

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**

**MONTARA CAPITAL MANAGEMENT LLC**

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**June 24, 2014**

**This Brochure provides information about the qualifications and business practices of Montara Capital Management LLC (“Montara” or the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at the address listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Montara is a registered investment adviser with the state of California. Registration of an investment adviser does not imply any certain level of skill or training.**

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

## **Item 2 – Material Changes**

This Brochure was prepared for Montara’s initial registration with the Securities and Exchange Commission.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

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#### Item 4 – Advisory Business

A. Description of the Advisory Firm

Montara Capital Management LLC (“Montara”), a Delaware limited liability company, was formed on March 24, 2014. Mr. Scott Cacchione and Mr. Patrick Gabrielli are the principal owners and Managing Members of Montara.

B. Types of Advisory Services

Montara serves as general partner and investment adviser to a private investment fund (the “Fund”). Montara may decide in the future to sponsor or manage additional private investment funds or separately managed accounts (collectively with the Fund, the “Clients”).

Pursuant to Fund’s offering memorandum, limited partnership agreement, and subscription documents (“Constituent Documents”), Montara seeks to generate superior long-term capital appreciation, in varying market conditions, by investing on both a long and short basis in a select number of primarily technology sector investments in a relative value arbitrage fashion.

The Fund is offering limited partnership interests (“Interests”) to certain qualified investors as described in response to Item 7, below (such investors or prospective limited partners are referred to herein as “Investors”).

C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve the investment objectives of individual Clients. Generally, Montara has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors.

D. Wrap Fee Programs

Montara does not participate in wrap fee programs.

E. Amounts Under Management

Montara manages the assets of the Clients and has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$0	\$0	June 24, 2014

## Item 5 – Fees and Compensation

### A. Fee Schedule

The fees and compensation payable to Montara are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

#### 1. Management Fee

Montara typically receives a monthly asset-based management fee calculated as a percentage of each Investor's capital account, payable monthly in advance. The management fee is generally 3%.

#### 2. Incentive Allocation

Montara generally receives an incentive allocation equal to a percentage of the net income allocated to each Investor for the year, but only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered (a "high water mark"). This incentive allocation is generally 30% and is typically made at the end of each calendar year.

The incentive allocation will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), in accordance with California Code of Regulations Title 10, Section 260.234.

#### 3. Fee Comparison

The expenses of the Client, including the management fee and incentive allocation may constitute a higher percentage of average net assets than would be found in other investment vehicles.

### B. Payment of Fees

Management fees, incentive allocations, and third-party fees (discussed below) are deducted from Client assets. Management fees, which are paid in advance, are withdrawn at the beginning of the month. Incentive allocations are allocated as of the last business day of the calendar year and as of any date on which an Investor makes a withdrawal or receives a distribution from such Investor's capital account(s).

### C. Third-Party Fees

Each Client shall pay such costs and expenses as Montara shall reasonably determine to be necessary, appropriate, advisable or convenient to carry on its business and realize its objective, including but not limited to: (i) management fees; (ii) all general investment expenses (i.e., expenses which Montara reasonably determines to be directly related to the investment of the Client's assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iv) fees,

costs and expenses of third-party service providers that provide such services; and, (v) any extraordinary expenses, among other expenses.

Montara's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to Montara's fees and compensation, and Montara shall not receive any portion of these commissions, fees, and costs.

Please see Item 12 of this Brochure regarding brokerage.

D. Prepayment of Fees

Montara will pro rate the management fee for Interests held for less than a full month. Prepaid but unearned fees are refunded to the Clients and/or Investors, as the case may be.

E. Outside Compensation for the Sale of Securities

Neither Montara nor its supervised persons accepts compensation for the sale of securities or other investment products outside of its association with Montara.

**The foregoing discussion in Items 5 represents Montara's basic compensation arrangements. The management fees and incentive allocations described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor may vary. Although Montara believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

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

As discussed in Item 5.A., Montara generally receives an incentive allocation equal to a percentage of the net income allocated to each Investor for the year. Due to the Fund's structure, Montara allocates investment opportunities to the Fund, and not to individual Investor accounts. Therefore, there are no potential conflicts of interest related to the side-by-side management.

The incentive allocation may provide a possible incentive for Montara to make riskier or more speculative investments on behalf of a Client than it might make otherwise. Notwithstanding this potential incentive, Montara will evaluate investments in a manner that it considers to be in the best interest of its Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

### **Item 7 – Types of Clients**

Montara provides investment advice and portfolio management services to the Clients.

Montara may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

Montara intends to restrict the number of Investors and will offer Interests only through non-public transactions in order to maintain the Fund's exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective Investors in the Fund must meet eligibility criteria, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review the Fund's Constituent Documents, which set forth all of the terms in detail. Though the Clients generally pursue the same strategy, offering terms may differ. Terms for separately managed accounts are generally similar to the Funds, but can be negotiated on a case by case basis and may differ from those of the Funds.

*The Funds.* Each Investor generally must be an "accredited investors" (as defined in Regulation D under the Securities Act of 1933), an Investor who is eligible to enter into a performance fee arrangement under state and/or federal law, as applicable, and must meet other criteria as specified in the Constituent Documents. The minimum initial investment is \$1,000,000, and the minimum additional investment is \$100,000, subject to waiver at the discretion of Montara.

*Separate Accounts.* Generally, similar terms will apply to separately managed accounts, though such separately managed accounts may have terms that differ or are more favorable than those for the Funds.

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

### **A. Methods of Analysis**

Montara's primary methods of analysis is fundamental analysis using financial newspapers and magazines; inspection of corporate activities; research materials prepared by others; corporate rating services; timing services; annual reports, prospectuses, filings with the SEC; and company press releases.

### **B. Investment Strategies**

Montara employs an investment strategy that seeks to generate superior long-term capital appreciation, in varying market conditions, by investing on both a long and short basis in a select number of primarily technology sector investments in a relative value arbitrage fashion.

Montara's investment strategy is based on its belief that since technology continues to be one of the U.S. economy's highly value-added sectors (and technology can claim to be a sustainable U.S. export), increasingly more capital will flow into the technology sector, even in an otherwise stagnant, low-growth economy. Montara further believes that the technology sector can be broken down into two discreet and increasingly interconnected investment segments: private venture capital / growth investing, and public markets investing. These two segments will continue to grow more interconnected due to widescale

adoption of innovation resulting from minimal barriers of distribution via the Internet and mobile.

Because of this increasing interconnectedness between private investments and public investments, Montara seeks to take long positions in private investments and corresponding short public positions in a relative value arbitrage fashion based upon deep fundamental due diligence and leveraging Montara's knowledge of the technology sector. Montara may also take long positions to leverage technological innovation in select public companies.

C. Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.**

Investment and trading risk factors may include:

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly the value of other equity-related securities, including preferred stock, warrants and options may also vary widely.

**Small- and Mid-Cap Risks.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Risks Associated with Investments in Distressed Securities.** A Client may invest in "below investment grade" securities and obligations of domestic and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation



proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Some of these securities may not be publicly traded, and it therefore may be difficult to obtain information as to the true condition of such issuers. Additionally, in certain periods, there may be little or no liquidity in markets for these securities. Such investments also may be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies.

**Investing in High Yield Securities.** High-yield securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments.

**Commodities and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures and options also depends upon the price of the commodities underlying them. In addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Convertible Securities.** The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the investment value of convertible securities. The conversion value of a convertible security is determined by the market price of the underlying common stock. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security is called for redemption, a client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the client's ability to achieve its investment objective.

**Investments in Private Funds.** If a Client invests in private funds, the Client is subject to the risks of the underlying funds' investments and subject to the underlying funds'

expenses. There can be no assurance that the other funds will achieve their objectives or avoid substantial losses.

**PIPES and Other Restricted Securities.** In a private investments in public equity ("PIPE") transaction, the Client typically purchases unregistered equity securities of a class of securities that is publicly traded and receives registration rights with respect to the unregistered securities that it purchases. The securities are not publicly tradable when the Client purchases them, however, and they may never become publicly tradable. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Leverage and Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Montara may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**Derivatives and Hedging.** Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, reference rates or indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on Montara's ability to anticipate changes in the underlying assets, reference rates or indices.

**Short Selling.** Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the

underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses.

**Limited Diversification.** Investments may be primarily focused geographically in North American countries. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment strategy of Montara. This limited diversity could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

**Non-U.S. Securities.** Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

**Emerging Markets.** In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

**Illiquid Investments.** Securities and other assets may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

**Counterparty Risk.** Transactions are may be affected in “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss.

More information about the Fund’s investments and the associated risk factors is available in the Constituent Documents.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Montara. Prospective Investors and Clients should read the entire Brochure as well the Constituent Documents, other materials that may be provided by Montara and consult with their own advisers prior to engaging Montara’s services.**

### **Item 9 – Disciplinary Information**

Montara has not been a party to any legal or disciplinary events that would be material to a Client’s or prospective Client’s evaluation of its investment advisory business or the integrity of its management.

Mr. Scott Cacchione, one of Montara’s management persons, pleaded guilty to aiding and abetting securities fraud on March 24, 2009. At the time, Mr. Cacchione worked as managing director at Merriman, Curhan, Ford & Co. (“Merriman”) an investment brokerage firm in San Francisco, and was charged with aiding and abetting a client of Merriman who doctored account statements and used them to defraud banks and other lenders.

Mr. Cacchione was sentenced to 60 months in prison. Mr. Cacchione served four years in prison and was released on December 12, 2013.

Also on March 31, 2009, a final judgment was entered against Mr. Cacchione in a civil action entitled “Securities and Exchange Commission v. David Scott Cacchione”, Civil Action Number CV-09-01259, permanently enjoining Mr. Cacchione from future violations of Section 17(a) of the Securities Act of 1933, as amended, and Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder.

In addition, on April 22, 2009, the SEC issued an Order (the “Order”) making findings and imposing remedial sanctions on Mr. Cacchione following acceptance of an Offer of Settlement made by Mr. Cacchione. In addition to the facts detailed above, the SEC alleged that Mr. Cacchione engaged in unauthorized trading in client accounts. Per the Order, Mr. Cacchione was barred from association with any broker or dealer.

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

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Montara nor its management persons are registered as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Montara nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

There are no other relationships or arrangements that are material to this advisory business.

D. Selection of Other Advisors or Managers

Montara does not utilize nor select other advisors or third party managers. All assets are managed by Montara.

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

A. Code of Ethics

Montara has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code governs the activities of each member, officer, director and employee of Montara (collectively, “Employees”). Montara holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to the Clients. In serving its Clients, Montara strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code’s specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Montara will provide a copy of its Code of Ethics to Clients and prospective Clients upon request. Such a request may be made by submitting a written request to Montara at the address on the cover page to this Brochure.

**B. Recommendations Involving Material Financial Interests**

Neither Montara nor its related persons recommends to Clients, or buys or sells for Client accounts, securities in which Montara or a related person has a material financial interest.

**C. Investing Personal Money in the Same Securities as Clients**

Although Montara's policies and procedures generally prohibit its Employees and related persons from trading in the same instruments that Montara buys or sells for Client accounts, there may be limited circumstances in which Montara, its Employees and/or the related persons may also personally buy or sell the same instruments that Montara buys or sells for Client accounts, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Client accounts because of Montara's recommendations regarding a particular security. Montara's policy as to such transactions is that neither Montara nor any of its Employees or related persons are to benefit from price movements that may be caused by transactions for Client accounts or otherwise Montara addresses this conflict by requiring Employees to sign and adhere to Montara's Code of Ethics and to report personal securities holdings and transactions to Montara.

**D. Trading Securities At/Around the Same Time as Clients' Securities**

As discussed above, from time to time, Montara, its Employees, or related persons of Montara may buy or sell securities for themselves that Montara also recommends to the Client. Montara will always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

## **Item 12 – Brokerage Practices**

**A. Factors Used to Select or Recommending Broker-Dealers**

Montara will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, Montara considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with Montara's policies and procedures. In selecting broker/dealers to execute transactions, Montara need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Montara believes that the broker-dealers that it recommends provide competitive transaction and custody costs, helping Clients to

eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, Montara seeks to pre-negotiate preferred terms for its Clients providing Clients with the benefits associated with the economy of scale and custodial knowledge of the firm.

Certain brokers utilized by Montara may provide general assistance to Montara, including, but not limited to technical support, consulting services, and services related to staffing needs. In selecting a broker, Montara may consider the broker's general assistance and consulting services. To the extent Montara would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

1. Research and Other Soft Dollar Benefits

Montara may effect transactions with broker-dealers who provide research services (collectively, "soft-dollar items") to Montara that assist Montara in making investment and trading decisions on behalf of its Clients. The negotiated commissions paid to broker-dealers supplying soft-dollar items may not represent the lowest obtainable commission rates. In any such arrangement, the amount of the commission paid must be reasonable in relation to the value of the brokerage and soft-dollar items provided by the broker-dealer, viewed in terms of either the particular transaction or Montara's overall responsibilities with respect to its Clients. Montara intends to comply with the soft-dollar "safe harbor" afforded by Section 28(e) under the 34 Act.

When Montara uses Client brokerage commissions to obtain soft-dollar items, it receives a benefit because it does not have to produce or pay for such soft-dollar items. However, Montara believes that such soft dollar items may provide the Clients with benefits by supplementing the research and services otherwise available to the Clients. In addition, the research and other benefits resulting from a brokerage relationship benefit all Client accounts or Montara's operations as a whole, including any Client accounts that direct Montara to use a broker that does not provide soft dollar benefits.

Montara may have an incentive to select or recommend a broker-dealer based on its interest in receiving the soft-dollar items, rather than on the Client's interest in receiving most favorable execution. Montara periodically reviews the execution performance of its brokers to ensure that any potential conflicts of interests are resolved.

To the extent that Montara does engage in such "soft dollar" arrangements, the Client may be charged a brokerage commission in excess of that which another broker might charge for effecting the same transaction if Montara determines in good faith that such commission is reasonable in relation to the value of the brokerage, research, other services and soft dollar relationships provided by that broker, viewed in terms of either the specific transaction or Montara's overall responsibilities to the portfolios over which Montara exercises investment authority.

Soft-dollar items, whether provided directly or indirectly, may be utilized for the benefit of Montara's and its affiliates' other accounts. Soft-dollar items are not limited to those Clients who may have generated a particular benefit although certain soft dollar allocations are

connected to particular Clients or groups of Clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. Montara may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms.

Within the last fiscal year, Montara used “soft-dollars” to receive broker-dealer research reports, company financial data and economic data.

A broker from which Montara obtains soft dollar services generally establishes “credits” based on past transactional business (including markups and markdowns on principal transactions), which may be used to pay for specified expenses. In some cases the process is less formal and a broker simply may suggest a level of future business that would fully compensate the broker for services or products it provides. Montara monitors the soft dollar services provided to ensure that appropriate transactions are executed with a soft dollar provider.

## 2. Brokerage for Client Referrals

Montara does not consider, in selecting or recommending broker-dealers, client referrals from a broker-dealer. Montara may receive referrals in the future and if it does it will appropriately amend this Brochure.

## 3. Directed Brokerage

Montara does not direct brokerage. Securities transactions are executed by brokers selected by Montara in its discretion and without the consent of the Client or its Investors. Montara may enter into directed brokerage arrangements in its discretion.

### B. Aggregating Trading for Multiple Client Accounts

Montara may (but is not required to) combine orders on behalf of one Client account with orders for other Client accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Montara will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Montara believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Montara’s relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of Montara’s and its affiliates’ other Clients, which may result in less advantageous execution for those Clients.

Montara may place orders for the same security for different Clients at different times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different Clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Client.



In addition, Montara and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in Client accounts are made. Where execution opportunities for a particular security are limited, Montara attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all Clients.

### **Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Montara reviews Client accounts on a daily basis to ensure consistency with the Client's strategy and performance objectives. Asset allocation, cash management, market prospects and individual issue prospects are considered. The reviews are conducted by Scott Cacchione and/or Patrick Gabrielli.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors will generally receive unaudited reports of performance monthly and will receive audited year-end financial statements annually.

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

A. Economic Benefits Provided by Third Parties

Montara does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Client.

B. Compensation to Non-Advisory Personnel for Client Referrals

Currently, neither Montara nor its related persons directly or indirectly compensates any person who is not advisory personnel for Client referrals. If in the future Montara enters into such arrangements, this Brochure will be appropriately amended.

### **Item 15 – Custody**

California law provides that, because Montara is the general partner of the Fund, Montara is considered to have "custody" of the Fund's assets, even though independent custodians actually hold those assets. Consistent with the requirements under California Code of Regulations Section 260.237, the assets of the Fund are held in accounts maintained by a qualified custodian, and quarterly account statements are sent to Investors showing, among other things, the total amount of additions to and withdrawals from the Fund's account, the

opening and closing value of the Fund's account at the end of the quarter based on the custodian's records, the additions and withdrawals by the Investor, and the total value of the Investor's interest at the end of the quarter.

In addition, Montara intends to employ the safeguarding procedures as described in California Code of Regulations Section 260.237(b)(4). Such safeguarding procedures include engaging an independent accounting firm registered with the Public Company Accounting Oversight Board to conduct an annual audit of the Fund, and distributing audited financial statements prepared in accordance with U.S. generally accepted accounting principles to all Investors within 120 days after the Fund's fiscal year end.

### **Item 16 – Investment Discretion**

The Constituent Documents generally authorize Montara to invest and trade the Clients' assets in a broad range of investments, to be selected at Montara's sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Montara may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

Pursuant to the Clients' governing documents, each Investor in the Clients designates Montara as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Clients' business and affairs, including execution of the Clients' governing documents. An Investor's execution of a Client's subscription agreement constitutes its execution of the Client's governing documents

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

Montara exercises voting authority over Client proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require Montara to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require Montara to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Clients. However, the policies permit Montara to abstain from voting proxies in the event that the Clients' economic interest in the matter being voted upon is limited relative to the Clients' overall portfolio or the impact of the Clients' vote will not have an effect on its outcome or on the Clients' economic interests.

Certain of Montara's proxy voting guidelines are summarized below:

- Montara votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.

- Montara votes against proposals to: entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals can be voted in accordance with Montara's proxy voting guidelines, some proposals will require special consideration, and Montara will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.

Where a proxy proposal raises a material conflict between Montara's interests and the interests of the Clients, Montara will seek to resolve the conflict in the best interest of the Clients.

Clients may obtain a copy of Montara's complete proxy voting policies and procedures upon request. Clients may also obtain information from Montara about how Montara voted any proxies on behalf of their account(s).

### **Item 18 – Financial Information**

Montara 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 petition.

A. Balance Sheet

Montara neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

Montara has discretionary authority over the Client's assets. At this time, neither Montara nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Montara has not been the subject of a bankruptcy petition in the last ten years.