

**FIRM BROCHURE**  
**(Part 2A of Form ADV)**

**July 30, 2014**



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Part 2A of Form ADV (the "Brochure") provides information about the qualifications and business practices of Montcalm TCR LLC ("Montcalm"). If you have any questions about the contents of this Brochure, please contact Montcalm at (415) 326-7650 and/or [hollyruxin@montcalmtcr.com](mailto:hollyruxin@montcalmtcr.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.

Montcalm is a registered investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Montcalm and its investment adviser representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 1: MATERIAL CHANGES

This Brochure dated July 30, 2014, is an amended filing prepared in accordance with federal and state requirements. Montcalm was registered with the SEC on October 2, 2012, and has filed three previous amendments to the initial filing of the Brochure.

Because of the amount of details provided within the Brochure, Montcalm encourages each client to read this document carefully and to call or email with any questions.

Pursuant to SEC Rules, Montcalm will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Montcalm's fiscal year-end, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as Montcalm experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover. For more information about the firm, please contact Chief Compliance Officer, Holly Z. Ruxin at [hollyruxin@montcalmtcr.com](mailto:hollyruxin@montcalmtcr.com).

Additional information about Montcalm and its investment adviser representatives is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### THE FOLLOWING MATERIAL CHANGES HAVE BEEN MADE TO THIS BROCHURE:

#### Management of the Firm

The Cover Page, this Item 1 and Item 2 are amended to reflect that Holly Z. Ruxin is the principal owner and Chief Compliance Officer of Montcalm. Nicole Palaza is no longer affiliated with the firm.

#### Fees

Item 3 is amended to discuss the fees that are charged to clients that invest in private funds or other alternative investments (see also Item 2.B regarding these investments).

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## ITEM 2: ADVISORY BUSINESS

### A. Description of Firm

Montcalm is a San Francisco-based investment management firm founded in 2012. Montcalm offers customized investment management services to individuals, trusts, estates, conservators and guardians, charitable organizations, corporations and other types of business entities. Investment management services are offered primarily on a fully discretionary basis, unless otherwise noted. Some of the investment instruments Montcalm advises its clientele on include, but are not limited to, stocks, bonds, investment company securities, equity exchange-traded funds ("ETFs"), derivatives and private funds. Montcalm will provide advisory services and portfolio management services but will not provide custodial or other administrative services at this time.

Montcalm currently is registered with the Securities and Exchange Commission ("SEC") as a registered investment adviser. We conduct business in a number of states, which are reflected in Part 1 of our Form ADV, a copy of which can be found on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The owner of Montcalm is Holly Z. Ruxin, who serves as the Firm's Chief Executive Officer and Chief Compliance Officer.

### B. Types of Advisory Services Offered

Montcalm provides its clients with discretionary or occasionally non-discretionary investment management services on a continuous basis, according to the objectives and strategies set forth in this Brochure.

Though the use of an asset allocation approach, Montcalm provides investment management services based on a thorough understanding of each client's investment objectives. This begins with gathering pertinent information vis-à-vis a Client Profile Form, Investment Policy Statement or other similar documentation process. Based upon this information, Montcalm constructs a suitable portfolio, investing client assets in various allocations and types of securities.

Montcalm manages all client assets on a fully discretionary basis, but for select clients, may provide non-discretionary management upon request and at the sole discretion of

Montcalm. In exercising full discretionary authority, Montcalm selects, without first obtaining client's permission: the securities to be bought and sold; the amounts of securities to be transacted and whether those securities will be individually or block traded; and the broker-dealer through which transactions will be executed. Montcalm's discretionary authority may be subject to limited conditions imposed by a client. This may occur, for example, when a client restricts or prohibits transactions in a security for a specific company or for an industry sector. While Montcalm generally allows clients to impose reasonable restrictions on the types of securities and/or industries they do not wish to be included in their portfolio, it is each client's responsibility to inform Montcalm in writing of any such restriction or any changes to these restrictions and/or to their overall investment objectives.

Although the investment advice provided by Montcalm is not limited to any specific type of investment, Montcalm may, depending on the sophistication, risk tolerances, and qualifications of the client, recommend that a portion of such client's assets be invested in certain private investments. These may include, without limitation, hedge funds, real estate funds, managed futures funds, private equity funds, venture capital funds, and other types of private investment vehicles (collectively "private funds"). The private funds may invest in various types of instruments, including but not limited to equities, debt securities, commodities, futures contracts, and other private investment funds.

For investment selection, Montcalm advises on investments based upon analysis and research of market data and ongoing market and performance analytics. Once this fundamental analysis is completed, securities may be removed from or added to client portfolios, and are continuously monitored for imbalances or shifts thereafter.

Notably, some of the funds selected by Montcalm may employ alternative or riskier strategies, such as the use of leverage, derivatives or hedging. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments, which could result in losses that significantly exceed the original investment. Hedging on the other hand occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an option or short sale. While leverage or hedging can operate to increase rates of return, it also increases

the amount of risk inherent in an investment. Other funds may employ other alternative techniques which carry inherent higher degrees of risks. Please review these considerations carefully with your portfolio manager prior to investing.

Montcalm may also use margin to purchase securities for an account. Use of margin in an investment advisory account will likely increase a client's asset-based fee. If margin is used to purchase additional securities, the total value of eligible program assets increases, as does your asset-based fee. In addition, clients will be charged margin interest on the debit balance in their account. Notably, the increased asset-based fee that a client may pay presents a potential conflict since there may be an incentive for Montcalm to recommend the use of margin. However, please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. To assist clients in understanding risks surrounding margin accounts, Montcalm provides clients considering margin accounts with a summary page outlining the main risks, which must be executed by the client upon opening an account with Montcalm.

The investment advice provided by Montcalm is customizable; each client's portfolio is managed based upon the individual needs, objectives, and other financial goals of the client. At the onset of the client relationship, Montcalm memorializes each client's investment objectives, risk tolerance, investment guidelines, time horizons and other important and necessary information in a Client Profile. The information provided in the Client Profile, together with any other information relating to the client's overall financial circumstances, will be used by Montcalm to determine the appropriate portfolio asset allocation and investment strategy for each client.

Montcalm will not assume any responsibility for the accuracy of information provided by the client. Montcalm is not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.), and is expressly authorized to rely on such information. Clients exclusively retain the responsibility for promptly notifying Montcalm in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies Montcalm of changes in the client's financial circumstances or to the information in their Client Profile, Montcalm will review such changes and implement any necessary revisions to the client's portfolio. Montcalm investment adviser representatives will generally meet with all clients no less than annually to review the client's investment goals and current advisory portfolios.

Investment adviser representatives are also available during normal business hours to consult with clients.

### C. Investment Management Agreement

Prior to engaging Montcalm to provide investment management services, the client will be required to enter into one or more written agreements with Montcalm setting forth the terms and conditions under which Montcalm shall render its services (collectively the "Agreement").

In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), Montcalm will provide a Brochure and one or more Brochure supplements to each client or prospective client prior to or contemporaneously with the execution of an investment management agreement.

The Agreement between Montcalm and the client will continue in effect until terminated in writing by either party pursuant to the terms of the Agreement. Montcalm's annual fee shall be prorated through the date of termination as defined in the Agreement and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither Montcalm nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of Montcalm shall not be considered an assignment.

### D. Assets Under Management

As of market close March 18, 2014, the following represents the amount of client assets under management by Montcalm on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$115,746,268
Non-Discretionary	\$0.00
Total:	\$115,746,268

### ITEM 3: FEES AND COMPENSATION

#### A. Management and Advisory Fees

Montcalm charges fees based on a percentage of assets under management. The specific fees charged by Montcalm will be set forth in each client's written agreement with Montcalm. Although Montcalm believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

Montcalm charges a monthly asset management fee based on the time-weighted daily average balance of the account(s) for the previous month. Asset management fees are calculated as of the close of business on the 19th day of each month, and are debited from the client's account(s) on the following business day. Fees shall generally be calculated based on the following annual percentages; however, Montcalm may, in its sole discretion, modify its annual fee through written agreement with its clients. Please refer to your individual client agreement and associated fee schedule for further clarification:

#### Annual Management and Advisory Fee:

- 1.0% on the first \$2,000,000;
- 0.95% on the next \$3,000,000;
- 0.90% on the next \$5,000,000;
- 0.80% on the next \$15,000,000;
- 0.60% on the next \$25,000,000;
- 0.40% on the next \$50,000,000;
- 0.20% on the remaining balance.

For clients with aggregate assets less than \$1mm, 1% advisory fee charged plus trade commissions and other fees.

With respect to any private funds or other alternative investments, as described in Item 2.B. above, Clients will be charged Montcalm's advisory fees as to these assets directly through their primary account. The notional for such investments included in the fee calculation will only be calculated on invested capital in the alternative investment and only charged during the specific fund's stated investment period, if any.



The particular fund's fees and expenses will be charged directly to the client by the fund. Clients invested in such funds should consult the applicable offering documents for these fees and other terms.

Should a client open an account during the month, management fees will be prorated for assets held for a partial month based on the number of days that the account was open during that month. In the event that Montcalm's services are terminated mid-month, the annual fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client.

Note that certain fees charged by third parties, are exclusive of, and may be charged in addition to Montcalm's investment advisory fee. Please refer to the following section and your Client Services Agreement for more specific details.

#### B. Other Fees and Expenses

Clients should understand that the advisory fees described in the sections above may not include certain charges imposed by third parties such as trading costs, custodial fees, mutual fund fees and expenses, and private fund management fees. Client assets may also be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Client assets invested in mutual funds will be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which shall be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charge.

These fees and expenses are separate from, and may be charged in addition to the fees charged by Montcalm. Accordingly, the client should review the fees charged by any mutual funds or other private funds in which the client's assets are invested, together with the fees charged by Montcalm, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additionally, clients may incur brokerage commissions and other execution costs charged by the custodian in connection with transactions for a client's account. Clients

should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account may be paid out of the assets in the account exclusive of and in addition to the fees charged by Montcalm. Montcalm does not receive any interest in these fees, but nevertheless may elect, at its sole discretion, to bear the cost of certain transactions under certain circumstances.

#### **ITEM 4: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Montcalm does not charge performance-based fees (i.e., fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, Montcalm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, Montcalm provides investment management services for a fixed fee based upon a percentage of assets under management, in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same style may not be managed the same way due to the particular client's overall investment objective, discretion of the investment professional assigned to the account, asset size and account restrictions.

#### **ITEM 5: TYPES OF CLIENTS**

Montcalm provides investment management to individuals, trusts, estates, charitable organizations, corporations and business entities.

Montcalm does not impose a minimum portfolio size or a minimum initial investment to open an account. Prior to engaging Montcalm to provide any of the investment advisory services described in this Brochure, the client will be required to enter into one or more written agreements with Montcalm setting forth the terms and conditions under which Montcalm shall render its services.

#### **ITEM 6: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### **A. Methods of Analysis and Investment Strategies**

Generally, Montcalm uses a variety of analytical information to assist with its security analysis. Such information may include fundamental and technical analysis. The primary sources of information used by Montcalm include market news reports,

financial publications, outside research reports, prospectuses, and interpretation of exchange market data.

The investment strategies Montcalm may pursue on behalf of clients may include long- and short-term purchases, trading, short sales, trading on margin, and option writing including covered options, uncovered options or spreading strategies. Montcalm may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. Montcalm may recommend specific investments to increase sector weighting and/or dividend potential, or may recommend employing cash positions as a possible hedge against market movement which may adversely affect a client's portfolio performance. Additionally, Montcalm may recommend selling positions for reasons that include, but are not limited to, liquidity needs, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in a client's portfolio, change in the client's circumstances, or any risk deemed unacceptable for the client's risk tolerance.

#### B. Material Risks

Investing in securities always involves a risk of loss. Montcalm's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss of value to the account, which clients should be prepared to bear. There is no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for a longer term, that volatility is an inherent risk, and that all investing is subject to risk and consequently, the value of the client's account may at any time be worth less than the amount invested.

Generally, the market value of stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value at maturity. Interest rates for bonds may be fixed at the time of issuance, and payment of principal and interest may be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities. Investments in

overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a domestic investment. Such risks are generally intensified for investments in emerging markets. Small-cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small-cap market may adversely affect the value of these investments. In addition, there is no assurance that a mutual fund, ETF or private fund will achieve its investment objective. Past performance of investments is no guarantee of future results.

#### **ITEM 7: DISCIPLINARY INFORMATION**

Registered investment advisers such as Montcalm are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Montcalm or the integrity of its management. Montcalm does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

#### **ITEM 8: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain investment adviser representatives of Montcalm may be dually registered as registered representatives of an independent broker-dealer. These dually registered representatives may conduct securities brokerage and related business through the broker-dealer and may receive separate and typical commissions or fees for doing so. Currently Montcalm has no dually registered representatives, but this is subject to change without prior notice.

In the event that a Montcalm investment adviser representative becomes dually registered with an independent broker-dealer, a conflict of interest exists to the extent that Montcalm recommends the purchase of securities for which a Montcalm representative may receive a commission or other compensation for recommending. Montcalm has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of Montcalm's fiduciary duty to clients, Montcalm and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement. Clients are not obligated to implement recommended transactions through any Montcalm representative or any particular broker-dealer.

Please see Brochure Supplements for further information on Montcalm's investment adviser representatives and their outside affiliations, if any.

## **ITEM 9: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics Summary**

Montcalm has adopted a Code of Ethics ("Code") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code establishes standards of conduct for Montcalm's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably designed to prevent the unlawful use of material non-public information by Montcalm or any of its associated persons. The Code also requires that certain of Montcalm's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments, including initial public offerings and limited offerings. Other than certain exceptions that are outlined in the Code and noted in Item 11.B, below, Montcalm's Access Persons generally may not effect transactions for themselves or for their immediate family members (i.e., spouse, minor children, and adults living in the same household as the Access Person) within one (1) business day before and one (1) business day after any client transaction in the same security.

The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year. Montcalm will provide a copy of its Code of Ethics to any client or prospective client upon request.

### **B. Participation or Interest in Client Transactions**

It is Montcalm's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser,

acts as broker for both the advisory client and for another person on the other side of the transaction.

Neither Montcalm nor any of Montcalm's related persons act as general partner in a partnership in which clients are solicited to invest or as an investment adviser to a mutual fund or other investment company that is recommended to clients. Based upon a client's stated objectives, Montcalm may, under certain circumstances, recommend the purchase or sale of securities in which Montcalm or its affiliates have also invested in personally. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, as part of Montcalm's fiduciary duty to clients, Montcalm and its associated persons will endeavor at all times to put the interests of the clients first and at all times are required to adhere to the Firm's Code of Ethics.

Montcalm and its officers and employees ("Associated Persons") may invest personally in securities of the same classes that are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. Montcalm's Code of Ethics contains certain requirements designed to address the conflicts that arise with regard to personal trading by Montcalm or its Associated Persons. For example, other than certain exceptions as outlined below, when Montcalm is purchasing or considering for purchase a security on behalf of a client, no Associated Person may knowingly effect a transaction in that security within one (1) business day before and one (1) business day after any client transaction in the same security. The exceptions include: (i) the Associated Person's transaction is aggregated with client transactions and the Associated Person receives the same or less favorable average price as all clients participating in such aggregated transaction, (ii) transaction a de minimus amount of shares of any common stock listed on the S&P 500 Index; (iii) transacting in direct obligations of the United States Government; (iv) transacting in money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (v) trading shares issued by mutual funds, money market funds, or ETFs; and (vi) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Montcalm and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which Montcalm does not deem appropriate to buy or sell for clients.

## **ITEM 10: BROKERAGE PRACTICES**

Montcalm has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Montcalm with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support firms like Montcalm in conducting business and in serving the best interests of their clients.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Montcalm to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to Montcalm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Montcalm (within specified parameters). These research and brokerage services presently include services that are used by Montcalm to manage accounts for which Montcalm has investment discretion. Although the investment research products and services that may be obtained by Montcalm are generally used to service all of Montcalm's clients, a brokerage commission paid by a specific client could be used to pay for research that is not used in managing that specific client's account.

As a result of receiving such services for no additional cost, Montcalm may have an incentive to continue to use or expand the use of Fidelity's services. Montcalm has examined this potential conflict of interest, and has determined that its relationship with Fidelity is in the best interests of Montcalm's clients and satisfies its obligations to clients, including its duty to seek best execution. Commissions that are higher than another qualified broker-dealer might be incurred to effect the same transaction where Montcalm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. Please see 10.B. below for more information about best execution practices.

#### A. Selection Criteria

When performing Asset Management Services, Montcalm generally places all transactions through Fidelity Investments ("Fidelity") and/or another broker-dealer custodian. Montcalm periodically evaluates the commissions charged and the services provided by the custodian and compare those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. Other factors Montcalm may consider when evaluating its choice of custodian include:

- Ability to trade particular investments that Montcalm determines to be suitable for a client's portfolio;
- Any custodial relationship between the client and the broker-dealer;
- Quality of customer service and interaction with Montcalm;
- Discount transaction rates; and
- Reliability and financial stability.

For those clients who wish to direct brokerage and select broker-dealers not recommended by Montcalm, clients should be aware that Montcalm may not be able to negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case, and Montcalm will have limited ability to ensure that the broker-dealer selected by the client will provide best possible execution.

#### B. Best Execution

Except as otherwise provided in the client's investment advisory agreement, Montcalm has full discretion to place buy and sell orders with or through such brokers or dealers as it may deem appropriate. It is the policy and practice of Montcalm to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, Montcalm will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although Montcalm will strive to achieve the best execution possible for client's securities transactions, this does not require it to solicit competitive bids and Montcalm does not have an obligation to



seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Montcalm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. Montcalm is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by Montcalm are conducting overall best qualitative execution, Montcalm will periodically (and no less often than annually) evaluate the trading process and brokers utilized. Montcalm's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

#### 1. Research and Other Soft Dollar Benefits

Montcalm may select a broker-dealer in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." The amount of compensation paid to such broker-dealer (which may include disclosed markups and markdowns on riskless principal transactions with market-makers if Montcalm were to conduct such transactions) may be higher than what another, equally capable broker-dealer might charge. Except for the benefits received from Fidelity, Montcalm currently has no other soft dollar arrangements in place. The following discussion is intended to provide clients with certain important information regarding such practices, including the potential conflicts of interest that may arise should Montcalm enter into any soft dollar arrangements.

The receipt of such services may benefit Montcalm because Montcalm does not have to produce or pay for the research or other products or services when it obtains such products and services through brokerage commissions. Although customary, these arrangements present potential conflicts of interest in allocating securities transactional business to broker-dealers in exchange for soft dollar benefits, including an incentive to select or recommend a broker-dealer based on Montcalm's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. Additionally, Montcalm may have an incentive to effect more transactions than might otherwise be the case in order to obtain those benefits. The agreements between Montcalm and its clients generally authorize Montcalm to use client soft dollars for a wide range of purposes. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars.

Montcalm's policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use brokerage commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to Montcalm in making investment decisions for its clients. "Brokerage services and products" are those used to effect securities transactions for Montcalm's clients or to assist in effecting those transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research and brokerage products and services which assist Montcalm in its investment decision-making process. Montcalm may cause clients to pay commissions that are higher than those that another qualified broker-dealer might charge to effect the same transaction where Montcalm determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received.

Research and other products and services purchased with soft dollars will generally be used to service all of Montcalm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that

benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars may include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by Montcalm under such soft dollar arrangements may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

There may be cases when Montcalm may receive both non-research (e.g. administrative or accounting services etc.) and research benefits from the services provided by broker-dealers. If and when this happens, Montcalm will make a good faith allocation between the non-research and research portion of the services received, and will pay “hard dollars” (i.e., Montcalm will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest may exist by reason of Montcalm’s allocation of the costs of such services and benefits between those that primarily benefit Montcalm and those that primarily benefit clients. Montcalm strives to always place the client’s interests first.

As stated above, Montcalm may recommend that clients establish brokerage accounts with Fidelity to maintain custody of clients’ assets and to effect trades for their accounts. Fidelity is an SEC-registered broker-dealer and member FINRA/SIPC. While there is no direct link between the investment advice given to clients and Montcalm’s recommendation to use the custodial or brokerage services of Fidelity, certain benefits are received by Montcalm due to this arrangement.

For example, Montcalm receives from Fidelity, without cost to Montcalm, computer software and related systems support, which allow Montcalm to better monitor client accounts maintained at Fidelity. Montcalm may receive the software and related support without cost because Montcalm renders investment management services to clients that maintain assets at Fidelity that total at least \$10 million. Specifically, Montcalm may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirms and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## 2. Directed Brokerage

If requested by a client, Montcalm may accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Montcalm will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by Montcalm (as described below). Moreover, Montcalm will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or may receive less favorable net prices on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Montcalm may decline a client’s request to direct brokerage if, in Montcalm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

## C. Trade Aggregation and Allocation

Transactions for each client will be effected independently, unless Montcalm decides to purchase or sell the same securities for several clients at approximately the same time. Montcalm performs investment management services for various clients, some of which may have similar investment objectives. Montcalm may aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar

orders being made at the same time, if in Montcalm's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. Montcalm may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Montcalm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, Montcalm may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

## **ITEM 11: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

While asset management accounts are monitored on an ongoing basis, Montcalm shall undertake a thorough review of client accounts not less than annually. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made.

### **B. Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder's personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify Montcalm and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### C. Regular Reports

Written brokerage statements are generated not less than quarterly and are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. In addition to the regular statements clients receive from their custodian, Montcalm may send clients detailed reports on a regular basis concerning relevant account and/or market-related information as well as an inventory of account holdings and account performance, as agreed to with the client. Clients are urged to compare the statements received from Montcalm to those received from the account custodian.

## ITEM 12: CLIENT REFERRALS AND OTHER COMPENSATION

### A. Economic Benefits Received

As discussed more fully under Item 12, Montcalm may enter into “soft dollar” arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Montcalm in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by Montcalm, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client’s interest in receiving most favorable execution.

Additionally, Montcalm generally recommends that clients use Fidelity as their custodian and broker of record. While there is no direct link between the investment advice given to clients and Montcalm’s recommendation to use Fidelity as their custodian, certain benefits are received by Montcalm due to these arrangements. Fidelity will make available to Montcalm other products and services that benefit Montcalm but may not benefit its clients’ accounts. Some of these other products and services assist Montcalm in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Montcalm’s fees from its clients’ accounts; and assist with back-office functions, recordkeeping and client

reporting. These services may be used to service all or a substantial number of Montcalm's accounts, including accounts not maintained at Fidelity. Fidelity also makes available to Montcalm other resources intended to assist Montcalm with management and business development. These resources may include consulting services, publications, and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to Montcalm by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Montcalm. While as a fiduciary, Montcalm endeavors to act in its clients' best interests, Montcalm's recommendation that clients maintain their assets in accounts at Fidelity may be based in part on the benefit to Montcalm of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity, which may create a potential conflict of interest.

**B. Compensation for Client Referrals**

In the future Montcalm may enter into agreements with individuals and organizations, some of whom may be affiliated or unaffiliated with Montcalm, and who may refer clients to Montcalm. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to Montcalm by such a solicitor, Montcalm may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon Montcalm's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to Montcalm by such clients. Any such fee shall be paid solely from Montcalm's investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to Montcalm under such an arrangement will receive a copy of Montcalm's firm Brochure and a separate written disclosure document disclosing the nature of the relationship between the third-party solicitor and Montcalm and the amount of compensation that will be paid by Montcalm to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of Montcalm's disclosure brochure and the solicitor's written disclosure statement.

### **ITEM 13: CUSTODY**

Pursuant to Rule 206(4)-2 of the Advisers Act, Montcalm is deemed to have custody of client funds because the firm has the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all Montcalm client account assets will be maintained with an independent qualified custodian. Presently, Montcalm recommends Fidelity for custody services.

Notably, in most cases a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Montcalm may only implement its investment management recommendations after the client has arranged for and furnished Montcalm with all information and authorization regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to any statements provided by Montcalm. Montcalm's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **ITEM 14: INVESTMENT DISCRETION**

#### **A. Discretionary Authority; Limitations**

All Asset Management Services are performed by Montcalm on a discretionary basis, unless otherwise agreed upon at the inception of the client relationship and memorialized in the client's advisory agreement. In exercising its discretionary authority, Montcalm has the ability to determine the type and amount of securities to be transacted and whether a client's purchase or sale should be combined (aggregated) with those of other clients and traded as a "block." Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. In addition, Montcalm's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. Clients are



permitted to impose reasonable limitations on Montcalm's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to Montcalm in writing.

**B. Limited Power of Attorney**

Unless clients specifically request in writing that Montcalm manage all or part of their account on a non-discretionary basis, by signing Montcalm's advisory agreement, clients authorize Montcalm to exercise full discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such agreement, Montcalm is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes Montcalm to give instructions to third parties in furtherance of such authority.

**ITEM 15: VOTING CLIENT SECURITIES**

Montcalm does not vote proxies on behalf of its clients. Should Montcalm receive any proxy voting materials, they shall be promptly forwarded to the client.

**ITEM 16: FINANCIAL INFORMATION**

Montcalm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Montcalm does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.