charged from the account. (See Item 4, Cash Balances).

The Model Portfolios are not tax sensitive. Retirement accounts are invested with the same portfolio strategies and ETFs as non-retirement accounts. Any dividends paid on the ETFs or interest income earned by an account will not be reinvested unless selected otherwise by Client, and such funds will auto sweep to the money market fund for the account and will also be subject to standard cash balance maintenance requirements and fees, costs, or other charges applicable to the account. For further information, please see Item 4, Cash Balances and Money Market Funds, and Dividends and Interest Income.

BDI’s Wrap Fee Program is subject to the general oversight of its IDPC. The IDPC’s oversight responsibilities include, but are not limited to, reviewing and approving for the Program; the Portfolio Manager; the Model Provider; the Model Portfolios; the Wrap Fee Program’s fee schedules; and other third-party relationships. Certain members of the IDPC also serve in other capacities in different business lines at BDI affiliates. (See Item 4, Relationships and Affiliates and Item 9, BDI Management Affiliation with Other Third-Party Investment Advisers).

The below descriptions of each of the five Models include target allocation percentages for the respective Models, which serve as guidelines the Model Provider will observe in structuring and re-balancing a Model under normal market conditions and making recommendations to the Portfolio Manager for purposes of Portfolio Manager’s management of trading in individual Client accounts.

The percentages will differ from the below listed percentages depending on the market conditions and as the Model Provider makes periodic asset allocation changes. Non-normal market conditions include significant market disruptions, such as those caused by pandemics, natural or environmental disasters, war, acts of terrorism or other events, all of which can adversely affect local and global markets and normal market operations. Additionally, significant market disruptions may result in increased market volatility; regulatory trading halts; closure of domestic or foreign exchanges, markets, or governments; or market participants operating pursuant to business continuity plans for indeterminate periods of time.

Such events can be highly disruptive to economies and markets and significantly impact individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment and other factors affecting the value of the ETFs in which the Models are invested. The Model Provider will communicate periodic asset allocation changes to the Portfolio Manager, and the Portfolio Manager will implement those changes to the Model Portfolio selected by Clients for management of trading in their accounts.

- **Maximum Growth Model:**

The Maximum Growth Model's primary objective is to grow the portfolio through capital appreciation. This objective is generally suitable for investors with a high tolerance for risk and little or no need for liquidity. Under normal market conditions, this Model contains equity and fixed income ETFs and targets allocations comprised primarily of equities ranging from 70% - 100% and fixed income ranging from 0% - 30%, with the remaining amount in the money market fund. The portfolio asset mix may be reconstituted and rebalanced from time to time by the Portfolio Manager.

- **Capital Growth Model:**

The Capital Growth Model's primary objective is to grow capital with a secondary objective to generate a modest level of current income. This objective is generally suitable for investors with an above average tolerance for risk and little need for current income. Under normal market conditions, this model contains equity and fixed income ETFs and targets allocations comprised primarily of equities ranging from 60% - 90% and fixed income ranging from 10% - 40%, with the remaining amount in the money market fund. The portfolio asset mix may be reconstituted and rebalanced from time to time by the Portfolio Manager.

- **Balanced Model:**

The Balanced Model's primary objective is capital appreciation with a secondary objective to generate current income. This objective is generally suitable for investors with average tolerance for risk, a low or moderate need for liquidity, and a desire for a reasonable level of current income. Under normal market conditions, this model contains equity and fixed income ETFs and targeted allocations comprised of equities ranging from 40% - 75% and fixed income ranging from 25% - 60%, with the remaining amount in the money market fund. The portfolio asset mix may be reconstituted and rebalanced from time to time by the Portfolio Manager.

- **Conservative Growth Model:**

The Conservative Growth Model's primary objective is to generate current income with a secondary objective of capital appreciation. This objective is generally suitable for investors with a relatively low tolerance for risk, a desire for current income, and a moderate or higher need for liquidity. Under normal market conditions, this model contains equity and fixed income ETFs and targets allocations comprised of fewer equities ranging from 20% - 50% compared to fixed income ranging from 50% to 80%, and the remaining amount in the money market fund. The portfolio asset mix may be reconstituted and rebalanced from time to time by the Portfolio Manager.

- **Income Model:**

The Income Model's primary objective is to generate income, with a secondary objective of capital appreciation. This objective is generally suitable for investors with a low tolerance for risk, a desire for current income, a desire for minimal exposure to equity assets, and a moderate or higher need for liquidity. Under normal market conditions, this model contains equity and fixed income ETFs and targets allocations comprised of primarily fixed income ranging from 70% - 100%, with a smaller portion comprised of equities ranging from 0% - 30% and the remaining amount in the money market fund. The portfolio asset mix may be reconstituted and rebalanced from time to time by the Portfolio Manager.

BDI selects the Model Provider but does not exercise discretion to select individual ETFs or Money Market Funds comprising the Model Portfolios.

### Account Funding

At account opening, when a client initially funds an account, the funds are invested in the Dreyfus money market fund until the funds are invested in the model. Dreyfus is an affiliate of Pershing, PAS and Lockwood. This could result in a conflict of interest for Lockwood in allocating cash to the fund of an affiliate. For additional information, please see Lockwood's Form ADV Part 2A brochure. After the account is invested in the selected model, additional funds and redemptions will be swept in and out of the model's designated money market fund.

### Performance History

BDI is a newly formed entity with no operating or performance history and BMO Smart Portfolio has no performance history against which Clients can evaluate the historical performance of its Model Portfolios. The Model Provider has developed other models for other accounts, which models and accounts were managed under materially different strategies, circumstances and mandates. The performance of such models and accounts should be considered, if at all, only as an indication of the general experience of the Model Provider and should not be relied upon as any indication of the prospects of Model Portfolios strategies for the BMO Smart Portfolio.

### Periodic Rebalancing of the Model Portfolios

Over time, market conditions cause various asset classes to become over- or underweighted in relation to the designated Model allocation. The Portfolio Manager performs a quarterly review, at a minimum, for drift from the target asset allocations. The Portfolio Manager will rebalance the individual ETF positions if the designated asset allocations drifted by 2% or more. Over time, the ETFs comprising the Model will appreciate (or depreciate) in value at different rates. The Portfolio Manager has the discretion to, but is not required to, review more frequently as market conditions dictate. Rebalancing has tax implications for clients who own non-retirement accounts. Tax consequences related to your account should be discussed with your tax advisor.

### Valuation of Account Assets

The Advisory Fee shared among BDI and the Portfolio Manager, and upon which BDI pays the Model Provider, is based on assets under management, so a higher valuation produces more advisory fees received by BDI, the Portfolio Manager, and the Model Provider. The potential conflict of interest is mitigated because BDI relies on Pershing to provide the value of the assets in the Clients' accounts, which is then reflected on Client account statements and reports.

In computing the market value of any securities or other investments in a Client's account, Custodian will value securities listed on any national securities exchange in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the account. Valuation information provided by Custodian has not been verified by BDI.

### Cash Balances and Money Market Funds

At account opening, when a client initially funds an account, the funds are invested in the Dreyfus money market fund until the funds are invested in the Model. Dreyfus is an affiliate of Pershing, PAS and Lockwood. This could result in a conflict of interest for Lockwood in allocating cash to the fund of an

affiliate. For additional information please see Lockwood's Form ADV Part 2A brochure.

Pershing receives a benefit from its possession and temporary investment of cash balances in your accounts prior to investment, whether in a sweep arrangement or otherwise. Pershing is paid certain fees relating to these funds, such as networking or 12b-1 fees. In addition, a Dreyfus money fund is used as a cash sweep fund until the funds are invested in the Model. Dreyfus is an affiliate of Pershing, PAS and Lockwood. This could result in a conflict of interest for Lockwood in allocating cash to the fund of an affiliate. For additional information, please see Lockwood's Form ADV Part 2A brochure.

Once invested into the selected Model, some portion of a Client's account portfolio will be held in the "cash" asset allocation, approximately 2%, in a money market fund. The percentage of assets held in the "cash" asset allocation will fluctuate as needed for asset allocation purposes. (See Item 4, Model Portfolios in the BMO Smart Portfolio). The balance in the "cash" allocation is included in, and subject to, the Advisory Fee. The "cash" allocation will also fluctuate between ETF liquidations and purchases while waiting to accumulate sufficient funds to purchase whole ETF shares and will fluctuate when Clients add or remove funds from the account. The "cash" allocation is used to pay the Advisory Fee, Platform Access Fee and other fees, costs, or charges applicable to a Client's account. (See Item 4, Fees for the BMO Smart Portfolio Wrap Fee Program and Other Costs). If a debit (negative) balance occurs in the Client's account due to insufficient funds, the Advisory Fee, Platform Access Fee, and other applicable fees, costs, or charges will be paid by liquidating sufficient securities in the Wrap Fee Program account to cover the debit balance. Such liquidations could decrease the account's overall performance. The "cash" allocation is invested in a money market mutual fund.

Money market funds are a security and are not cash, not insured or not guaranteed by the Federal Deposit Insurance Corporation or any other government agency, unless disclosed otherwise in the prospectus. Although money market funds seek to preserve the value of your investment at \$1.00 per share, Clients could lose money by investing in money market funds. Because the share price of a money market fund can fluctuate, when a Client sells their shares, the price could be worth more or less than what the Client originally paid for them. A money market fund has the ability to impose a fee on the sale of the shares or temporarily suspend the Client's ability to sell shares if the fund's liquidity falls below the minimum requirement because of market conditions or other factors, subject to the money market fund's prospectus.

#### Dividends and Interest Income

In the event a Client's account were to generate dividends or interest income, dividends and interest income will not be reinvested unless selected otherwise by Client. Dividends and interest income will auto sweep to the money market fund for the account. All dividends and interest income earned will be subject to payment of the Wrap Fee, Platform Access Fee, and other fees, costs, and charges applicable to the account that are due and payable, and maintenance of required account cash balances, in the ordinary course. A Client will not be able to withdraw dividends and interest income earned by their account until such account requirements have been satisfied.

#### Additional Funds, Withdrawals and Transfers

A Client may make additions into their account at any time, subject to BDI's right to terminate the account if it falls below the required minimum account balance. A Client can add additional funds, or transfer in investments from other firms into their account during business hours. Additions may be by check, wire, or ACH deposit, or include other acceptable securities in BDI's sole discretion, including certain ETFs shares, stocks or bonds, provided that BDI reserves the right to decline to accept particular securities into the account or to impose a waiting period before certain securities may be added to the account. BDI or PAS may accept other types of securities at their sole and absolute discretion. Cash balances in the account may be held temporarily in money market ETFs or money market deposit

accounts until accepted for management by the Portfolio Manager. If additional cash, securities or other investments are accepted for management in the account during any quarter, an additional fee, prorated for the number of days remaining in the fee period and covering the total value of the accepted assets, may be charged at the sole and absolute discretion of BDI, and if charged will become due on the date of such acceptance. An addition of funds of \$1,000 or higher into the account will trigger purchases of ETFs in a Client's account in accordance with the Model selected for management of trading in the Client's account. An addition of funds of less than \$1,000 will not trigger the purchase of ETFs for a Client's account, even if multiple investments of less than \$1,000 accumulate over time to \$1,000. Any additions of less than \$1,000 will be reviewed and allocated according to the Portfolio Manager's rebalance procedures on a quarterly basis.

Incoming transfers of securities into the Client's account will be liquidated and traded in accordance with the Model. The timing of the liquidation depends on the type of asset. For example, equities or mutual funds, will be sold at the next available trade date.

Clients may also withdraw account assets. For withdrawal instructions, BDI reserves the right to require Clients to provide up to six business days' prior notice for withdrawals of assets from their account, subject to the usual and customary securities settlement procedures.

No fee adjustments are made for account value fluctuation during the billing period. The Advisory Fee is paid monthly in advance based on the Advisory Account's market value on the last business day of the previous billing month. If the account is terminated by either party, Clients are entitled to a prorated refund of any prepaid Advisory Fee.

#### Commencement of Investment Advisory Services

The commencement of BDI's and Portfolio Manager's investment advisory services will begin upon BDI and Portfolio Manager's acceptance of Client's account and Client fully funding the account at the required minimum amount for Program accounts, unless such minimum required amounts are otherwise waived in writing by BDI in BDI's sole discretion. ("Advisory Services Commencement Date"). Client is required to meet the required minimum account balance no later than sixty (60) days after account opening.

In the event Client's application to open an account were accepted and Client opened an account, but Client were to fail to fully fund the account at the required minimum amount, the provision of investment advisory services by BDI and Portfolio Manager will not commence unless and until Client has fully funded the account and meets the minimum amount requirement for the account. Any funds or other assets transferred into the account prior to the Advisory Services Commencement Date will not be invested or otherwise managed by BDI or Portfolio Manager, including in accordance with the Model selected by the Client for the Client's account, and Client understands that, it is Client's responsibility to monitor the account assets and take any action Client may deem appropriate with respect to the account. The Wrap Fee and Platform Access Fee will not be applied to any such account assets prior to the Advisory Services Commencement Date. Such assets will be subject to PAS's and Pershing's brokerage and custodial services, pursuant to the fees, costs, terms, and conditions pursuant to Client's brokerage agreement with PAS, including but not limited to Administrative Services Fees charged by PAS and Pershing.

#### Status as ERISA Fiduciary

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing Retirement

Accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. For purposes of this brochure, the term “Retirement Account” is used to cover Individual Retirement Accounts (“IRAs”) and Roth Individual Retirement Accounts (“Roth IRAs”).

### No Retirement Asset Recommendations

While we provide recommendations on how to allocate and invest your retirement investment portfolio, please note that we do not make any recommendation as to whether you should “roll” a corporate retirement account into an IRA or Roth IRA, make any recommendations to “roll” or transfer assets from one Retirement Account to another, nor what type of Retirement Account is appropriate for the Client. That decision must be made solely by you, and any information we provide to you with respect to such decision should be considered educational in nature. Some of the factors to consider in making that decision include plan administrative expenses, investment vehicle expenses, pay-out alternatives, and services in your corporate retirement plan, or your current IRA, and the breadth and quality of investment alternatives that are available in your retirement plan or IRA, and in a rollover IRA.

When we provide investment advice to clients regarding client retirement plan accounts or individual retirement accounts (IRAs or Roth IRAs), we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with clients’ interests, so we operate under a special rule that requires us to act in clients’ best interest and not put our interests ahead of clients’ interests.

### Trade Execution Services

The Program Wrap Fee covers all transactions only when executed through Custodian or its affiliates. Transactions for the purchase or sale of securities and other investments will be effected through Custodian, unless Lockwood believes that best execution of a trade may be obtained through another broker, dealer or bank. Custodian is an affiliate of Lockwood.

Lockwood will have the authority to effect transactions for Client accounts with or through another broker, dealer or bank if Lockwood believes that best execution of transactions may be obtained through such other broker, dealer, or bank, including any broker-dealer that is affiliated with Lockwood. In instances where a transaction is executed through another broker or dealer, the account will pay a transaction fee or commission, as well as a “mark-up,” “mark-down,” and any other direct or indirect transaction costs, as applicable. See below for a discussion of “mark-ups” and “mark-downs”. Fees, commissions, and direct or indirect costs associated with transactions executed away from Custodian are not covered by the Wrap Fee. For further information with respect to Lockwood’s brokerage practices, including with respect to best execution, please see Lockwood’s Form ADV Part 2A brochure with respect to Lockwood’s brokerage practices.

Certain securities, such as over-the-counter stocks and fixed income securities primarily are traded in “dealer” markets. In such markets, securities are directly purchased from or sold to a financial institution acting as a dealer, or “principal”. Dealers executing principal trades typically include a “mark-up,” “mark-down,” and/or spread in the net price at which transactions are executed. Custodian does not generally act as principal in executing principal trades for an account in the Program. When Custodian receives trade orders for securities traded in the dealer markets, it normally executes those orders as agent through a dealer unaffiliated with Custodian. Custodian receives no commissions or other compensation in connection with such trades, although the account bears the cost (including any spread, mark-up or mark-down) imposed by the unaffiliated dealer for the security. As a result, principal trades may include the payment of compensation to dealers other than Custodian or its affiliates in addition to the wrap fee

described in this Agreement. In accordance with applicable law and regulation, Custodian may occasionally execute principal trades for Accounts that are not subject to provisions of the Employee Retirement Income Security Act of 1974 (“ERISA Accounts”) or Section 4975 of the Internal Revenue Code of 1986 (together “Retirement Accounts”) in which case Custodian may receive a “mark-up,” “mark-down” or dealer spread in the net price in connection with such transactions at any time by written notice.

Client may revoke the authority of Custodian to effect agency cross transactions at any time by written notice.

When Lockwood deems a transaction to be in the best interests of the Client as well as other clients of Lockwood, to the extent permitted by applicable law and regulation, Lockwood is permitted to aggregate multiple client orders to obtain what Lockwood believes will be the most favorable price and/or lower execution costs at the time of execution. See also Lockwood’s Form ADV Part 2A brochure with respect to Lockwood’s brokerage practices.

Neither BDI nor Lockwood will be responsible for any action or inaction taken by any broker, dealer or bank, or any loss incurred by reason of any action or inaction of any broker, dealer or bank.

### Custody

BDI is deemed to have custody of Clients’ funds or securities when Clients have a standing letter of authorization (“SLOA”) with the Custodian to allow BDI to move money from Clients’ accounts to a third-party and designate the amount or timing of transfers with the Custodian.

All client assets are held at Pershing LLC, which is unaffiliated qualified custodian. Clients sign an account application with the custodian upon opening their investment advisory account with us. The Custodian will notify BDI of the custody account number and other pertinent information.

At least quarterly, Clients should receive statements directly from the Custodian. We urge clients to carefully review such statements and compare the Custodian’s statements to the reports that we provide.

### Financial Planning Services

As part of the BMO Smart Portfolio Wrap Fee Program, we provide financial planning services to Clients using one or more computer software programs, including, but not limited to, MoneyGuidePro™ which is a product of PIETech, Inc., a subsidiary of Envestnet, Inc. BDI provides financial planning services in conjunction with access to a Smart Portfolio Advisor, to create a financial plan based on the Client’s individual financial objectives, needs, and circumstances as described by Client in the Client RTQ. BDI does not charge a separate fee for these financial planning services, although BDI may impose in its discretion an account minimum for accessing financial planning services that is higher than the account minimum for participation in the BMO Smart Portfolio Wrap Fee Program. In order to receive a financial plan, Client must request the preparation of a financial plan from a Smart Portfolio Advisor. Clients should contact a Smart Portfolio Advisor if interested in obtaining a financial plan, their eligibility, and to initiate that process. Client may be required to execute a separate financial planning supplemental agreement at the time.

In the event a Client requests the preparation of a financial plan, BDI provides the Client with analysis, advice, and recommendations related to the financial planning topics listed below as applicable to the Client and Client’s financial goals and financial situation (herein “Financial Planning Services”).

- Net Worth Analysis
- Cash Flow and Debt
- Retirement Planning
- Risk Management (Life, Disability and Long-term Care Planning)
- Investment Planning
- Education Planning
- Estate Planning
- Other

Pursuant to BDI's financial planning services, a Client will receive a financial plan which is broader than the Model Portfolio's individual goal and objective a Client has selected for Client's Account. Clients will receive a plan that is a result of the information collected by the Smart Portfolio Advisor from the Client at that time and the advice from the plan is current only as to the date the financial plan is issued.

The Client provides personal financial and other relevant information and goals to the Smart Portfolio Advisor, which the financial planning program uses to generate a customized financial plan for the Client. Projections or other information generated through the computer software regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained.

The financial plan will be based on the information that Client provides to BDI. The financial plan is only as complete and accurate as the completeness and accuracy of the information provided by the Client to BDI in connection with the preparation of a financial plan for the Client.

Client seeking BDI's financial planning services agrees to discuss with BDI the Client's current financial resources and projected needs, and to provide copies of any financial documents that BDI may reasonably request as necessary to evaluate Client's financial circumstances and provide a financial plan.

Neither the BMO Smart Portfolio Investment Proposal nor the Model Portfolios are designed to correspond to a Client's financial plan, although the Investment Proposal may satisfy part of an investor's financial plan. We may, however, refer the Client to the financial services of our affiliates or other third parties, such as banking, brokerage, or insurance services. As a result, we have a conflict of interest in referring Clients to our affiliates. Our Clients retain discretion over any financial planning advice implementation decisions and are free to accept or reject any referral.

BDI will not monitor financial plans. BDI Clients who have updates to their investment information and goals will need to contact BDI for a new plan. Reviews are conducted by an investment advisor who may also be a financial planner.

Clients have sole responsibility for determining whether to implement any recommendations made by BDI in any financial plan. There is no requirement that a Client implement any of the recommendations or otherwise conduct business through BDI or its affiliates. Clients are free to follow, or disregard, in whole or in part, any recommendations, suggestions or advice made by BDI to the Client. Client will also be required to select their own broker-dealer, investment adviser, and/or insurance companies for the implementation of financial planning recommendations, and Client may choose any brokerage firm, investment adviser, or comparable products of the Client's choice in the event Client were to implement the suggestions and recommendations prepared by BDI pursuant to a financial plan. For avoidance of doubt, by engaging BDI for its financial planning services, a Client is not establishing an investment advisory or other account with BDI for purposes of implementing specific investment advice or securities



recommendations, and BDI is not obligated, nor does BDI have the discretionary authority, to implement financial planning recommendations for or on behalf of Client.

In the event a Client for our financial planning services were to determine to implement recommendations encompassed in the financial plan, the Client is solely responsible for all commissions and other transaction charges and any charge relating to brokerage, investment advisory, banking, custodial, or insurance services in connection with the same. These charges are independent and separate from the fees charged by the BMO Smart Portfolio Wrap Fee Program. If Client chooses to implement the financial plan through third party brokerage and/or other financial services firms, Client must independently evaluate these firm(s) before opening an account or transacting business, and BDI will not provide specific investment advice or otherwise be responsible for any activity carried on at these other financial services firms.

BDI's financial planning services are limited to the one-time financial plan and BDI assumes no responsibility to provide ongoing financial planning services and will not review or update the financial plan. BDI's provision of financial planning services shall be deemed complete upon delivery of the financial plan to the Client, and BDI shall have no further obligation to provide financial planning services or to update the Client's financial plan unless expressly agreed to in writing by BDI.

### **Fees for the BMO Smart Portfolio Wrap Fee Program and Other Costs**

#### General

The BMO Smart Portfolio Wrap Fee Program charges the following fees. There are also administrative fees outlined in the Fees Schedule that may be charged by the Custodian and Introducing Broker Dealer, available on our [website](#).

Type of Fee	Services Covered	Total Annual Amount	Timing When Assessed	Annual Portion Paid to Portfolio Manager
Wrap Program Advisory Fee	<ul style="list-style-type: none"><li>• Investment Advisory</li><li>• PAS Brokerage Services</li><li>• Trading and Custody Services with Pershing</li></ul>	0.60%	0.05% monthly	\$60 per account
Platform Access Fee	<ul style="list-style-type: none"><li>• Access to BMO Smart Portfolio Program</li></ul>	\$48	\$4 monthly	\$0

#### BMO Smart Portfolio Wrap Program Fee

The BMO Smart Portfolio Wrap Fee Program is an investment advisory program whereby Clients pay an advisory fee or "Wrap Fee", which is a single asset-based annual fee for investment advice and for brokerage, custodial, administrative, and technological services.

Accounts will be charged a "wrap" account fee every calendar month (the "Wrap Fee"). The Wrap Fee covers BDI's Services, Lockwood's discretionary money management fee, PAS's brokerage services, and custody through Custodian. PAS debits the Wrap Fee from the Client's Advisory Account and pays the fees to BDI. The Wrap Fee also covers transaction charges and commissions that would otherwise be payable to PAS or Custodian when it acts as broker for an Advisory Account's transaction. BDI pays management, custody, and brokerage services fees to Lockwood, Pershing, PAS, from the fees it collects from Clients. BDI, from its portion of the fees, also pays BHB for Program access to BHB's Models and its services.

Our standard Wrap Fee is based on a specified annual percentage rate (i.e., the rate used each month will be one twelfth of the applicable annual rate) of the Client's assets under management. Our standard fee is 0.60%. Our fees are prorated and paid monthly, in advance, and are based on the market value of the assets on the last business day of the previous month. Most commonly, fees are debited directly from the Client's account. The firm reserves the right to waive or discount fees at its discretion. If Client terminates the Client agreement, Client is still obligated to pay advisory fees prorated through the date of termination. 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.

The Wrap Fee is prorated and payable monthly in advance and is based on the market value of the assets on the last business day of the previous month. Fees are subject to change upon reasonable notice. Generally, the initial advisory fee and platform access fee are due in full on the date you sign the Agreement and fund the Advisory Account with the minimum investment amount. The advisory fee is based on the market value of assets in the account on or about that date.

The initial Wrap Fee payment generally covers the period from the Advisory Account enrollment date through the last business day of the applicable billing period and is prorated accordingly. Thereafter, the Wrap Fee is paid monthly in advance based on the Advisory Account's market value on the last business day of the previous billing month and is due promptly.

The Introducing Broker deducts any and all fees when due from the assets contained in the Client's account, including but not limited to the Wrap Fee, the Platform Access Fee, and fees, costs and expenses not covered by the Wrap Fee, as set forth herein. The Wrap Fee is payable from free credit balances or money market fund balances. If there are insufficient funds to pay fees from credit or money market balances, Lockwood or PAS retains authority to liquidate a portion of the account's assets to cover the Wrap Fee and other fees, costs or charges arising from the account. Liquidation may affect the relative balance of the account. Liquidation may also have tax consequences and/or may cause the account to be assessed transaction charges. PAS may withhold any tax to the extent required by law and may remit such taxes to the appropriate governmental authority.

For further information regarding computing of the market value of securities, see Item 4, Valuation of Account Assets.

#### BMO Smart Portfolio Platform Access Fee

BDI also charges a \$4 per month (\$48 annually) platform access fee ("Platform Access Fee") to all Clients, regardless of account balance. The Platform Access Fee is separate from and in addition to the Wrap Fee. Not all investment advisers charge a Platform Access Fee, and BDI's Platform Access Fee may be more or less than other advisers who charge similar platform access fees.

PAS debits the monthly Platform Access Fee at the same time and in the same manner it debits the monthly Wrap Fee. BDI uses a portion of the Platform Access Fee to pay BDI's affiliate BHB as the Model Provider and for general operating expenses. BDI pays certain fees to the Model Provider for its services provided to BDI. BDI retains the remaining amount of the Platform Access Fee. BDI using its affiliate BHB as the Model Provider is a conflict. This conflict is described in more detail in Item 9, Service Agreement with Affiliate BHB.

#### Fees, Costs, and Expenses Not Covered by the Wrap Fee or Platform Access Fee

The Wrap Fee does not cover all costs or charges arising from accounts, including as set forth above, the Platform Access Fee, and the costs and charges that Custodian or other broker-dealers receive when acting

as “principal” in certain transactions, or certain costs or charges imposed by third parties including odd-lot differentials, exchange fees, and transfer taxes mandated by law. For example, the Wrap Fee does not cover such costs and charges as: (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of ETFs; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges, such as transfer taxes, exchange and SEC transaction fees; (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with the American Depositary Receipts; (ix) certain charges associated with securities transactions in Client’s account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain ETFs, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible ETF redemption fees. Clients should be aware that an ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and affect a Client’s portfolio performance or an index benchmark comparison.

The Wrap Fee does not cover certain fees and expenses charged by PAS and Custodian (“Administrative Services Fees”) that Client will also pay for various functions, including but not limited to fees for delivery of checks, fund wire fees, account closing fees, exchange transaction fees and certain other administrative fees. Administrative Service Fees are separate from and in addition to the Wrap Fee and the Platform Access Fee. These fees are outlined in the BDI Fee Schedule available on our [website](#) and the PAS Account Agreement provided at account opening.

In addition, as noted above, ETFs charge underlying fees and expenses that are separate and apart from the Wrap Fee charged by BDI. BDI does not receive revenue-sharing payments from ETFs or money market funds.

#### Changes to Fees

BDI may propose to change the Wrap Fee and Platform Access Fee charged (collectively, “BDI Fees”), by giving Client reasonable advance notice of the proposed change. The Notice shall be given in the manner described in the Advisory Agreement, General Contract Terms and Provisions: Notice. The notice will (1) explain the proposed modification of the fees; (2) fully disclose any resulting changes in the fees to be charged as a result of any proposed change in the services or other changes to this Agreement; (3) identify the effective date of the change; (4) explain Client’s right to reject the change or terminate this Agreement; and (5) state that pursuant to the provisions of this Agreement, if Client fails to object to the proposed change(s) before the date on which the change(s) become effective Client will be deemed to have consented to the proposed change(s).

If Client objects to any change to this Agreement proposed by BDI, BDI shall not be authorized to make the proposed change. In that event, Client shall have an additional sixty (60) days from the proposed effective date (or such additional time beyond 60 days as may be agreed by BDI) to locate a service provider in place and instead of BDI. If at the end of such additional sixty (60) day period (or such additional time period as agreed by BDI), the parties have not reached Agreement on the proposed changes, this Agreement shall automatically terminate.

For changes in Administrative Services Fees or other fees, costs, or charges separately charged by PAS or Pershing that are not subject to the BDI Fees, please see Lockwood’s Form ADV Part 2A brochure and Client’s PAS Agreement.

### BDI Fees Subject to BDI's Discretion

The BDI Fees charged to an account may be negotiable, flat or blended, or discounted at BDI's sole and absolute discretion, and BDI retains the right to negotiate Wrap Fee and Platform Access Fee rates that may differ among individual Clients. This includes, but is not limited to, incentive programs that BDI may, in its sole discretion, offer from time to time to Clients, including, but not limited to, reduced or waived Wrap Fee and/or Platform Access Fees and cash payments credited to Client accounts. BDI reserves the right, in its sole discretion, to offer these types of incentives, and it may reduce or waive Wrap Fees and/or Platform Access Fees for some Clients without notice to or fee adjustment for other Clients. BDI also performs advertising and marketing campaigns to attract Clients to open accounts, and these include, but are not limited to, promotions such as additional account services or products, more favorable fee arrangements, waiver of advisory fees or account credits.

### Fee Waivers for U.S. BMO Employees

BDI agrees to waive the Wrap Fee and Platform Access Fee during for the first year of enrollment for any U.S. BMO employee who opens a BMO Smart Portfolio account. BDI reserves the right to modify or cancel this fee waiver program at any time for future employee customers. When BDI agrees to waive the Wrap Fee and Platform Access Fee, we will commence charging you such fees on the month following your account opening anniversary in the following year.

### BDI Fees May Cost More or Less Than Fees Charged by Other Advisors

The Wrap Fee, individually and/or in combination with the Platform Access Fee, may be more or less than if a Client had purchased the services covered by the Wrap Fee and/or Platform Access Fee separately, and may also be higher or lower than the costs of similar services offered through other financial firms. Clients should review and consider if they would pay more or less than when purchasing such services separately, including based on BDI's Fees and depending on commission rates and portfolio trading activity.

### ERISA Fee Disclosure for Qualified Retirement Accounts

In accordance with Department of Labor regulations under ERISA, BDI is required to provide certain information regarding our services and compensation to help fiduciaries and plan sponsors of those Retirement Accounts that are subject to the requirements of ERISA in assessing the reasonableness of their plan's contracts or arrangements with us, including the reasonableness of our compensation. This information (the services we provide as well as the fees) is provided to you at the outset of your relationship with us and is set forth in this brochure and in your Advisory Agreement (including any fee table and other exhibits) and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

### Administrative Service Fees and Expenses

Clients also pay certain fees and expenses charged by PAS and Pershing for various functions including but not limited to fees for delivery of checks, fund wire fees, account closing fees, exchange transaction fees, and certain other administrative fees ("Administrative Services Fees"). Administrative Service Fees are separate from and in addition to the Wrap Fee and the Platform Access Fee. These fees are outlined in the BDI Fee Schedule, as Clients agree to in the BDI Advisory Agreement and the PAS Account Agreement, provided at account opening and available on our [website](#).

### Client Referrals and Other Compensation Received by BDI from Third Parties

BDI's affiliate BHB pays nominal referral compensation on behalf of BDI to BHB employees. Referral compensation does not require a customer to open an account with BDI. We mitigate this conflict of paying for referrals by disclosing it to Clients.

### 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.

### Investment Advisor Representative Compensation

Smart Portfolio Advisors are paid a base salary plus discretionary bonus, but do not receive any fees tied to the recommendation of the BMO Smart Portfolio program. Discretionary compensation may factor in the overall quality and quantity of their financial planning, although not for each individual financial plan.

### Performance-Based Fees

BDI does not charge performance-based fees. Performance-based fees are based on a share of capital gains or capital appreciation of a client's account.

## **ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Account Relationship Requirements**

To qualify for BMO Smart Portfolio, Client must be a personal banking (retail) customer of BHB and enrolled in BMO Digital Banking.

### Digital Advisory Platform Requires Online Access

BMO Smart Portfolio is an online digital portfolio advisory program (the "Digital Platform" or "Site"). Advice is provided to Clients through a web-based program and may be different from other investment advisory relationships with which Clients are familiar. Clients must be willing to receive investment advice through the Digital Platform to use BMO Smart Portfolio's services. The process used to make investment recommendations through the Digital Platform may not elicit the same information as would a face-to-face interview with a financial professional. Given the online nature of the Digital Platform, therefore, Clients must, at a minimum, have:

- a version of an internet browser that is currently supported by our online website;
- a connection to the internet;
- a current version of a program that accurately reads and displays PDF files; and
- an active email address.

Clients must also consent to electronic delivery and use of electronic signatures (see below).

### Consent to Use of Electronic Records and Electronic Signatures

During the online enrollment process, Clients agree that records and disclosures will be delivered electronically and that agreements will be signed electronically, including as part of the PAS brokerage account agreement and enrollment in BMO Digital Banking. By entering into the Advisory Agreement, you will also be asked to provide consent to the use and delivery of communications, records, account

statements, forms and disclosures (“Communications”) in electronic form (“Electronic Records”) as well as to use electronic signatures and obtain them from you as part of our transactions with you (the “ESIGN Consent to Provide Electronic Records and Obtain Electronic Signatures”). A similar consent is part of the PAS Brokerage Account agreement. Electronic Records may be delivered to you in a variety of ways.

To receive Communications electronically, you must have internet access as described above. Additionally, in some scenarios, you may also be required to obtain access to a specific brand or type of mobile device that is capable of supporting a particular software application. If a Client is unable or unwilling to accept electronic delivery of Communications, Client’s enrollment in the BMO Smart Portfolio Program may be terminated. Clients should understand that they are expected to communicate with BDI via electronic channels posted to a Client’s account (i.e., email) and by telephone.

BDI, in its sole discretion, or as otherwise required by law, may provide you with Communications via paper and U.S. mail, even if you have consented to receive it electronically. Sometimes the law, or our agreement with you, requires you to give us a written notice, in which event you must still provide these notices to us on paper, unless we specifically tell you in another Communication how you may deliver that notice to BDI electronically. There are certain Communications that, by law, we are not permitted to deliver to you electronically, even with your consent. Subject to applicable law, you may withdraw your consent, although as reflected in the BDI Fee Schedule, there will be additional fees for receiving paper copies of Communications via U.S. mail or other courier.

#### Minimum Account Size – Wrap Fee Account Program

The minimum account size for the BMO Smart Portfolio is \$5,000. BDI reserves the right to reduce or waive account minimums at its sole discretion. In instances where BDI lowers or completely waives the account minimum for new Clients, an initial minimum deposit must still be made to enroll in the program. If a Client withdraws funds in an amount that causes the total assets in the account to fall below the referenced minimum, BDI may request the Client to add additional funds to the account or terminate its advisory services. BDI reserves the right to terminate a Client’s advisory services without providing the Client an opportunity to add additional funds.

BDI reserves the right to terminate the Advisory Agreement for any reason, upon notice to the Client, including an account balance below the minimum account size. If BDI terminates the Advisory Agreement, during a calendar month, Clients will be charged a prorated fee. After termination and the final fees are paid, the account will no longer be charged an Advisory Fee. Termination of the Advisory Agreement will not automatically terminate the custody agreement with Pershing, and the account will still be subject to Administrative Fees (See “Termination of Account Services” below).

#### Types of Clients

BMO Smart Portfolio is offered to individual investors looking to open an individual or joint account, or an IRA, or a Roth IRA. For joint accounts, any joint account holder can accept the Investment Proposal and enroll in an account on behalf of any joint account holder(s) by accepting the Advisory Agreement. The joint account holder will be required to separately confirm their personal information through the Site. No other account types are available for enrollment in BMO Smart Portfolio.

#### Termination of Account Services

BDI reserves the right to terminate a Client’s Smart Portfolio Wrap Fee Program account and related Advisory Agreement at any time, for any reason. This includes, but is not limited to, Client no longer continuing to qualify for the BMO Smart Portfolio, including because Client is no longer a customer of a qualifying BHB product or service, Client fails to maintain required minimum account balances, or Client

fails to fund their account at the required minimum balance within sixty (60) days of opening an account.

BDI may terminate a Client's Advisory Agreement, upon thirty (30) days notice, or such shorter period as may be agreed to by both parties. Client may terminate this Agreement, at any time, by providing written or verbal instruction to BDI.

Accounts initiated or terminated during a calendar month are charged a prorated fee. If Client terminates its Agreement, Client is still obligated to pay fees prorated through the date of termination. Termination of the Agreement will not automatically terminate the custody agreement with Pershing, and the Account will still be subject to Administrative Fees. For further information regarding Administrative Fees, see Item 4, Fees, Costs, and Expenses Not Covered by the Wrap Fee or Platform Access Fee. Clients should also review the terms and conditions of their PAS brokerage account agreement.

There is no attempt to time the market when liquidating the portfolio holdings. In addition, if the Client initiates a transfer of funds out of BDI, an administrative hold is placed on the account until the final management fee has been assessed. Accounts will still be subject to Pershing's administrative fees according to the Fee Schedule until the account is closed.

Once a termination is initiated and approved, advisory services will end, advisory trading and all other advisory services are halted and, if assets are still in the Client's account, then the Client must take steps to transfer or liquidate their securities. Upon termination, it is Client's responsibility to monitor Client's assets, and BDI will have no further obligation to act or advise with respect to those assets. BDI shall provide reporting services until and including the effective date of termination and shall deliver such reports to Client as soon as administratively feasible following the date of termination.

Upon termination, BDI will deliver securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. If an account is liquidated as a result of a termination notice, proceeds will be payable pursuant to Client's instructions upon settlement of all transactions in the account. Once the Agreement has been terminated, transactions will be processed at prevailing brokerage rates. If the Client does not take any action on their account, Pershing will send the Client a notice informing them that their assets must be disbursed, and the account closed. If there is still no action, Pershing will disperse the assets to the Client if applicable and close the account, in accordance with the terms of your agreements. Upon termination of the account, PAS and Custodian reserve the right to: return securities to Client; liquidate the securities and return funds to Client; and close the account.

## **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Portfolio Management**

As described in Item 4, BDI is a Wrap Fee Program Sponsor by which it provides access to the BMO Smart Portfolio through Lockwood, the discretionary Portfolio Manager. The Portfolio Manager engages with BHB as the Model Provider. The Model Provider delivers the Models to the Portfolio Manager (See Item 4, Relationships and Affiliates and Item 9, Service Agreement with Affiliate BHB). The Portfolio Manager administers the BMO Smart Portfolio in accordance with Model allocations that may be adjusted from time to time by the Model Provider. The Portfolio Manager will replace ETFs in accordance with the Model Strategy as recommended by the Model Provider. The Portfolio Manager does not conduct investment due diligence on the Models or the Model Provider. The Portfolio Manager retains discretion with respect to the trading in individual Client accounts.

BDI, through its IDPC reviews the Model Portfolios for general suitability for its Clients and reviews and monitors the Model Provider, the Models comprising its Smart Portfolio Wrap Fee Program, and the Portfolio Manager for their performance in the same manner as described in Item 4. BDI will review and

consider an aggregated or summary of information provided by the Model Provider to evaluate a Model's overall performance, including details regarding performance consistency and performance relative to peers, among other factors. BDI does not rely on third-party firms to verify the performance data, and we do not verify the performance data, provided by the Model Provider for accuracy.

BMOFO provides research to BHB. There is a potential conflict between BDI and BMOFO because BHB relies upon research from its affiliate BMOFO. BDI manages this potential conflict through the IDPC in its oversight of the Model Provider.

In addition, BDI's monitoring program for its Wrap Program also provides that it will contact, by e-mail or telephone, its Clients who invest in the Smart Portfolio Program no less than annually to ask if there have been any changes in the Client's financial situation or investment objectives and whether the Client wishes to impose reasonable restrictions on, or reasonably modify any existing restrictions on, the management of the Account. (See Item 9, Review of Accounts).

### **Performance-Based Fees**

BDI does not receive any performance-based compensation.

### **Methods of Analysis**

See Item 4 - About BDI and the BMO Smart Portfolio Wrap Fee Program above for information related to BDI's methods of analysis.

### **Investment Strategies**

- **Maximum Growth:**

The Maximum Growth Model's primary objective is to grow the portfolio through capital appreciation. This objective is generally suitable for investors with a high tolerance for risk and little or no need for liquidity. Under normal market conditions, this Model contains equity and fixed income ETFs and targets allocations comprised primarily of equities ranging from 70% - 100% and fixed income ranging from 0% - 30%, with the remaining amount in the money market fund.

- **Capital Growth:**

The Capital Growth Model's primary objective is to grow capital with a secondary objective to generate a modest level of current income. This objective is generally suitable for investors with an above average tolerance for risk and little need for current income. Under normal market conditions, this model contains equity and fixed income ETFs and targets allocations comprised primarily of equities ranging from 60% - 90% and fixed income ranging from 10% - 40%, with the remaining amount in the money market fund.

- **Balanced:**

The Balanced Model's primary objective is capital appreciation with a secondary objective to generate current income. This objective is generally suitable for investors with average tolerance for risk, a low or moderate need for liquidity, and a desire for a reasonable level of current income. Under normal market conditions, this model contains equity and fixed income ETFs and targeted allocations comprised of equities ranging from 40% - 75% and fixed income ranging from 25% - 60%, with the remaining amount in the money market fund.

- **Conservative Growth:**

The Conservative Growth Model's primary objective is to generate current income with a secondary objective of capital appreciation. This objective is generally suitable for investors with a



relatively low tolerance for risk, a desire for current income, and a moderate or higher need for liquidity. Under normal market conditions, this model contains equity and fixed income ETFs and targets allocations comprised of fewer equities ranging from 20% - 50% compared to fixed income ranging from 50% to 80%, and the remaining amount in the money market fund.

- **Income:**

The Income Model's primary objective is to generate income, with a secondary objective of capital appreciation. This objective is generally suitable for investors with a low tolerance for risk, a desire for current income, a desire for minimal exposure to equity assets, and a moderate or higher need for liquidity. Under normal market conditions, this model contains equity and fixed income ETFs and targets allocations comprised of primarily fixed income ranging from 70% -100%, with a smaller portion comprised of equities ranging from 0% - 30% and the remaining amount in the money market fund.

## **Risk of Loss**

### **Investing in securities involves risk of loss that clients should be prepared to bear.**

Investing in a BMO Smart Portfolio entails risk, including the risk of a total loss of principal. There can be no assurance that the investment objective of the portfolios will be achieved nor that investors will not incur losses. When investing in securities, clients may be subject to numerous risks including those that arise as a result of changes in general economic and market conditions, such as interest rates, availability of credit, inflation rates, and economic uncertainty. While the use of diversified investment vehicles, such as exchange-traded funds (ETFs), mitigates risk compared to investing in individual securities, it cannot completely eliminate this risk.

These ETFs invest in individual stocks and bonds that are subject to the risks that include industry conditions, laws, governmental regulation, competition, technological developments, and national and international political circumstances. It is possible that these portfolios will lose money. The shorter the holding period one considers, the greater the probability of a loss over that given holding period.

Described below are some of the risks associated with investing related the types of investments that BDI uses to manage client portfolios. Other risks may apply that are not described here.

**Exchange-Traded Funds (ETFs).** ETFs are typically investment companies that are legally classified as open-end mutual funds or Unit Investment Trusts (UITs). However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value, This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as investment companies under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as investment companies. ETFs may be closed and liquidated at the discretion of the issuing company.

**Market Risk.** This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

**Credit Risk.** This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

**Legislative Risk.** which is the potential that regulations or legislation by the government could significantly alter the business prospects of one or more companies.

**Emerging Markets Risk.** Emerging markets may have unstable, even volatile, governments. Political unrest can cause serious consequences to the economy and investors. These markets may often suffer from insufficient labor and raw materials, high inflation or deflation, unregulated markets and unsound monetary policies.

**Interest Rate Risk.** This is the risk that fixed income securities will decline in value because of an increase in interest rates (a bond or fixed income fund with a longer duration will be more sensitive to changes in interest rates than those with shorter durations.)

**Investment Company Risk.** When a client account is invested in ETFs or other investment companies, its performance will be affected by the performance of those other investment companies. Investments in ETFs and other investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses. If a client account invests in other investment companies, the client account may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.

**Risk of Full Account Liquidations.** Upon proper notification to liquidate your holdings in any advisory program, we will in an orderly and efficient manner proceed with the liquidation request. You must consider that liquidating assets may result in tax consequences that should be discussed with your tax advisor. We are under no obligation to affect any transaction for you that we believe to be improper under applicable law, rule or regulation.

BDI makes no guarantee of an investor's internet provider to access the website. Further, as BDI delivers its services entirely through its online platform, there is a risk that the software may not perform as designed.

### **Voting Client Securities**

Accounts in the BMO Smart Portfolio only invest in ETFs, which do not offer proxy voting to shareholders. If in the future we add securities to the Models that include proxy voting, Clients will have the choice to receive delivery of proxies on which to vote or delegate voting authority to the Portfolio Manager. The Client should refer to the Lockwood's Form ADV Part 2A brochure for information on Lockwood's proxy voting policies.

### **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Privacy is an important issue. BDI's Privacy Notice is initially given to the Client upon the opening of an account and is subsequently provided at least annually thereafter, and upon request by Clients. BDI solicits information concerning a Client's name, address, financial situation, investment experience, tax status, tax reporting information and other personal non-public information. BDI will ask for this prior to recommending a wrap account and on an annual basis thereafter. BDI will provide that information to participating third-party service providers, namely PAS and Pershing, so that they may service the Client's account. Pershing will then provide it to Lockwood as the Portfolio Manager for account servicing purposes. Please review Lockwood's Form ADV Part 2A for further information on this item.

## **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients should first contact a Smart Portfolio Advisor to arrange a direct consultation between the Client and the Portfolio Manager. For further information on contacting portfolio managers please read carefully Lockwood's Form ADV Part 2A.

## **ITEM 9: ADDITIONAL INFORMATION**

### **Disciplinary Information**

BDI has no disciplinary history. You can review [FINRA BrokerCheck](#) for information about us and our Smart Portfolio Advisors.

### **Other Financial Industry Activities and Affiliations**

#### BDI Is a Related Adviser of Affiliate BMOFO

BDI is a "related adviser" of BMO Family Office, LLC (BMOFO), an SEC registered investment adviser (CRD No. 110264). BDI and BMOFO are under common control of BMO Financial Corp. and have the same principal office and place of business as BMOFO. BMOFO provides research to BDI's Model Provider.

#### Service Agreement with Affiliate BHB

As described in Item 4, BDI has hired its affiliate BHB as the Model Provider to develop and monitor the Model Portfolios for which services BDI pays BHB a fee. Clients should be aware that BHB is an affiliate of BDI and BMOFO. Therefore, BDI has a conflict of interest in making the Models available to its Clients through the BMO Smart Portfolio Program over other third party, non-affiliated model providers. Clients should be aware that accounts in the BMO Smart Portfolio Program benefit BHB, BDI and their parent financial holding company more than non-affiliated programs offered elsewhere. This creates a conflict of interest for BDI by using its affiliate's BMO Models as well as that BDI's affiliate as the Model Provider.

BHB receives compensation for its services through a shared services agreement between BDI and BHB. Such services are priced at a market rate, per federal banking regulations, and are then charged internally against BDI. In addition, BHB receives indirect compensation in the form of advisory fees paid to its affiliate, BDI. BDI mitigates this conflict by: (i) disclosure, (ii) performing due diligence and monitoring of the BMO Models through IDPC, (iii) having a supervisory review done of the BMO models by testing and review of accounts and complaints, if any, related to the Models to ensure that they are in the Client's best interest.

#### BDI Management Affiliation with Other Third-Party Investment Advisers

BDI has common management and officers with some of our affiliates. We rely on BMO and BMO Financial Corp. for various administrative support, including information technology, human resources, business continuity, compliance and legal, finance, enterprise risk management, and internal audit. Our affiliates, such as BHB and BMOFO, also provide investment research and other services which we use in servicing our Clients. While these affiliations can create potential conflicts of interest, we mitigate these potential conflicts of interest through our corporate governance structure and by maintaining policies and procedures to identify, mitigate, and disclose any actual or potential conflict of interest. We do not recommend to our Clients any investments in which we or a related person have a proprietary interest. Our related persons are specifically disclosed in Section 7.A on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this brochure.

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

### **Code of Ethics**

BDI has a Code of Ethics that provides for BDI and its investment adviser representatives to exercise their fiduciary duty to Clients to act in the best interest of BDI's Clients and always place the Client's interests first and foremost. BDI takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as with BDI's policies and procedures.

Further, BDI strives to handle Clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides Clients with BDI's Privacy Policy. As such, BDI maintains a Code of Ethics for its representatives.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about Client transactions. Further, BDI's Code of Ethics establishes BDI's expectation for business conduct.

BDI's Code of Ethics is provided to each advisor prior to an advisor interacting with Clients, and as the Code is modified. In addition, BDI requires an annual certification by all representatives regarding their understanding and compliance with the Code of Ethics. BDI also supplements the Code with annual training and ongoing monitoring of employee activity.

A copy of BDI's Code of Ethics will be provided to any Client or prospective Client upon request to our Compliance Department at 312-461-6152.

### **Participation or Interest in Client Transactions and Personal Trading**

BDI's supervised persons have the ability to enroll their personal trading in the BMO Smart Portfolio Wrap Fee Program. They do not have access to information about pending or contemplated material transactions in the program and no supervised person shall have the ability to trade their own securities ahead of Client trades. BDI's officers serve as members of the IDPC and must comply with the provisions of the BDI policies and procedures and Code of Ethics. If a conflict or potential conflict of interest arises, BDI's CCO or other senior officer of BDI will review the facts and circumstances and, if necessary, take appropriate steps consistent with the compliance procedures and Code of Ethics. Access person trades are monitored by the compliance staff. Trading should not affect the securities markets or interfere with BDI's fiduciary duties to its Clients.

### **Review of Accounts**

As set forth in Item 4, BDI has established the IDPC to review third-party service providers (including BHB as Model Provider) and their advisory products on an annual basis to ensure general suitability and that the respective advisory product's investment performance is appropriate. BDI will contact Clients via telephone or email, no less than annually, to ensure that your investment in the BDI Smart Portfolio Program is still a suitable investment for you. Clients are urged to contact a Smart Portfolio Advisor if any significant change in their financial situation or investment objectives occurs, or whether the Client wishes to impose reasonable restrictions or reasonably modify any existing restrictions on the management of their account, so that their account may be reviewed. Reasonable restrictions will be considered; however, restrictions are not guaranteed. The portfolio manager may refuse any restriction it believes may interfere with its investment discipline or may reject an account if it deems the number of restrictions requested to be excessive or unreasonable.

The accounts hold pooled investment vehicles, such as ETFs, and trading is conducted at the fund level and not with respect to the underlying holdings. As such, restrictions cannot be applied to the underlying holdings within pooled investment vehicles. Clients will also receive quarterly notices prompting them to update any changes to their Investor Profile, or whether the Client wishes to impose reasonable restrictions or reasonably modify any existing restrictions on the management of their account. Clients may call a Smart Portfolio Advisor at any time to discuss account performance and changes to their Investor Profile and financial plans. Material market events or changes in the Clients' personal situations may cause more frequent reviews.

Generally, for each month in which there is activity in a Client's account, or, if there is no activity, on a quarterly basis, Clients receive through Pershing a written account statement, which includes a summary of transactions, an inventory of holdings, and other information. These reports are available via email notification and access through a secure website provided by Pershing. Pershing will mail hard copies of these reports upon request for a fee. The data contained in those statements has not been verified by BDI. Clients also receive brokerage confirmations unless this option is waived by the Client. If a trade error is made in a Client's account, BDI will instruct the Portfolio Manager to correct the trade error. The Portfolio Manager may use a firm account assigned to BDI to make the correction.

PAS and the Portfolio Manager monitor and review Clients' accounts pursuant to their own compliance and supervisory systems of account review. Please carefully read the Portfolio Manager's, Lockwood's, Form ADV Part 2A.

### **Client Referrals and Other Compensation**

BDI does not receive any compensation from any third party for providing its investment advice (including compensation from sales contests or other prizes). It does receive fees or other payments previously described for approved securities or other products which it recommends.

BDI does not pay referral fees to any third party that is not supervised by it, although BDI's affiliate BHB pays a nominal referral fee to BHB employees on behalf of BDI for Client referrals to BDI.

Also, as stated in Item 4, Financial Planning Services, BDI may refer Clients to affiliates or other third parties for advice, products and services as a function of that financial plan.

### **Financial Information**

BDI is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to Clients. BDI has never filed or been the subject of a bankruptcy petition. BDI does not require its Clients to pre-pay more than \$1,200 in fees per Client six months in advance.