



# Commerce Brokerage Services, Inc.

Registered Investment Advisor A Subsidiary of Commerce Bank

## Item 1 – Cover Page

Form ADV Part 2A Narrative Brochure  
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[www.commercebank.com/brokerage](http://www.commercebank.com/brokerage)

March 15, 2012

This Brochure Supplement provides information about the Management and Financial Advisors of Commerce Brokerage Services, Inc. (“CBSI”) that supplements the CBSI Narrative Brochure. You should have received a copy of the CBSI Narrative Brochure. Please contact Michael Dardis, Chief Compliance Officer at (816) 234-2218 or [Mike.Dardis@CommerceBank.com](mailto:Mike.Dardis@CommerceBank.com) if you did not receive CBSI’s Narrative Brochure or if you have any questions about the contents of this Brochure Supplement. The information in this Brochure Supplement has not been filed with, approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

**Not FDIC insured – No bank guarantee – May lose value**

## **Advisory Services**

Commerce Brokerage Services, Inc. (“CBSI”) is a registered securities brokerage firm and a federally registered investment advisor.

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 annuities.

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

CBSI will also act in the capacity as program sponsor (“Provider”) and as a sub-advisor for Clients who wish to establish accounts to be managed on a discretionary basis by associated persons of The Commerce Trust Company, a division of Commerce Bank (“CTC”), Envestnet Asset Management, Inc. (“Envestnet”) or other independent asset managers (“Sub-Advisor”).

CBSI has entered into an agreement with CTC and Envestnet to provide Clients with both discretionary investment advisory services and operational support services. CBSI may act in more than one capacity, including as the program sponsor, a Client's primary advisor, or a sub-advisor. Envestnet may also act in more than one capacity, including co-advisor to Client along with CBSI, portfolio manager, overlay manager or a sub-advisor.

Envestnet has also been retained to provide operational and support services, which includes the use of any systems provided by or through Envestnet. These systems provide asset performance analysis, customer diagnostic reports, and periodic account reports. This support and use of Envestnet’s systems will also be available to non-discretionary accounts.

Provider will introduce qualified Clients to the Commerce Horizons program (“Program”). Provider, in offering the Commerce Horizons program to Clients, provides professionally managed, fee-based advisory programs through an arrangement with CTC, Envestnet and other advisors. Clients in the Program pay an annual fee (“Advisory Fee”) for the services. Further information about the Advisory Fee can be found under the Advisor Compensation and Advisory Fee section, among others, disclosed herein.

CBSI is a wholly owned subsidiary of Commerce Bank which in turn is wholly owned by Commerce Bancshares, Inc., a publicly owned bank holding company. CBSI is an affiliate of Commerce Investment Advisors, Inc. (“CIA”), a Registered Investment Adviser, which is the advisor to the Commerce Funds, a Registered Investment Company.

CBSI, in its capacity as an investment advisor and in its capacity as a FINRA member broker-dealer, does not hold Client funds or securities. Client accounts are held and cleared on a fully - disclosed basis through National Financial Services, LLC (“NFS”),

the carrying broker - dealer. Clients opening a Commerce Horizons account are required to open a brokerage account with NFS. NFS will execute and clear purchase and sale orders directed to it by Envestnet, CTC, Sub-Advisor(s) or Provider. NFS will also be "custodian" for the account assets. Additional information regarding the role of NFS is contained in the Investment Advisory Agreement.

The Commerce Horizons program offers three types of advisory account programs.

- The Fund Manager Account, for which CTC will provide management on a discretionary basis.
- The Portfolio Manager Account, for which Envestnet will provide management on a discretionary basis.
- The Investment Manager Account, for which Provider will provide services on a non-discretionary basis, and which will be managed by designated Sub-Advisor(s) on a discretionary basis.

A Client will receive a copy of Commerce Brokerage Services, Inc. Form ADV Part II and the appropriate "wrap brochure" that meets the requirements of Rule 204-3. Each Client will also receive a copy of the Envestnet Form ADV Part II and each applicable Sub-Advisor's(s') Form ADV Part II along with their privacy statements.

Provider may accept accounts below the preferred account opening minimum asset value, as specified in the fee schedules enclosed, based upon a number of factors including the Client's anticipated future additions to the account(s) and total investment relationship with CBSI.

Clients will receive from NFS monthly/quarterly statements detailing each Client's securities and cash balances, deposits, withdrawals, transactions, charges or transfers. Clients will also receive a confirmation for transactions cleared through NFS. Clients may elect to receive a quarterly confirmation report in lieu of receiving individual trade by trade confirmations. Upon request Clients may have access to their CBSI account(s) online.

Provider's Commerce Horizons accounts will receive a quarterly performance report ("Quarterly Report") prepared by Envestnet at the end of the quarter in which a new account has been brought under management and every quarter thereafter. This report, in conjunction with the statements from NFS, provides a list of the securities in the Client's portfolio, the quantity of the positions, the cash balance, the market prices as of the date of the report, the total portfolio valuation and an Advisory Fee invoice.

At least annually, Provider or the Financial Advisor will contact each Client to determine whether there have been any changes in the Client's financial situation or investment objectives, and whether the Client wishes to impose any reasonable restrictions on the management of the Program account or reasonably modify existing restrictions.

The Investment Advisory Agreement ("IAA") may not be assigned without the Client's consent, except that Provider or Envestnet may assign the IAA by using a "negative

consent” process whereby the Client has no less than thirty (30) days to respond to a notice of intended assignment. Section 202(a)(1) of the Advisors Act defines “assignment” generally to include any direct or indirect transfer of an investment advisory contract by an advisor or any transfer of a controlling block of an advisor's outstanding voting securities. When applicable, a change to a designated Sub-Advisor is not a change in assignment of the IAA.

The IAA may be terminated by either party upon thirty (30) days prior written notice to the other party. If the IAA is terminated and all Program assets are withdrawn from the Program account prior to the end of a quarter, the pro rata portion of the Advisory Fee will be reimbursed to the Client.

### **Conflicts of Interest**

In its role as an investment advisor, Provider will minimize or limit the potential for conflicts of interest. CBSI, as an investment advisor or a broker-dealer, has established procedures to preclude conflicts of interest. These procedures include CBSI's Code of Ethics, trade exception monitoring and best execution surveillance of orders.

The Commerce Funds, managed by CIA, an affiliate of CBSI, may be included in a Client's portfolio, provided it is in keeping with the Client's stated investment objectives and the Statement of Investment Selection (“SIS”). In order to resolve a potential conflict of interest for Provider related to investments in the Commerce Funds, the Provider will rebate back to the Client's Program account the Client's pro rata share of the management fee received by CIA from the Commerce Funds. Further information regarding this management fee rebate can be found under the Advisory Fee section disclosed herein.

CIA may receive administrative servicing fees from the Commerce Funds in connection with investments in the Commerce Funds. The amount of these administrative servicing fees may vary from one fund to another. Provider does not anticipate rebating a Client's pro rate share of the administrative servicing fees received by CIA. Further information about these administrative servicing fees can be found in the Commerce Funds prospectus.

Each Client may chose, when establishing a Program account or at any time when rebalancing the Program account, to specifically exclude any specific or all Commerce Funds, as well as Commerce Bancshares common stock from their portfolio.

Provider may be assessed additional fees based on the overall activity of a Program account. These additional fees are paid by Provider and are not charged to the Client.

Associated persons of CTC will act as the portfolio manager on a discretionary basis for Client accounts in the Fund Manger Account. CTC also acts as fiduciary for clients with accounts and portfolios held directly with CTC. These CTC clients may or may not be a

CBSI Client. In addition, CBSI may receive research and market data from CTC. CTC is a division of Commerce Bank, an affiliate of CBSI.

CBSI or any of its affiliates 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, including the Commerce Funds. In addition, the mutual funds, including the Commerce Funds, may purchase securities from or enter into repurchase agreements with CBSI or its affiliates.

The Commerce Capital Markets Group, a division of Commerce Bank, is an underwriter, either individually or as a member of a syndicate, of exempt securities which may be purchased for and held in a Commerce Horizons program account.

A Client may also purchase Commerce Funds or Commerce Bancshares common stock outside of the Commerce Horizons program through other broker-dealers not affiliated with CBSI, through an affiliate of CBSI or through a brokerage account held at CBSI.

### **Advisor Compensation**

Provider, its agents, CTC, Envestnet and Sub-Advisor(s) (if applicable) will be compensated under a percentage of assets method for the Program. The Advisory Fee for this Program is charged quarterly in advance based on the prior quarter's period ending balance.

The Advisory Fee will vary by the type of Program account and by the value of the Program account. Provider, its agents, CTC, Envestnet and Sub-Advisor(s) (if applicable) will be compensated based upon the established fee schedules in this document. The amount of compensation received may vary based on the Program selected and may also be more or less than compensation received from a traditional commission based CBSI brokerage account. The portion of compensation received by Provider which is paid to the Financial Advisor may vary based upon changes to the CBSI Financial Advisor incentive programs, bonus compensation plans or attained production level.

### **Advisory Fee**

The enclosed fee schedules will be in effect for the Program account unless otherwise agreed to by all parties. The Advisory Fee is calculated and charged in advance based on the prior quarter's period ending balance of the Program account. On a quarterly basis Envestnet calculates Program account Advisory Fee and issues instructions to NFS, which is authorized to debit the Advisory Fee directly from the Program account.

The initial Advisory Fee for the first calendar quarter (or part thereof) in which the Client participates in the Program shall be calculated and debited on the 15th day of the month (or the next business day if the 15th is a non-business day) after Program account's start date and shall be the Advisory Fee for the first calendar quarter (or part thereof) in which the Client participates in the Program. The initial Advisory Fee for any partial calendar

quarter shall be appropriately pro-rated based on the number of calendar days in the partial quarter. Thereafter, the Advisory Fee shall be calculated at the beginning of each calendar quarter based on the value of Program account on the last business day of the prior calendar quarter and debited from the Program account on the 15<sup>th</sup> of January, April, July, October (or the next business day if the 15<sup>th</sup> is a non-business day).

If a Program account is opened in the last month of a calendar quarter, the Advisory Fee will be calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter on the 15th day of the month (or the next business day if the 15th is a non-business day) after Program account's start date. For example, an account that opened on 9/15/07 would have fees debited on 10/15/07 for the periods (9/15/07 – 9/30/07) and (10/01/07 – 12/31/07).

If a Client invests \$10,000 or more in any Program account after the beginning of a calendar quarter, the Advisory Fee for that quarter will be recalculated and pro-rated as of the day of the additional investment. The Advisory Fee will be debited on the 15th day of the month (or the next business day if the 15th is a non-business day) following the month the additional investment is made to the Program account.

If a Client makes a partial withdraw from the Program account after the beginning of a calendar quarter, the Client will not be credited back any portion of the Advisory Fee previously paid by the Client on the withdrawn Program assets.

The Advisory Fee will be based on the fair market value of the Program assets as calculated on the last business day of the previous calendar quarter. Envestnet will determine fair market value for Advisory Fee calculation purposes. If the IAA is terminated and all Program assets are withdrawn from the Program account prior to the end of a quarter, the pro rata portion of the Advisory Fee will be reimbursed to the Client.

The Advisory Fee associated with this Program, as detailed in the enclosed Annual Fee Schedules and indicated in the Annualized Fee column of each Annual Fee Schedule, includes all CTC, Envestnet, Sub-Advisor and Provider costs that may be incurred in a Client's Commerce Horizons account, including the cost of transactions and other fees normally associated with a managed advisory account.

Provider will rebate back to the Client's Program account, on a quarterly basis, the Client's pro rata share of any management fees charged by CIA for any Commerce Funds held in the Program account.

Provider and Envestnet will not charge an Advisory Fee that is more than six months in advance.

The Advisory Fee will be charged quarterly unless otherwise agreed by all parties in advance.

The Advisory Fee is negotiable and may differ between Client's 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, prior business relationships, the anticipated number or volume of trades and anticipated future services.

Clients with multiple Commerce Horizons accounts (as owner or for their benefit), and household accounts for their immediate family members (such as, spouse and legal dependents residing at the same address) may request Provider to link Program accounts (Fund Manager, Portfolio Manager, and Investment Manager) for Advisory Fee calculation purposes. Program accounts may only be linked if the underlying Program accounts are subject to the standard Advisory Fee as outlined in each Annual Fee Schedule enclosed. Only accounts in the same program can be linked together for Advisory Fee calculation purposes. For example, Fund Manager Accounts can only be linked together with other Fund Manager Accounts; and Portfolio Manager Accounts can only be linked together with other Portfolio Manager Accounts. A Fund Manager Account and a Portfolio Manager Account may not be linked together for Advisory Fee calculation purposes. By linking Program accounts, a portion of the combined accounts may qualify for the next lower Advisory Fee level, which would in effect reduce the overall account fee compared to the Advisory Fee payable if each account were calculated separately. Program accounts with a negotiated Advisory Fee may not be eligible to be linked for Advisory Fee calculation purposes.

A Client may deposit or transfer securities into a Program account and place a restriction on the sale or liquidation of a particular security by requesting Provider to hold the security in the account, but outside of the Program ("Unsupervised Assets"). A limited number of Unsupervised Assets may be held on a temporary basis in a Program account and will not be subject to the Advisory Fee. Unsupervised Assets will be indicated on the Quarterly Report; however, Unsupervised Assets will not be included in the performance of the Program on the Quarterly Report. Provider, in its sole discretion, reserves the right to require the Client to move the non-managed Unsupervised Assets to a CBSI brokerage account.

Client has the right to cancel the IAA within five (5) business days from the date the Financial Advisor, on behalf of Provider, agrees to and accepts the Program's IAA. Client must provide written notice of such cancellation to Provider. In such event, any Advisory Fee paid by the Client shall be refunded to the Client. However, the Client shall be responsible for any transactions executed, market fluctuations, custodial (IRA) fees, or account fees prior to Provider's receipt of the written cancellation notice.

### **Fund Manager Account ("FMA")**

The preferred opening minimum account value for each FMA is \$35,000 of cash or securities. Each FMA will be required to maintain a balance of at least 3 percent in cash or cash equivalents.

### FMA Annual Fee Schedule

	<u>Annualized Fee*</u>
1st \$75,000	2.20%
Next \$175,000	2.10%
Next \$250,000	1.90%
Next \$500,000	1.65%
Next \$1 million	1.45%
Over \$2 million	1.30%

“\*” Annualized Fee column represents the maximum investment management fee Provider will charge the Client.

### **Portfolio Manager Account (“PMA”)**

The preferred opening minimum account value for each PMA is \$250,000 of cash or securities. Each PMA will maintain a balance in cash or cash equivalents, typically ranging between 2 and 5 percent.

### PMA Annual Fee Schedule

	<u>Annualized Fee*</u>
1st \$500,000	2.55%
Next \$500,000	2.30%
Next \$1 million	2.10%
Over \$2 million	1.90%

“\*” Annualized Fee column represents the maximum investment management fee Provider will charge the Client.

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

The preferred opening minimum account value for an IMA is typically \$200,000 of cash or securities for each Sub-Advisor. In addition, the minimum investment required by each individual Sub-Advisor(s) must be met. Each IMA will maintain, based upon the Sub-Advisor's investment style, a balance in cash or cash equivalents, typically ranging between 2 and 5 percent.

Each IMA will typically have one account established for each individual Sub-Advisor (“Sub-Account(s)”). In addition, one account will typically be established to act as the conduit for all funds or securities moving in and out of the IMA and between Sub-Advisor(s) (“Master Account”). There are no management fees for assets held in the Master Account.



### IMA Annual Equity & Balanced Fee Schedule

IMA investments held in the equity and balanced Sub-Advisor's Sub-Account(s) are subject to the IMA Annual Equity & Balanced Fee Schedule:

	<u>Annualized Fee*</u>
1st \$500,000	2.75%
Next \$500,000	2.45%
Next \$4 million	2.15%
Over \$5 million	1.80%

### IMA Annual Fixed Income Fee Schedule

IMA investments held in the fixed income Sub-Advisor's Sub-Account(s) are subject to the IMA Annual Fixed Income Fee Schedule:

	<u>Annualized Fee*</u>
1st \$500,000	2.15%
Next \$500,000	1.80%
Next \$4 million	1.65%
Over \$5 million	1.45%

“\*” Annualized Fee column represents the maximum investment management fee Provider will charge the Client on the entire IMA, inclusive of Provider, Envestnet, and Sub-Advisor fees. Clients with multiple Sub-Accounts will receive a combined weighted average Annualized Fee based on each Sub-Account's respective Annual Fee Schedule.

### **Other Fees**

Clients, who either do not participate in the Commerce Horizons program or who have accounts not part of the Commerce Horizons program (i.e. CBSI brokerage accounts), will be subject to and incur the normal brokerage and transaction charges for their non-Commerce Horizons program accounts.

Transaction fees for Client self directed investments that are not included in the Commerce Horizons program, such as Unsupervised Assets, are subject to the standard CBSI brokerage fees or charges.

Clients opening a qualified account, such as an IRA, 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.

Client self-directed purchases of a specific mutual fund or security, which is not part of the Program account portfolio, will be charged either a sales charge (front-end, contingent, or no fee in the case of a no-load fund) established by the fund company and

detailed in the fund's prospectus or a commission, as detailed in the CBSI commission schedule.

Certain charges may be imposed by outside third-parties in connection with investments held in the Program account. These include 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 third-party fees. Further information regarding charges and fees assessed by an investment company, other securities sponsor, or portfolio manager is available in the appropriate prospectus or disclosure statement.

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

## **General Information**

Provider provides “no cost or obligation” consumer education utilizing the Provider’s Financial Needs Analysis Tool. This service is provided at no cost or obligation to the individual and is not part of or constitute a financial plan or service.

Provider provides the following advisory services and analysis to individuals: 1) analysis of current customer non-advisor investment holdings, 2) non-advisor investment account holdings summary and 3) research regarding a specific investment account related matter.

## **Client Types**

Provider provides investment advice tailored to individuals, banks and thrifts institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities not specifically mentioned in the preceding categories.

## **Investment Types**

The investments in a Fund Manager Account will be primarily mutual funds and exchange traded funds (“ETFs”). The investments in a Portfolio Manager Account will be primarily stocks, ETFs and mutual funds. The investments in an Investment Manger Account will be primarily equity securities and equivalents and fixed income securities. Mutual fund investments in a Program account are limited to investment company “no-load” or “load-waived” share classes, or the equivalent.

## **Analysis Methods**

Clients establishing an Investment Manager Account with Provider will be given advice utilizing one or more methods of analysis including charting, fundamental analysis or technical analysis in addition to the analytical tools and reports available using the systems provided by or through Envestnet or CTC.

## **Sources of Information**

Clients will be required to provide personal and financial information to Provider, CTC, Envestnet, service providers, custodians and designated Sub-Advisors (if applicable) to establish an advisory relationship. In addition, each Client will be required to provide details regarding their financial goals, risk tolerance, time horizon and investment experience. Clients may also indicate any reasonable restrictions or limitations regarding investment categories or specific companies. Information provided will be kept confidential as described in the Commerce Privacy Policy Notice, NFS Privacy Notice, and Envestnet Privacy Notice and designated Sub-Advisor(s) Privacy Notice. These privacy notices will be provided to each Client when the relationship is established. In addition, Provider will furnish client the Commerce Privacy Policy Notice on an annual basis, as required by law or regulation, including Regulation S-P.

## **Investment Strategies**

The investment strategies may differ based on each discretionary manager's strategies associated with the Fund Manager, Portfolio Manager or Investment Manager Accounts.

## **CTC**

The CTC Investment Policy Committee's investment philosophy is based on the following three tenets:

- Asset allocation is the primary determinant of whether you achieve your financial goals
  - Stock, bond, cash, etc. mix
- Diversification within each asset class is essential to achieve more consistent performance
  - By investment style (value, growth, etc.)
  - By active/passive management
  - By manager/strategy
- Periodic adjustments in your portfolio are necessary to reflect
  - Your evolving objectives
  - Medium/longer-term changes in the economic outlook

CTC's asset allocation process starts with rigorous analysis of historical asset class behavior. They use this information to arrive at forecasts for expected returns and volatility for the various available asset classes. The CTC team applies these forecasts to develop return streams (with embedded correlations) and volatility for each asset class for

testing purposes. This is accomplished by incorporating their forecasts into historical data in order to capture actual market behavior. They also characterize and quantify investor risk perceptions and preferences and then quantitatively search for asset class mixes that will maximize client satisfaction (utility) with the expected portfolio behavior. CTC then stress tests their models and assumptions using sensitivity analysis. The end goal is to formulate asset combinations that lie on the “efficient frontier,” which is the theoretical curve that presents the maximum investor utility at each risk/return tradeoff point.

The CTC portfolio manager selection process and due diligence effort involves quantitative and qualitative research from their consultant and other providers, plus their own analysis by CTC teams of quantitative and manager research analysts. To assist CTC in their research, they have developed some unique proprietary quantitative tools that they believe give them an edge in portfolio manager selection and monitoring. Three CTC committees of senior investment professionals (Equity Strategy, Fixed Income Strategy and Alternative Investment Strategy) are involved in and make all decisions in this process.

## **Envestnet**

The Envestnet research team uses proprietary analytical tools and commercially available optimization software applications to develop its asset allocation strategies. Factors used as inputs in the asset allocation process include historical rates of risk and return on various asset classes, correlation across asset classes, and risk premiums, among others.

Envestnet employs a rigorous multiphase approach to researching and selecting portfolio managers suitable for participation in its investment programs (“Approved Sub-Managers”). Approved Sub-Managers are evaluated using data and information from several sources, including the manager and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the manager’s Form ADV Part II, as well as portfolio holdings reports that help demonstrate the manager’s securities selection process. To ensure accuracy, Envestnet attempts to verify all information by comparing it to publicly available sources.

The investment professionals at the investment management firms are a primary source of information to Envestnet, providing quantitative and qualitative information. In addition, Envestnet employs several publicly available databases from independent sources, including but not limited to Nelson’s Directory of Investment Managers, the Mobius M-Search database, Morningstar’s Principia application, Bloomberg and Russell Mellon. These databases are used to verify the information provided by the managers.

## **Education and Business Standards**

The agents of Provider 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.

## **Education and Business Background**

Robert Mason Carr Jr.

Mr. Carr was born March, 1952 and attended the University of Missouri - Saint Louis. He is President and Chief Executive Officer of Commerce Brokerage Services, Inc., which are positions he has held since 1998. Prior to becoming President, Mr. Carr was the CBSI Sales Manager.

John Koeneman Handy

Mr. Handy was born August, 1963, and has a BA from Wittenberg University in Springfield, Ohio. Mr. Handy is the COO and President, Private Client Services for The Commerce Trust Company and has held those positions since 2007. Mr. Handy also serves as Director of Commerce Brokerage Services, Inc., a position which he has held since 2010. Prior to becoming COO and President, Private Client Services, he was President, St. Louis Region for The Commerce Trust Company. Mr. Handy joined Commerce Bank in 1999.

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, Client Solutions for Commerce Brokerage Services, Inc. and manager of the advisory program. Prior to that, he was the Sales Manager for both brokerage and advisor services. Mr. Radzom joined Commerce Brokerage Services, Inc. in 2000.

Jeffrey Daniel Burgess

Mr. Burgess was born July, 1978 and has a BS from Vanderbilt University in Nashville, TN. Mr. Burgess is Senior Vice-President and the Sales Manager for the Eastern Region of Commerce Brokerage Services, Inc. Prior to working with Commerce Brokerage, he was the Group Vice President of Sales for Fisher Investments. Mr. Burgess joined Commerce Brokerage in 2011.

#### James Law Swarts

Mr. Swarts was born December, 1946 and has a BA and a JD from the University of Missouri – Kansas City. Mr. Swarts has been with Commerce Bancshares since 1978. Mr. Swarts is the Chief Legal Counsel for Commerce Bancshares and became the Corporate Secretary for Commerce Brokerage Services, Inc. in 2009

#### 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 Services, Inc. in 1988 and has been the Chief Financial Officer and Treasurer for Commerce Brokerage Services, Inc. since 1990.

#### Michael Anthony Dardis

Mr. Dardis was born April, 1959 and received a B.S. in Petroleum Geology and an M.B.A. from the University of Kansas. Mr. Dardis is the Chief Compliance Officer of Commerce Brokerage Services, Inc. Mr. Dardis has worked in the financial services industry for over 21 years, including serving as a Compliance Manager at Wells Fargo Investments, LLC and as a Field Supervisor at the NASD (FINRA).

### **Other Business Activities**

Commerce Brokerage Services, Inc. is registered with the Securities and Exchange Commission as a securities broker-dealer and is a member of FINRA and is actively engaged in the securities business. It offers a full range of investment products, including annuities.

The principal business of the executive officers of Provider encompasses significant duties with Commerce Brokerage Services, Inc., Commerce Bank, including its Capital Markets Group (“CMG”), and Commerce Bancshares, Inc.

Agents, employees and management of Provider may also be employees of or registered with Commerce Brokerage Services, Inc, Commerce Bank (“the Bank”) or one of its affiliates or subsidiaries.

## **Other Financial Industry Activities or Affiliations**

Commerce Brokerage Services, Inc. is a wholly owned subsidiary of the Bank which in turn is wholly owned by Commerce Bancshares, Inc., a publicly owned bank holding company. Other affiliates include:

- The Commerce Trust Company,  
a division of Commerce Bank
- Commerce Investment Advisors, Inc.
- Commerce Mortgage Corp.
- Commerce Insurance Services, Inc.
- CBI Insurance Company
- CBI Leasing, Inc.

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

Provider and its management or agents in its/their capacity as an advisor will not, as principal, buy securities for itself or sell securities it owns to any advisory Client.

Any “principal transactions” and “agency cross transactions” undertaken by Provider are executed with prior written notification from the Client and comply with the conditions of Section 206(3) and Rule 206(3)-2 of the Investment Advisers Act of 1940.

Any “principal transactions” and “agency cross transactions” undertaken by Envestnet or a designated Sub-Advisor are executed with prior written notification from the Client and comply with the conditions of Section 206(3) and Rule 206(3)-2 of the Investment Advisers Act of 1940. See the IAA and the Form ADV Part II for Envestnet and/or the Sub-Advisor for further details.

CMG is a separately identifiable division of the Bank, and is a MSRB and Government Security registered dealer – bank. CMG acts as both principal and agent in the purchase and sale of exempt securities (i.e., municipal bonds, treasuries, government agencies, etc.) with Clients, some of whom may also be Clients of CBSI's broker-dealer and investment advisor.

CBSI, as a normal part of its brokerage business, will open client accounts and execute brokerage trades through NFS, or directly with other financial institutions.

Certain affiliated persons of CBSI could potentially purchase or sell the same securities as those recommended by Provider to its Clients. Such affiliated persons do not compete with or trade ahead of Clients in connection with their securities transactions nor take advantage of, or trade on the knowledge of the market impact of transactions carried out for Clients, as outlined in the Commerce Brokerage Services Code of Conduct.

The Bank, including CMG, could potentially buy or sell securities for their proprietary accounts that Provider may have also recommended to its Clients.

All Commerce Horizons accounts transact business on a cash basis and do not utilize margin.

The Provider utilizes NFS or CBSI (in limited circumstances) to execute transactions on behalf of its Clients. CBSI tests and monitors for quality of security pricing for trade execution.

## **Conditions for Managing Accounts**

Provider has set a preferred minimum starting value for each Commerce Horizons account. Provider prefers the following Program account opening minimum(s) of cash or investment assets:

- |                      |             |
|----------------------|-------------|
| ▪ Fund Manager       | \$35,000    |
| ▪ Portfolio Manager  | \$250,000   |
| ▪ Investment Manager | \$200,000 * |

\* Investment Manager Accounts will also be subject to each Sub-Advisor minimum investment amount.

Clients opening a Commerce Horizons account are required to open a brokerage account with NFS. NFS will execute and clear purchase and sale orders directed to it by Envestnet, Sub-Advisor(s) or Provider. NFS will also be "custodian" for the account assets.

## **Review of Accounts**

Discretionary accounts managed by CTC, Envestnet or the designated Sub-Advisor will be monitored and managed on a regular basis by the designated managers as described herein and in the Envestnet Form ADV Part II .

## **Provider**

At least annually, Provider or the Financial Advisor will contact each Client to determine whether there have been any changes in the Client's financial situation or investment objectives, and whether the Client wishes to impose any reasonable restrictions on the management of the Program account or reasonably modify existing restrictions.

Portfolio performance is not verified by Provider or the Financial Advisor. Performance information is calculated by Envestnet, which use the Time-Weighted Rate of Return method ("TWRR"). Performance may be calculated in accordance with the methodology of the Global Investment Performance Standards ("GIPS"); however, CBSI and



Envestnet, for various reasons, do no claim to prepare and present performance information in accordance with GIPS.<sup>1</sup>

## **CTC**

Once a manager is selected for a portfolio, ongoing monitoring is performed regularly. Informal monitoring is performed on a day-to-day basis, and daily and weekly reports are generated. A formal review of all managers by CTC's quantitative and qualitative teams and investment committees is conducted quarterly. CTC monitoring includes returns-based and holdings-based analysis. Their ongoing manager due diligence includes monitoring of staff changes, process changes, style drift, asset flows (in or out) and other factors.

CTC's process relies on regular portfolio rebalancing as an important step in maximizing returns for a given level of risk. Client portfolios that employ tactical asset allocation generally are rebalanced with each change in tactical allocation. Portfolios that utilize strategic asset allocation may be rebalanced on a less frequent basis. CTC also looks at drift tolerance in regard to rebalancing. Drift tolerance is a range set around asset allocation targets for each asset class. If an asset class's weighting stays inside of its drift tolerance, no rebalance is necessary. As a rule of thumb, CTC typically recommends rebalancing quarterly or semi-annually; however, market conditions and other factors may warrant rebalancing more or less frequently.

## **Envestnet**

Envestnet conducts periodic reviews, at least annually, to determine when to rebalance across managers and asset classes. Emphasis is placed on strict adherence to the parameters set for each account, including absolute and relative portfolio weights to trigger rebalance, turnover management, and tax issues. This prudence and oversight are critical determinants of Envestnet's investment plans.

## **Investment or Brokerage Discretion**

CTC, Envestnet, or designated Sub-Advisor(s), as detailed in the IAA, are granted a limited power of attorney for the discretionary accounts managed by them under the Program. This limited authority allows the manager to determine the specific securities, the timing, and the principal amount to be bought and sold. This limited authority does not authorize the manager to transfer any cash or securities out of the Program account. In addition, this authority gives CTC, Envestnet or CBSI the authorization to utilize NFS for trade execution, custody and clearing services.

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<sup>1</sup> The GIPS standards are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients.

The selection of investments by the manager will follow the general investment parameters elected by the Client as well as any specific instructions or reasonable restrictions placed on the account by the Client.

Clients maintaining a Commerce Horizons account, give CTC, Envestnet and Sub-Advisor(s) the limited authority to maintain and rebalance each Program account to achieve the required cash or cash equivalents balance, typically ranging between 2 and 5 percent.

Provider does not manage accounts on a discretionary basis and does not have discretionary authority over Program accounts. The Client will have access to a CBSI Financial Advisor who will assist in utilizing the information provided to each Client and be able to discuss investment strategies and specific investment securities.

Provider will not have authority to withdraw securities or funds from Program accounts. On a quarterly basis Envestnet calculates Program account Advisory Fee and issues instructions to NFS, which is authorized to debit the Advisory Fee directly from the Program account.

### **Additional Compensation**

The Bank 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.

CBSI does NOT utilize persons or organizations commonly referred to as “solicitors” or “finders” in its business. CBSI is aware of the requirements of federal regulations covering cash payments for client solicitations as outlined in 17CFR Section 275.206(4)-3. Should CBSI become subject to this requirement, in accordance with that rule, it will provide each client a copy of a solicitor disclosure statement prior to or at the time of entering into any advisory contract.

### **Balance Sheet**

CBSI:

- Does not maintain custody of Client funds or securities.
- Does not require prepayment of more than \$500 in fees per Client and six (6) or more months in advance.