Commerce Brokerage Services, Inc.
Member FINRA/SIPC A Subsidiary of Commerce Bank

Regulation Best Interest Disclosure Statement

Please retain for your records

Commerce Brokerage Services, Inc.
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Commerce Brokerage Services, Inc. ("the Firm" or "CBSI") is providing you this disclosure ("Disclosure") in connection with the Securities and Exchange Commission's ("SEC") Regulation Best Interest.

This Disclosure summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, providing both brokerage services and investment advisory services. We are also a member firm of the Financial Industry Regulatory Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). Our brokerage services are the primary focus of this Disclosure.

For more information on our investment advisory services and how they differ from brokerage, please review the Customer Relationship Summary (or Form CRS) available at: www.commercebank.com/personal/invest.

Our Form CRS contains important information about the types of services we offer, both brokerage and investment advisory, along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information.

Please carefully review and consider the information discussed in each section below.

June 30, 2020

Securities and Advisory services provided through Commerce Brokerage Services, Inc., member FINRA, SIPC and a registered investment advisor. Insurance services offered through Commerce Insurance Services, Inc. Both entities are subsidiaries of Commerce Bank.

Brokerage Service Model and Products

Commerce Brokerage Services, Inc. is a full-service introducing broker-dealer. As such, we contract the services of National Financial Services, LLC. ("NFS") to act as our clearing firm along with other issuer and direct carriers. As a full-service firm we can meet the needs of virtually any size investor, although we are generally focused on working with retail investors looking for advice and guidance. Our Financial Advisors can make recommendations on mutual funds, annuities, and fixed income products. We do not make recommendations on equities (i.e., individual stocks) or options securities.

Brokerage Services

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments within your account. We execute through NFS purchases and sales on your behalf, and as directed by you. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

- **Cash Brokerage and Margin Brokerage Accounts**

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, NFS Clearing Services, LLC. This is generally referred to as a "margin loan". The portion of the purchase price that is loaned you is secured by securities in your account, also referred to as "collateral." You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

- **Brokerage Account Types**

We offer a variety of brokerage account types including individual and joint accounts, custodial accounts, Delivery Versus Payment (DVP) accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to our account agreement(s) for more information concerning available account types or speak with a financial advisor.

- **Incidental Brokerage Services, Recommendations and Account Monitoring**

Within your brokerage account, we may also provide other incidental services such as third-party research reports, and recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

It is important for you to understand that when our financial advisors make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation.

It is also solely your responsibility to monitor the investments in your brokerage account as it relates to investment decisions, including decisions to buy, sell, hold, and account performance. We encourage you to monitor your investments regularly. We do not commit to provide on-going monitoring of your brokerage account. If you prefer on-going monitoring of your account or investments, you should speak with a financial advisor about whether an advisory services relationship is more appropriate for you.

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Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

- **Clearing Services**

We have entered into an agreement with National Financial Clearing Services, LLC., also referred to herein as "NFS" or "Clearing Firm". In some cases NFS will custody your assets, however, if you also enter into an agreement with an issuer (such as an annuity carrier) or enroll in certain types of accounts (such as a 401K), that provider may have custody and provide additional back-office functions. We and NFS share responsibilities with respect to your account as set forth in the *Brokerage Account Customer Agreement* that was delivered to you upon opening of your account. Please refer to the 'Notices and Disclosures' section of the *Brokerage Account Customer Agreement* for more information on such delegated responsibilities between CBSI and NFS.

- **Understanding Risk**

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your "risk tolerance," meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. We align risk tolerances with investment needs to offer you different investment objectives from which to choose (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investment goals typically have different time horizons and different income and growth objectives. Generally, investment goals are on a spectrum, with "Income" investors typically holding the smallest percentage of higher-risk investments, followed by "Growth and Income" investors holding *some* higher-risk investments, and finally "Growth" investors holding a significant portion of their portfolio in higher-risk investments. Risk tolerance also varies, and we measure it on a continuum that increases from "Conservative" to "Moderate" to "Aggressive," and finally "Trading and Speculation." Following are the customer suitability profile terms and definitions that CBSI (through our Clearing Firm) utilizes in the new account opening documents:

Customer Suitability Profile Terms and Definitions

- **Investment Objectives**

  The typical investments listed with each objective are only some examples of the kinds of investments that have historically been consistent with the listed objectives. However, CBSI cannot assure that any investment will achieve your intended objective. You must make your own investment decisions and determine for yourself if the investments you selected are appropriate and consistent with your investment objectives.

- **Preservation of Capital:** You seek to maintain the principal value of your investments and are interested in investments that have historically demonstrated a very low degree of risk of loss of principal value. Some examples of typical investments might include money market funds and high quality, short term fixed income products.
- **Income:** You seek to generate income from investments and are interested in investments that have historically demonstrated a low degree of risk of loss of principal value. Some examples of typical investments might include high quality, short and

medium-term fixed income products, short-term bonds funds and covered call options.

- **Capital Appreciation:** You seek to grow the principal value of your investments over time and are willing to invest in securities that have historically demonstrated a moderate to above average degree of risk of loss of principal value to pursue this objective. Some examples of typical investments might include common stocks, lower quality, medium term fixed income products, equity mutual funds and index fund.
- **Speculation:** You seek a significant increase in the principal value of your investments and are willing to accept a corresponding greater degree of risk by investing in securities that have historically demonstrated a high degree of risk of loss of principal value to pursue this objective. Some examples of typical investments might include lower quality, long-term fixed income products, initial public offerings, volatile or low-priced common stocks, the purchase or sale of put or call options, spreads, straddles and/or combinations on equities or indexes, and the use of short term or day trading strategies.
- **Trading Profits:** You seek to take advantage of short-term trading opportunities, which may involve establishing and liquidating positions quickly. Some examples of typical investments might include short-term purchases and sales of volatile or low-priced common stocks, put or call options, spreads, straddles and/or combinations on equities or indexes. This is a high-risk strategy.

❖ Investment Risk Tolerance

Investing involves risk. Different investment products and strategies involve different degrees of risk. The higher the expected returns of a product or strategy, the greater the risk that you could lose most of your investment. Investments should be chosen based on your objectives, timeframe, and tolerance for market fluctuations.

- **Conservative:** You want to preserve your initial principal in this account, with minimal risk, even if that means this account does not generate significant income or returns and may not keep pace with inflation.
- **Moderately Conservative:** You are willing to accept low risk to your initial principal, including low volatility, to seek a modest level of portfolio returns.
- **Moderate:** You are willing to accept some risk to your initial principal and tolerate some volatility to seek higher returns and understand you could lose a portion of the money invested.
- **Moderately Aggressive:** You are willing to accept high risk to your initial principal, including high volatility, to seek high returns over time, and understand you could lose a substantial amount of the money invested.
- **Aggressive:** You are willing to accept maximum risk to your initial principal to aggressively seek maximum returns, and understand you could lose most, or all, of the money invested.

❖ Investment Time Horizon

- **Short:** 0-5 years
- **Intermediate:** 6-10 years
- **Long:** Over 10 years

○ Bank Deposit Sweep Program

If you choose a Bank Deposit Sweep Program as your core account investment vehicle, cash balances in your account will be automatically swept into interest bearing deposit accounts at one or more federally insured banking institutions that are participating in the Bank Deposit Sweep Program. Please refer to the Bank Sweep Deposit Program disclosures in the *Brokerage Account Application* that was provided to you at account opening.

○ Account Minimums and Activity Requirements

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on- going balance requirements that must be maintained, or your brokerage account will be closed. These requirements are detailed in the account agreement(s) you receive when you open your brokerage account.

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Minimum asset requirements are disclosed to you orally by your financial advisor.

Brokerage Fees and our Compensation

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

- ***Transaction-Based Fees***

You will pay transaction-based fees for trades you decide to enter into, such as buying and

selling stocks, bonds, Exchange Traded Products (ETPs), mutual funds, annuity contracts, exercising options and other investment purchases and sale. These transaction-based fees are generally referred to as a "commission," "mark up," "sales load," or a "sales charge." Transaction-based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

- ***Account and Service Fees***

You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions. You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you.

- **Mutual Funds Fees**

We currently offer numerous mutual funds varying in share class structure and investment style. However, our Financial Advisers only make recommendations on a limited number of pre-approved fund families and insurance carriers from the firm's Approved Product Menu. If you invest in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described below.

- **12b-1/Shareholder Service Fees**

Annual 12b-1 fees, also known as trails, are paid by the fund and paid to us out of fund assets under a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset- based fees charged by the fund family. These fees range from 0.00% to 1.00%, but the majority of these fees are below 0.85%. These fees may be passed on to us and may in turn be passed on to your Financial advisor as a commission.

- **Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC)**

Front-end sales charge fees may be charged and paid to us, including your Financial advisor, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your Financial advisor if you believe you are eligible for sales charge waivers.

CDSC is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 5.50%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your Financial advisor. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund. Please note that 12b-1s and similar fees or compensation received in connection with our affiliated funds are not received, or are rebated, on ERISA assets held in Advisory Program accounts.

- ***Annuities***

Our annuities consist of fixed, index, and variable annuities. Under arrangements with insurance companies, we, including your Financial advisor, receive commissions from the insurance companies for the sale of annuities, as well as trail commissions, and they are considered indirect compensation. Commissions and trails paid to us vary by product type and may vary by insurance carrier.

- ***Unit Investment Trusts (UITs)***

The UITs we offer consist of Equity and Fixed-Income UITs. We, along with your financial advisors, are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are described below and are disclosed via the prospectus issued by the UIT provider. Your financial advisor can provide you a copy of the most recent prospectus. The UIT provider deducts fees as compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus.

Operational Fees

We receive compensation for various operational services provided to you through a brokerage account. Our fee schedule for operational services ("miscellaneous fees") can be found at: www.commercebank.com/brokerage

Trade Corrections

If the trade error was not due to customer error, the loss incurred (if any) will be charged to the firm.

Compensation for Termination of Services

Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable), IRA termination fees (when applicable), and account transfer fees, the firm would not receive any additional compensation in connection with the termination of its services. If you have questions or need additional copies, contact your financial advisor.

Brokerage – Excluded Advisory Assets

As described above, our brokerage services differ from our advisory services. However, in some instances we may allow an advisory Customer to trade what are referred to as "excluded assets" or "unsupervised assets" within their advisory services account that are not part of the supervised advisory model. Excluded or unsupervised assets are not subject to our advisory program fees and must be pre-approved to be held or traded. Instead of the program advisory fees, these pre-approved excluded assets may be subject to our standard brokerage commission schedule when traded. Please note that not all unsupervised asset trades are charged, and that pre-approval is needed for proper system coding.

Conflicts of Interest

Commerce Brokerage Services, Inc. ("CBSI") has an obligation to act in the best interests of its Customers. We want to disclose all potential and real conflicts of interest that may materially affect a Customer's decision to conduct business with CBSI, although it may be impossible to list conflicts that we may not have even yet considered. CBSI, and its supervised Financial Advisers are required to disclose our conflicts of interest to Customers and mitigate all those if possible, or try to control the conflicts if mitigation is not possible:

A conflict of interest occurs when a supervised person's (e.g., Financial Adviser) private interest interferes with the interest of or the service to CBSI or any of its

Customers. The firm has the responsibility to avoid all circumstances that might negatively affect or appear to affect its duty of complete loyalty to its Customers. No one supervised by CBSI will engage in any conduct or act directly, indirectly or through any other person that would be unlawful for such person to do under the provisions of any rules and regulations. If a supervised person is unsure whether a situation would be considered a conflict of interest, the supervised person will consult their Direct Supervisor and/or the Compliance Department before taking an action that may result in a conflict of interest.

There are at least six major responsibilities that overlap in many ways:

- To place the interests of Customers ahead of the interests of the adviser and its personnel;
- To act with the skill, loyalty, reasonable care, diligence, and good judgment of a professional;
- To provide full and fair disclosure of all-important facts;
- To avoid conflicts of interest;
- To not mislead Customers;
- To disclose all conflicts of interest to Customers and have fair dealings in the Customer's favor and mitigate any unavoidable conflicts.

If an adviser is putting their Customers' interests first, then the adviser will not mislead Customers. And if the adviser is not misleading Customers, then they are providing full and fair disclosure, including disclosure of any conflicts of interest, including:

- Any interest the firm or a supervised person may have in any recommendations made;
- Compensation received from the issuer of a security being recommended by CBSI or any or its supervised persons, including special marketing allowances;
- Self-dealing conflicts between interests of Customers and Financial Advisers. Personal securities transactions for the firm and its supervised persons and whether the transactions are similar or inconsistent with investment advice given to Customers. Supervised persons may not affect transactions in which they have a personal interest in a manner that could result in preferring their own interest to that of CBSI's Customers; and
- Any financial related business affiliations that CBSI has entered into. In addition, any outside business activities of CBSI's supervised persons (i.e., Financial Advisers).
- Conflicts between duties to Customers and the adviser's legal requirements.

There are some conflicts of interest that can be mitigated, some that can be eliminated, and those that can only be disclosed.

CBSI will 1) Maintain and amend as needed internal standards, policies, procedures and controls to promote compliance with the Code of Ethics 2) Perform periodic internal and external reviews and audits of the company's standards, policies, and procedures 3) Provide on-going training 4) Provide an environment that encourages persons to disclose confidential concerns regarding any potential violations of other employees 5) Establish clear lines of accountability for the company's internal policies and procedures, including provisions related to the responsibilities of employees, officers and directors with appropriate oversight by the Compliance Department.

CBSI has identified the following conflicts of interest:

❖ Compensation we receive from customers

Transaction-Based Conflicts

In your brokerage account you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial advisor receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all. The customer pays a commission to the firm each time the customer buys or sells a stock, bond, mutual fund, exchange traded funds (ETFs) or certificates of deposit (CD).

The Firm does not share any excess Compensation over the leveled Compensation with the Adviser or any other party. Nevertheless, the fact that the Firm receives higher Compensation on some products versus others creates a conflict by incentivizing Advisers to recommend products on which the Firm makes more money.

The total commissions the customer pays depends on the number of transactions made in your Brokerage account and the amount of principal involved in the transactions. These payments create a conflict between the customer's interests and the Firm's relating to Recommendations regarding the number of transactions, the amount to invest per transaction, the duration of the investments, and the allocation of investment amounts between different securities and different types of securities.

We also base compensation on production thresholds in which the more revenue generated by a Financial Advisor the higher the Financial Advisor's compensation is based on an increasing payout.

Discounting

Our Financial Adviser has the ability to discount the commission the Customer pays on certain investments. These discounts create a conflict of interest between the Customer's interests and the Firm's because our compensation is negatively impacted when commissions are discounted.

Markups and markdowns for riskless-principal transactions

When you buy or sell securities in a CBSI account, and in accordance with industry regulations, we may impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a riskless principal basis. The firm does not engage in principal trading activities as it does not maintain a proprietary trading account. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price.

We maintain policies and procedures designed to help ensure compliance with the markup and markdown industry rules.

Account maintenance and other administrative fees

For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in our fee schedule. The higher the fees we charge, the more we are compensated.

Approved Product List

The Firm limits Recommendations to products available through an Approved Product List (or menu). The approved product list does not contain the entire universe of securities products available in the marketplace or that may be available through other broker-dealers or investment advisory firms. Considering the differences in the way some product partners compensate the Firm and the Advisers as compared to others; this creates a conflict of interest.

Rollovers

When the customer invests with the firm as a result of a recommendation to rollover or transfer the customer's assets from an employer-sponsored plan or another brokerage firm or investment adviser, the firm receives compensation. This compensation creates a conflict between the customer's interests and the firm's because the firm's compensation is based, in part, on the assets placed with the firm. In addition, in a rollover from an employer-sponsored plan, a conflict exists because the compensation received by the Firm and the Adviser will generally be greater than that received in the plan.

Distributions

Compensation and performance incentives may cause a conflict between the Customer's interests and the Firm's when the Adviser provides recommendations for distributions from any of the Customer's IRAs. When the Customer makes a distribution from an IRA, certain commissions or sales charges may be generated. Further, if the Customer has both a transaction-based IRA and an advisory program IRA, the Firm may have been incentive to advise the Customer to take a distribution from the Customer's transaction-based IRA and not the Customer's advisory program IRA because the distribution would generate additional transactional revenue and would not affect the amount of the Customer's asset-based fee in the Customer's advisory program IRA.

Transaction-based IRAs vs. Advisory Programs IRAs

The customer may be eligible to invest retirement assets in an asset-based fee advisory program IRA. Instead of paying a commission per transaction, the customer would pay a fee based on a percentage of the market value of the assets held in the Customer's account for the services the Firm provides. Fee-based IRA accounts may offer additional types of investment options, including mutual funds. Depending on the customer's circumstances, including the number of transactions the customer anticipates making and what services the customer wants, an advisory program can be more or less expensive than a transaction-based IRA. Typically, the Firm would earn more in upfront commissions in a transaction-based IRA. On the other hand, the Firm would typically earn more over time if the customer invests in one of the firm's fee-based advisory programs. These differences in compensation create a conflict between the Customer's interests and the Firm's when recommending the type of account most appropriate for the Customer.

❖ Compensation We Receive from Third Parties

Third-party payments we receive may be based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or adviser).

We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. Ongoing compensation from Product Sponsors may be received by us and shared with our financial advisors. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

Third Party Payments

Third Party payments are how we get compensated when we do transactions. Examples of Third-Party Payments are commissions, 12b-1 fees, and payments from firms that offer their products for us to sell. The Firm may receive additional fees, including management fees, 12b-1 fees or administration fees for services performed in the capacity of an investment advisor, or in any other capacity, for any mutual fund.

Non-Cash Third-Party Incentives

Third-party providers, including variable annuity product partners, annuity wholesalers, investment managers, ETF wholesalers, and insurance distributors, may also give financial advisors gifts up to a total value of $100 per provider per year, consistent with industry regulations. Third parties may occasionally provide financial advisors with meals and entertainment of reasonable value. These incentives create a conflict between the Customer's interests and those of The Advisor and may cause the Customer's financial advisor to recommend those product partners that provide these noncash incentives.

Variable Annuity Compensation

If the customer invests in a variable annuity, the Customer pays a premium to the insurance company for each purchase. The Customer also pays the insurance company internal fees and costs for owning the variable annuity. The insurance company pays the Firm an up-front commission and also ongoing service fees or "trail commissions". The commission is determined by the insurance company and is generally higher than if the Customer invested in stocks, bonds, ETFs or CDs. These payments create a conflict between the Customer's interests and the Firm's when the Firm recommends that the Customer purchase or hold a variable annuity, as opposed to invest in other investment alternatives. Additionally, when the Customer purchases a variable annuity, the Customer may be eligible for a breakpoint discount based on the amount of the Customer's investment. The Firm may have an incentive to advise the Customer to avoid breakpoint discounts, and this incentive creates a conflict of interest.

Proprietary Products

The Commerce Family of Mutual Funds has been removed from the firm's list of approved products for retirement accounts. Recommending proprietary products in an IRA account would create a conflict of interest because there may be an incentive to recommend Proprietary Products over third party products because of additional compensation the Firm may receive from them.

❖ *Additional Compensation from Product Sponsors and Other Third Parties*

Training and Marketing Incentives

Third-party providers such as variable annuity product partners, annuity wholesalers, investment managers, ETF wholesalers, and insurance distributors may reimburse and/or pay certain expenses on behalf of financial advisors and the firm, including training expenses, and marketing. Training of the Adviser can occur at branches, seminars, or other events. The training focuses on, among other things, the third-party provider's products, suitability, product literature, and product support. These incentives create a conflict between the Customer's interests and those of the Adviser and may cause the Adviser to recommend those product partners that provide marketing and educational opportunities and to whom the Adviser has greater access.

Although training and education compensation is not related to individual transactions or assets held in Customer accounts, it is important to understand that, due to the total number of product providers whose products we offer, it is not possible for all companies to participate in a single meeting or event. Consequently, those product providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with Financial advisors; these relationships could lead to sales of that company's products. We and our Financial Advisers, associates, employees, and agents may receive additional compensation from Product Sponsors and other third parties including:

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective Customers.
- Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and financial advisors, and for conferences and events that we sponsor, such as our annual Financial Adviser sales conference.

<u>Note</u>**:** The amount of these payments is not dependent or related to the level of assets you or any other of our Customers invest in or with the Product Sponsor.

Product Share Classes

Some Product Sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us.

Revenue Sharing

The firm does not currently receive additional compensation in the form of revenue sharing from insurance companies, or the entity that markets an annuity contract. Firms may receive additional compensation from insurance companies for the sale and ongoing service support of variable annuities. It is not an additional charge to the Customer. These payments are in addition to commissions, sales charges, enforce contract service fees, and reimbursements for education, marketing support and training-related expenses.

Payment for Order Flow

Not Applicable. CBSI does not receive Payment for Order Flow.

Research

CBSI does not provide Investment Research reports on individual stocks. Any research we provide to our customers is educational and/or market related in nature, and is not product specific

❖ Compensation received by our Financial Advisors

Financial advisors are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to Customers and/or total assets under advisement, including brokerage account activity. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or "trail" payments. Thus financial advisors are incentivized to recommend products that have higher fees as well as those with on-going payments. Typically, a financial advisor's payout schedule (periodically adjusted by us at our discretion) increases with production and asset levels. The Firm levels Compensation payments to Advisers by product type (e.g., mutual funds or variable annuities) and product category (e.g., by share class). The firm does not incentivize Financial Advisers to sell any product or product type over another. Financial advisors also may be eligible for annual or ongoing bonuses and deferred compensation awards based upon a variety of factors that may include reaching certain production levels, tenure with the firm, asset gathering, referrals to affiliates or other targets.

As a result, financial advisors have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Financial advisors have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Financial advisors are incentivized to recommend you transition your brokerage services account to an advisory account to generate on-going revenue where your brokerage account has minimal activity. Financial advisors also have an incentive to provide higher levels of service to those Customers who generate the most fees.

❖ *Other Financial Advisor Activities*

Financial advisors who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their "book of business" through asset accumulation or brokerage trades that are not in your best interest. Financial advisors who receive Customers from a retiring financial advisor are incentivized to meet growth goals and may make recommendations not in your best interest. Internal campaigns and recognition efforts incentivize financial advisors to engage in activities to reach incentive goals.

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Additional Resources

Free and simple tools are available for you to use at www.investor.gov/CRS
a website maintained by the SEC. These tools can provide you with educational materials about broker-dealers, investment advisers, and investing.

Or visit: www.brokercheck.finra.org/ which is a free tool to research the background and experience of financial brokers, advisers and firms.

You can always ask your financial professional for more information, contact our firm by phone, and request a copy of the Customer Relationship Summary at (800) 772-7283, option 2.