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**MENDON CAPITAL ADVISORS CORPORATION**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

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**Dated: April 1, 2015**

**This brochure provides information about the qualifications and business practices of Mendon Capital Advisors Corporation. If you have any questions about the contents of this brochure, please contact us at (585) 770-1770. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE  
SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.**

**Item 2 MATERIAL CHANGES**

This Brochure is updated at least annually to reflect current information about Mendon Capital Advisors Corporation (the “Advisor”). Only specific material changes that are made to the Brochure since its last annual update are summarized in this Item. The date of the Brochure’s last annual update was March 30, 2015.

There have been no material changes to this Brochure since the prior version of the Brochure dated March 30, 2015. In the event of a future material change, we will provide you with a new Brochure as necessary based on changes or new information, without charge.

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## **Item 4      ADVISORY BUSINESS**

### **Advisory Services**

Mendon Capital Advisors Corporation, a Delaware corporation, is a registered investment advisor. Mendon was formed in 1996 and is 100% owned by Anton V. Schutz.

Mendon Capital Advisors Corp. (the “Advisor”) acts:

- As sub-adviser to Burnham Financial Services Fund and Burnham Financial Long/Short Fund (together, the “Burnham Financial Services and Long/Short Funds”), each of which is a series of Burnham Investors Trust, which is registered as an investment company with the Securities and Exchange Commission (the “SEC”);
- As a sub-adviser providing securities selection to certain separately managed accounts of ELCO Management Company, LLC (“ELCO Management”), an investment adviser registered with the SEC.

As of December 31, 2014, the amount of client assets managed by the Advisor on a discretionary basis was approximately \$182,740,527

## **Item 5      FEES AND COMPENSATION**

Registered Investment Companies. The Advisor receives from Burnham Asset Management Corporation, the investment advisor to Burnham Financial Services and Long/Short Funds, a monthly management fee equal to 0.45% annually of each fund’s average daily net assets and, with respect to the Burnham Financial Long/Short Fund, subject to a “fulcrum” type performance adjustment which can have the effect of increasing or reducing the Advisor’s fee rate by up to approximately 0.10% annually.

Sub-advisory Services. As a sub-adviser to certain separately managed accounts of ELCO Management, the Advisor will receive net fees equal to 50% of the management fees and performance fees received by ELCO Management with respect to such accounts and will be responsible for payment of 50% of certain account administration fees incurred by each such account. In general, for these accounts, ELCO Management receives a quarterly management fee generally equal on an annualized basis to 1.5% of the account’s net asset value, and an annual performance-based fee generally equal to 20% of the net profit (both realized and unrealized) of the account during such period. As sub-adviser to certain accounts of ELCO Management, the Advisor does not enter directly into any contracts with such accounts.

Fees generally are not negotiable. The Advisor may, however, in its sole discretion, waive all or any portion of the Management Fee and/or Performance Fees with respect to any investor.

### ***Mutual Fund Expenses***

The Burnham Financial Services and Long/Short Funds also each bear their own expenses including investment expenses, custody, transfer agent, administration, legal, accounting and other expenses, as more fully described in the prospectus of the Burnham Financial Services and Long/Short Funds.

## **Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Advisor receives from Burnham Asset Management, as a sub-advisor to the Burnham Financial Long/Short Fund, a fulcrum type performance adjustment.

Performance fee arrangements may create an incentive to favor higher fee paying accounts when allocating investment opportunities. This conflict could arise for Mr. Schutz who is a portfolio manager of both the Advisor and other independent private funds, which advises clients that have a performance fee arrangement and/or share similar investment objectives. To address this conflict, the Advisor has established policies and procedures, in conjunction with the policies and procedures effective for allocation of investment opportunities that are intended to result in a fair and equitable allocation taking into account clients managed by outside entities. Please see Item 12 (Brokerage Practice) below.

## **Item 7 TYPES OF CLIENTS**

The Advisor provides investment advice to registered investment funds. Please see Item 4 (Advisory Business).

## **Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Primary Investment Strategies and Methods of Analysis**

The Advisor's investment strategies are focused exclusively on the financial services sector. The Advisor believes that abnormal absolute returns can be earned in the financial services sector due to ongoing industry consolidation, which in the Advisor's view will be expected to continue for many years. In addition, the Advisor believes that the breadth of the sector provides investment opportunities in almost all types of interest rate, credit quality and other macroeconomic environments. The Advisor generally will focus more on smaller cap companies in which it is possible to gain an information advantage through research, experience, and a broad network of contacts.

### **Investment Philosophy**

The Advisor's general philosophy is to identify companies that meet either long bullish or short bearish criteria. This strategy provides the registered fund with adequate flexibility to take advantage of opportunities identified during both rising and declining markets. The fund may purchase or sell put options or call options to protect the underlying investments, to generate income or for speculative purposes.

The Advisor begins with a macro view, based on factors such as interest rates and credit quality, to select promising sub-sectors. Investments within those sub-sectors are then selected using tools such as industry screens, sell-side company research reports and company models. The Advisor also relies on a broad information network to gather data and find promising investments. This network includes buy-side and sell-side analysts, other financial services portfolio managers (both mutual funds and hedge funds), company management teams and industry contacts.

The Advisor may buy and sell equity securities and securities deemed by the Advisor to be equity equivalents, including without limitation, common stocks, preferred stocks, convertible securities, warrants, stock purchase rights, depository receipts, shares of investment companies and real estate investment trusts, and other equity related interests. Additionally, the Advisor may utilize options and stock index options, and may utilize futures and forward contracts (and options thereon) on stock indices and financial instruments and other securities, in each case to hedge existing long and short positions and for non-hedging (i.e. speculative) purposes.

### **Certain Risk Factors**

Investing in securities and derivatives involves risk of loss that investors in the funds should be prepared to bear.

The following is a brief summary of certain of the more significant risks associated with the Advisor's investment strategies. The fund managed by the Advisor, a more detailed description of the risks associated with the Advisor's investment strategies as well as other risks associated with an investment in the fund is included in the fund's prospectus. *Please see the prospectus of the fund for information regarding the principal risks applicable to the fund.*

***Investment and Trading Risk.*** An investment in the fund involves a high degree of risk, including the risk that the entire amount invested may be lost. The fund invest in and actively trade securities and other instruments utilizing strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the debt and equity markets (including distressed and high yield securities) and the risks associated with the use of derivatives, short sales, leverage and other instruments. The Advisor has broad discretion in making investments for the fund. Investments generally consist of US equity securities and other assets that may be affected by business, financial, market or legal uncertainties. There can be no assurance that the Advisor will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. No guarantee or representation is made that the fund's investment objectives will be achieved.

***Financial Industry Concentration.*** The Advisor will focus and hold its largest concentration of investments within the financial services industry. Accordingly, the fund will be disproportionately affected by events affecting the financial services industry. Events affecting the financial services industry may include changes in economic conditions and interest rates. In addition, companies in the financial services industry may fall out of favor with investors, causing the fund to lose money or underperform the stock market or funds concentrated in other industries. Such concentration of investments may also increase the volatility of the value of the funds' portfolio investments.

***Highly Volatile Markets.*** The prices of the financial instruments in which the fund may invest can be highly volatile. Price movements of equity, debt and other securities and instruments in which the fund's assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of government and national and international political and economic events and policies. Moreover, war, political or economic crisis, or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. In addition,

governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and derivative instruments. Such intervention often is intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction, because of, among other things, interest rate fluctuations. The fund is also subject to the risk of failure of any of the exchanges on which its positions trade or the failure of applicable clearinghouses. Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that the fund strategies will be successful in such markets.

***High Turnover and Transactions Costs.*** The Advisor actively manages the fund's portfolio. The turnover rate of the fund's investment portfolio may be significant, potentially involving substantial brokerage commissions and fees and other transactions costs. In particular, a few of the fund's investments, including those that are not readily marketable, may involve higher bid-asked spreads than investments that are exchange-traded.

***Valuation Risk.*** Valuation of the fund's investments (which will indirectly determine the amount of the Management Fee and the Performance Reallocation, as applicable) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the fund's shares could be adversely affected. In particular, independent pricing information may not at times be available with respect to certain of the funds' investments. Further, given the illiquid nature of some Investments, the net asset value of such investments cannot be determined with the same degree of certainty as the fund's other investments. Accordingly, while the fund will use its reasonable best efforts to value all of its investments fairly, certain investments may be difficult to value and may be subject to varying interpretations of value. The fund has delegated certain responsibilities for determining the net asset value of the fund to its primebroker and its administrator.

***Reliance on Management and Financial Reporting.*** Many of the strategies implemented by the fund rely on the financial information made available by the issuers in those securities which the fund invests. The Advisor may not be able to independently verify the financial information disseminated by the issuers in which the fund invest and may be dependent upon the integrity of both the management of these issuers and the financial reporting process in general.

***Market Disruptions; Systemic Risk.*** The fund may incur major losses in the event of disrupted and/or illiquid markets and other extraordinary events in which historical pricing relationships become materially distorted, including through government intervention. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions caused by unexpected political, military and terrorist events or government intervention in the markets may from time to time cause dramatic losses for the funds, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. Risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, such that a default by one institution causes a series of defaults by other institutions. This is sometimes referred to as systemic risk. Systemic risk may adversely affect financial

intermediaries, such as clearing agencies, clearinghouses, banks, securities firms and exchanges, with which the funds interact on a daily basis.

***Concentration.*** Each Fund may at certain times hold a few, relatively large (in relation to its capital) positions in securities or other instruments, with the result that a loss in any position could have a material adverse impact on the fund's capital. To the extent a fund's investments are concentrated in a single issuer, industry, geographic region or any other applicable exposure, a fund will be susceptible to a greater degree of risk affecting investments in that issuer, industry, geographic region or any other applicable exposure than would otherwise be the case. Such concentration of investments may increase the volatility of the value of a fund's portfolio investments. Each Fund is subject to percentage restrictions to reduce the risk inherent in a concentrated investment.

***Risk of Investing in Illiquid Investments.*** Certain of the investments of the funds may be or become illiquid and involve a high degree of business and financial risk that could result in substantial losses. Because of the absence of active or regulated trading markets for these illiquid investments, and because of the difficulties in determining market values accurately, it may take a the fund's longer to liquidate these positions (if they can be liquidated) than would be the case for more liquid investments. The prices realized on the resale of illiquid investments could be less than those originally paid by a fund. Further, companies whose securities are not publicly listed may not be subject to public disclosure and other investor protection requirements applicable to issuers of publicly traded securities.

***Risk of Short Selling.*** A significant aspect of a public fund's investment objectives and strategy involves seeking to profit from securities believed to be overvalued by entering into short sale positions, both directly and indirectly through the use of credit default swaps, options and other derivative instruments. When the fund effects a short sale, it may be obligated to leave the proceeds of the short sale with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold. Short selling involves selling securities which are not owned by the short seller and delivering borrowed securities to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs, the costs of borrowing the securities and any interest or dividends on the securities that must be paid to the lender of such securities. The extent to which the fund engages in short sales will depend upon the Advisor's investment strategy and opportunities. In certain cases, 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 a fund of buying those securities to cover the short position. There can be no assurance that the fund will be able to maintain the ability to borrow securities sold short. In such cases, the fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Additionally, certain market participants could accumulate such securities in a "short squeeze," which would reduce the available supply, and thus increase the cost, of such securities. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.



***Risk of Investing in Small Capitalization Companies.*** The fund may invest a portion of its assets in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, the securities of companies with small capitalization may be traded only on over-the-counter markets or on regional securities exchanges. As a result, the securities of smaller companies may be subject to wider price fluctuations. When liquidating large positions in small companies, the fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small transactions over an extended period of time. The Advisor is well aware of the information flow surrounding such investments, and, as such, using a measure such as daily average volume may not be entirely appropriate. In addition, many of these securities exhibit “asymmetrical illiquidity” in that large positions are easy to sell but hard to find.

***Risk of Investing in Pooled Vehicles.*** The fund may from time to time invest in other pooled vehicles, registered investment companies and similar entities that may not be registered as investment companies (collectively, “Investment Vehicles”). Investors will indirectly bear a fund’s proportionate share of any asset-based fees, performance-based fees, allocations and other expenses of such Investment Vehicles in which the fund invests in addition to the Management Fee, Performance Reallocation allocated by the fund (or the Master Fund, if applicable) and other fees borne by the fund or the Master Fund, as the case may be. To the extent not prohibited by applicable law, the fund may from time to time invest in Investment Vehicles managed or sponsored by its affiliates; provided, that in such event, any asset-based fees or performance-based fees or allocations with respect to such investments will not exceed the Management Fee and Performance Reallocation for the fund (or the Master Fund, if applicable) will bear any other expenses associated with such vehicles.

***Non-Public Information Restrictions.*** In the event the Advisor and/or any of its affiliates have access to or are in possession of material, non-public information concerning a company in which the funds invest or may invest, the Advisor may be restricted from effecting purchases and/or sales of securities on behalf of the funds and/or other private and public pooled investment vehicles, managed accounts and/or other clients (collectively, “Other Clients”).<sup>1</sup> Such a restriction may force the fund to hold positions longer than anticipated or cause it to forego an opportunity to profit on certain positions. At times, the Advisor, in an effort to avoid restriction for the funds or its Other Clients, may elect not to receive such information, which may be relevant to the funds portfolios, that other market participants are eligible to receive or have received.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN MENDON’S METHODS OF ANALYSIS AND INVESTMENT STRATEGIES USED IN FORMULATING INVESTMENT ADVICE OR MANAGING ASSETS.

Please see Items 10 (Other Financial Industry Activities and Affiliations), 11 (Code of Ethics, Participation in Client Transactions and Personal Trading), and 12 (Brokerage Practices).

## **Item 9     DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Advisor's advisory business or the integrity of the Advisor's management.

## **Item 10    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Advisor acts as sub-adviser to Burnham Financial Services and Long/Short Funds under the supervision of Burnham Asset Management Corporation ("Burnham Asset Management"), an affiliate and related person of Burnham Financial Services and Long/Short Funds. The Advisor believes that it does not control and is not a related person of Burnham Financial Services and Long/Short Funds. Burnham Securities, Inc. ("Burnham Securities"), a registered broker-dealer that is an affiliate and related person of Burnham Asset Management, serves as the distributor for Burnham Financial Services and Long/Short Funds. Anton V. Schutz, a principal of the Advisor, is a registered representative of Burnham Securities. Mr. Schutz is a principal, in his capacity as a registered representative, may conduct marketing-related activities on behalf of Burnham Financial Services and Long/Short Funds. These activities may include meeting with current and prospective investors of Burnham Financial Services and Long/Short Funds, and recommending the purchase of interests in Burnham Financial Services and Long/Short Funds. Neither the Advisor nor the principals receive any direct compensation for such marketing activities. However, the Advisor may receive indirect compensation through management fees and performance based allocations paid by investors in the Burnham Financial Services and Long/Short Funds as a result of increased assets under management from such sales of interests.

In addition, the Advisor may use Burnham Securities to effect brokerage transactions on behalf of the Advisor's clients, officers and employees and members of their families.

Mr. Schutz, the President of Mendon Capital Advisors Corp and 100% owner and participates in the management of Mendon Capital Advisors Corp. Mr. Schutz acts as a portfolio manager for this entity and provides portfolio management services to other private funds and separately managed account as a dual-employee (together with certain other investment personnel) of RMB, which is an investment adviser registered with the SEC. As a part of Mr. Schutz's business arrangement with RMB, the Advisor has established a joint venture entity with RMB, RMB Mendon Managers, LLC, which facilitates the economic arrangement between the Advisor and RMB with respect to such private funds. . Mr. Schutz and other investment personnel who are dual employees may have incentive to favor those funds or accounts in which their interest are more substantial, whether as a result of assets under management, fee structure, ownership role or other factors. In addition, because Mr. Schutz will have a significant role in leading the investment program of Mendon Capital Advisors Corp. and separately managed accounts and other private funds, his time and attention will be shared between both groups.

The Advisor also acts as sub-adviser to certain separately managed accounts of ELCO Management, an investment adviser registered with the SEC, to provide securities selection and related account administration services. ELCO Management is not a related person of the Advisor because it does not control, is not controlled by, and is not under common control with the Advisor.

Please see Items 4 (Advisory Business), 8 (Methods of Analysis, Investment Strategies and Risk of Loss), 11 (Code of Ethics, Participation in Client Transactions and Personal Trading), and 12 (Brokerage Practices).

#### **Item 11 CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Advisor and its employees (including its officers and directors) are subject to the Advisor's Code of Ethics and, as access persons to Burnham Investors Trust, to the Code of Ethics of Burnham Asset Management. The individual Codes are designed to detect and prevent potential conflicts of interest between the Advisor and its clients. Employees of the Advisor are prohibited from trading either personally or on behalf of others in securities while in possession of material non-public information regarding the securities or communicating non-public information to others. Employees are prohibited from accepting gifts of any material value from any person that does business with or on behalf of the Advisor or Burnham Financial Services and Long/Short Funds. Employees are required to obtain advance approval to serve as a director of any publicly traded company.

Under the Advisor's Code of Ethics, employees are prohibited from trading in any financial security. All other trades of covered securities must receive pre-approval from the Advisor's Chief Compliance Officer.

Under the Burnham Code of Ethics, employees of the Advisor may not buy or sell a covered security for a Reporting Account for one business day before and one business day after a transaction in that security for Burnham Financial Services and Long/Short Funds. As the primary portfolio manager, Anton Schutz may not buy or sell a covered security within three business days before the purchase of the same security by Burnham Financial Services Fund or Burnham Financial Long/Short Fund. An employee who purchases a covered security within three business days before the purchase of the same security by Burnham Financial Services Fund or Burnham Financial Long/Short Fund must hold the purchased security for at least three months. If such employee sells the purchased security before the expiration of the three-month holding period, the employee must disgorge any profit realized upon this sale. An employee who sells a covered security within three business days before a sale of the same security by Burnham Financial Services Fund or Burnham Financial Long/Short Fund and who receives a higher share or unit price than the fund must disgorge the excess sale proceeds resulting from the higher price. The prohibitions described in the paragraph do not apply to transactions that have been approved in advance by the Chief Compliance Officer at Burnham Asset Management.

In order to comply with the rules of the SEC, all employees of the Advisor must submit quarterly reports of their covered securities transactions or transactions in an account over which they have a beneficial interest. Covered securities include transactions in the mutual funds sub-advised by the Advisor. Upon hiring and annually thereafter, each employee must submit a holdings report. Completed quarterly and holdings reports must be submitted to the designated Compliance Officer of the Advisor. Both the Advisor and Burnham Asset Management require employees of the Advisor to certify annually that they have complied with the Code of Ethics of the Advisor and Burnham Asset Management.

A copy of the Code of Ethics is available to any existing or prospective client upon request to the Chief Compliance Officer, Mendon Capital Advisors Corp. c/o RMB Capital Management LLC, 115 S. LaSalle Street, 34th Floor, Chicago, IL 60603 or by email at [compliance@rmbcap.com](mailto:compliance@rmbcap.com).

## **Item 12    BROKERAGE PRACTICES**

### ***General***

In selecting brokers to effect portfolio transactions for clients, the Advisor will generally seek best execution after considering such factors as the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the client for payment) of the cost of property or services. The Advisor need not, however, solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

If more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, the Advisor often selects a broker-dealer which furnishes it research and execution products and services (described below). In addition, if the Advisor determines in good faith that the commission charged by a broker-dealer is reasonable in relation to the value of brokerage and research services provided by that broker-dealer, the Advisor may cause a client account to pay such a broker-dealer an amount of commission greater than the amount another broker-dealer may charge, but generally within a competitive range for full service brokers.

### ***Soft Dollars***

Research and execution products and services furnished by broker-dealers may be used in servicing any or all of the clients of the Advisor and may be used in connection with accounts other than those which pay commissions to the broker-dealer providing the products and services. The Advisor intends that any research or execution products or services it obtains with "soft dollars" generally will be eligible types of research and/or brokerage products or services for purposes of the Section 28(e) safe harbor. These research and execution products and services include, but are not limited to, fundamental research reports, current market data and news, technical and portfolio analyses, economic forecasting and currency and interest rate projections, historical information on securities and companies, tuition or attendance fees for research seminars, assistance in arranging company visits, news services, economic, political or other data directly related to industry, research or a specific security.

The Advisor may also defray the costs of certain computer and communication systems that facilitate research or trade execution such as on-line quotation systems and direct data feeds from stock exchanges, computer and telephone equipment and related usage costs, and on-line trading systems and other software used for research purposes with brokerage commissions generated by client transactions. Certain products or services can be used by the Advisor for both research/execution and non-research purposes. If these products or services are obtained with soft dollars, the Advisor will make a reasonable allocation of the portion of the costs which may be paid for with soft dollars and pay the remaining portion using the Advisor's own hard dollars. The Advisor and its affiliates may derive substantial direct or indirect benefits from the use of soft dollars as they may not otherwise have to produce, develop or acquire such research,

products or services. Accordingly, the relationships with brokerage firms that provide soft dollar services may influence the judgment of the Advisor in allocating brokerage business of its clients and create a conflict of interest in using the services of those brokers or dealers to execute the funds' brokerage transactions. Management fees paid by clients will not be reduced as a result of the use of soft dollars.

### ***Aggregation of Trades***

The Advisor will use reasonable efforts to aggregate purchase and sale orders when investments are identified as having characteristics that would be mutually beneficial to the Advisor's clients, other separately managed accounts and other private funds, and aggregation will be reasonably likely to result in an overall benefit to the Advisor's clients based on an evaluation of factors in the Advisor's discretion. In certain instances, the purchase or sale of securities for the Advisor's clients and the private funds will be effected simultaneously. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at the sole discretion of the Advisor, participating funds may be charged or credited, as the case may be, the average transaction price. The Advisor may also execute opposing trades (*e.g.*, a buy order and a sell order for a particular security through a broker-dealer) between the Advisor's clients and other clients. Consistent with Section 206 of the Investment Advisers Act of 1940 and, if applicable, Rule 17a-7 under the Investment Company Act of 1940, the Advisor has adopted procedures regarding purchases or sales of securities between its clients and the funds.

### ***Allocation of Investment Opportunities***

Trading opportunities generally will be shared among the funds and may also be shared among other private funds and other clients that have the ability to participate according to individualized investment guidelines and current assets under management. Consideration and amount is given to cash availability, illiquidity, suitability, proximity to exposure limitations or additional valid reasons that will be indicated in writing and reviewed for adherence to procedure.

If the Advisor's access to an investment opportunity is limited, the Advisor will use reasonable efforts to allocate such investment opportunity in an equitable manner among accounts for which the security is an appropriate investment, including, where appropriate, proprietary and affiliated accounts. Generally, each allocation will be made pro rata among accounts based upon the relative size of the accounts of a similar type for which the security has been determined to be an appropriate investment. However, the Advisor may deviate from a pro rata allocation in order to reflect (1) rounding, (2) minimum size requirements, (3) a desire to avoid odd lot positions, (4) cash flow requirements, (5) proximity to various account limitations, (6) portfolio balancing, (7) a determination that a trade would be unsuitable for a particular account, (8) the "ramping" of a portfolio that is not yet fully invested or (9) other good reasons. Generally, the percentage of assets in an asset type held by a fund with a particular asset bias that is "ramping" (*i.e.*, a fund that is not yet fully invested), shall be deemed to be the percentage of assets in such asset type that would be held by such fund were that account fully invested (*i.e.*, consistent with how the portfolio is expected to look when it becomes fully invested).

The Advisor considers investment opportunities to be limited for this purpose only in the following circumstances:

- The Advisor receives an allocation in an initial public offering of equity securities (“IPO”), or
- The Advisor proposes to acquire an equity security for more than one account where (a) there is a limited trading market in such equity security, such as a small cap stock with limited trading liquidity, (b) a significant market development has occurred or the Advisor's outlook for such issuer has materially changed and (c) the Advisor reasonably anticipates that if all accounts for which the security is an appropriate investment were to purchase the security, the market price of the security would increase primarily due to trading on behalf of the Advisor's clients, or
- There is limited availability to the Advisor of securities being privately placed, including limited availability of Rule 144A securities, where such security is thought by the Advisor to represent a unique investment opportunity in light of other securities available or reasonably anticipated to become available in the market.

### ***Capital Introductions Services***

From time to time, brokers (including, without limitation, prime brokers) and other counterparties may assist the fund in raising additional funds from investors by introducing the fund to prospective investors, including by permitting the fund to participate in capital introduction services provided by the broker or its affiliates. Subject to best execution, the Advisor may direct brokerage through such brokers or may engage such brokers for the provision of prime brokerage services.

### ***Review of Accounts***

Anton Schutz makes all portfolio investment decisions on a daily basis. He is responsible for monitoring the portfolio, including hedges, and for taking corrective actions if necessary. The Chief Compliance Officer also generally monitors the investments on a daily basis for excessive concentrations and unusual increases in risk and similar conditions. The Advisor provides performance reports at least quarterly to the board of trustees of Burnham Financial Services Fund or Burnham Financial Long/Short Fund. The Burnham Financial Services and Long/Short Funds issue annual and semi-annual reports to their respective shareholders.

## **Item 13 CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisor has, and may from time to time continue to enter into, agreements with third parties providing cash compensation to solicitors who secure clients for the Advisor, including investors in the Private Funds. These agreements require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, and comply with the requirement that each client subject to a referral arrangement receive a copy of the referral agreement before or at the time of entering into an agreement with the Advisor or becoming an investor in a Private Fund.

The Adviser also has entered into an agreement with ELCO Management Company LLC, as discussed in Item 10 above. Under this agreement, the Adviser will sub-advise certain separately managed accounts focused on financial sector investments, particularly banks and thrifts. In its capacity as sub-adviser, the Adviser will be responsible for securities selection and certain other management and administrative functions, subject to the oversight of ELCO Management.

#### **Item 14 CUSTODY**

As noted in Item 13 above, investors in the fund receive the fund's annual financial statements audited by an independent public accounting firm. Investors in the fund are urged to carefully review such statements.

#### **Item 15 INVESTMENT DISCRETION**

The Adviser exercises discretion in managing the investments of the fund, based on each fund's particular investment objectives, policies and strategies. For more information, please see Item 4 (Advisory Business), above.

#### **Item 16 VOTING CLIENT SECURITIES**

##### **Proxy Voting Policy**

**General Policy.** The Adviser's proxy voting policies and procedures are intended to support the ability of management of a portfolio company soliciting proxies to run its business in a responsible and cost effective manner while staying focused on maximizing shareholder value. Accordingly, the Adviser generally votes proxies in accordance with management's recommendations. However, all proxy votes are ultimately cast on a case-by-case basis, taking into account the foregoing principles and other relevant facts and circumstances at the time of the vote. For this reason, consistent with the Adviser's fiduciary duty to ensure that proxies are voted in the best interest of the Adviser's clients, the Adviser may from time to time vote proxies against management's recommendations, in accordance with the guidelines set forth in its proxy voting policies and procedures.

**Conflicts of Interest.** The Adviser reviews each proxy proposal to assess the extent, if any, to which there may be a material conflict between the interests of the Adviser's clients on the one hand and the Adviser's interests (including those of the Adviser's related persons, directors, officers, employees and similar persons) on the other hand (a "potential conflict"). The Adviser performs this assessment on a proposal-by-proposal basis, and a potential conflict with respect to one proposal in a proxy statement does not indicate that a potential conflict exists with respect to any other proposal in such proxy statement.

If the Adviser's employee determines that a potential conflict may exist, the employee promptly reports the matter to Anton Schutz. Mr. Schutz determines whether a potential conflict exists and is authorized to resolve any such conflict in a manner that is in the collective best interests of the Adviser's clients (excluding any client that may have a potential conflict). Mr. Schutz may resolve a potential conflict in any manner that meets this standard, including but not limited to the following:

- If the proposal that is the subject of the proposed conflict is specifically addressed by guidelines in the Advisor's proxy voting policies and procedures and these pre-determined guidelines involve little discretion on the Advisor's part, the Advisor may vote the proxy in accordance with these pre-determined guidelines;
- The Advisor may disclose the potential conflict to the Advisor's clients and obtain the consent of a majority in interest of the Advisor's clients before voting in the manner approved by a majority in interest of the Advisor's clients;
- The Advisor may engage an independent third-party to determine how the proxy should be voted; or
- The Advisor may establish an ethical wall or other informational barriers between the person(s) that are involved in the potential conflict and the person(s) making the voting decision in order to insulate the potential conflict from the decision maker.

The Advisor uses commercially reasonable efforts to determine whether a potential conflict may exist, and a potential conflict will be deemed to exist if and only if one or more of the Advisor's senior investment staff actually knew or reasonably should have known of the potential conflict.

#### **Limitations on the Advisor's Responsibilities.**

*Limited Value.* The Advisor may abstain from voting a client proxy if it concludes that the effect on client's economic interests or the value of the portfolio holding is indeterminable or insignificant.

*Unjustifiable Costs.* The Advisor may abstain from voting a client proxy for cost reasons (*e.g.*, costs associated with voting proxies of non-U.S. securities). In accordance with the Advisor's fiduciary duties, the Advisor weighs the costs and benefits of voting proxy proposals relating to foreign securities and makes an informed decision as to whether voting a given proxy proposal is prudent. The Advisor's decision takes into account the effect that the vote of the Advisor's clients, either by itself or together with other votes, is expected to have on the value of the clients' investment and whether this expected effect would outweigh the cost of voting.

Client Direction. Unless otherwise directed by a client in writing, the Advisor is responsible for voting all proxies related to securities that the Advisor manages for clients. A client may from time to time direct the Advisor in writing to vote proxies in a manner that is different from the guidelines in Advisor's proxy voting policies and procedures. The Advisor will follow such written direction for proxies received after the Advisor's receipt of such written direction.

Changes. The Advisor may change its proxy voting policies and procedures based upon, among other things, its experience, evolving industry practices and developments in applicable laws and regulations. Unless otherwise agreed to with a client, the Advisor's proxy voting policies and procedures may be changed without notice to, or approval by, any client.

Delegation. The Advisor may delegate proxy voting tasks to a third party, provided that the Advisor retains final authority and fiduciary responsibility for proxy voting.

Disclosure. The above description is merely a summary of the Advisor's proxy voting policies and procedures. A client whose proxies may be voted by the Advisor may request and obtain



information from the Advisor about how the Advisor has voted that client's proxies or a client may obtain a copy of Advisor's proxy voting policies and procedures upon request to the Compliance Officer, Mendon Capital Advisors Corp., 150 Allen Creek Road, Rochester, NY 14618.

**Item 17 FINANCIAL INFORMATION**

Not applicable.