



**Firm Brochure**  
(Part 2A of Form ADV)

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**March 30, 2012**

*This brochure provides information about the qualifications and business practices of Commerce Advisors. If you have any questions about the contents of this Brochure, please contact us at 901-761-8080 and/or [miles.fortas@csg Holdingsllc.com](mailto:miles.fortas@csg Holdingsllc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Commerce Advisors is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.*

*Additional information about Commerce Advisors also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 - Material Changes**

- No material changes have taken place

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

Currently, our Brochure may be requested by contacting our Compliance Department at 901-761-8080 or [compliance@csg Holdings LLC](mailto:compliance@csg Holdings LLC). Our Brochure may also be referenced through our website [www.commerceadvisorsllc.com](http://www.commerceadvisorsllc.com), also free of charge.

Additional information about Commerce Advisors is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Commerce Advisors who are registered, or are required to be registered, as investment adviser representatives of Commerce Advisors.

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## **Item 4 - Advisory Business**

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### **Firm Description and Principal Owners**

Commerce Advisors, LLC (Commerce Advisors) began business in September, 2009 and is wholly owned by Commerce Holdings, LLC. Commerce Holdings, LLC is wholly owned by CSG Holdings, LLC which owns various financial services companies. Commerce Advisors focuses on two lines of business 1) comprehensive wealth management advisory services and 2) investment management services offered to pooled investment vehicles which may be through Commerce Asset Management, LLC, a related entity of Commerce Advisors

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### **Types of Advisory Services**

Commerce Advisors provides comprehensive wealth management services that include, financial planning, investment strategy and asset class selection and reporting to high net individuals, family offices, trusts, estates, closely held businesses and on a selective basis small and medium sized pension and profit sharing plans and charitable organizations.

Commerce Advisors' contracted core service process includes financial planning that supports and develops client goals, objectives and risk profile, implementation of appropriate investment strategies to achieve goals and objectives, monitoring of investment managers and strategies and performance reporting and continuous communication with our clients throughout the year. Commerce Advisors utilizes National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") as its primary custodian, brokerage transaction and supported technology. Special projects for customized segmented services, requested by a client, are accepted on a selective basis. Commerce Advisors' decision to accept a client relationship under a discretionary or non-discretionary services contract is based on the sophistication of the prospective client which enables Commerce Advisors to appropriately manage the risk associated with client relationships. Under both discretionary and non-discretionary contracts, Commerce Advisors communicates continuously with clients on substantive modifications to their plans.

Commerce Advisors also provides asset management services through affiliated pooled investment vehicles and through its proprietary QAM Equity Hedged Liquid Strategy. Commerce Asset Management, LLC, Commerce Advisors' related SEC registered investment adviser, will offer these asset management services effective April 1, 2011 and are only provided to certain qualified and accredited clients. On more than an occasional basis, Commerce Advisors furnishes advice to clients on matters beyond the investment portfolio, such as determination of financial objectives, identification of financial problems, cash flow management, insurance review, education funding, retirement planning, and planning for other future obligations.

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**Wrap Fee Programs**

Commerce Advisors does not participate in wrap fee programs.

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**Client Assets Managed by Commerce Advisors**

Commerce Advisors manages approximately \$295,172,739 in assets for approximately 191 clients. Approximately \$114,135,897 is managed on a discretionary basis, and \$181,036,841 is managed on a non-discretionary basis as of 12/31/2011.

**Item 5 - Fees and Compensation**

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**Description**

The specific manner in which fees are charged by Commerce Advisors is established in a client's written agreement with Commerce Advisors. Commerce Advisors will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Commerce Advisors to directly debit fees from client accounts. Management or Advisement fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Commerce Advisors' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Commerce Advisors' fee, and Commerce Advisors shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Commerce Advisors considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Fees may be fixed dollar amounts or may be expressed as a percentage of assets. Commerce Advisors' standard fixed fees generally range from a minimum of \$15,000 per annum and up. Although Commerce Advisors, stated minimum annual fee is \$15,000, exceptions may occur on a specific client basis and with approval of management. Both Fixed fees and asset fees are based upon client

expectations of service, portfolio asset size, scope of service provided, complexity of service, risk factors and input costs. Asset based fees generally range from .30% to 1.50% depending upon the particular client's portfolio size and specific service needs. Fees are open to negotiation.

Performance-based fees are used only with clients who satisfy the requirements of Rule 205-3 of the Investment Advisers Act of 1940 and who negotiate such fees.

For investment management services, the total Investment Management Fee is applied to each account on a pro-rata basis and is billed monthly or quarterly, depending on contractual agreement.

Fidelity, the current custodian of the majority of assets under our advisement, charges transaction fees on the purchase or sale of some of the mutual funds we select for client accounts (currently \$35 flat ticket on all buys and sells). As broker-dealer on each managed account, Fidelity will also charge a small fee or commission on the purchase or sale of government/corporate bonds, closed-end mutual funds, exchange traded funds (ETFs) and most other stock and bond purchases.

Every mutual fund and ETF has internal management fees, legal, accounting, brokerage, custodial and operating expenses that are borne by the fund investor. The total of such charges vary and are more fully set forth via the particular investment prospectus. These expenses are netted against gross returns and the net returns are reported to shareholders.

Commerce Advisors provides investment management services to affiliated pooled investment vehicles, each of which is offered to qualified investors (see Item 10 below) exclusively on a "private placement" basis. Generally, clients are charged 1% of invested capital balance, but fees may be negotiated depending on overall scope of the client's relationship.

## **Item 6 - Performance-Based Fees**

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### **Description**

In certain cases, Commerce Advisors may enter into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Commerce Advisors will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Commerce Advisors shall include realized and unrealized capital gains and losses.

Performance based fee arrangements may create an incentive for Commerce Advisors to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Commerce Advisors has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 - Types of Clients**

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### **Description**

Commerce Advisors generally provides investment advice to individuals, high net worth individuals, corporate pension and profit sharing plans, charitable institutions, foundations, endowments, trusts, estates, corporations or business entities, and affiliated pooled investments vehicles. Commerce Advisors provides investment management services to affiliated pooled investment vehicles as well as through separate accounts. Each pooled investment vehicle is available for investment by investors (individuals or entities) that meet that investment eligibility criteria. These services will be offered through Commerce Asset Management, LLC effective April 1, 2012.

Client relationships vary in scope and length of service.

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

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### **Methods of Analysis**

Commerce Advisors emphasizes diversification as well as risk measures when evaluating securities and strategies for inclusion in an investment portfolio. Investment managers are evaluated upon relative performance such as peer group and market comparisons. Commerce Advisors compiles specific client information from bank custodian and brokerage statements and utilizes this information as a component of client analysis in the preparation of charts and graphs to assist in the account review process with clients. Investing in securities directly or money manager strategies involves risk of loss that clients should be prepared to bear.

Commerce Advisors has a contractual arrangement in place to receive research services from its affiliated adviser, Consulting Services, Group, LLC. Consulting Services Group is an institutional based Registered Investment Advisor and provides Commerce Advisors with proprietary research and opinion on investment managers and strategic asset allocation. Commerce Advisors also relies on internally generated research when making investment recommendations. Commerce Advisors' principal sources of information include publicly available information as well as subscription databases regarding money managers; public filings of issuers and money managers with governmental authorities; annual reports; industry data; interactions with money managers via the telephone, web or face-to-face meetings. In addition, trade publications, charts and other statistical material are furnished by outside vendors. Commerce Advisors will assist all clients with determining the appropriate investment policy based on that individual's risk tolerance, time horizon, and investment objectives.



Other sources of information that Commerce Advisors may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, eVestment Alliance, Investor Force, PerTrac, Zephyr, Advisor Intelligence, and the World Wide Web

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### **Investment Strategies**

Commerce Advisors focuses on strategic asset allocation and the selection of active investment managers. Portfolios are diversified to control the risk associated with traditional markets. Commerce Advisors utilizes both actively managed strategies and index-based investments in the implementation of client portfolio strategies. Commerce Advisors uses and recommends both traditional and alternative investments. In addition, Commerce Advisors employs a variety of vehicles to gain access to the desired investment manager or passive strategy (e.g. separate accounts, institutional no-load mutual funds, commingled trusts, limited partnerships, closed-end fund, other pooled investment vehicles, etc.).

The investment strategy for a specific client is based upon the objectives stated by the client during consultations with the client. The client may change these objectives at any time. Commerce Advisors completes an Investment Policy Statement or Risk Questionnaire for each client that documents their objectives and their desired investment strategy.

Underlying investment manager strategies may utilize long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

Commerce Advisors is the investment manager for Heritage Hedged Equity Fund, L.P. which is an Investment pooled vehicle. This investment pooled vehicle represent “multi-strategy funds” that allocate substantially all of its assets to Sub-Managers that pursue various alternative investment strategies. This pooled vehicle ordinarily allocate assets to Sub-Managers by investing in Sub-Funds managed by Sub-Managers. However, the pooled investment vehicle may from time to time allocate its assets to Sub-Managers by opening Managed Accounts with Sub-Managers. In addition, the pooled investment vehicle may allocate assets to Sub-Funds or Managed Accounts that are managed by CA or its affiliates. CA may, but is not required to, cause these pooled investment vehicles to make (either directly or indirectly) investments designed to hedge against risk in the pooled investment vehicles’ positions. The Heritage funds may be part of a client’s overall investment strategy if the investment is appropriate for the client and the client is a “qualified” investor. Commerce Asset Management, LLC will be the investment manager for Heritage Hedged Equity Fund, L.P. effective April 1, 2012.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors should review underlying disclosure information provided by investment managers such

as the prospectus, private placement memorandum, etc. Investors typically face the following investment risks, however, this list is not meant to be comprehensive or address all risks that may be present in an underlying investment manager's strategy:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Custody Risk:** The risk of loss of securities held in custody occasioned by the insolvency, negligence or fraudulent action of the custodian or sub-custodian. Even if an appropriate legal framework is in place, which eliminates the risk of loss of value of the securities held by the custodian in the event of its failure, the ability of participants to transfer the securities might be temporarily impaired.

**Item 9 - Disciplinary Information**

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

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

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**Affiliations**

Commerce Advisors has arrangements that are material to its advisory business or its clients with related entities as described below.

Commerce Advisors' parent company, Commerce Holdings, LLC, wholly owns Commerce Asset Management, LLC. Commerce Holdings is related to Commerce Square Trading, LLC, Consulting Services Group, LLC, and InterSec Research, LLC each are wholly-owned by CSG Holdings, LLC.

Commerce Square Trading, LLC is a related registered introducing broker-dealer. Certain employees of Commerce Advisors (including Woody Woodmansee, President and Akos Beleznyay, CIO) are registered representatives of, provide services to and may be compensated by Commerce Square Trading.

Consulting Services Group, LLC is a related registered investment adviser that largely focuses on institutional investment consulting. Certain employees of Commerce Advisors may provide consulting services to clients of Consulting Services Group. Additional information regarding Consulting Services Group may be obtained by contacting the Compliance Department at 901.761.8080 or at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Commerce Asset Management, LLC, is a related registered investment adviser designed to provide investment management services in respect of various types of investments. Such as the Heritage Hedged Equity Funds or QAM (ETF based) replication strategies. Commerce Asset Management owns 85% of Quantitative Alternative Management, LLC. Certain employees of Commerce Advisors (including Akos Beleznyay, CIO) provide services to and may be compensated by Commerce Asset Management.

Quantitative Alternative Management, LLC is an affiliated entity that seeks to develop investment management strategies in respect of various types of alternative investment replication products. Matt Robinson, an outside consultant and trading advisor to the QAM strategy, owns 15% of Quantitative Alternative Management. Matt Robinson is an immediate family member of an owner of CSG Holdings, LLC.

InterSec Research, LLC (InterSec) provides specialized performance analytics focused on non-U.S. institutional performance analytics and fund flow information on a client-by-client basis. InterSec services are utilized by money managers, large pensions and investment consultants.

D. Canale & Co. is an owner of CSG Holdings, LLC (parent company of Commerce Holdings and Commerce Advisors) and is the sole general partner of DCC Investment Fund, L.P. through its ownership of DCC Capital Management, LLC. The offering for DCC Investment Fund is closed to new investors. Less than 5 private clients (excluding beneficial owners of D. Canale and Company) of Commerce Advisors are investors in DCC Investment Fund. D. Canale & Co. is a passive co-investor with some of the investors in the fund in other investments.

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## Potential Conflicts of Interests

Because of Commerce Advisors affiliations noted above the potential for conflict of interests exists in providing services to its clients. A conflict of interest can result in the impairment of Commerce Advisor's professional objectivity when servicing a client's account.

- Potential Conflict** - Affiliation with Commerce Square Trading an introducing Broker-Dealer. Commerce Square Trading offers trade execution, commission | fee recapture and other services to Commerce Advisors clients as well as money managers retained by clients that choose to utilize the services of Commerce Square Trading. Commerce Square Trading also receives compensation from certain hedge fund managers through selling agreements and 12b-1 distribution fees from mutual fund companies. Commerce Square Trading may collect other sources of revenues that could result in potential conflict for a client of Commerce Advisors, such as insurance or fixed income related revenues. The chart below details specific potential conflicts of interest that exist. While the chart is comprehensive, it is not meant to cover every possible potential conflict of interest that may arise from Commerce Advisors' affiliation with Commerce Square Trading.

<b>Potential Conflict – Commerce Square Trading (CST)</b>
Commerce Advisors ("CA") may have an incentive to recommend managers or investment funds that trade through CST.
CA may have an incentive to recommend an investment fund with which CST has a selling agreement providing for a sharing of the manager's fee with CST.
CA may have an incentive to recommend money managers that trade through an ECN relationship introduced to the money manager by CST.
CA may have an incentive to recommend an active trading strategy or a money manager with an active trading strategy in order for more commissions to be generated through CST.
CA may have an incentive not to recommend the termination of a money manager that trades through CST or through an ECN relationship introduced by CST.
CA recognizes that money managers may direct trades to CST for clients with no relationship with CA as a means of gaining

favor with CA. Other examples would include directing block trades or trades by pooled investment vehicles to CST.
CA may have an incentive not to recommend a commission recapture program offered by an unaffiliated broker.
CA may have an incentive not to recommend broker-dealers that could provide best execution on client transactions due to its financial interest in its related broker-dealer, CST. The generation of commissions by CST (as a result of client referrals from CA) provides compensation to CA's and CST's common owner, CSG Holdings, LLC.
CA may have an incentive to recommend mutual fund companies that pay 12b-1 fees to CST on assets that CSG/CA clients invest in the applicable funds. (In addition to the fees a client pays CSG/CA for consultation services, with respect to a client's investments in mutual funds, a client pays an additional fee on those investments since the mutual funds also pay advisory fees to the various mutual fund investment advisers. Such fees are more fully described in the relevant prospectus that accompanies any mutual fund recommendation or that is available via the SEC's EDGAR system.)

A majority of Commerce Advisors clients use Fidelity for brokerage and custody services which mitigate the potential for conflicts of interests. Commission | fee recapture agreements are not required of Commerce Advisors clients and are only appropriate for certain Commerce Advisor clients. Clients participating in commission | fee recapture services must enter into a Brokerage Recapture Services Agreement with Commerce Square Trading and will receive quarterly Brokerage Recapture Statements from Commerce Square Trading reflecting commissions and/or fees earned for the benefit of the client's account.

- **Potential Conflict** - Affiliation with Commerce Asset Management, general partner of pooled investment vehicles (Heritage Hedged Equity Fund, L.P.). Because Commerce Asset Management is the general partner of Heritage Hedged Equity Fund and may be the general partner of other pooled investment vehicles in the future, Commerce Advisors may have an incentive to recommend investments in these pooled investment vehicles over other appropriate vehicles because Commerce Holdings, the parent of Commerce Advisors, may receive profits from its ownership in Commerce Asset Management. Pooled investment vehicles are restricted to qualified accredited clients exclusively on a "private placement" basis. The underlying affiliated ownership of Commerce Asset Management is disclosed to the client of Commerce Advisors.
- **Potential Conflict** – Affiliation with InterSec Research, a research consulting firm. InterSec services are utilized by money managers. A potential conflict of interest exists when Commerce Advisors recommends a money manager that also utilizes InterSec services as Commerce Advisors' ultimate parent company, CSG Holdings, may receive profits related to

such money managers. Prior to providing a recommendation of any such money manager, Commerce Advisors will disclose to its client if the money manager is a client of InterSec.

- **Potential Conflict** – Affiliation with The AIM Charity, a not-for profit organization. The Aim Charity holds an annual educational conference including a golf tournament and barbecue event to which clients and various investment managers are invited to participate. Various investment managers pay sponsorship fees to participate and such managers do have access to Commerce Advisors clients attending the Conference. The AIM Charity deducts the expenses of the various events from sponsorship funds collected and contributes the net proceeds to children's charities. A potential conflict of interest exists in that Commerce Advisors, or its employees, may be more likely to recommend those investment managers that donate money to The AIM Charity. A list of investment manager sponsorship is available upon request and investment manager contributions are limited to reasonable amounts.
- **Potential Conflict** – Loan from Argonaut Management, L.P. to Lee Giovannetti, a advisory consultant at Commerce Advisors and President of InterSec Research, LLC, a related entity of Commerce Advisors. In 2009, Mr. Giovannetti borrowed \$50,000 at 3.10% interest as an advance of a redemption related to his investment in Argonaut's long / short hedge fund. Repayment has not been made and is pending. This presents a potential conflict in that Commerce Advisors may recommend Argonaut over other money managers as a result of the loan.

Commerce Advisors' Compliance Manual and CSG Holdings Compliance Committee provide a means for review of related party transactions and conflicts of interest at an operational level through a review of material transactions including the placement of client assets. Commerce Advisors monitors the dollar level of client assets managed by investment managers that receive research services from InterSec Research or transact commissions through Commerce Square Trading. Further CSG Holdings makes available to clients and interested parties a comprehensive financial disclosure document that outlines the compliance review of potential conflicts of interest at the investment manager level.

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

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### **Description**

Commerce Advisors has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering,

restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Commerce Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

Commerce Advisors' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer at 901-761-8080 and/or [compliance@csgholdingsllc.com](mailto:compliance@csgholdingsllc.com).

Commerce Advisors anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Commerce Advisors has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of investments in which Commerce Advisors, its affiliates and/or clients, directly or indirectly, have a position of interest. Commerce Advisors' employees and persons associated with Commerce Advisors are required to follow Commerce Advisors' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Commerce Advisors and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Commerce Advisors' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Commerce Advisors will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Commerce Advisors' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Commerce Advisors and its clients.

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

It is Commerce Advisors' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Commerce Advisors will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the

account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 - Brokerage Practices**

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### **Selecting Brokerage Firms**

Specific custodian/brokerage recommendations are made to Clients based on their need for such services. Commerce Advisors recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates. Fidelity is the custodian for a majority of Commerce Advisors' client accounts and typically charges a flat fee per transaction executed. As Fidelity's transaction charge does not generally vary with the transaction amount, atypical small transactions will incur a higher execution cost as a percentage of the principal amount traded. Third party money managers are generally responsible for making transaction decisions on behalf of Commerce Advisor's clients.

Commerce Advisors does not receive fees or commissions from client custodian relationships.

Commerce Advisor's affiliated introducing broker dealer, Commerce Square Trading may serve as a broker for clients of Commerce Advisors and may receive commissions or fees from recommended money managers of Commerce Advisors. Commerce Square Trading may provide investment manager transition management, fixed income, and recapture services to Commerce Advisors clients, Commissions received by Commerce Square Trading may be part of a Commerce Advisor's client's commission recapture arrangement with Commerce Square Trading. There is no requirement for a Commerce Advisor client to use Commerce Square Trading for services.

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

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### **Periodic Reviews**

Client reviews are tailored to the desired frequency of the particular client and occur on either a monthly or quarterly basis by Woody Woodmansee, president, and designated Commerce Advisors consultants as well as other designees. Account reviews are performed more frequently when market conditions or other factors dictate.



Commerce Advisors depends on its clients or the investment managers | custodians of its clients to provide the information necessary to properly evaluate the client's account. Once Commerce Advisors understands the client's specific needs and objectives, Commerce Advisors develops a strategy to meet those goals. Advice is given on a "best efforts basis" and is communicated verbally and/or in written format. Generally, client reviews entail a comparison of performance to market and peer group benchmarks as well as established goals and adherence to risk tolerance guidelines. Other factors subject to review may include investment manager allocation, securities overlap among investment managers, or investment style adherence.

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**Review Triggers**

Factors which may trigger a special review include, but are not limited to investment committee meeting dates, market conditions, internal events such as a merger or sale, or changes in investment objectives such as underlying investor demographics or inheritance issues.

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Regular Reports**

Each client's custodian sends detailed monthly or quarterly reports directly to clients. These reports detail all transactions since the last report, indicate dividends and interest credited and show all positions held on the date of the report. For clients utilizing Fidelity as custodian through Commerce Advisors, paper account statements are only sent to clients with \$1,000,000 or more in assets at Fidelity. Clients with assets at Fidelity below \$1,000,000.00 are able to view account statements online free of charge or pay a fee to receive statements by mail.

Commerce Advisors prepares its own client reports no less often than quarterly. These reports show investments held at the date of the report. Client reports may be custom designed to meet individual client needs and preferences. Special reports are produced on an as-requested basis under terms provided for in the relevant client contract.

Additionally, from time to time, Commerce Advisors may also provide clients with reports such as market commentaries and economic outlooks.

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

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**Referrals Out**

Commerce Advisors does not participate in referral fees or any form of remuneration from other professionals when a prospect or client is referred to them. However, Commerce Advisors' related introducing broker dealer, Commerce Square Trading, may receive fees related to established selling agreements for the placement of client assets in certain investments. These fees

may be part of the client's commission | fee recapture program used to offset investment advisory fees paid by Commerce Advisors clients. No fees are received from those clients that utilize Fidelity.

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**Referrals In**

Commerce Advisors has solicitation agreements in place to compensate the solicitor for referring clients, prospects, or other revenue producing relationships to the company, which also includes referrals of qualified investors for the funds Commerce Advisors serves as Investment Manager.

**Item 15 - Custody**

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**Account Statements**

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

**Item 16 - Investment Discretion**

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**Discretionary Authority for Trading**

Commerce Advisors can accept discretionary authority to manage investment manager accounts and/or securities on behalf of clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions are provided to Commerce Advisors in writing.

Under discretionary arrangements, Commerce Advisors has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, Commerce Advisors consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The Commerce Advisor client approves the custodian to be used as well as the commission rates paid to the custodian. Commerce Advisors may receive a portion of the transaction fees or commissions paid by the client for transactions executed through Commerce Square Trading. Commerce Advisors does not receive any compensation for transactions executed at Fidelity which serves as the custodian for most discretionary client relationships.

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**Limited Power of Attorney**

A limited power of attorney is a trading authorization for discretionary authority. Commerce Advisors clients may execute a limited power of attorney so that Commerce Advisors may execute trades on behalf of its clients.

**Item 17 - Voting Client Securities**

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**Proxy Votes**

As a matter of firm policy and practice, Commerce Advisors lacks any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Commerce Advisors may provide advice to clients regarding the clients' voting of proxies.

**Item 18 - Financial Information**

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**Financial Condition**

Commerce Advisors lacks any financial impairment that will preclude the firm from meeting contractual commitments to clients. Commerce Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Commerce Advisors does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.