

December, 30, 2011

Important information from our clearing firm, National Financial Services

In light of recent news about some financial firms' improper use of client securities, we want to share the attached information sent to us by National Financial Services, LLC (NFS).

As you may know, NFS is the clearing firm used by Commonwealth Financial Network[®], the broker/dealer we use to process investment transactions on your behalf. This document reiterates the policies in place to prevent your assets from being used improperly; namely, that NFS does not engage in trading strategies to seek returns for itself.

This information only serves to ratify our choice of Commonwealth and of NFS as partners we can rely on to help us put our clients' interests first. We hope you will find that it does the same for you.

If you have any questions about this issue, or about anything relating to your financial life, please don't hesitate to contact us.



Sean Gross, CFP[®], AIF[®]
President & CEO

NATIONAL FINANCIAL SERVICES LLC

December 22, 2011

To our Introducing Broker-Dealer Correspondent Clients:

Some of you may have heard recent media reports about MF Global Holdings. We want to take this opportunity to provide you some information about our practices so that you may respond to end customer inquiries you may receive.

About NFS

Your customers' accounts are custodied at National Financial Services LLC ("NFS"), a U.S. registered clearing firm.

NFS is regulated by, among other entities, the U.S. Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"). The services provided through NFS, a U.S.-based broker-dealer business, are conducted in accordance with U.S. regulations and laws.

As a clearing firm, NFS provides administrative services such as execution, settlement and clearing services. Unlike some of its introducing broker-dealer clients, NFS does not pursue its own trading strategies to seek returns for itself, but rather, it executes trades only at the direction of its introducing broker-dealer clients. NFS strictly complies with regulations regarding segregation of customer assets and the firm may not and does not use client funds to fund its operations.

NFS is subject to the rules and regulations of the SEC and the FINRA, many of which are specifically designed to protect customer assets. For example, the SEC's customer protection rule, Rule 15c3-3, requires NFS to segregate client securities that are fully paid for or are excess margin securities and ensure that they are not used for any other purpose. This helps ensure that customers have access to these securities at all times.

NFS is also subject to ongoing regulatory examinations. FINRA regularly reviews regulated brokerage firms, such as NFS, to confirm compliance with a host of SEC and FINRA rules, including the customer protection rule described above. This involves reviewing and inspecting financial statements and verifying that firms properly calculate cash reserves, make timely and accurate deposits of customer funds, and follow the rules concerning custody of customer securities.

You may have heard or read recent media reports about brokerage firms using customer securities to finance proprietary trading by re-hypothecating client holdings – that is, using client securities held as collateral in securities loans or to obtain financing. This is not an issue at NFS. As we've already noted above, NFS does not engage in trading strategies to seek returns for itself.

Furthermore, to the extent NFS obtains financing using re-hypothecated customer securities in excess of the amount it has loaned to customers, it must segregate the additional loan proceeds in a reserve account at a bank for the exclusive benefit of the customer and cannot use those proceeds to fund firm investments or operations. Please note the customer protection rules applicable to U.S. broker-dealers, such as NFS, are significantly stronger from a customer protection standpoint than those applicable to broker-dealers operating in some other countries.

Re-hypothecation, in accordance with U.S. rules and regulations, has been a normal part of the brokerage business for decades. It is part of the financing process for clients with margin accounts who are actively using margin to purchase securities or finance open short positions. In simple terms, it allows broker-dealers to borrow securities that are serving as collateral for amounts being loaned to customers. Securities cannot be re-hypothecated unless a customer is actively using credit being extended by the firm and their account is carrying a debit. NFS's practices in this regard are conducted in accordance with SEC rules and regulations governing the protection of customer deposits, as disclosed on our brokerage websites.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bobbi Masiello', with a stylized flourish at the end.

Bobbi Masiello
Executive Vice President

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