

# **Commerce Advisors, LLC**

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**February 10, 2020**

## **FORM ADV PART 2A BROCHURE**

This Brochure provides information about the qualifications and business practices of Commerce Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (901) 260-6050 or [William.woodmansee@commerceadvisorsllc.com](mailto:William.woodmansee@commerceadvisorsllc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Commerce Advisors, LLC is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Commerce Advisors, LLC also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated February 15, 2019 we have no material changes to report.

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## **Item 4 Advisory Business**

### **General Information**

Commerce Advisors, LLC ("Commerce Advisors") was formed in 2009, and provides comprehensive wealth management services that include financial planning, investment strategy development and asset class selection services.

Commerce Advisors is principally owned by Commerce Holdings, LLC ("CH"). In addition to Commerce Advisors, CH owns Commerce Asset Management LLC ("CAM"). CAM offers pooled investment vehicles, separately managed account services, customized alternative investment solutions, and other investment choices that Commerce Advisors may recommend to its clients. More information is available in Item 10 - Other Financial Industry Activities and Affiliations.

### **SERVICES PROVIDED**

At the outset of each client relationship, Commerce Advisors spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and broadly identifying major goals of the client.

For those financial planning clients making this election, and for other clients who do not need financial planning but retain Commerce Advisors for portfolio management services, based on all the information initially gathered, Commerce Advisors generally develops with each client:

- a financial outline for the client based on the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile"); and
- the client's investment objectives and guidelines (the "Investment Plan").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments Commerce Advisors will make or recommend on behalf of the client to meet those goals. The Profile and the Plan are discussed regularly with each client, but are not necessarily written documents.

### **Financial Planning**

Commerce Advisors offers financial planning services to those clients in need of such service in conjunction with Portfolio Management services. Commerce Advisors' financial planning services normally address areas such as financial condition review, general cash flow planning, retirement planning, and insurance analysis. The goal of this service is to assess the financial circumstances of the client to more effectively develop the client's Investment Plan, overall risk profile and liquidity needs. Financial Planning is offered as a stand-alone service for a separate fee, but is typically provided in conjunction with the management of the portfolio.

### **Portfolio Management**

As described above, at the beginning of a client relationship, Commerce Advisors meets with the client, gathers information, and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by Commerce Advisors based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, Commerce Advisors will manage the client's investment portfolio on a discretionary or a non-discretionary basis. As a discretionary investment adviser, Commerce Advisors will have the authority to supervise and direct the portfolio without prior consultation with the client. Under a non-discretionary arrangement, clients must be contacted prior to

the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on Commerce Advisors in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Commerce Advisors.

### **Retirement Plan Advisory Services**

Establishing a sound fiduciary governance process is vital to good decision-making and to ensuring that prudent procedural steps are followed in making investment decisions. Commerce Advisors will provide Retirement Plan consulting services to Plans and Plan Fiduciaries as described below. The particular services provided will be detailed in the consulting agreement. The appropriate Plan Fiduciary(ies) designated in the Plan documents (e.g., the Plan sponsor or named fiduciary) will (i) make the decision to retain our firm; (ii) agree to the scope of the services that we will provide; and (iii) make the ultimate decision as to accepting any of the recommendations that we may provide. The Plan Fiduciaries are free to seek independent advice about the appropriateness of any recommended services for the Plan. Retirement Plan consulting services may be offered individually or as part of a comprehensive suite of services.

The Employee Retirement Income Security Act of 1974 ("ERISA") sets forth rules under which Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, Commerce Advisors will be considered a fiduciary under ERISA. For example, Commerce Advisors will act as an ERISA § 3(21) fiduciary when providing non-discretionary investment advice to the Plan Fiduciaries by recommending a suite of investments as choices among which Plan Participants may select. Also, to the extent that the Plan Fiduciaries retain Commerce Advisors to act as an investment manager within the meaning of ERISA § 3(38), Commerce Advisors will provide discretionary investment management services to the Plan. With respect to any account for which Commerce Advisors meets the definition of a fiduciary under Department of Labor rules, Commerce Advisors acknowledges that both Commerce Advisors and its Related Persons are acting as fiduciaries. Additional disclosure may be found elsewhere in this Brochure or in the written agreement between Commerce Advisors and Client.

### Fiduciary Consulting Services

- *Investment Selection Services* - Commerce Advisors will provide Plan Fiduciaries with recommendations of investment options consistent with ERISA section 404(c). Plan Fiduciaries retain responsibility for the final determination of investment options and for compliance with ERISA section 404(c).
- *Non-Discretionary Investment Advice* - Commerce Advisors provides Plan Fiduciaries and Plan Participants general, non-discretionary investment advice regarding asset classes and investments.

- *Investment Monitoring* - Commerce Advisors will assist in monitoring the plan's investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and Commerce Advisors will make recommendations to maintain or remove and replace investment options. The details of this aspect of service will be enumerated in the engagement agreement between the parties.

#### Fiduciary Management Services

- *Discretionary Management Services* - When retained as an investment manager within the meaning of ERISA § 3(38), Commerce Advisors provides continuous and ongoing supervision over the designated retirement plan assets. Commerce Advisors will actively monitor the designated retirement plan assets and provide ongoing management of the assets. When applicable, Commerce Advisors will have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in our sole discretion without first consulting with the Plan Fiduciaries. We also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Plan for our management of the designated retirement plan assets.
- *Discretionary Investment Selection Services* - Commerce Advisors will monitor the investment options of the Plan and add or remove investment options for the Plan without prior consultation with the Plan Fiduciaries. Commerce Advisors will have discretionary authority to make and implement all decisions regarding the investment options that are available to Plan Participants.
- *Investment Management via Model Portfolios* - Commerce Advisors will provide discretionary management of Model Portfolios among which the participants may choose to invest as Plan options. Plan Participants will also have the option of investing only in options that do not include Model Portfolios (i.e., the Plan Participants may elect to invest in one or more of the mutual fund options made available in the Plan, and choose not to invest in the Model Portfolios at all).

#### Non-Fiduciary Services

- *Participant Education* - Commerce Advisors will provide education services to Plan Participants about general investment principles and the investment alternatives available under the Plan. Education presentations will not take into account the individual circumstances of each Plan Participant and individual recommendations will not be provided unless a Plan Participant separately engages Commerce Advisors for such services. Plan Participants are responsible for implementing transactions in their own accounts.
- *Participant Enrollment* - Commerce Advisors will assist with group enrollment meetings designed to increase retirement Plan participation among employees and investment and financial understanding by the employees.

#### **Assets Under Management**

As of December 31, 2019 we provide continuous management services for \$159,909,897 in client assets on a discretionary basis, and \$1,323,486 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **General Fee Information**

Fees paid to Commerce Advisors are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third party consultants. Please see **Item 12 - Brokerage Practices** for additional information. Fees paid to Commerce Advisors are also separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, Commerce Advisors and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

### **Portfolio Management Fees**

Fee arrangements are individually negotiated and agreed upon with each client. Commerce Advisors and the client may agree to a fixed fee amount per year, or may agree to a fee that is calculated and assessed as a percentage of assets under management.

Both fixed fees and asset-based fees are negotiated and agreed upon based upon client expectations of service, portfolio asset size, and scope of service provided, complexity of service, risk factors and input costs. Asset based fees generally range from 0.30% to 1.50% annually, depending upon the particular client's portfolio size and specific service needs. Fees are open to negotiation subject to management approval, subject to a minimum annual fee of \$5,000.

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. With client authorization, unless other arrangements are made fees are normally debited directly from client account(s).

Either Commerce Advisors or the client may terminate their Investment Advisory Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to Commerce Advisors from the client will be invoiced or deducted from the client's account prior to termination.

### **Financial Planning**

Fees associated with stand-alone financial planning services will be a fixed fee based upon the scope, complexity and quality of the recordkeeping employed by the client.

### **Other Compensation**

One of Commerce Advisors' employees is also Registered Representative of Purshe Kaplan Sterling Investments ("PKS"), an unaffiliated broker dealer and FINRA and SIPC member. As such, he is entitled to receive commissions or other remuneration on the sale of annuities, 529 plans and 401(k) plans. Generally these investment products are consummated at the request of a client or due to the fact that the investment products commission fee is less than Commerce Advisors minimum advisory fee. To protect client interests, Commerce Advisors' policy is to disclose all forms of compensation before any such transaction is executed. Clients will not pay both a commission to this individual and also pay an advisory fee to Commerce Advisors on assets held in the same account. These lines of business are the only commission based done.

If you would like a copy of the PKS privacy notice, please contact Commerce Advisors for assistance.

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

Commerce Advisors does not have any performance-based fee arrangements. "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Commerce Advisors has no performance-based fee accounts, it has no side-by-side management.

## **Item 7 Types of Clients**

Commerce Advisors serves high net worth individuals and family offices, on a selective basis to corporate pension and profit sharing plans, charitable institutions, foundations, endowments, trusts, estates, and corporation or business entities. With some exceptions, the annual minimum fee charged is \$5,000.

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

### **Methods of Analysis**

In accordance with the Investment Plan, Commerce Advisors will invest client assets in mutual funds, exchange traded funds ("ETFs"), pooled investment vehicles (private investments) and as appropriate will utilize Separate Account Managers. Some of the recommended investments may be managed by an affiliate of Commerce Advisors; please see Item 10 below for more information.

Mutual funds, ETFs and pooled investment vehicles are generally evaluated and selected based on a variety of factors, including, as applicable and without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors.

Separate Account Managers are evaluated upon relative performance such as peer group and market comparisons focusing on risk adjusted returns.

Commerce Advisors compiles specific client information from bank custodian and brokerage statements and utilizes this information as a component of client analysis in the preparation of charts and graphs to assist in the account review process with clients. Investing in securities directly or money manager strategies involves risk of loss that clients should be prepared to bear.

### **Investment Strategies**

Commerce Advisors' overall strategic approach is to invest each portfolio in accordance with the Plan that has been developed specifically for each client. The process of developing the Plan emphasizes diversification as well as risk measures when evaluating investment strategies for possible inclusion in a client's asset allocation and portfolio. The Plan is updated over time as appropriate.

Portfolios are diversified in an attempt to manage the risk associated with traditional markets. Commerce Advisors utilizes both actively managed strategies, index-based investments and ETFs in the implementation of client portfolio strategies. Commerce Advisors uses and recommends both traditional and alternative investments. In addition, Commerce Advisors employs a variety of vehicles to gain access to the desired investment manager or passive strategy.

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

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors should review underlying disclosure information provided by investment managers such as the prospectus, private placement memorandum, etc. Investors typically face the following investment risks, however, this list is not meant to be comprehensive or address all risks that may be present in an underlying investment strategy:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security (e.g., equity, bond, mutual fund, ETF) may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Custody Risk:** The risk of loss of securities held in custody occasioned by the insolvency, negligence or fraudulent action of the custodian or sub-custodian. Even if an appropriate legal framework is in place, which eliminates the risk of loss of value of the securities held by the custodian in the event of its failure, the ability of participants to transfer the securities might be temporarily impaired.
- **Fraud Risk:** Risk associated with third party advisors seeking to outperform peer groups or beat historical performance through taking excessive risk and deviating from investment philosophy and strategy. An employee advisor engaging a third party to management client funds for self-enrichment without regard to the clients overall financial plan and risk tolerance.

## **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Commerce Advisors or the integrity of Commerce Advisors' management. Commerce Advisors has no disciplinary events to report.

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

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

Commerce Advisors' parent company, Commerce Holdings, LLC, owns 100% of Commerce Asset Management, LLC ("CAM"). CAM is a related registered investment adviser that provides portfolio management and various other types of services. Commerce Advisors may invest client funds into an ETF or other pooled investment vehicle managed by CAM, or may place client funds in CAM's Separate Account Management Program. In these instances, Commerce Advisors earns an investment advisory fee on the assets placed with CAM or placed in a vehicle managed by CAM. Commerce Advisors does not receive any type of incentive such as sales commissions or referral fees for placing assets with CAM.

Commerce Advisors may have an incentive to recommend investments in CAM's Separate Account Management Program or pooled investment vehicles because Commerce Holdings, the parent of Commerce Advisors, may receive profits from its ownership in CAM. To mitigate any conflicts of interest, Commerce Advisors will only recommend such investments on a fully disclosed basis.

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

### **Code of Ethics and Personal Trading**

Commerce Advisors has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Commerce Advisors' Code has several goals. First, the Code is designed to assist Commerce Advisors in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Commerce Advisors owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with Commerce Advisors (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Commerce Advisors' associated persons. Under the Code's Professional Standards, Commerce Advisors expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Commerce Advisors associated persons are not to take inappropriate advantage of their positions in relation to Commerce Advisors clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time Commerce Advisors' associated persons may invest in the same securities recommended to clients. Under its Code, Commerce Advisors has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

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

As outlined above, Commerce Advisors has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of other identified potential trading conflicts of interest, Commerce Advisors' goal is to place client interests first.

Consistent with the foregoing, Commerce Advisors maintains policies regarding participation in initial public offerings ("IPOs") and private placements to comply with applicable laws and avoid conflicts with client transactions. If a Commerce Advisors associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (i.e., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with Commerce Advisors' written policy.

## **Item 12 Brokerage Practices**

### **Best Execution and Benefits of Brokerage Selection**

When given discretion to select the brokerage firm that will execute orders in client accounts, Commerce Advisors seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Commerce Advisors may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of Commerce Advisors' clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

Commerce Advisors recommends that clients establish brokerage accounts with National Financial Services, LLC and Fidelity Brokerage Services LLC (collectively, and together with affiliates, "Fidelity"), a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of clients' assets. Commerce Advisors may also effect trades for client accounts at Fidelity, or may in some instances, consistent with Commerce Advisors' duty of best execution and specific agreement with each client, elect to execute trades elsewhere. Although Commerce Advisors may recommend that clients establish accounts at Fidelity, it is ultimately the client's decision to custody assets with Fidelity. Commerce Advisors is independently owned and operated and is not affiliated with Fidelity.

Fidelity provides Commerce Advisors with access to its institutional trading, custody, reporting and related services, which are typically not available to Fidelity retail investors. Fidelity also makes available various support services. Some of those services help Commerce Advisors manage or administer our clients' accounts while others help Commerce Advisors manage and grow our business. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them. These services are not soft dollar arrangements, but are part of the institutional platform offered by Fidelity. Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Commerce Advisors client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts. Fidelity also makes available to Commerce Advisors other products and services that benefit Commerce Advisors but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Commerce Advisors accounts, including accounts not maintained at Fidelity.

Fidelity's products and services that assist Commerce Advisors in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of Commerce Advisors' fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Fidelity also offers other services intended to help Commerce Advisors manage and further develop its business enterprise. These services may include: (i) technology compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Fidelity may make available, arrange and/or pay third-party vendors for the types of services rendered to Commerce Advisors. 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 Commerce Advisors. Fidelity may also provide other benefits such as educational events or occasional business entertainment of Commerce Advisors personnel. In evaluating whether to recommend that clients custody their assets at Fidelity, Commerce Advisors may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers 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.

### **Directed Brokerage**

Clients may direct Commerce Advisors to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangements that Commerce Advisors has with Fidelity are designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers can in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing Commerce Advisors to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with Commerce Advisors that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the

client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

### **Aggregated Trade Policy**

Commerce Advisors typically directs trading in individual client accounts as and when trades are appropriate based on the client's Investment Plan, without regard to activity in other client accounts. However, from time to time, Commerce Advisors may aggregate trades together for multiple client accounts, most often when these accounts are being directed to sell the same securities. If such an aggregated trade is not completely filled, Commerce Advisors will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across participating accounts on a pro rata or other fair basis; provided, however, that any participating accounts that are owned by Commerce Advisors or its officers, directors, or employees will be excluded first.

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

Managed portfolios are reviewed at least quarterly, but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by Commerce Advisors. These factors generally include, but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions. Accounts are reviewed by Woody Woodmansee, President, Vince Robinson, CEO, or Kurt Voldeng, Advisor.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. In addition, Commerce Advisors provides at least a quarterly report for each managed portfolio. This written report normally includes a summary of portfolio holdings and performance results. Additional reports are available at the request of the client.

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

As noted above, Commerce Advisors may receive an economic benefit from Fidelity in the form of support products and services it makes available to Commerce Advisors and other independent investment advisors whose clients maintain accounts at Fidelity. These products and services, how they benefit our firm, and the related conflicts of interest are described in **Item 12 - Brokerage Practices**. The availability of Fidelity's products and services to Commerce Advisors is based solely on our participation in the programs and not in the provision of any particular investment advice. Neither Fidelity nor any other party is paid to refer clients to Commerce Advisors.

### **Item 15 Custody**

Fidelity is the custodian of all client accounts at Commerce Advisors. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify Commerce Advisors of any questions or concerns. Clients are also asked to promptly notify Commerce Advisors if the custodian fails to provide statements on each account held.

From time to time and in accordance with Commerce Advisors' agreement with clients, Commerce Advisors will provide additional reports. The account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

### **Asset Transfer Authority**

Our firm or persons associated with our firm may affect third party asset transfers for client accounts with standing letters of instructions from clients for recurring transfers and for less frequent request a consent form signed by our client and advisor authorizing the custodian to affect the transfer. An adviser with authority to conduct third party asset transfers has access to the client's assets, and therefore has custody of the clients' assets in any related accounts.

## **Item 16 Investment Discretion**

As described in **Item 4 - Advisory Business**, Commerce Advisors will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney ("LPOA") is executed by the client, giving Commerce Advisors the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. Commerce Advisors then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with Commerce Advisors and the requirements of the client's custodian.

For *non-discretionary* accounts, the client also generally executes an LPOA, which allows Commerce Advisors to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between Commerce Advisors and the client, Commerce Advisors does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to Commerce Advisors' agreement with the client and the requirements of the client's custodian.

## **Item 17 Voting Client Securities**

As a policy and in accordance with Commerce Advisors' client agreement, Commerce Advisors does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact Commerce Advisors with questions relating to proxy procedures and proposals; however, Commerce Advisors generally does not research particular proxy proposals.

## **Item 18 Financial Information**

Commerce Advisors does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.