

**SEC # 801-66509**

**COMMERCE BROKERAGE SERVICES, INC.  
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**Strategic Financial Solutions  
Investment Manager Account**

**March 2009**

**THIS BROCHURE PROVIDES CLIENTS WITH INFORMATION ABOUT COMMERCE BROKERAGE SERVICES, INC., FUNDQUEST, INC. AND THE STRATEGIC FINANCIAL SOLUTIONS PROGRAM THAT SHOULD BE CONSIDERED BEFORE BECOMING A CLIENT OF THE PROGRAM. THIS INFORMATION HAS NOT BEEN APPROVED OR VERIFIED BY ANY GOVERNMENTAL AUTHORITY.**

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**Cross Reference Sheet**  
**Provided Pursuant to SEC Requirements**

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## **Commerce Brokerage Services, Inc.**

Commerce Brokerage Services, Inc. ("CBSI") is a registered securities brokerage firm and a federally registered Investment Adviser. CBSI is also a licensed insurance agency in the states of Missouri, Illinois and Kansas.

CBSI is registered with the Securities and Exchange Commission and with a number of State Securities Commissions, including the state of Missouri. CBSI is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). CBSI is actively engaged in the securities business and offers a full range of investment products, including life insurance and annuities.

CBSI offers advisory services on a non-discretionary basis to its Clients.

Additional information regarding CBSI and the programs available through CBSI can be found in the Commerce Brokerage Services, Inc Form ADV Part II.

## **Affiliate Companies**

CBSI is a wholly owned subsidiary of Commerce Bank, a National Association, which in turn is wholly owned by Commerce Bancshares Inc., a publicly owned company. CBSI is an affiliate of Commerce Investment Advisers ("CIA"), a Registered Investment Adviser, which is the portfolio manager for Commerce Funds, a Registered Investment Company, which is also an affiliate of CBSI.

CBSI, in its capacity as an adviser and in its capacity as a brokerage firm, does not hold Client accounts or securities. Client accounts are held on a fully disclosed basis with National Financial Services LLC ("NFS"), the "carrying broker". Clients opening a Strategic Financial Solutions account are required to open a brokerage account with NFS. NFS will execute and clear purchase and sale orders directed to it by FundQuest, Sub-Adviser(s) and/or CBSI. NFS will also be "custodian" for the account assets. Additional information regarding the role of NFS is contained in the Investment Advisory Agreement.

## **CBSI Adviser Services**

In offering the Strategic Financial Solutions program to Clients, CBSI provides professionally managed, fee-based advisory programs through an arrangement with FundQuest, Incorporated ("FundQuest"). CBSI will also act in the capacity as program sponsor ("Provider") and as a sub-adviser for Clients that wish to establish accounts to be managed on a discretionary basis by FundQuest and/or other advisers or Sub-Advisers. The programs offered are the Portfolio Manager Account, the Investment Manager Account, the Fund Manager Account, the ActivePassive Portfolios<sup>®</sup> and the Asset Manager Account. Information regarding the Fund Manager Account, Portfolio Manager Account, ActivePassive Portfolios<sup>®</sup> and the Asset Manager Account programs is contained in their respective Program

Brochure, Investment Advisory Agreement and the Commerce Brokerage Services, Inc Form ADV Part II.

### **Investment Manager Account (“Program”)**

CBSI and its Financial Consultants will act as the Program Provider and Financial Consultant, respectively, as described in the Investment Adviser Agreement and FundQuest Form ADV Part II, and will introduce Clients to FundQuest and/or Sub-Adviser(s) which meet the established account criteria and minimum dollar investment requirements. CBSI works with each Client to develop a Personal Investor Profile identifying the Client's goals, risk tolerance, time horizon and other factors that influence investment approach. The Client, through their responses to the Investor Profiling Questionnaire, enables the FundQuest portfolio modeling program and the Financial Consultant to recommend selected Sub-Advisers, identified by FundQuest, to help the Client meet their financial goals.

In working with each Client and using specialized software designed and provided by FundQuest, CBSI produces an Investment Strategy Report which proposes an asset allocation strategy and portfolio managers based on the Client's profile.

The Client must review and approve the proposed asset allocation and portfolio. Once approved, the Client with CBSI's assistance, is required to establish a brokerage account with CBSI, which is held by/at NFS (the “carrying broker” and “custodian”) and signs the Investment Advisory Agreement authorizing CBSI's, FundQuest's and Sub-Adviser's(s') management of the account in accordance with the Personal Investor Profile and the Investment Strategy Report.

The Financial Consultant will assist each Client in completing the required account documentation and will forward this information for CBSI's review and evaluation. CBSI will then input the Client information into the NFS system, which will be available to FundQuest and your designated Sub-Adviser(s). Refer to the Commerce Brokerage Services, Inc. Form ADV Part II, the FundQuest Form ADV Part II and Investment Advisory Agreement for additional information regarding the role of CBSI, CBSI Financial Consultants, NFS, FundQuest and Sub-Advisers.

This Program includes multiple accounts (“Sub-Accounts”) managed by registered investment advisers (“Sub-Advisers”). FundQuest, through its due diligence and review process, maintains a recommended Sub-Adviser roster for each portfolio model or asset class offered. FundQuest bases its selection on research it produces, obtains or supplies, or uses in conjunction with other investment research tools. The Sub-Adviser(s) selected by the Client shall have discretion to manage the investments, typically in stocks and bonds, in their designated Sub-Account. Each Sub-Adviser bases its investment selection on research it produces, obtains or supplies, or uses in conjunction with other investment research tools. The Sub-Adviser(s) will allocate the Client's assets among various investments based on their investment style. This portfolio may be limited by any reasonable restriction placed on the account by the Client.

FundQuest and the Sub-Adviser(s) will have access to the Client's personal and financial account information and, if granted, have discretionary authority to rebalance and manage the Client's portfolio. FundQuest and Sub-Adviser(s), through an arrangement with NFS and other services providers, established their procedures and systems to download information contained on the NFS client database. Additional information regarding FundQuest's, Sub-Adviser's(s') and their service provider's access to Client information, investment account data and their respective privacy policies, are contained in the Investment Advisory Agreement.

### **Conflicts of Interest**

In its role as an Investment Adviser, CBSI will minimize or limit the potential for conflict of interest. CBSI, in order to preclude conflicts interest, whether as an Investment Adviser or a broker-dealer, has established procedures to preclude conflicts of interest. These procedures include, but are not limited to, the acceptance of Client investment instructions, the entering of orders, and the routing and/or trade execution of orders. In order to prevent a potential conflict of interest for CBSI, the Commerce Funds family will not be included in the Strategic Financial Solutions program. In addition, each Client may chose when establishing a Program account, or at any time when rebalancing the Program account, to specifically exclude Commerce Bancshares common stock from their portfolio.

The possible long term difference between the management costs of an account being managed, when compared to the level of activity and or the costs that an unmanaged or passive investor's account may incur, creates a possible financial incentive and a potential conflict for a Financial Consultant to recommend the managed account Program over other comparable programs or unmanaged account services.

CBSI may benefit from volume based clearing charge discounts resulting from the Program executing trades through Commerce Brokerage Services, Inc. /NFS and thereby has the potential of a conflict of interest in not recommending alternative brokerage firms.

CBSI may engage in transactions as a brokerage firm or insurance agency for clients and their other accounts, established at the brokerage firm or insurance agency, which are separate from the designated advisory Strategic Financial Solutions accounts.

### **Fee Schedule**

The fee schedule set forth below will be in effect for the Program unless otherwise agreed to by all parties. Fees are calculated quarterly in arrears based on the average daily value of the Program account(s) and are debited from the Program account(s) at the beginning of the following quarter.

The preferred opening minimum account value of cash or investment assets for an Investment Manager Account is:

Advantage Program:       \$750,000  
Select Program:           \$150,000

Program account(s) will generally maintain, based on the Sub-Adviser's(s') investment style, a balance in cash or cash equivalents, typically ranging between 1 and 3 percent.

Each Investment Manager Account will have one account established to operate as the Household Account. This account is used to fund the Sub-Account(s) through the deposit of funds or securities. There are no management fees for assets held in the Household Account.

Program investments held in equity Sub-Adviser Sub-Accounts will be charged the fee under the Investment Manager Account Equity Annual Fee Schedule. Program investments held in fixed income Sub-Adviser Sub-Accounts will be charged the fee under the Investment Manager Account Fixed Income Annual Fee Schedule.

The "Combined Fee" portion of the fee schedule, as follows, is negotiable and in certain cases may be waived by CBSI and includes all Sub-Adviser fees. Sub-Adviser fees vary depending on your choice of a Sub-Adviser and the following Fee Schedule. Sub-Adviser fees typically range from .35% to .5% for Equity Sub-Advisers and .25% to .35% for Fixed Income Sub-Advisers. Individual Sub-Adviser fees are applicable only to the investments managed in their specific Sub-Account. The fees charged may differ between Clients holding similar portfolios or having the same size of assets under management, regardless of the type of Program account selected. There are other factors that may impact the fees charged on an account including, but not limited to, prior business relationships, the anticipated number or volume of trades and anticipated future services.

**Investment Manager Account Equity  
Annual Fee Schedule**

	<u>FQ Fee</u>	<u>Combined Fee</u>	<u>Total Fee</u> *
1st \$500,000	0.27%	2.23%	2.5%
Next \$500,000	0.22%	1.98%	2.2%
Next \$4 million	0.17%	1.78%	1.95%
Over \$5 million	0.17%	1.48%	1.65%

## Investment Manager Account Fixed Income Annual Fee Schedule

	<u>FQ Fee</u>	<u>Combined Fee</u>	<u>Total Fee*</u>
1st \$500,000	0.22%	1.73%	1.95%
Next \$500,000	0.17%	1.48%	1.65%
Next \$4 million	0.14%	1.36%	1.5%
Over \$5 million	0.14%	1.16%	1.3%

“\*” Total Fee column represents the maximum investment management fee CBSI will charge the Client. “FQ Fee” refers to the fee FundQuest will charge CBSI.

Clients with multiple Strategic Financial Solutions accounts (as owner or for their benefit), and accounts for their immediate family members (spouse and legal dependents residing at the same address) may elect to link qualified accounts (Asset Manager, Fund Manager, Portfolio Manager, and Investment Manager) for fee calculation purposes. The ActivePassive Portfolios<sup>®</sup> program is not eligible for account linking for fee calculation purposes. By linking qualified accounts, a portion of the combined accounts may qualify for the next lower fee level, which would in effect reduce the overall account fee compared to the fee payable if each account were calculated separately. See the Investment Advisory Agreement for additional information and limitations.

### Comparable Service Fees

Based on the total assets in the Program, each Client is able to establish the cost of the services provided through the Investment Manager Account program and compare such costs to the costs of similar services provided by other programs. A Client may invest at a lesser overall fee or cost by investing in the market directly and incurring normal brokerage and transaction charges or by investing in securities or other products with similar objectives as the securities available through this Program. See the FundQuest Form ADV Part II and the Investment Advisory Agreement for additional discussion and criteria relating to costs of the Program and services.

### Compensation

CBSI and its Financial Consultants are compensated based upon Client's participation in the Program. The portion of compensation received by CBSI and paid to the Financial Consultant may vary based upon changes to the Financial Consultant incentive programs, bonus compensation plans or attained production level. The amount of compensation received may be more than the compensation received if the Client paid separately for investment advice, brokerage, and other services, and CBSI and its Financial Consultants may therefore have a financial incentive to recommend the Investment Manager Account program over other programs or services available. CBSI believes the services provided, through the



Investment Manager Account program, to each Client are appropriate for the level of fees that will be charged to each account.

### **Additional Fees**

The advisory fees associated with this Program, indicated in the Total Fee column of the Annual Fee Schedule, includes all FundQuest, Sub-Adviser and CBSI costs that may be incurred in an Investment Manager Account, including the cost of transactions, and other fees normally associated with a managed advisory account. Custodial/account fees for accounts (including IRA fees), are subject to the normal CBSI brokerage and/or NFS fees or charges.

Clients opening a Qualified Account, such as an IRA, SEP or other Qualified Account, are subject to the fees and charges from the account custodian, which is NFS. All applicable fees are detailed for this type of account in the NFS Premiere Select Custodial Agreement and Disclosure Statement.

Clients, who either do not participate in the Investment Manager Account program or have accounts not part of the Investment Manager Account program (i.e. CBSI brokerage accounts) will incur the normal brokerage and transaction charges for their non-Investment Manager Accounts.

Certain charges may be imposed by outside Issuers or other third-parties in connection with investments held in the Program account. This includes, but is not limited to, the following types of charges: mutual fund 12b-1 fees, mutual fund management fees, mutual fund short-term redemption fees, Issuer administrative servicing fees, certain deferred sales charges on previously purchased mutual funds, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees. Other parties may also receive a portion of these outside Issuer or third-party fees. Further information regarding charges and fees assessed by a mutual fund or other securities sponsor or portfolio manager is available in the appropriate prospectus or disclosure statement.

The FundQuest Form ADV Part II and the Investment Advisory Agreement detail the circumstances where FundQuest, NFS or CBSI may receive additional remuneration, either direct or indirect, for transactions or money market investments. CBSI could indirectly be a beneficiary of FundQuest or NFS remuneration by virtue of it being a fully disclosed broker dealer with NFS.

### **Selection of Portfolio Managers and Sub-Advisers**

FundQuest portfolio managers are assigned as described in the FundQuest Form ADV Part II and the Investment Advisory Agreement. They will be monitored by the FundQuest Investment Committee.

FundQuest, through its due diligence and review process, maintains a roster of recommended Sub-Advisers for each portfolio model or asset class offered. FundQuest, based upon their policy guidelines, will decide which Sub-Advisers are eligible for inclusion on the recommended roster. All Sub-Advisers shall enter into

appropriate, standard-form sub-advisory contracts with FundQuest obligating each Sub-Adviser to perform its respective duties in accordance with the requirements of the Program.

FundQuest will select the Sub-Advisers for each portfolio model or asset class offered under the “Advantage” Investment Manager Account. The Financial Consultant, working with the Client, will recommend the Sub-Adviser(s) for each portfolio model or asset class offered under the “Select” Investment Manager Account. Under both the Advantage and the Select Programs, the Client will review and make the final selection of the Sub-Adviser(s).

Client will make the selection of the Sub-Adviser(s) for their Program account. The selected Sub-Adviser(s) shall have discretion to manage the investments of each Client under the oversight of FundQuest/Provider without the prior consultation with the Client, except as set forth in the Investment Advisory Agreement. Information regarding FundQuest policies is contained in the FundQuest Form ADV Part II.

CBSI will not make the selection of the FundQuest assigned portfolio managers. This selection will be made by FundQuest based upon their policy guidelines.

### **Evaluation of Portfolio Managers and Sub-Advisers**

The Financial Consultant will contact each Client on a periodic basis. The Financial Consultant is available to discuss the account and the current performance of the assets in the account using the performance reports generated by FundQuest. CBSI, or its Financial Consultants, will not review the accuracy of the information provided by FundQuest’s system, nor will it review or compare the performance of the model portfolios to other portfolios or other money managers. Any comparisons made by FundQuest in its update reporting process are described in the FundQuest Form ADV Part II.

CBSI will not directly advise on the investment portfolio strategies to be employed by the advisory firm or by the portfolio manager(s) and/or Sub-Adviser(s). In opening an Investment Manager Account, the Client may restrict investment choices for their portfolio, but in no instance will they have the ability to select a security deemed unacceptable by FundQuest or CBSI. CBSI will not independently review the FundQuest or Sub-Advisers investment rebalancing activity in the Investment Manager Account, but will be available to review with the Client the Quarterly Performance Report generated by FundQuest. See the FundQuest Form ADV Part II for further information.

## **Information**

Each Client who applies to the Program will be required to complete FundQuest, CBSI and NFS materials, which includes the Investor Profiling Questionnaire. It is each Client's responsibility to keep their financial information current in order to keep the risk assessment and portfolio allocations accurate. In the CBSI meetings with Clients, (or at other times at the request of a Client) a Client will be able to update their Personal Investor Profile. CBSI will document the changes and submit the updated information to NFS and FundQuest.

## **Contacts with Portfolio Manager and Sub-Adviser**

Each Client will be able to talk to his or her Financial Consultant directly on an ongoing basis. The Client will be able to update their financial information by contacting the Financial Consultant and/or CBSI. Updates to Client's information are made available to FundQuest, through their access to the Client's NFS account records; changes to the Investment Strategy Report; or updates directly with FundQuest.

The Financial Consultant will also be available to coordinate a conference call between the Financial Consultant, the FundQuest portfolio manager, Sub-Adviser and the Client. FundQuest recommends that inquiries be made through CBSI or the Financial Consultant. Details on how to contact the portfolio manager and/or Sub-Adviser are contained in the FundQuest Form ADV Part II and the Investment Advisory Agreement.

## **Other**

The following information is a general description of other pertinent information to Clients of this Program:

- CBSI generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and business entities not specifically enumerated in the preceding categories.
- CBSI does not hold Client assets; does not charge service fees six (6) or more months in advance; and does not require pre-payment of more than \$500 in fees per Client.
- Portfolio performance is not verified by CBSI or the Financial Consultant. Performance information is calculated by FundQuest on a uniform and consistent basis. The standards under which performance information is calculated by FundQuest are those promulgated by the Association for Investment Management and Research ("AIMR").

- Commerce Bank, NA pays a nominal one time fee for each referral to CBSI Affiliates for clients referred to CBSI. CBSI does not pay a referral or finders fee to anyone outside of CBSI or one of its affiliates.

## **Our Professional Staff**

The agents of CBSI will be qualified investment professionals who have met the general requirement of being FINRA Series 7 registered and, when required, the Series 65 (or its equivalent) and at a minimum hold a high school diploma or better and have relevant business experience. Many of the agents hold advanced credentials that could include a Bachelor degree (BA, BS), a master degree (MA, MS or MBA), insurance licenses for life and health and/or the CFP designation.

## **Management Biographies**

Robert Mason Carr Jr.

Mr. Carr was born March, 1952 and attended the University of Missouri – Saint Louis. Mr. Carr became the President of the Capital Markets Group of Commerce Bank N.A. in 2005. He is also the President and Chief Executive Officer of Commerce Brokerage Services, which he has held since 1998. Prior to becoming President, Mr. Carr was the Sales Manager which he held beginning in 1988.

Charles Gordon Kim

Mr. Kim was born January, 1961 and has a BSBA and a MBA from Washington University in Saint Louis. Mr. Kim is the Retail Director for Commerce Bank NA and has held that position since 1997. He joined Commerce Bank NA in 1989. Mr. Kim also serves as Director of Commerce Brokerage Services, Inc. which he has held since 1992.

James Daniel Stinnett

Mr. Stinnett was born April, 1945 and has a BA from Vanderbilt University and a JD from the University of Missouri KC Law School. Mr. Stinnett has been with Commerce Bancshares since 1975. Mr. Stinnett is the Chief Legal Counsel for Commerce Bancshares and became the Corporate Secretary for Brokerage in 1996.

Sheryl Marie Shelton

Ms. Shelton was born January 1961 and is a Senior Vice-President of Commerce Brokerage Services. She has been with Commerce Bank NA since 1981 and has been with Commerce Brokerage Services since 1987. Ms. Shelton is the Chief Operations Officer, which she has held for Brokerage since 1996. Ms. Shelton also serves as Director of Commerce Brokerage Services, Inc., which she has held since 2007.

#### Karen Louise Finke

Ms. Finke was born March, 1955 and received a BS Business Administration from the University of Missouri- Columbia in 1977. Ms. Finke holds a Missouri certificate as a Certified Public Accountant. Ms. Finke is currently an Accounting Manager with Commerce Bancshares, which she joined in 1980. She joined Commerce Brokerage in 1988 and has been the Chief Financial Officer and Treasurer for Commerce Brokerage Services since 1990.

#### Christopher Scott Radzom

Mr. Radzom was born October, 1972 and has a BBA from Fontbonne University in St. Louis. Mr. Radzom is Senior Vice-President of Commerce Brokerage Services and the Sales Manager for both brokerage and adviser services. Prior to that, he was the Brokerage Product and Technology Manager since joining Commerce Brokerage in 2000. Prior to Commerce, beginning in 1992, Mr. Radzom was with Mercantile Investment Services, where he was an Officer and the Brokerage Technical Specialist.

#### Jeffrey Albert Walck

Mr. Walck was born January, 1968 and received a BS Business Administration from the University of Missouri- Columbia. Mr. Walck is the Chief Compliance Officer of Commerce Brokerage Services. Prior to Commerce, Mr. Walck was a Compliance Officer for First Advisors, Inc. Mr. Walck has worked in the financial services industry for over 17 years, including serving as a Compliance Officer for A.G Edwards and Edward Jones.