

Protection of Your Assets

Submitted by Sean Gross

Your December 2008 statements included information about a change in supplemental insurance coverage for your accounts. To help address any questions you might have about this, we wanted to provide you with the following information regarding the protection of your assets.

National Financial Services LLC (NFS)

As part of our effort to provide you with quality service, our broker/dealer, Commonwealth Financial Network® (Commonwealth), has a relationship with National Financial Services LLC, Member NYSE, SIPC, a Fidelity Investments company, to provide trade execution, custody, and other related services for your brokerage account. As custodian of your brokerage account, NFS, at the direction of Commonwealth, is responsible for:

- The execution, clearance, and settlement of securities transactions
- Preparing and sending periodic statements of your account and transaction confirmations
- The custody (or safekeeping), receipt, and delivery of funds and securities

Regulatory Oversight

As a registered broker/dealer, NFS is subject to the rules and regulations of the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and other exchanges of which NFS is a member, including the Municipal Securities Rulemaking Board (MSRB). These regulatory organizations each have certain rules and regulations that NFS must follow to safeguard your assets, including:

- Protecting client assets that are fully paid for by segregating them and ensuring they are not used for any other purpose
- Keeping accurate records of your assets held at NFS
- Maintaining net capital at required levels

In compliance with these rules, NFS has its financial information audited on an annual basis and is subject to regulatory oversight examinations. As of June 30, 2008, NFS had net capital of \$2.3 billion, which significantly exceeds minimum regulatory requirements.

Asset Protection

Securities in accounts carried by NFS are protected in accordance with the Securities Investor Protection Corporation (SIPC) up to \$500,000 (including cash claims limited to \$100,000). For details, please see www.sipc.org. To supplement its SIPC coverage, NFS has arranged for additional protection for cash and covered securities from Lloyd's of London, which currently has an A (Excellent) rating from ratings firm A.M. Best and A+ (Strong) ratings with "Stable Outlook" from Fitch Ratings and Standard & Poor's.¹ This additional protection covers up to an aggregate loss limit of \$1 billion for all customer claims, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This is the highest level of excess SIPC coverage currently available. For more information on Lloyd's of London, please go to www.lloyds.com. Neither coverage protects against a decline in the market value of securities.

It is important to bear in mind that SIPC coverage *only* applies when a brokerage firm is closed due to insolvency or other financial difficulties and then *only* if customer assets are missing from accounts.

Finally, excess SIPC protection would *only* be used were SIPC to be exhausted.

We hope you find these protections reassuring. If you have any additional questions about NFS or these protections, please contact us at 509-664-8844. You may also visit our website to review NFS's most recent statement and frequently asked questions on this topic at **www.teloswealth.com**. The NFS statement appears as the second item in our *Recent Articles* column.

We remain confident in the financial strength and prudent management of both Commonwealth and NFS, and continue to be very satisfied with our choice of both firms to provide broker/dealer and custodial services for Telos Wealth Management and our valued clients.

We look forward to helping you reach your financial goals in 2009 and the years ahead!